



Interim Report 2nd Quarter

Period Ended March 31, 2022

(UNAUDITED)

WE'LL COME TO YOU



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| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$635M | | \$140M | | \$55M | | \$30M | | \$0.02 | |
| 33.4% | | 31.2% | | 36.9% | | 93.3% | | 93.3% | |

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Interim Report to our Shareholders

Q2 FY2022 (Jan. 1, 2022 to Mar. 31, 2022)

Overview

The first six months of this fiscal year, we have grown our net profit by more than 150%, moving from \$34.5 million for six months in fiscal year 2021, to \$86.6 million for the first six-months of this fiscal year 2022. It's worthy to note that the net profit for the entire 12 months last year was \$88.3 million, to which we have almost achieved in just six months of this fiscal year 2022. Earnings per share for the first six months of this fiscal year went from \$0.03 a year ago to \$0.07 per share.

Tropical Battery Company continues to push our diversification strategy (selling more than just conventional lead acid batteries, i.e. selling lithium ion batteries, selling renewable energy products, like solar panels, et cetera) and this is having a positive impact on our overall business.

Community

Serving Customers

We do our best to enhance our customers' lives by providing them with quality products and services. The more customers we serve, the more impact we have. We reached over 27,500 customers this quarter, up from approximately 23,900 customers in Q1 FY 2021. Approximately 550 of these customers are small and medium-size enterprise (SMEs), which earn a significant share of their revenue by reselling Tropical Battery's products. These valued resellers include independently owned gas stations, small auto parts stores, hardware stores and supermarkets.

Empowering Employees

We are happy to report that four of our fellow team members listed below were promoted in the organization.

Team Members Promoted:

| | | |
|-------------------------------|---|---|
| Kevan Lawrence | - | Stock Clerk (Grove Rd. Branch) |
| Yanique Kelly-Campbell | - | Junior Branch Manager (Ferry Branch) |
| Daniel Powell | - | Branch Supervisor (Ash. Road) |
| Angela Mattison | - | Shown Room Attendant (Ash. Rd) |

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE ↑ \$635M 33.4% | OPERATING EXPENSES ↑ \$140M 31.2% | EBITDA ↑ \$55M 36.9% | NET INCOME AFTER TAX ↑ \$30M 93.3% | EARNINGS PER SHARE ↑ \$0.02 93.3% |
|------------------------------|---|----------------------------|--|---|

At the end of Q1 FY 2022, Tropical Battery had 123 team member on staff broken down by gender and age as follows:

Gender:

| | | |
|--------|---|----|
| Female | – | 41 |
| Male | – | 82 |

Age ranges:

| | | |
|-----------|---|----|
| 20 to 39 | - | 51 |
| 40 to 59 | - | 64 |
| 60 & over | - | 7 |

Approximately 57% of our Team Members now own shares in Tropical Battery, an achievement we are proud of, as it was one of our goals to broaden the ownership of the company through our IPO. We are happy that our team members continue to show this kind of material support, as shared ownership creates strong alignment.

Preserving our Environment

Our spent battery export sales fell to 0 tons for the quarter, from 175.1 metric tons in Q2 FY 2021. This cost us approximately \$45 million in lost revenue for the quarter, however on the positive side we continued to collect and purchase spent batteries which will be shipped out and sold later this fiscal year. The vessel that usually transports our spent battery exports ceased its operations in Q1 and no replacement vessel or alternate route

for our cargo was identified, resulting in the no shipments. We plan to begin exporting spent batteries again as soon as possible, with the tentative resumption date set for May 2022.

Collecting and exporting spent automotive batteries has a positive impact on the local and global environment thanks to the recovery of plastic, lead, and is a practice the company is expanding to include lithium batteries after establishing a downstream partner in Kingston, Ontario-based Li-Cycle, North America's largest Li-ion recovery company.

Community / Giving Back

Here at Tropical Battery, we take our corporate social responsibility seriously and continue to seek ways to assist our surrounding communities to empower themselves while also embarking on projects that we believe will enhance the lives of all our stakeholders, generally. In keeping with this commitment, we initiated our separation of waste program in this quarter. We have engaged Jamaica Recycles for the collection and recycling of our plastic bottles. Containers were purchased to store plastic bottles separately from our general waste.

