



Tropical Battery Company Limited

Interim Report Three Months (Unaudited)

1st Quarter Period Ended
December 31, 2020

Interim Report to our Shareholders

Overview

We have completed our first full quarter as a publicly listed entity. The Team is healthy, continues to be motivated and quarterly net profits were higher year over year. Regrettably, there were a lot of inventory delays from our major battery suppliers which created inventory shortages and slowed top line sales. This is a global battery supply problem and customers across the world have experienced similar delays in receiving shipments.

We have put additional supply chain solutions in place to mitigate this problem moving forward.

Financial Highlights

Net profit after tax was \$19 million, beating last year's adjusted Q1 after-tax net profits of \$15 million or up by more than 26.2%. Revenue came in at \$451 million or 9.5% below last year Q1's \$498 million, because of supplier shipment delays. Our gross profit percentage came in at 30.9%, but above last year's 30.1%. Expenses were down 6.4% to \$104 versus \$110 million last year.

Total Equity was up 4.4% moving from

\$735 million at the end of fiscal year September 30, 2020 to \$754 million as of December 31, 2020. The difference was attributed to increases in retained earnings.

Total Assets increased 9.0% to \$1.58 billion or by \$130 million. Driven mainly by increases in inventory received in the last two weeks for FY Q1 2021. Total liabilities moved up \$111 million from \$712 million as at the September 30, 2020 to \$824 million as that December 31, 2020. This move reflects an increase in our payables as we ordered more goods to help with recent delays.

2020 Audit

There was a 15 day delay in completing our audited financial statements, which should've been submitted December 30, 2020. These (now posted on Jan. 14, 2021) audited numbers showed differences in the after-tax profit stated in the Q4 management numbers, released November 15, 2020. Therefore, for comparative purposes we had to adjust last year's numbers to take into account these changes. The material changes are as follows:

- The Company was carrying a \$25 million asset relating to tax losses that could be offset against future tax liabilities. As a result of the listing of the Company on the Jamaica Stock Exchange Junior Market and the related entitlement to a remission of income taxes for the subsequent 10 years, this asset was written off through the income statement.
- Interest expense associated with interest bearing short and long term debt increased.
- The implementation of IFRS 16 had the effect of increasing interest and depreciation expenses and reducing rent expense.
- Covid-19 had an adverse impact on operating expenses as well as the rates used to calculate the provisions for estimated credit losses related to trade receivables.
- The number of stock units outstanding were increased as a result of the IPO.

Outlook

We are making good progress with our pipeline of potential partnerships and strategic acquisitions in Jamaica and across the Caribbean region. We will have one or two to announce later this year. Additionally, demand continues to be strong for the brands that we carry and our new Ferry retail store continues to perform above expectations.

We have materially solved our supplier delay problems, and feel confident that Q2 and the second half of this fiscal year will be substantially better than this first quarter.

Sincerely,



Alexander Melville
Managing Director

WE'LL
COME
TO YOU



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Interim Report to our Shareholders

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Unaudited Statement of Financial Position December 31, 2020

	Notes	Q1 DEC. 31, 2020 \$	Audited SEP. 30, 2020 \$
CURRENT ASSETS			
Cash and cash equivalent	3	164,455,753	262,502,567
Accounts receivables	4	295,629,691	299,986,594
Due from related companies		180,885,333	154,049,214
Due from parent company		23,385,227	23,385,227
Inventories	5	433,665,685	299,609,370
		<u>1,098,021,689</u>	<u>1,039,532,972</u>
CURRENT LIABILITIES			
Accounts payable	6	222,507,735	115,511,333
Short-term Loan	9	100,000,000	100,000,000
Current Portion of lease liabilities		14,415,231	14,415,231
Taxation payable		5,860,229	5,931,345
		<u>342,783,195</u>	<u>235,857,909</u>
NET CURRENT ASSETS		755,238,494	803,675,063
NON-CURRENT ASSETS			
Intangible assets		38,133,005	38,133,005
Investments	7	72,570,553	-
Property, plant & equipment		166,251,621	161,908,088
Right of use assets		167,252,244	172,400,723
Employee Benefits	8	35,517,000	35,517,000
		<u>1,234,962,917</u>	<u>1,211,633,879</u>
Represented by:			
SHAREHOLDER'S NET EQUITY			
Share Capital	10	156,675,300	156,675,300
Contributed capital		459,207,861	459,207,861
Accumulated profit		138,203,915	119,162,741
		<u>754,087,076</u>	<u>735,045,902</u>
NON-CURRENT LIABILITIES			
Lease liabilities		158,125,794	161,423,393
Long-term loans	12(a),(b)	315,254,009	307,668,546
Deferred tax liability		7,496,038	7,496,038
		<u>480,875,841</u>	<u>476,587,977</u>
		<u>1,234,962,917</u>	<u>1,211,633,879</u>

