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# Interim Report 2nd Quarter

Period Ended March 31, 2021

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**(UNAUDITED)**

# WE'LL COME TO YOU



REVENUE	↑	OPERATING EXPENSES	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

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# 2nd Quarter Interim Report to our Shareholders

## Q2 FY2021 (January 1, 2021 to March 31, 2021)

### Overview

It has been a good quarter all things considered, with most of our supply chain problems getting better, and Q2 sales and profits both increased year over year. We also saw improvements in managing our Teams health, as it relates to Covid-19 and maximizing productivity during the shortened workdays.

During the period, we donated much needed batteries to the Bustamante Children's Hospital to enable the restart of the generator. Would like to express our appreciation to the team members that worked hard over the weekend to ensure that the batteries were installed and ready for use. We were also able to donate and install several surveillance cameras to our neighboring Ferry Police Station.

We see these donations as part of our responsibility to help build our communities while ensuring our shareholders continue to see value.

### Financial Highlights

Our revenues for the quarter were up 7.5% moving from \$443 million in 2020 to \$476 million in 2021. This positive increase reflects some improvements in our recent Covid 19 relayed supply chain delivery delays. Q2 operating expenses came in at \$106 million which was 11.6% below last year's \$120 million. EBIDTA came in at \$40.1 million or 49.6% above last year's \$26.8 million. Lastly, our bottom line / net profit after tax was up 314.4% to \$15.5 million.

Additionally, total net profit for the first six months of the fiscal year, now stands at \$34.5 million or 83.5% above last year's \$18.8 million.

Our gross profit percentage came in at 30.8%, which was below both budgeted 31.5%, and last year Q2's 33.2%, resulting from increases in shipping cost and one-off purchases from more expensive suppliers in order to obtain inventory quickly. Increases in lead prices annually also inflated all battery suppliers cost. In light of the increased costs, we implemented a price increase during the

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## Outlook

period, however given the current economic environment we opted not to pass on the full cost increase. By year end, management believes we should be back to 31.5% or above, based on new/current supply chain agreements.

Total Equity was up 4.7% moving from \$735 million at the end of fiscal year September 30, 2020 to \$769 million as at March 31, 2021. The difference is attributed to increases in retained earnings.

The second half of this fiscal year should be substantially better than the first. We continue to motivate Team Members, execute our strategic plan and leverage the attributes of being a public company, which generally focuses on looking for new products, new markets to enter and strategic acquisitions.

We are accelerating activities related to the eStore project. The eStore will allow customers to shop online and via a mobile app. We will also implement a phased product delivery and incorporate the mobile response application into the eStore platform. We plan to launch the eStore by June 2021.

Sincerely

Alexander Melville  
Managing Director

REVENUE ↑ 7.5%    OPERATING EXPENSES ↓ 11.6%    EBIDTA ↑ 49.6%    NET INCOME AFTER TAX ↑ 314.4%

## Tropical Battery Company Limited

Statement of Financial Position (Unaudited)  
March 31, 2021

	Notes	Unaudited 31-Mar-21 \$	Audited 30-Sep-20 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	90,884,022	262,502,567
Accounts receivables	4	365,823,626	299,986,594
Due from related companies	5(a)	138,845,521	154,049,214
Due from parent company	5(b)	23,385,227	23,385,227
Inventories	6	511,062,235	299,609,370
		<u>1,130,000,631</u>	<u>1,039,532,972</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	7	220,532,510	115,511,333
Short-term Loan	10	100,000,000	100,000,000
Current Portion of lease liabilities		12,326,405	14,415,231
Taxation payable		-	5,931,345
		<u>332,858,915</u>	<u>235,857,909</u>
<b>NET CURRENT ASSETS</b>		797,141,716	803,675,063
<b>NON-CURRENT ASSETS</b>			
Intangible assets		38,133,005	38,133,005
Investments	8	42,593,044	-
Property, plant & equipment		172,914,455	161,908,088
Right of use assets		162,524,989	172,400,723
Employee Benefits	9	35,517,000	35,517,000
		<u>1,248,824,209</u>	<u>1,211,633,879</u>
Represented by:			
<b>SHAREHOLDER'S NET EQUITY</b>			
Share Capital	11	156,675,300	156,675,300
Contributed capital		459,207,861	459,207,861
Accumulated profit		153,715,234	119,162,741
		<u>769,598,395</u>	<u>735,045,902</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		156,475,767	161,423,393
Long-term loans	13	315,254,009	307,668,546
Deferred tax liability		7,496,038	7,496,038
		<u>479,225,814</u>	<u>476,587,977</u>
		<u>1,248,824,209</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 Director