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE \$635M ↑ 33.4% | OPERATING EXPENSES \$140M ↑ 31.2% | EBITDA \$55M ↑ 36.9% | NET INCOME AFTER TAX \$30M ↑ 93.3% | EARNINGS PER SHARE \$0.02 ↑ 93.3% |
|------------------------------|---|----------------------------|--|---|

We continued the internal training on Charging Methods and Best Practices for some of our retail programs and we rolled out the other training session at other retail locations. The Sales team started their doing sales training on their new sales tools (tablets) and the team were all encouraged to take advantage of the Education program that was created to continue learning.

Financial Highlights

Income Statement

Our revenues for the quarter were up 33.4%, moving from \$476 million in Q2 of 2021 to \$635 million in Q2 of 2022. This positive increase of \$158 million was achieved through continuing to closely balance inventory arrivals, and incentivize the team to surpass targets by bringing in new customers from different markets like solar clients and international customers. Each month for the quarter we finished consistently higher than the previous quarter's months, showing steady incremental growth.

Gross profit came in at \$191.7 million or approximately 33% above the same period last year. The gross profit percentage was 30.2% of total revenue, which is slightly lower than same quarter of the previous year which was 30.25%. We will continue to keep our eye on our

targets as to finish the year over our targets.

Operating expenses came in at \$140.4 million or 31.9% above last year is \$106.5 million. We are pleased to see expenses at a lesser growth rate than revenue. We are pleased with our new inventory management system and how it effectively manages the increasing variety of stock efficiently. Also, Our order fulfilment cycle has significantly improved and we believe these are some of the efficiencies that are being realized with the new system.

Earnings before interest, taxes, depreciation, and amortization came in at \$58.7 million for the quarter that's 46 % above the previous year's Q1 EBITDA of \$40 million. That accounts for almost \$18.6 million dollars increase in the company's EBITDA Quarter over Quarter. The net profit came in at \$30.0 million for the quarter and 93.3 % above last year's Q2 of \$15.5 million.

Financial Position

The material changes on the balance sheet were: inventory moved to \$913 million from \$511 million at the end of Q2 2021; receivables, \$422 million from \$366 million in the prior year; payables, moved to \$516 million from \$221 million and; retained earnings, moved to \$890 million from \$770 million at the end of Q2 2021,

| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| \$635M | | \$140M | | \$55M | | \$30M | | \$0.02 | |
| 33.4% | | 31.2% | | 36.9% | | 93.3% | | 93.3% | |

or \$120 million increase, up 15.6%. These increases allowed us to ramp up orders, increase our inventory, to deal with the current growth in sales and, at the same time, avoid any shipping or transportation delays.

Outlook

With our more-than-adequate levels of inventory, we see a bright second half of this fiscal year ahead. We are also still expanding our top-selling retail store, located on Grove Road, just off Half Way Tree Road in Kingston, while will allow us to increase sales at this location even further, and achieve higher profitability, given that retail margins are better than our wholesale margins, while offering greater comfort and convenience for our team members and customers with a substantial increase in square footage. We plan to increase our retail presence island-wide in the coming quarters. We are getting closer with our efforts to acquire profitable companies, and hope to have at least one of them closed before the end of this calendar year.

Sincerely,

Alexander Melville
Managing Director

Daniel Melville
Deputy Managing Director

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE \$635M ↑ 33.4% | OPERATING EXPENSES \$140M ↑ 31.2% | EBITDA \$55M ↑ 36.9% | NET INCOME AFTER TAX \$30M ↑ 93.3% | EARNINGS PER SHARE \$0.02 ↑ 93.3% |
|------------------------------|---|----------------------------|--|---|