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



Chairman



Managing Directors

Unaudited Statement of Comprehensive Income 1st Quarter Ended December 31, 2020

	Q1 (3 MTHS.) DEC. 31, 2020	Q1 (3 MTHS.) DEC. 31, 2019
Gross operating revenue	450,989,352	498,239,009
Cost of Goods Sold	<u>(314,699,633)</u>	<u>(349,034,490)</u>
Gross Profit on Sales	136,289,719	149,204,519
Other operating Income	3,015,923	616,935
Administration, marketing and selling expenses	<u>(103,682,926)</u>	<u>(110,735,465)</u>
Profit before depreciation, net financial costs and taxation	35,622,716	39,085,989
Depreciation	<u>(8,998,479)</u>	<u>(6,825,000)</u>
Profit before net financial costs and taxation	<u>26,624,237</u>	<u>32,260,989</u>
Finance costs	<u>(13,555,934)</u>	<u>(9,361,298)</u>
Finance income	5,972,871	-
Net finance costs	<u>(7,583,063)</u>	<u>(9,361,298)</u>
Profit before taxation	19,041,174	22,899,691
Taxation	-	<u>(7,809,944)</u>
Profit for the quarter	<u>19,041,174</u>	<u>15,089,747</u>
Earnings per stock unit	\$ 0.022	\$ 0.017

Unaudited Statement of Changes in Shareholders' Net Equity 1st Quarter ended 31 December 2020

	Share capital	Capital contribution	Accumulated profit	Total
Balance as at September 30, 2018	370,000	459,207,861	36,839,996	496,417,857
Profit for the Year		-	62,897,701	62,897,701
Re-measurement loss on employee benefit asset, net of taxation			(12,237,750)	17,877,750
Total comprehensive income		-	50,659,951	50,659,951
Balance as at September 30, 2019	<u>370,000</u>	<u>459,207,861</u>	<u>87,499,947</u>	<u>547,077,808</u>
Issue of shares	156,305,300			156,305,300
Profit for the year			29,336,294	29,336,294
Re-measurement loss on employee benefit asset, net of taxation			2,326,500	2,326,500
Total comprehensive income	-	-	31,662,794	31,662,794
Balance as at September 30, 2020	<u>156,305,300</u>	<u>459,207,861</u>	<u>119,162,741</u>	<u>735,045,902</u>
Profit for the quarter			19,041,174	19,041,174
Total comprehensive income	-	-	19,041,174	19,041,174
Balance as at December 31, 2020	<u>156,305,300</u>	<u>459,207,861</u>	<u>138,203,915</u>	<u>754,087,076</u>

