

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (\$)

	2015	2016	2017	2018	2019
Gross Operating Revenue	1,005,823,550	1,194,590,525	1,282,717,840	1,469,207,629	1,742,620,392
Cost of Operating Revenue	(739,186,844)	(871,572,038)	(933,279,441)	(1,019,852,225)	(1,216,768,476)
Gross Profit	266,636,706	323,018,487	349,438,399	449,355,404	525,851,916
Administrative, marketing and selling expenses	(247,685,855)	(304,622,257)	(324,544,531)	(374,694,068)	(411,578,008)
Operating Profit	18,950,851	18,396,230	24,893,868	74,661,336	114,273,908
Other operating income	862,117	81,489,713	15,553,267	4,921,154	9,094,081
Profit before depreciation, net finance costs and taxation	19,812,968	99,885,943	40,447,135	79,582,490	123,367,989
Depreciation	(15,826,764)	(16,322,079)	(16,274,081)	(22,763,008)	(23,874,249)
Profit before net finance cost and taxation	3,986,204	83,563,864	24,173,054	56,819,482	99,493,740
Finance Costs	(86,465,078)	(68,224,600)	(18,503,636)	(18,868,458)	(19,290,680)
Finance Income	661,767	1,220,157	20,429,543	6,939,844	6,380,923
Net Finance Costs	(85,803,311)	(67,004,443)	1,925,907	(11,928,614)	(12,909,757)
(Loss)/Profit before Taxation	(81,817,107)	16,559,421	26,098,961	44,890,868	86,583,983
Taxation	15,432,527	3,358,620	31,998,183	(13,913,040)	(23,686,282)
(Loss)/Profit for the year	(66,384,580)	19,918,041	58,097,144	30,977,828	62,897,701
Other comprehensive (loss)/income					
Re-measurement gain/(loss) on employee benefit assets	(14,041,000)	5,670,000	18,699,000	23,837,000	(16,317,000)
Related taxation on re-measurement	3,510,250	(1,998,250)	(4,674,750)	(5,959,250)	4,079,250
Revaluation of property, plant and equipment	47,786,313	12,308,755	-	-	-
Income tax on revaluation of property, plant and equipment	(9,944,391)	(3,590,723)	-	-	-
Other comprehensive (loss)/income, net of tax	27,311,172.00	12,389,782	14,024,250	17,877,750	(12,237,750)
Total comprehensive (loss)/income for the year	(39,073,408.00)	32,307,823	72,121,394	48,855,578	50,659,951
Earnings per stock unit	-	-	-	167.45	339.99

STATEMENTS OF FINANCIAL POSITION (\$)	2015	2016	2017	2018	2019
CURRENT ASSETS					
Cash and cash equivalent	30,638,906	36,024,143	78,637,293	78,576,976	143,238,834
Accounts receivable	123,971,868	192,213,984	328,647,258	286,202,978	291,837,890
Taxation recoverable	6,833,287	-	-	-	-
Due from related companies	77,223,358	213,853,256	293,100,916	306,246,587	273,032,432
Due from/to directors	8,172,838	-	2,067,002	2,082,587	2,163,107
Due from parent company	-	-	14,906,524	22,904,951	23,385,227
Inventories	247,667,734	315,213,924	476,360,846	478,456,702	450,133,458
Total Current Assets	494,507,991	757,305,307	1,193,719,839	1,174,470,781	1,183,790,948
CURRENT LIABILITIES					
Bank overdraft	125,934,098	-	-	-	-
Accounts payable	373,852,423	425,656,430	296,102,355	211,966,289	192,519,411
Due to Directors	20,000	20,000	-	-	-
Current portion of long-term loans	386,775,737	935,666	689,445	-	-
Taxation payable	-	2,583,822	2,535,257	12,124,761	20,145,192
Total Current Liabilities	886,582,258	429,195,918	299,327,057	224,091,050	212,664,603
NET CURRENT (LIABILITIES)/ASSETS	(392,074,267)	328,109,389	894,392,782	950,379,731	971,126,345
NON-CURRENT ASSETS					
Intangible assets	38,133,005	38,133,005	38,133,005	38,133,005	38,133,005
Property, plant & equipment	318,188,534	224,135,518	74,698,697	76,431,079	70,026,094
Deferred Taxation	10,244,000	14,972,281	42,295,714	32,288,281	21,368,373
Employee Benefits	14,362,811	16,543,000	36,153,000	59,802,000	41,678,000
Total Non-Current Assets	380,928,350	293,783,804	191,280,416	206,654,365	171,205,472
	(11,145,917.00)	621,893,193	1,085,673,198	1,157,034,096	1,142,331,817
Represented by:					
SHAREHOLDER'S (NET DEFICIT) / EQUITY					
Share Capital	370,000	370,000	370,000	370,000	370,000
Capital reserve	233,995,118	242,713,150	-	-	-
Capital contribution	97,540,910	459,207,861	459,207,861	459,207,861	459,207,861
Accumulated (deficit) / profit	(344,647,581)	(321,057,790)	(6,223,246)	42,632,332	87,499,947
	(12,741,553)	381,233,221	453,354,615	502,210,193	547,077,808
NON-CURRENT LIABILITIES					
Long-term loans	1,595,636	240,659,972	632,318,583	654,823,903	595,254,009
	1,595,636	240,659,972	632,318,583	654,823,903	595,254,009
	(11,145,917.00)	621,893,193	1,085,673,198	1,157,034,096	1,142,331,817