Tropical Battery Company Limited

Statement of Financial Position - (Unaudited)
March 31, 2022

| | Notes | Unaudited 31-Mar-22 \$ | Unaudited 31-Mar-21 \$ | Audited 30-Sep-21 \$ |
|--------------------------------------|----------|------------------------------|------------------------------|----------------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 3 | 143,018,377 | 90,884,022 | 173,828,917 |
| Accounts receivable | 4 | 422,326,713 | 365,823,626 | 351,235,981 |
| Due from related companies | 5(a - c) | 170,021,566 | 138,845,521 | 157,400,499 |
| Due from parent company | 5(d) | 23,385,227 | 23,385,227 | 23,385,227 |
| Inventories | 6 | 912,997,753 | 511,062,235 | 608,593,378 |
| Taxation recoverable | | 2,181,857 | - | 525,060 |
| | | <u>1,673,931,493</u> | <u>1,130,000,631</u> | <u>1,314,969,062</u> |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 7 | 516,315,625 | 220,532,510 | 327,676,037 |
| Due to related party | | - | - | 5,000,000 |
| Current/short-term Loan | | - | 100,000,000 | 100,000,000 |
| Current portion of long-term loan | 11(c) | 40,000,000 | - | - |
| Current portion of lease liabilities | | 14,056,683 | 15,326,405 | 15,856,683 |
| | | <u>570,372,308</u> | <u>335,858,915</u> | <u>448,532,720</u> |
| NET CURRENT ASSETS | | 1,103,559,185 | 794,141,716 | 866,436,342 |
| NON-CURRENT ASSETS | | | | |
| Intangible assets | | 38,133,005 | 38,133,005 | 38,133,005 |
| Investments | | - | 42,593,044 | - |
| Property, plant & equipment | | 165,774,804 | 172,914,455 | 176,695,423 |
| Right of use assets | | 142,773,480 | 162,524,989 | 152,649,254 |
| Employee benefits | 8 | 54,407,000 | 35,517,000 | 54,407,000 |
| Interest in joint venture | 5(e) | 5,000,000 | - | 5,000,000 |
| | | <u>\$ 1,509,647,474</u> | <u>1,245,824,209</u> | <u>1,293,321,024</u> |
| Represented by: | | | | |
| SHAREHOLDERS' NET EQUITY | | | | |
| Share Capital | 10 | 156,675,300 | 156,675,300 | 156,675,300 |
| Contributed capital | | 459,207,861 | 459,207,861 | 459,207,861 |
| Accumulated profit | | 270,625,536 | 153,715,234 | 209,989,941 |
| | | <u>886,508,697</u> | <u>769,598,395</u> | <u>825,873,102</u> |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities | | 140,246,170 | 153,475,767 | 145,566,710 |
| Long-term loans | 11 | 471,039,863 | 315,254,009 | 310,028,468 |
| Deferred tax liability | | 11,852,744 | 7,496,038 | 11,852,744 |
| | | <u>623,138,777</u> | <u>476,225,814</u> | <u>467,447,922</u> |
| | | <u>\$ 1,509,647,474</u> | <u>1,245,824,209</u> | <u>1,293,321,024</u> |

These financial statements were approved by the Board of Directors and signed on its behalf by:



Chairman

Marc Melville



Managing Director

Alexander Melville

The accompanying notes form an integral part of the interim financial statements

2nd Quarter Fiscal Year 2022 vs 2nd Quarter Fiscal Year 2021

| | | | | |
|-------------------------------------|--|-----------------------------------|---|--|
| REVENUE ↑ \$635M 33.4% | OPERATING EXPENSES ↑ \$140M 31.2% | EBITDA ↑ \$55M 36.9% | NET INCOME AFTER TAX ↑ \$30M 93.3% | EARNINGS PER SHARE ↑ \$0.02 93.3% |
|-------------------------------------|--|-----------------------------------|---|--|

