



Tropical Battery Co. Limited

Interim Report (Unaudited)

4th Quarter ended

30th September 2020

Tropical Battery Company Limited

INDEX TO FINANCIAL STATEMENTS 4th Quarter Period Ended September 30, 2020

INDEX

	<u>Page</u>
Directors' Report to Shareholders	1
Unaudited Statement of Financial Position	2
Unaudited Statement of Comprehensive Income	3
Unaudited Statement of Changes in Equity	4
Unaudited Statement of Cash Flows	5
Notes to the Unaudited Financial Statements	6 - 8
Top Ten Shareholders & Shareholdings of Directors, Officers and Connected Parties	9



Interim Report To Our Shareholders

Overview

During the quarter, we successfully completed our Initial Public Offering. This was a full team effort and we are happy with the support we received. We are all humbled and excited about the opportunities that this additional capital brings to the Company. We have broadened the ownership base that includes a significant portion of our staff, which augurs well towards achieving alignment as we pursue our strategic goals.

Financial Highlights

Fourth quarter:

The fourth quarter revenues came in at an all time high of \$506 million, which is 2.6% above last year's Q4 results and our first time over the \$500 million mark for a single quarter. Gross profit percentage for Q4 came in at 31.8% of revenue, which was above our budgeted 31.5%

Administration, marketing and selling expenses for Q4 were up 10.8% to \$123 million year over year, mainly due to new Covid-19 related expenses and one-time IPO related expenses. Profits before tax were up 31.8% compared to the prior year to \$24.5 million. Net profit per share was \$0.02 for Q4, verses \$0.01 prior year.

Fiscal year:

For the fiscal year, revenue came in at of \$1.9 billion or 7.2% above last year. Gross profit percentage was 31.3%, which was 1.1-percentage point above prior year.

For the fiscal year, administration, marketing and selling expenses were up 10.5% compared to the prior year reflecting the net effect of efficiency improvements and additional expenses from Covid -19. Net profit per share improved to \$0.06 per share verses \$0.05 per share for FYE 2019.

Financial Position

Total Equity was up 41.9% moving from \$547 million at the end of fiscal year 2019 to \$776 million as at September 30, 2020. The increase was driven mainly through increases in retained earnings and cash received from the initial public offering.

Total Assets remained relatively flat at \$1.3 billion as reductions in current assets were offset by capital expenditure associated with our new warehouse. Total liabilities declined by 32.6% moving from \$808 million as at the fiscal year-end 2019 to \$545 million as that September 30, 2020. This positive move reflects our focus on improving the capital structure.

Outlook

As a part of our Strategic 2021 Growth Plan, we will be focusing on creating shareholder's value through acquisitions and partnerships of aligned profitable companies in Jamaica and across the Caribbean region. To this end, we have entered into discussions with several key partners to assist in identifying suitable acquisition targets.

Marc Melville
Chairman

Alexander Melville
Managing Director

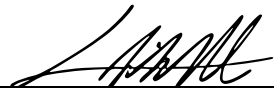
Tropical Battery Company Limited

Unaudited Statement of Financial Position
September 30, 2020

Page 2

	Notes	Unaudited 30-Sep-20 \$	Audited 30-Sep-19 \$
CURRENT ASSETS			
Cash and cash equivalents	3	261,244,577	143,238,834
Accounts receivable	6	314,126,811	291,837,890
Due from parent company		23,385,227	23,385,227
Due from related companies		154,049,213	273,032,432
Due from directors		-	2,163,107
Inventories	7	303,794,985	450,133,458
		<u>1,056,600,813</u>	<u>1,183,790,948</u>
CURRENT LIABILITIES			
Accounts payable	8	115,304,551	192,519,411
Taxation payable		13,963,264	20,145,192
Short-term loan		100,000,000	-
		<u>229,267,815</u>	<u>212,664,603</u>
NET CURRENT ASSETS		827,332,998	971,126,345
NON-CURRENT ASSETS			
Intangible assets		38,133,005	38,133,005
Property, plant & equipment		162,868,286	70,026,094
Employee benefits		41,678,000	41,678,000
Deferred taxation		21,368,373	21,368,373
		<u>264,047,664</u>	<u>171,205,472</u>
		<u>1,091,380,662</u>	<u>1,142,331,817</u>
Represented by:			
SHAREHOLDERS' EQUITY			
Share capital	4	156,675,300	370,000
Contributed capital		459,207,861	459,207,861
Accumulated profit		160,243,492	87,499,947
		<u>776,126,653</u>	<u>547,077,808</u>
NON-CURRENT LIABILITIES			
Long-term loans		315,254,009	595,254,009
		<u>315,254,009</u>	<u>595,254,009</u>
		<u>1,091,380,662</u>	<u>1,142,331,817</u>