STATEMENTS OF CASH FLOWS (\$)	2015	2016	2017	2018	2019
Net profit	(66,384,580)	19,918,041	58,097,144	30,977,828	62,897,701
Adjustments to reconcile net (loss) / profit					
Employee Benefit	(1,768,000)	(629,000)	(911,000)	188,000	1,807,000
Depreciation	15,826,764	16,322,079	16,274,081	22,763,008	23,874,249
Taxation expense	(15,432,527)	(3,358,620)	(31,998,183)	13,913,040	23,686,282
Interest expense	52,028,951	13,081,175	4,673,822	220,807	9,786,620
Interest income	(661,767)	(873,929)	(701,429)	(830,971)	(1,707,316)
Gain on disposal of property plant and equipment	(833,077)	(70,531,926)	-	(1,650,000)	(5,476,774)
Subsidiary balance written off	7,836,114	-	-	-	-
	(9,388,122)	(26,072,180)	45,434,435	65,581,712	114,867,762
Changes in operating assets and liabilities					
Inventories	10,029,050	(67,546,190)	(161,146,922)	(2,095,856)	28,323,244
Accounts Receivable	24,319,576	(57,042,116)	(136,433,274)	42,444,280	(12,091,500)
Due from Related parties	(35,260,294)	(136,629,898)	(94,154,184)	(21,144,098)	32,733,879
Due from/to Directors	(4,821,008)	8,172,838	(2,087,002)	(15,585)	(80,520)
Accounts Payable	9,399,755	55,046,666	(129,550,847)	(84,136,066)	(23,240,290)
Cash (used in) / generated by operations	(5,721,043)	(224,070,880)	(477,937,794)	634,387	140,512,575
Interest received	661,767	873,929	701,429	830,971	1,707,316
Interest paid	(53,833,167)	(16,323,834)	(4,677,050)	(220,807)	(5,993,208)
Taxation (paid) / recovered	(25,784)	6,577,286	(48,565)	(275,353)	(2,441)
Net cash (used) / provided by operating activities	(58,918,227)	(232,943,499)	(481,961,980)	969,198	136,224,242
Cash flows from investing activities					
Proceeds from sale of property plant and equipment	870,000	179,725,350	167,259,750	1,650,000	10,000,000
Purchase of property plant and equipment	(15,841,440)	(30,353,732)	(34,097,010)	(24,495,390)	(21,992,490)
Net cash (used in) / provided by investing activities	(14,971,440)	149,371,618	133,162,740	(22,845,390)	(11,992,490)
Cash flows from financing activities					
Loan received [Bond]	10,211,713	(146,775,735)	391,412,390	21,815,875	(59,569,894)
Capital contribution received	-	361,666,951	-	-	-
Net cash provided by / (used in) financing activities	10,211,713	214,891,216	391,412,390	21,815,875	(59,569,894)
Net (decrease) / increase in cash and cash equivalents	(63,677,954)	131,319,335	42,613,150	(60,317)	64,661,858
Cash & cash equivalents at beginning of the year	(31,617,238)	(95,295,192)	36,024,143	78,637,293	78,576,976
Cash & cash equivalents at end of the year	(95,295,192.00)	36,024,143	78,637,293	78,576,976	143,238,834
Comprising of:					
Cash and cash equivalents	30,638,906	36,024,143	78,637,293	78,576,976	143,238,834
Overdraft	(125,934,098)	-	-	-	-
\$ (95,295,192.00)	36,024,143	78,637,293	78,576,976	143,238,834	