Tropical Battery Company Limited

Statement of Profit or Loss and Other Comprehensive Income - (Unaudited)

| | Q2 (3 mths.) 31-Mar-22 \$ | Q2 (3 mths.) 31-Mar-21 \$ | Q2 YTD (6 mths.) 31-Mar-22 \$ | Q2 YTD (6 mths.) 31-Mar-21 \$ |
|--|------------------------------------|------------------------------------|--|--|
| Gross operating revenue | 635,094,678 | 476,233,845 | 1,297,038,052 | 927,223,204 |
| Cost of Goods Sold | (443,420,691) | (332,139,805) | (909,010,587) | (646,838,294) |
| Gross Profit on Sales | 191,673,987 | 144,094,040 | 388,027,465 | 280,384,910 |
| Administration, marketing and selling expenses | (140,427,981) | (106,484,058) | (254,895,151) | (210,166,976) |
| Impairment loss on trade receivables | - | - | - | - |
| | (140,427,981) | (106,484,058) | (254,895,151) | (210,166,976) |
| Operating profit | 51,246,006 | 37,609,982 | 133,132,314 | 70,217,934 |
| Other operating Income | 3,667,352 | 2,489,645 | 6,251,412 | 5,505,568 |
| Profit before depre., net financial costs and taxation | 54,913,358 | 40,099,627 | 139,383,726 | 75,723,502 |
| Depreciation | (15,686,767) | (9,487,867) | (31,824,674) | (18,486,346) |
| Profit before net financial costs and taxation | 39,226,591 | 30,611,760 | 107,559,052 | 57,237,156 |
| Finance costs | (13,932,348) | (17,017,124) | (29,237,832) | (30,572,993) |
| Finance income | 5,483,249 | 1,915,460 | 9,114,116 | 7,888,330 |
| Net finance costs | (8,449,099) | (15,101,664) | (20,123,716) | (22,684,663) |
| Profit before taxation | 30,777,492 | 15,510,096 | 87,435,336 | 34,552,493 |
| Taxation | (799,742) | - | (799,742) | - |
| Profit for the periods | 29,977,750 | 15,510,096 | 86,635,594 | 34,552,493 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to profit or loss | | | | |
| Re-measurement gain on employee benefit assets | - | - | - | - |
| Related taxation on re-measurement | - | - | - | - |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the periods | \$ 29,977,750 | 15,510,096 | 86,635,594 | 34,552,493 |
| Earnings per stock unit | \$ 0.02 | \$ 0.01 | \$ 0.07 | \$ 0.03 |

The accompanying notes form an integral part of the interim financial statements

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE \$635M ↑ 33.4% | OPERATING EXPENSES \$140M ↑ 31.2% | EBITDA \$55M ↑ 36.9% | NET INCOME AFTER TAX \$30M ↑ 93.3% | EARNINGS PER SHARE \$0.02 ↑ 93.3% |
|------------------------------|---|----------------------------|--|---|

Tropical Battery Company Limited

Statement of Changes in Shareholders' Net Equity - (Unaudited)

| | Share capital | Capital contribution | Accumulated profit | Total |
|--|----------------------|----------------------|--------------------|--------------------|
| Balance as at October 1, 2020 | 156,675,300 | 459,207,861 | 119,162,741 | 735,045,902 |
| Profit for the period | | | 34,552,493 | 34,552,493 |
| Balance as at March 31, 2021 | \$156,675,300 | 459,207,861 | 153,715,234 | 769,598,395 |
| Dividends | | | (13,000,000) | (13,000,000) |
| Re-measurement loss on employee benefit asset, net of taxation | | | 15,494,250 | 15,494,250 |
| Profit for the period, being comprehensive income | | | 53,780,457 | 53,780,457 |
| Total comprehensive income | - | - | 56,274,707 | 56,274,707 |
| Balance as at October 1, 2021 | 156,675,300 | 459,207,861 | 209,989,941 | 825,873,102 |
| Dividends | | | (26,000,000) | (26,000,000) |
| Profit for the period | | | 86,635,595 | 86,635,595 |
| Balance as at March 31, 2022 | \$156,675,300 | 459,207,861 | 270,625,536 | 886,508,697 |

The accompanying notes form an integral part of the interim financial statements

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE \$635M ↑ 33.4% | OPERATING EXPENSES \$140M ↑ 31.2% | EBITDA \$55M ↑ 36.9% | NET INCOME AFTER TAX \$30M ↑ 93.3% | EARNINGS PER SHARE \$0.02 ↑ 93.3% |
|------------------------------|---|----------------------------|--|---|