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



Marc Melville Chairman



Alexander Melville Managing Director

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

Tropical Battery Company Limited

Unaudited Statement of Comprehensive Income
Year ended 30 September 2020

Page 3

	Three Months Unaudited 30-Sep-20 \$	Three Months Unaudited 30-Sep-19 \$	Unaudited 30-Sep-20 \$	Audited 30-Sep-19 \$
Gross operating revenue	505,538,778	492,572,523	1,867,329,583	1,742,620,392
Cost of Goods Sold	<u>(344,961,491)</u>	<u>(345,376,433)</u>	<u>(1,282,726,429)</u>	<u>(1,216,768,476)</u>
Gross Profit on Sales	160,577,287	147,196,090	584,603,154	525,851,916
Administration, marketing and selling expenses	(123,389,577)	(111,333,307)	(455,893,008)	(412,720,528)
Impairment	-	-	-	1,142,520
Operating profit	37,187,710	35,862,783	128,710,146	114,273,908
Other operating income	16,541,229	7,784,244	16,828,931	9,094,081
Profit before depre., net financial costs and tax.	<u>53,728,939</u>	<u>43,647,027</u>	<u>145,539,077</u>	<u>123,367,989</u>
Depreciation	(7,000,000)	(13,024,665)	(21,875,000)	(23,874,249)
Profit before net financial costs and taxation	<u>46,728,939</u>	<u>30,622,362</u>	<u>123,664,077</u>	<u>99,493,740</u>
Finance costs	(13,292,665)	(8,863,469)	(38,057,958)	(19,290,680)
Foreign exchange (loss)/gain	(8,443,671)	(2,797,755)	1,516,918	6,380,923
Net finance costs	<u>(21,736,336)</u>	<u>(11,661,224)</u>	<u>(36,541,040)</u>	<u>(12,909,757)</u>
Profit before taxation	24,992,603	18,961,138	87,123,037	86,583,983
Taxation	1,942,348	(5,921,570)	(14,379,492)	(23,686,282)
Profit for the year	<u>26,934,951</u>	<u>13,039,568</u>	<u>72,743,545</u>	<u>62,897,701</u>
Earnings per share	0.02	0.01	0.06	0.06

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

Tropical Battery Company Limited

Unaudited Statement of Changes in Equity Year ended 30 September 2020

Page 4

	Share capital	Capital contribution	Accumulated (deficit)/profit	Total
Balance as at September 30, 2017	370,000	459,207,861	(6,223,246)	453,354,615
Profit for the Year	-	-	30,977,828	30,977,828
Re-measurement loss on employee benefit asset, net of taxation	-	-	17,877,750	17,877,750
Total comprehensive income	-	-	48,855,578	48,855,578
Balance as at September 30, 2018	370,000	459,207,861	42,632,332	502,210,193
Adjustment on initial application - (IFRS 9)			(5,792,336)	(5,792,336)
Balance as at October 1, 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)
Balance as at September 30, 2019	370,000	459,207,861	87,499,947	547,077,808
Issue of shares	156,305,300	-	-	156,305,300
Profit for the year			72,743,545	72,743,545
Balance as at September 30, 2020	156,675,300	459,207,861	160,243,492	776,126,653