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

REVENUE ↑ 7.5%    OPERATING EXPENSES ↓ 11.6%    EBIDTA ↑ 49.6%    NET INCOME AFTER TAX ↑ 314.4%

## Tropical Battery Company Limited

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

	(3 mths.) Q2 YTD 31-Mar-21	(3 mths.) Q2 YTD 31-Mar-20	(6 mths.) Q2 YTD 31-Mar-21	(6 mths.) Q2 YTD 31-Mar-20
Gross operating revenue	476,233,845	443,145,127	927,223,204	941,384,137
Cost of Goods Sold	(332,139,805)	(297,718,579)	(646,838,294)	(646,753,068)
Gross Profit on Sales	144,094,040	145,426,548	280,384,910	294,631,069
Administration, marketing and selling expenses	(106,484,058)	(120,393,911)	(210,166,976)	(237,954,377)
Impairment loss on trade receivables	-	-	-	-
	(106,484,058)	(120,393,911)	(210,166,976)	(237,954,377)
Operating profit	37,609,982	25,032,637	70,217,934	56,676,692
Other operating Income	2,489,645	1,779,670	5,505,568	2,396,605
Profit before depre., net financial costs and taxation	40,099,627	26,812,307	75,723,502	59,073,297
Depreciation	(9,487,867)	(7,519,902)	(18,486,346)	(14,344,902)
Profit before net financial costs and taxation	30,611,760	19,292,405	57,237,156	44,728,395
Finance costs	(17,017,124)	(9,107,367)	(30,572,993)	(16,123,383)
Finance income	1,915,460	1,367,797	7,888,330	5,847,514
Net finance costs	(15,101,664)	(7,739,570)	(22,684,663)	(10,275,869)
Profit before taxation	15,510,096	11,552,835	34,552,493	34,452,526
Taxation	-	(7,809,944)	-	(15,619,888)
Profit for the period	15,510,096	3,742,891	34,552,493	18,832,638
Total comprehensive income for the period	<b>15,510,096</b>	<b>3,742,891</b>	<b>34,552,493</b>	<b>18,832,638</b>
Earnings per stock unit	\$ 0.018	\$ 0.004	\$ 0.040	\$ 0.022

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

REVENUE	↑	OPERATING EXPENSES	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

## Tropical Battery Company Limited

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

	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)	(12,237,750)
Total comprehensive income	-	-	50,659,951	50,659,951
Balance as at September 30, 2019	370,000	459,207,861	87,499,947	547,077,808
Profit for the period			18,832,638	18,832,638
Balance as at March 31, 2020	370,000	459,207,861	106,332,585	565,910,446
Issue of shares	156,305,300	-	-	156,305,300
Profit for the period			10,503,656	10,503,656
Re-measurement loss on employee benefit asset, net of taxation			2,326,500	2,326,500
Total comprehensive income	-	-	12,830,156	169,135,456
Balance as at September 30, 2020	156,675,300	459,207,861	119,162,741	735,045,902
Profit for the period, being comprehensive income			34,552,493	34,552,493
Balance as at March 31, 2021	156,675,300	459,207,861	153,715,234	769,598,395