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

Statement of Cash Flows 1st Quarter Ended December 31, 2020

	Note	Q1 (3 MTHS.) DEC. 31, 2020	Audited (12 MTHS.) SEP. 30, 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the quarter/year		19,041,174	29,336,294
Adjustment to reconcile net profit for the quarter/year to net cash used by operating activities:			
Employee benefits		-	9,263,000
Depreciation		8,998,479	33,350,517
Taxation expenses		-	31,239,774
Interest on loans		7,489,754	26,111,669
Interest on lease liabilities		3,920,259	7,010,725
Amortisation of debt issuance costs		-	2,022,790
Interest income		(2,570,553)	(2,374,833)
Loss on disposal of property, plant and equipment		-	36,046
		<u>36,879,113</u>	<u>135,995,982</u>
Changes in working capital:			
Accounts receivable		4,356,903	(17,756,957)
Investments		(72,570,553)	-
Due from related companies		(26,836,119)	118,983,218
Inventory		(134,056,315)	150,524,088
Payables		106,996,402	(77,008,078)
Director's loan		-	2,163,107
Cash (used)/generated by operations		<u>(85,230,569)</u>	<u>312,901,360</u>
Interest received		2,570,553	2,374,833
Interest paid		(7,489,754)	(26,111,669)
Taxation		(71,116)	(17,364,710)
Funds (used)/provided by operations		<u>(90,220,886)</u>	<u>271,799,814</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		-	50,001
Purchase of property, plant and equipment		<u>(13,342,012)</u>	<u>(114,717,193)</u>
Net cash used by investing activities		<u>(13,342,012)</u>	<u>(114,667,192)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		-	156,305,300
Proceeds from short-term/long-term loan		7,585,463	100,000,000
Payment of lease liabilities		(7,217,858)	(14,174,189)
Repayment of Long-term loan		5,148,479	(280,000,000)
Net cash used by financing activities		<u>5,516,084</u>	<u>(37,868,889)</u>
Net increase in cash and cash equivalents		(98,046,814)	119,263,733
Cash and cash equivalents at the beginning of the quarter/year		262,502,567	143,238,834
Cash and cash equivalents at the end of the quarter/year		<u>164,455,753</u>	<u>262,502,567</u>
Represented by:			
Cash and cash equivalents	3	<u>164,455,753</u>	<u>262,502,567</u>

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

Notes to the Financial Statements

1st Quarter Period Ended

December 31, 2020

Corporate structure and principal activities

The company is incorporated in Jamaica and its registered office is situated at 14 Ashenheim Road, Kingston 11, 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 28, 2020. The principal activities of the company are the sale and distribution of auto batteries and accessories.

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.

(b) Basis of preparation:

These condensed interim financial statements have been prepared in accordance with accounting policies set out in note 4 to the audited financial statements for the year ended September 30, 2019, and have been consistently applied from period to period.

In the interim financial statements no provision were made for Employee Benefits, Deferred Tax and Leases - IFRS 16. Provision was made for Corporation tax which will be validated and recomputed once the 2020 audited financial statements are completed. 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 affects 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 the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended September 30, 2020.

CASH and CASH EQUIVALENTS

	Q1 YTD FY 2021 \$	Audited 2020 \$
Local current accounts	126,306,874	224,686,094
Foreign current & savings account	10,578,764	10,383,841
Short term investments	27,570,115	27,432,632
	<u>164,455,753</u>	<u>262,502,567</u>

Notes to the Financial Statements 1st Quarter Ended December 31, 2020

4 RECEIVABLES & PREPAYMENTS

	Q1 YTD FY 2021	Audited 30-Sep-20
	\$	\$
Trade Receivables	236,908,029	241,264,932
Less: Provision for bad debts	(16,591,693)	(16,591,693)
	<u>220,316,336</u>	<u>224,673,239</u>
Other Receivables	75,313,355	75,313,355
	<u>295,629,691</u>	<u>299,986,594</u>

5 INVENTORIES

	Q1 YTD FY 2021	Audited 30-Sep-20
	\$	\$
Inventories	238,970,906	238,187,979
Inventories - Spent Battery (Scrap)	-	684,225
Goods in transit	198,654,189	64,696,576
	<u>437,625,095</u>	<u>303,568,780</u>
	<u>(3,959,410)</u>	<u>(3,959,410)</u>
	<u>433,665,685</u>	<u>299,609,370</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

6 PAYABLES & ACCRUED CHARGES

	Q1 YTD FY 2021	Audited 30-Sep-20
	\$	\$
Trade payables - (USD)	190,954,947	100,043,023
Other payables	31,552,788	15,468,310
	<u>222,507,735</u>	<u>115,511,333</u>

7 INVESTMENT

	Q1 YTD FY 2021	Audited 30-Sep-20
	\$	\$
Capital Growth Fund	10,145,397	-
Stocks	35,812,903	-
BFL Note	10,126,027	-
Cash reserved - Derrimon APO	15,785,977	-
	<u>71,870,304</u>	<u>-</u>