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

Tropical Battery Company Limited

Unaudited Statement of Cash Flows Year ended 30 September 2020

Page 5

	<u>Note</u>	Unaudited 2020	Audited 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		72,743,545	62,897,701
Adjustments:			
Employee benefits		-	1,807,000
Depreciation		21,875,000	23,874,249
Taxation expense		14,379,492	23,686,282
Interest expense		26,111,669	9,786,620
Interest income		(1,515,075)	(1,707,316)
Gain on disposal of property plant and equipment		-	(5,476,774)
		<u>133,594,631</u>	<u>114,867,762</u>
Changes in working capital:-			
Accounts receivable		(22,288,921)	(12,091,500)
Due from related companies		118,983,219	33,214,155
Due from parent company		(280,000,000)	(480,276)
Inventories		146,338,473	28,323,244
Accounts payable		(77,214,860)	(23,240,290)
Due from directors		2,163,107	(80,520)
		<u>21,575,649</u>	<u>140,512,575</u>
Cash used by operations		21,575,649	140,512,575
Interest received		1,515,075	1,707,316
Interest paid		(26,111,669)	(5,993,208)
Taxation paid		(20,561,420)	(2,441)
Net cash (used in)/provided by operating activities		<u>(23,582,365)</u>	<u>136,224,242</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of property, plant and equipment		-	10,000,000
Purchase of property, plant and equipment		(114,717,192)	(21,992,490)
Net cash provided by/(used) in investing activities		<u>(114,717,192)</u>	<u>(11,992,490)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans, net, being net cash used in		-	(59,569,894)
Loan		100,000,000	-
Issue of shares		156,305,300	-
financing activities		<u>256,305,300</u>	<u>(59,569,894)</u>
Net increase in cash and cash equivalents		118,005,743	64,661,858
Cash and cash equivalents at the beginning of the year		143,238,834	78,576,976
Cash and cash equivalents at the end of the year		<u>261,244,577</u>	<u>143,238,834</u>
Represented by:			
Cash and cash equivalents	3	<u>261,244,577</u>	<u>143,238,834</u>

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

Tropical Battery Company Limited

Notes to the Unaudited Financial Statements Year ended 30 September 2020

Page 6

1 Corporate structure and principal activities

The company is incorporated in Jamaica and its registered office is situated at 30 Automotive Parkway, Ferry Commercial Park, 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. Subsequently to the listing the parent company owns 75% in Tropical Battery Co. Ltd.

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.

(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 Lessee's under 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 of 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.

3 Cash and Cash Equivalents

	Unaudited 2020	Audited 2019
Local current accounts	223,145,640	106,828,677
Foreign current & savings accounts	11,821,585	10,132,805
Short term investments	<u>26,277,352</u>	<u>26,277,352</u>
	<u>261,244,577</u>	<u>143,238,834</u>

Tropical Battery Company Limited

Notes to the Unaudited Financial Statements
Year ended 30 September 2020

Page 7

4 Share Capital

	Unaudited 2020	Audited 2019
Authorized: 1,300,000,000 (2019: 187,000) ordinary shares of no par value		
Stated capital, issued and fully paid: 1,300,000,000, (2019: 185,000) ordinary shares of no par value	162,500,000	370,000
Less: Transaction costs of share issue	<u>(5,824,700)</u>	<u>-</u>
	<u><u>156,675,300</u></u>	<u><u>370,000</u></u>

On 25 August, 2020, the company unanimously passed the following resolutions that authorized share capital of the company be increased from 187,000 to 1,300,000,000 shares. Further there was a share split which increased the share capital from 250,000 ordinary shares to 1,137,500,000.

On September 29, 2020, the company issued 162,500,000 new shares to the public and its shares were listed on the Junior Stock Market of the Jamaica Stock Exchange on September 29, 2020.

5 Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue for the period. The weighted average number of shares for the period was calculated as follows:

	Three Months Unaudited 30-Sep-20	Three Months Unaudited 30-Sep-19	Unaudited 30-Sep-20	Audited 30-Sep-19
Issued ordinary shares at beginning of period	185,000	185,000	185,000	185,000
Effect of shares issued during the period	952,978	65,000	952,978	65,000
Effect of share split during the year	1,137,250,000	1,137,250,000	1,137,250,000	1,137,250,000
Weighted average number of ordinary shares held during the period	<u><u>1,138,387,978</u></u>	<u><u>1,137,500,000</u></u>	<u><u>1,138,387,978</u></u>	<u><u>1,137,500,000</u></u>
Net profit	26,934,951	13,039,568	72,743,545	62,897,701
EPS	0.02	0.01	0.06	0.06

Tropical Battery Company Limited

Notes to the Unaudited Financial Statements
Year ended 30 September 2020

Page 8

6 Accounts Receivable	Unaudited 2020	Audited 2020
Trade Receivable	242,742,402	216,201,774
Less: Provision for bad debts	<u>(9,867,513)</u>	<u>(10,227,151)</u>
	232,874,889	205,974,623
Other Receivables	<u>81,251,922</u>	<u>85,863,267</u>
	<u><u>314,126,811</u></u>	<u><u>291,837,890</u></u>

7 Inventories	Unaudited 2020	Audited 2019
Inventories	238,414,184	336,112,215
Inventories - Spent Battery (Scrap)	684,225	6,934,423
Goods in transit	<u>64,696,576</u>	<u>107,086,820</u>
	<u><u>303,794,985</u></u>	<u><u>450,133,458</u></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.