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



REVENUE ↑ 7.5%    OPERATING EXPENSES ↓ 11.6%    EBITDA ↑ 49.6%    NET INCOME AFTER TAX ↑ 314.4%

## Tropical Battery Company Limited

Statement of Cash Flows - (Unaudited)  
For the 6 Months Ended March 31, 2021

	(Six months) 31-Mar-21	(Six months) 31-Mar-20
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period	34,552,493	18,832,638
Adjustment to reconcile net profit for the period to net cash used by operating activities:		
Depreciation	18,486,346	14,344,902
Taxation expenses	-	15,619,888
Interest on loans	17,579,165	-
Interest on lease liabilities	6,485,480	-
Interest income	(630,129)	(1,255,278)
	<u>76,473,355</u>	<u>47,542,150</u>
Changes in working capital:		
Accounts receivable	(65,837,032)	(16,788,195)
Investments	(42,593,044)	-
Due from related companies	15,203,693	162,400,031
Inventory	(211,452,865)	(107,568,617)
Payables	105,021,177	140,053,216
Cash (used)/generated by operations	<u>(123,184,716)</u>	<u>225,638,585</u>
Interest received	630,129	320,401
Interest paid	(17,579,165)	-
Taxation	<u>(5,931,345)</u>	<u>(5,154,819)</u>
Net cash (used)/provided by operating activities	<u>(146,065,097)</u>	<u>220,804,167</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<u>(19,616,979)</u>	<u>(33,380,436)</u>
Net cash used by investing activities	<u>(19,616,979)</u>	<u>(33,380,436)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term loan	7,585,463	(246,614,773)
Payment of lease liabilities	(13,521,932)	-
Net cash used by financing activities	<u>(5,936,469)</u>	<u>(246,614,773)</u>
Net increase in cash and cash equivalents	(171,618,545)	(59,191,042)
Cash and cash equivalents at the beginning of the period	262,502,567	143,238,834
Cash and cash equivalents at the end of the period	<u>90,884,022</u>	<u>84,047,792</u>
Represented by:		
Cash and cash equivalents	<u>90,884,022</u>	<u>84,047,792</u>

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

REVENUE	↑	OPERATING EXPENSES	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

## Tropical Battery Company Limited

# Notes to the Financial Statements For the 6 Months Ended March 31, 2021

## 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, 2020.

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	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

## Tropical Battery Company Limited

### Notes to the Financial Statements (Continued) For the 6 Months Ended March 31, 2021

#### (b) Basis of preparation:

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, 2020, 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 2021 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 if the information required for full annual financial statements and should be ready in conjunction with the audited financial statements for the year ended September 30, 2020.

### 3 CASH and CASH EQUIVALENTS

	(Six months) FY 2021	(Six months) 30-Sep-20
	₤	₤
Cash and bank balances	63,313,907	235,069,935
Short term investments	27,570,115	27,432,632
	<u>90,884,022</u>	<u>262,502,567</u>

REVENUE	↑	OPERATING EXPENSES	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

## Tropical Battery Company Limited

## Notes to the Financial Statements (Continued)

### For the 6 Months Ended March 31, 2021

**4 RECEIVABLES & PREPAYMENTS**

	(Six months) FY 2021	(Six months) 30-Sep-20
	\$	\$
Trade Receivables	243,483,954	241,264,932
Less: Provision for bad debts	<u>(16,591,693)</u>	<u>(16,591,693)</u>
	226,892,261	224,673,239
Other Receivables	138,931,365	75,313,355
	<u>365,823,626</u>	<u>299,986,594</u>

**5 RELATED PARTY BALANCES**

	(Six months) FY 2021	Audited 30-Sep-20
	\$	\$
a) Due from related companies		
Chukka Caribbean Adventure Limited	3,483,730	3,483,730
Diverze Properties Limited	135,361,791	150,565,484
	<u>138,845,521</u>	<u>154,049,214</u>
b) Due from parent company		
Dai Diverze (Jamaica) Limited (parent company)	<u>23,385,227</u>	<u>23,385,227</u>

**6 INVENTORIES**

	(Six months) FY 2021	Audited 30-Sep-20
	\$	\$
Inventories	419,921,219	238,187,979
Inventories - Spent Battery (Scrap)	3,465,000	684,225
Goods in transit	91,635,426	64,696,576
	<u>515,021,645</u>	<u>303,568,780</u>
Provision for obsolescence	<u>(3,959,410)</u>	<u>(3,959,410)</u>
	<u>511,062,235</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.

**7 PAYABLES & ACCRUED CHARGES**

	(Six months) FY 2021	Audited 30-Sep-20
	\$	\$
Trade payables - (USD)	130,447,511	100,043,023
Other payables	90,084,999	15,468,310
	<u>220,532,510</u>	<u>115,511,333</u>

**8 INVESTMENTS**

	(Six months) FY 2021	Audited 30-Sep-20
	\$	\$
Stocks	26,807,067	-
Bonds	15,785,977	-
	<u>42,593,044</u>	<u>-</u>



REVENUE	↑	OPERATING EXPENSES	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

## Tropical Battery Company Limited

## Notes to the Financial Statements (Continued)

### For the 6 Months Ended March 31, 2021

**9 EMPLOYEE BENEFITS**

	(Six months) 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>

**10 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 credit facility is referred to as the "Senior Unsecured Facility" and has a expiration date of May 19, 2021.