8 EMPLOYEE BENEFITS

	Q1 YTD FY 2021	Audited 30-Sep-20
	\$	\$
Present value of funded obligations	(179,160,000)	(179,160,000)
Fair value of plan assets	214,677,000	214,677,000
Recognized pension asset	<u>35,517,000</u>	<u>35,517,000</u>

Notes to the Financial Statements 1st Quarter Ended December 31, 2020

9 SHORT-TERM LOAN

This represents a short-term loan facility from National Commercial Bank Jamaica Limited which attracts interest at the rate of 7.5% per annum. The facility is secured by a guarantee of certain directors, subordination of inter-company loans, first legal mortgage over certain properties held by a related party and a cross-corporate guarantee

10 SHARE CAPITAL

	FY 2021	30-Sep-20
	\$	\$
Authorized: Unlimited ordinary shares of no par value Issued and fully paid		
1,300,000,000, ordinary shares of no par value	162,935,000	370,000
Less: Transactions costs of share issue	(6,259,700)	
	<u>156,675,300</u>	<u>370,000</u>

11 REVENUES

Revenues represent the price of goods and services sold to third parties, excluding general consumption tax.

	Q1 YTD FY 2021	Audited 30-Sep-20
	\$	\$
Net Battery Sales	388,784,055	442,081,692
Net Tyre Sales	6,477,806	2,891,229
Total Accessories	59,827,445	57,380,651
Net Sales before discounts	<u>455,089,306</u>	<u>502,353,572</u>
Discounts on All Products	(4,099,955)	(4,114,563)
Net Sales	<u>450,989,351</u>	<u>498,239,009</u>

12 LONG-TERM LOANS

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



10 Largest Shareholders as at December 31, 2020

Ten Largest Shareholders

As at Dec 31, 2020

#	Symbol	Shareholders 'Name	# Shares	%
1	TROPICAL	DAI DIVERZE (JAMAICA) LIMITED	975,000,000	75.0%
2	TROPICAL	NCB CAPITAL MARKETS (CAYMAN) LTD	75,335,529	5.8%
3	TROPICAL	CONSCIOUS CAPITAL INC.	40,000,000	3.1%
4	TROPICAL	TROPICAL BATTERY COMPANY LIMITED CONTRIBUTORY PENSION SCHEME	20,035,000	1.5%
5	TROPICAL	NCB CAPITAL MARKETS LTD. A/C 2231	5,419,600	0.4%
6	TROPICAL	HERBERT L. HALL	5,000,000	0.4%
7	TROPICAL	DANIEL MELVILLE	5,000,000	0.4%
8	TROPICAL	GREGORY PATRICK CHUNG	4,632,156	0.4%
9	TROPICAL	HAZEL TOMLINSON	3,687,924	0.3%
10	TROPICAL	RADCLIFFE WAYNE MURRAY	3,567,732	0.3%
Total of Ten Largest Shareholders:			1,137,677,941	87.5%
All Other Shareholders:			162,322,059	12.5%
Total Shares Issued:			1,300,000,000	100.0%

Shareholdings of Directors

As at Dec 31, 2020

#	Symbol	Shareholders 'Name	# Shares Held Directly	# Shares Held though Connected Co.
1	TROPICAL	Marc Melville	-	234,000,000
2	TROPICAL	Alexander Melville	-	196,000,000
3	TROPICAL	Daniel Melville	5,419,600	195,000,000
4	TROPICAL	Ricardo Hutchinson	-	-
5	TROPICAL	Marc Ramsay	-	1,500,000
6	TROPICAL	Caryl Fenton	-	-

Shareholdings of Executives

As at Dec 31, 2020

#	Symbol	Shareholders 'Name	# Shares Held Directly	# Shares Held though Connected Co.
1	TROPICAL	Radcliffe Murray	3,567,732	-
2	TROPICAL	Reshando Mais	300,000	-
3	TROPICAL	Stacy-Ann Spence	50,000	-
4	TROPICAL	Kamesha Robinson	907,924	-
5	TROPICAL	Stanley Wilson	120,000	-
6	TROPICAL	Claude Christie	50,000	-
7	TROPICAL	O'rane Grey	150,000	-
8	TROPICAL	Sandra Russel	620,000	-



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