Tropical Battery Company Limited

Statement of Cash Flows - (Unaudited)
For the Six Months Ended March 31, 2022

| | Q2 (6 Mths.) 31-Mar-22 | Q2 (6 Mths.) 31-Mar-21 | Audited 30-Sep-21 |
|---|---------------------------|---------------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit for the period | 86,635,595 | 34,552,493 | 88,332,950 |
| Adjustment to reconcile net profit for the period to net cash used by operating activities: | | | |
| Employee benefits | - | - | 1,769,000 |
| Depreciation | 31,824,674 | 18,486,346 | 52,123,793 |
| Taxation expenses | - | - | (808,044) |
| Interest on loans | 14,784,084 | 17,579,165 | 35,158,227 |
| Interest on lease liabilities | 6,185,480 | 6,485,480 | 12,701,106 |
| Amortisation of debt issuance costs | 1,011,395 | - | 2,022,790 |
| Interest income | (730,831) | (630,129) | (3,634,501) |
| Gain on disposal of investments | - | - | (13,208,345) |
| Gain on disposal of property, plant and equipment | - | - | (1,519,087) |
| | <u>139,710,397</u> | <u>76,473,355</u> | <u>172,937,889</u> |
| Changes in working capital: | | | |
| Accounts receivable | (73,758,924) | (65,837,032) | (51,249,387) |
| Due from related companies | (2,297,468) | 15,203,693 | (3,351,285) |
| Due to related party | (5,000,000) | - | 5,000,000 |
| Investments | - | (42,593,044) | - |
| Inventory | (304,404,375) | (211,452,865) | (308,984,008) |
| Payables | 189,439,330 | 105,021,177 | 212,501,836 |
| Cash (used)/generated by operations | <u>(56,311,040)</u> | <u>(123,184,716)</u> | <u>26,855,045</u> |
| Interest received | 730,831 | 630,129 | 3,634,501 |
| Interest paid | (14,784,084) | (17,579,165) | (35,158,227) |
| Taxation paid | (799,742) | (5,931,345) | (6,456,405) |
| Net cash used by operating activities | <u>(71,164,035)</u> | <u>(146,065,097)</u> | <u>(11,125,086)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Investment encashed | - | - | (50,000,000) |
| Proceeds from the sale of investments | - | - | 63,208,345 |
| Proceeds from the sale of property, plant and equipment | - | - | 3,800,000 |
| Investment in joint venture | - | - | (5,000,000) |
| Purchase of property, plant and equipment | (20,904,055) | (19,616,979) | (49,440,572) |
| Net cash used by investing activities | <u>(20,904,055)</u> | <u>(19,616,979)</u> | <u>(37,432,227)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Payment of dividends | (26,000,000) | - | (13,000,000) |
| Payment of lease liabilities | (13,753,845) | (13,521,932) | (27,116,337) |
| Repayment of Long-term loan | 101,011,395 | 7,585,463 | - |
| Net cash provided/(used) by financing activities | <u>61,257,550</u> | <u>(5,936,469)</u> | <u>(40,116,337)</u> |
| Net decrease in cash and cash equivalents | (30,810,540) | (171,618,545) | (88,673,650) |
| Cash and cash equivalents at the beginning of the period/year | 173,828,917 | 262,502,567 | 262,502,567 |
| Cash and cash equivalents at the end of the period/year | <u>\$ 143,018,377</u> | <u>90,884,022</u> | <u>173,828,917</u> |
| Represented by: | | | |
| Cash and cash equivalents | <u>\$ 143,018,377</u> | <u>90,884,022</u> | <u>173,828,917</u> |

The accompanying notes form an integral part of the interim financial statements

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$635M | | \$140M | | \$55M | | \$30M | | \$0.02 | |
| 33.4% | | 31.2% | | 36.9% | | 93.3% | | 93.3% | |

Tropical Battery Company Limited

Notes to the Financial Statements For the Six Months Ended March 31, 2022

1. Corporate structure and principal activities

The company is incorporated in Jamaica and its registered office is situated at 30 Automotive Parkway, Kingston 20, Jamaica.