**11 SHARE CAPITAL**

	(Six months) FY 2021	Audited 30-Sep-20
Authorized:	\$	\$
Unlimited (2019: 187,000) ordinary shares of no par value		
Issued and fully paid		
1,300,000,000, (2019: 185,000) ordinary shares of no par value	162,935,000	162,935,000
Less: Transactions costs of share issue	(6,259,700)	(6,259,700)
	<u>156,675,300</u>	<u>156,675,300</u>

**12 REVENUES**

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

	(Six months) FY 2021	Audited 30-Sep-20
	\$	\$
Net Battery Sales	792,492,832	1,649,906,263
Net Tyre Sales	10,592,764	13,646,532
Total Accessories	132,032,838	219,293,852
Net Sales before discounts	935,118,434	1,882,846,647
Discounts on All Products	(7,895,231)	(15,697,564)
<b>Net Sales</b>	<u>927,223,203</u>	<u>1,867,149,083</u>

**13 LONG-TERM LOANS**

	(Six months) FY 2021	Audited 30-Sep-20
	\$	\$
a) Related party loan	15,254,009	15,254,009
b) Bonds	300,000,000	292,414,537
	<u>315,254,009</u>	<u>307,668,546</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.

REVENUE ↑ 7.5%    OPERATING EXPENSES ↓ 11.6%    EBIDTA ↑ 49.6%    NET INCOME AFTER TAX ↑ 314.4%



## 10 Largest Shareholders as at March 31, 2021

#	Symbol	Shareholders 'Name	# Shares	%
1	TROPICAL	DAI DIVERZE (JAMAICA) LIMITED	975,000,000	75.0%
2	TROPICAL	NCB CAPITAL MARKETS (CAYMAN) LTD	75,058,136	5.8%
3	TROPICAL	CONSCIOUS CAPITAL INC.	40,829,000	3.1%
4	TROPICAL	TROPICAL BATTERY COMPANY LIMITED CONTRIBUTORY PENSION	20,035,000	1.5%
5	TROPICAL	NCB CAPITAL MARKETS LTD. A/C 2231	6,106,236	0.5%
6	TROPICAL	DANIEL MELVILLE	5,000,000	0.4%
7	TROPICAL	HERBERT L. HALL	5,000,000	0.4%
8	TROPICAL	SAGICOR SELECT FUND LIMITED - ('CLASS C' SHARES)	4,222,222	0.3%
9	TROPICAL	HAZEL TOMLINSON	3,687,924	0.3%
10	TROPICAL	PANKAJ ASHOK BHATIA	3,099,662	0.2%
Total of Ten Largest Shareholders:			1,138,038,180	87.5%
All Other Shareholders:			161,961,820	12.5%
Total Shares Issued:			1,300,000,000	100.0%

## Shareholdings of Directors

As at March 31, 2021

#	Symbol	Shareholders 'Name	# Shares Held Directly	# Shares Held though Connected Co.
1	TROPICAL	Marc Melville	-	234,000,000
2	TROPICAL	Alexander Melville	-	196,829,000
3	TROPICAL	Daniel Melville	5,000,000	195,000,000
4	TROPICAL	Ricardo Hutchinson	-	-
5	TROPICAL	Marc Ramsay	-	1,500,000
6	TROPICAL	Caryl Fenton	-	-

## Shareholdings of Executives

As at March 31, 2021

#	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	Stanley Wilson	120,000	-
5	TROPICAL	Claude Christie	50,000	-
6	TROPICAL	O'rane Grey	150,000	-

REVENUE	↑	OPERATING EXPENSES	↓	EBIDTA	↑	NET INCOME AFTER TAX	↑
7.5%		11.6%		49.6%		314.4%	

**Tropical Battery Company Limited**

Amendments to the initial submission  
For the 6 Months Ended March 31, 2021

- Statement of Profit or Loss and Other Comprehensive Income update to reflect the comparative period figures for March 31, 2020.
- Statement of Changes in Shareholders' Net Equity updated to reflect the comparative period figures for March 31, 2020.
- Statement of Cash flows updated to reflect the comparative period figures for March 31, 2020.