8 Accounts Payable	Unaudited 2020	Audited 2019
Trade payables - (USD)	81,425,994	146,578,795
Trade payables - (JA..)	10,542,350	21,028,874
Other payables	<u>23,336,207</u>	<u>24,911,742</u>
	<u><u>115,304,551</u></u>	<u><u>192,519,411</u></u>

9 COVID-19

During the months of March and April 2020 the company saw 20% to 35% reduction in sales, causing net losses in those months. The Company's supply chains remain in-tact, but some late shipments were experienced from suppliers in the United States, South Korea and Columbia.

The work from home and social distancing procedures implemented to slow the spread of COVID-19, could have had a more severe impact on Tropical Battery's distribution. However, due to recent innovations and upgrades to our distribution strategy in recent years, the company was able to minimize the effect of less consumer traffic.

Furthermore, at our retail stores, warehouses and head office, we have adopted enhanced safety measures, including those recommended by the government, aimed at providing a safe environment for our staff and customers. These measures include frontline staff members are required to wear masks, team members are subject to daily temperature checks, hand sanitizers installed at entry points, etc. Also, we provide our Staff with all necessary safety items required to perform their respective duties, all at a relatively low cost to the Company.



10 Largest Shareholders of Tropical Battery Co. Limited as at September 30, 2020

#	Symbol	Name of Shareholders	Units	Percentage Ownership
1	TROPICAL	DAI DIVERZE (JAMAICA) LIMITED	975,000,000	75.0%
2	TROPICAL	NCB CAPITAL MARKETS (CAYMAN) LTD	74,999,999	5.8%
3	TROPICAL	CONSCIOUS CAPITAL INC.	40,000,000	3.1%
4	TROPICAL	TROPICAL BATTERY COMPANY LTD CONTRIBUTORY PENSION SCHEME	7,587,249	0.6%
5	TROPICAL	DANIEL MELVILLE	5,000,000	0.4%
6	TROPICAL	HERBERT L. HALL	5,000,000	0.4%
7	TROPICAL	GREGORY PATRICK CHUNG	4,632,156	0.4%
8	TROPICAL	HAZEL TOMLINSON	3,687,924	0.3%
9	TROPICAL	RADCLIFFE WAYNE MURRAY	3,567,732	0.3%
10	TROPICAL	PANKAJ ASHOK BHATIA	3,099,662	0.2%
		Total of Ten Largest Shareholders:	1,122,574,722	86.4%
		All Other Shareholders:	177,425,278	13.6%
		Total Shares Issued:	1,300,000,000	100%

Shareholdings of Directors as at September 30, 2020

#	Symbol	Name of Shareholders	Direct	Connected Parties	Total
1	TROPICAL	Marc Melville	-	234,000,000	234,000,000
2	TROPICAL	Alexander Melville	-	196,000,000	196,000,000
3	TROPICAL	Daniel Melville	5,000,000	195,000,000	200,000,000
4	TROPICAL	Ricardo Hutchinson	-	-	-
5	TROPICAL	Marc Ramsay	-	1,500,000	1,500,000
6	TROPICAL	Caryl Fenton	-	-	-

Shareholdings of Senior Executives as at September 30, 2020

#	Symbol	Name of Shareholders	Direct	Connected Parties	Total
1	TROPICAL	Radcliffe Murray	3,567,732	-	3,567,732
2	TROPICAL	Reshando Mais	300,000	-	300,000
3	TROPICAL	Stacy-Ann Spence	50,000	-	50,000
4	TROPICAL	Kamesha Robinson	907,924	-	907,924
5	TROPICAL	Stanley Wilson	120,000	-	120,000
6	TROPICAL	Claude Christie	50,000	-	50,000
7	TROPICAL	O'rane Gray	150,000	-	150,000
8	TROPICAL	Sandra Russell	620,000	-	620,000