Up to September 30, 2015, the company was a wholly owned subsidiary of Melville Enterprises Limited, a company incorporated in Jamaica, which in turn is a subsidiary of Archer Caribbean Inc., a company incorporated in the British Virgin Islands.

Pursuant to a deed of amalgamation between various companies in the group, effective September 30, 2015, the company became a wholly-owned subsidiary of Dai Diverze (Jamaica) Limited, (parent company), a company incorporated in Jamaica, which in turn is a wholly owned subsidiary of Diverze Assets Inc., (ultimate parent company) a company incorporated in St. Lucia.

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on September 29,

The principal activities of the company are the sale and distribution of auto batteries and accessories.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaica Companies Act.

Freehold and Leasehold Building 2.5%

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$635M | | \$140M | | \$55M | | \$30M | | \$0.02 | |
| 33.4% | | 31.2% | | 36.9% | | 93.3% | | 93.3% | |

Tropical Battery Company Limited

Notes to the Financial Statements (Continued) For the Six Months Ended March 31, 2022

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars (\$), which is the currency in which the company conducts the majority of its operations. These condensed interim financial statements have been prepared in accordance with accounting policies set out in note 2 to the audited financial statements for the year ended September 30, 2021, and have been consistently applied.

In the interim financial statements no provision is made for Employee Benefits and Deferred Tax.

The unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Statements"

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The financial statements are presented in Jamaica dollars (\$), which is the currency in which the company conducts the majority of its operations. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended

3. CASH and CASH EQUIVALENTS

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|------------------------|---------------------------|-----------------------|
| Cash and bank balances | 92,829,453 | 146,396,285 |
| Short term investments | 50,188,924 | 27,432,632 |
| | <u>\$ 143,018,377</u> | <u>\$ 173,828,917</u> |

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$635M | | \$140M | | \$55M | | \$30M | | \$0.02 | |
| 33.4% | | 31.2% | | 36.9% | | 93.3% | | 93.3% | |

Tropical Battery Company Limited

Notes to the Financial Statements (Continued)
For the Six Months Ended March 31, 2022

4 RECEIVABLES & PREPAYMENTS

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|-------------------------------|---------------------------|----------------------|
| Trade Receivables | 257,873,322 | 251,129,516 |
| Less: Provision for bad debts | (22,873,719) | (22,873,719) |
| | <u>234,999,603</u> | <u>228,255,797</u> |
| Other Receivables | 187,327,110 | 122,980,184 |
| | <u>\$ 422,326,713</u> | <u>351,235,981</u> |

5 RELATED PARTY BALANCES

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|--|---------------------------|----------------------|
| a) Due from related companies: | | |
| Chukka Caribbean Adventure Limited | 3,469,329 | 3,464,121 |
| Diverze Properties Limited | 154,658,806 | 153,936,378 |
| b) Envrate Limited | 5,425,000 | - |
| c) Reside Realty Estate Ltd. | 6,468,431 | - |
| | <u>\$ 170,021,566</u> | <u>157,400,499</u> |
| Due from parent company Dai Diverze (Jamaica) Limited | <u>\$ 23,385,227</u> | <u>23,385,227</u> |
| e) Interest in joint venture Envrate Limited | <u>\$ 5,000,000</u> | <u>5,000,000</u> |

These companies are related by common shareholders and directors.

- a) The balances are unsecured, interest free and has no fixed repayment terms.
- b) This balance attracts interest at 8.5% per annum and matures in February 2023.
- c) This balance attracts interest at 10% per annum which matures in September 2023.

6 INVENTORIES

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|-------------------------------------|---------------------------|----------------------|
| Inventories | 715,445,468 | 366,705,151 |
| Bonded warehouse | 3,392,157 | - |
| Inventories - Spent Battery (Scrap) | 23,501,859 | 2,274,170 |
| Inventories-in-transit | 173,928,496 | 242,884,284 |
| | <u>916,267,980</u> | <u>611,863,605</u> |
| Provision for obsolescence | (3,270,227) | (3,270,227) |
| | <u>\$ 912,997,753</u> | <u>608,593,378</u> |

Inventories comprising merchandise for resale have been valued by management at the lower of cost and net realizable value, using the first-in, first-out method.

7 PAYABLES & ACCRUED CHARGES

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|----------------|---------------------------|----------------------|
| Trade payables | 399,891,202 | 264,711,083 |
| Other payables | 116,424,423 | 62,964,954 |
| | <u>\$ 516,315,625</u> | <u>327,676,037</u> |

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE \$635M ↑ 33.4% | OPERATING EXPENSES \$140M ↑ 31.2% | EBITDA \$55M ↑ 36.9% | NET INCOME AFTER TAX \$30M ↑ 93.3% | EARNINGS PER SHARE \$0.02 ↑ 93.3% |
|------------------------------|---|----------------------------|--|---|

Tropical Battery Company Limited

Notes to the Financial Statements (Continued)
For the Six Months Ended March 31, 2022

8 EMPLOYEE BENEFITS

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|-------------------------------------|---------------------------|----------------------|
| Present value of funded obligations | (190,540,000) | (190,540,000) |
| Fair value of plan assets | 244,947,000 | 244,947,000 |
| Recognized pension asset | <u>\$ 54,407,000</u> | <u>54,407,000</u> |

9 SHARE CAPITAL

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|---|---------------------------|----------------------|
| Authorized: | | |
| Unlimited ordinary shares of no par value | 162,935,000 | 162,935,000 |
| Less: Transactions costs of share issue | <u>(6,259,700)</u> | <u>(6,259,700)</u> |
| Stated, issued and fully paid: | | |
| 1,300,000,000 ordinary shares of no par value | <u>\$ 156,675,300</u> | <u>156,675,300</u> |

GROSS OPERATING REVENUE

Gross operating revenue represents the invoiced value of sales after deduction of returns and is measured net of consumption taxes.

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|----------------------------|---------------------------|----------------------|
| Net Battery Sales | 1,138,257,517 | 1,729,102,767 |
| Net Tyre Sales | 9,425,429 | 22,819,341 |
| Total Accessories | 158,669,446 | 259,399,528 |
| Net Sales before discounts | 1,306,352,392 | 2,011,321,636 |
| Discounts on All Products | <u>(9,314,340)</u> | <u>(14,244,719)</u> |
| Net Sales | <u>\$ 1,297,038,052</u> | <u>1,997,076,917</u> |

LONG-TERM LOANS

| | Q2 (6 Mths.) 31-Mar-22 | Audited 30-Sep-21 |
|---|---------------------------|----------------------|
| a) Related party loan | 15,254,009 | 15,254,009 |
| b) Bonds | 295,785,854 | 294,774,459 |
| | <u>311,039,863</u> | <u>310,028,468</u> |
| c) CIBC FirstCaribbean Current portion of long-term loan | 200,000,000 | - |
| | <u>(40,000,000)</u> | <u>-</u> |
| | <u>160,000,000</u> | <u>-</u> |
| | <u>\$ 471,039,863</u> | <u>310,028,468</u> |

a) The company has an unsecured loan from the ultimate parent company. This loan is interest-free and has no specified repayment date.

b) In April 2019, the company authorized the private placement of secured J\$ notes for an aggregate principal amount of \$300 million. These bonds attract interest at the rate of 7.5% per annum and they mature in April 2024.

c) This represents a five years loan facility from CIBC FirstCaribbean International Bank, attracts an interest rate of 6.75% per annum. The credit facility is unsecured and has a expiration date of March 2027.

TAXATION

The amount reported was deemed outstanding after the Tax Administration Ja. accessed our 2018 financial records.

| | | | | |
|------------------------------|---|----------------------------|--|---|
| REVENUE \$635M ↑ 33.4% | OPERATING EXPENSES \$140M ↑ 31.2% | EBITDA \$55M ↑ 36.9% | NET INCOME AFTER TAX \$30M ↑ 93.3% | EARNINGS PER SHARE \$0.02 ↑ 93.3% |
|------------------------------|---|----------------------------|--|---|



10 Largest Shareholders As at Mar. 31, 2022

| # | Symbol | Shareholders 'Name | # Shares | % |
|------------------------------------|----------|---|---------------|--------|
| 1 | TROPICAL | DAI DIVERZE (JAMAICA) LIMITED | 975,000,000 | 75.0% |
| 2 | TROPICAL | NCB CAPITAL MARKETS (CAYMAN) LTD | 41,999,867 | 3.2% |
| 3 | TROPICAL | CONSCIOUS CAPITAL INC. | 41,250,000 | 3.2% |
| 4 | TROPICAL | TROPICAL BATTERY COMPANY LIMITED CONTRIBUTORY PENSION | 20,035,000 | 1.5% |
| 5 | TROPICAL | DANIEL MELVILLE | 5,000,000 | 0.4% |
| 6 | TROPICAL | SAGICOR SELECT FUND LIMITED - ('CLASS C' SHARES) | 4,222,222 | 0.3% |
| 7 | TROPICAL | NCB CAPITAL MARKETS LTD. A/C 2231 | 4,076,639 | 0.3% |
| 8 | TROPICAL | HERBERT L. HALL | 4,000,000 | 0.3% |
| 9 | TROPICAL | HAZEL TOMLINSON | 3,687,924 | 0.3% |
| 10 | TROPICAL | MR. SHAWN JAMES | 3,440,000 | 0.3% |
| Total of Ten Largest Shareholders: | | | 1,102,711,652 | 84.8% |
| All Other Shareholders: | | | 197,288,348 | 15.2% |
| Total Shares Issued: | | | 1,300,000,000 | 100.0% |

Shareholdings of Directors

As at Mar. 31, 2022

| # | Symbol | Shareholders 'Name | Relationship | # Shares Held Directly | # Shares Held though Connected Co. |
|---|----------|--------------------|-------------------------------|------------------------|------------------------------------|
| 1 | TROPICAL | Marc Melville | DAI Diverze (Jamaica) Limited | - | 975,000,000 |
| 2 | TROPICAL | Alexander Melville | DAI Diverze (Jamaica) Limited | - | 975,000,000 |
| | TROPICAL | Alexander Melville | Conscious Capital Inc. | - | 40,829,000 |
| 3 | TROPICAL | Daniel Melville | DAI Diverze (Jamaica) Limited | 5,000,000 | 975,000,000 |
| 4 | TROPICAL | Ricardo Hutchinson | DAI Diverze (Jamaica) Limited | - | 975,000,000 |
| 5 | TROPICAL | Marc Ramsay | Operor Austus Limited | - | 1,500,000 |
| 6 | TROPICAL | Caryl Fenton | | - | - |

Shareholdings of Executives

As at Mar. 31, 2022

| # | Symbol | Shareholders 'Name | # Shares Held Directly | # Shares Held though Connected Co. |
|---|----------|--------------------|------------------------|------------------------------------|
| 1 | TROPICAL | Reshando Mais | 300,000 | - |
| 2 | TROPICAL | Stacy-Ann Spence | 50,000 | - |
| 3 | TROPICAL | Kamesha Robinson | 907,924 | - |
| 4 | TROPICAL | Claude Christie | 50,000 | - |
| 5 | TROPICAL | O'rane Grey | 150,000 | - |
| 6 | TROPICAL | Sandra Russel | 360,000 | - |

2nd Quarter Fiscal Year 2022 vs 2nd Quarter Fiscal Year 2021

| | | | | | | | | | |
|---------|---|--------------------|---|--------|---|----------------------|---|--------------------|---|
| REVENUE | ↑ | OPERATING EXPENSES | ↑ | EBITDA | ↑ | NET INCOME AFTER TAX | ↑ | EARNINGS PER SHARE | ↑ |
| \$635M | | \$140M | | \$55M | | \$30M | | \$0.02 | |
| 33.4% | | 31.2% | | 36.9% | | 93.3% | | 93.3% | |



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