Tropical Battery Company Limited

UNAUDITED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED JUNE 30, 2020

Statement of Financial Position

	Q3 YTD 2020	Audited 2019
	\$	\$
CURRENT ASSETS		
Cash and cash equivalent	96,184,818	143,238,834
Accounts receivables	324,805,170	291,837,890
Due from related companies	190,057,072	273,032,432
Due from directors	2,163,107	2,163,107
Inventories	481,843,436	450,133,458
	<u>1,095,053,603</u>	<u>1,160,405,721</u>
CURRENT LIABILITIES		
Accounts payable	263,917,231	192,519,411
Taxation payable	26,044,735	20,145,192
Current Portion of Long Term Loan	100,000,000	-
	<u>389,961,966</u>	<u>212,664,603</u>
NET CURRENT ASSETS	705,091,637	947,741,118
NON-CURRENT ASSETS		
Intangible assets	38,133,005	38,133,005
Property, plant & equipment	101,869,396	70,026,094
Deferred Taxation	41,678,000	41,678,000
Employee Benefits	21,368,373	21,368,373
TOTAL ASSETS	<u>908,140,411</u>	<u>1,118,946,590</u>
Represented by:		
SHAREHOLDER'S NET DEFICIT		
Share Capital	370,000	370,000
Contributed capital	459,207,861	459,207,861
Accumulated profit	133,308,541	87,499,947
	<u>592,886,402</u>	<u>547,077,808</u>
NON-CURRENT LIABILITIES		
Long-term loans & leases	315,254,009	571,868,782
TOTAL LIABILITIES AND EQUITY	<u>908,140,411</u>	<u>1,118,946,590</u>

Tropical Battery Company Limited

UNAUDITED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED JUNE 30, 2020

Statement of Comprehensive Income

	Q3 YTD 2020	Q3 YTD 2019
Gross operating revenue	1,361,790,805	1,250,047,869
Cost of Goods Sold	<u>(937,764,938)</u>	<u>(871,392,043)</u>
Gross Profit on Sales	424,025,867	378,655,826
Other operating Income	287,702	1,309,837
Administration, marketing and selling expenses	<u>(332,503,431)</u>	<u>(300,244,701)</u>
Profit before depreciation, net finance costs and taxation	91,810,138	79,720,962
Depreciation	(14,875,000)	(10,849,584)
Profit before net finance costs and taxation	<u>76,935,138</u>	<u>68,871,378</u>
Finance costs	(24,765,293)	(10,427,211)
Finance income	9,960,589	9,178,678
Net finance costs	<u>(14,804,704)</u>	<u>(1,248,533)</u>
Profit before Taxation	62,130,434	67,622,845
Taxation	<u>(16,321,840)</u>	<u>(17,764,712)</u>
Profit for the period	<u>\$ 45,808,594</u>	<u>\$ 49,858,133</u>

Tropical Battery Company Limited
UNAUDITED FINANCIAL STATEMENTS FOR NINE MONTHS ENDED JUNE 30, 2020
Statement of Cash Flows

	Q3 YTD 2020	Audited 2019
Cash resources were provided by:		
Operating results	62,130,434	62,897,702
Items not affecting cash resources		
- Depreciation	14,875,000	23,874,249
	<u>77,005,434</u>	<u>86,771,951</u>
Changes in working capital components -		
Inventories	(31,709,978)	28,323,244
Receivables	(32,967,280)	(5,634,912)
Taxation	5,899,543	8,020,431
Deferred Taxation	-	18,124,000
Director's loan	-	(80,520)
Related parties	82,975,360	33,214,155
Employee Benefits	-	10,919,908
Payables	71,397,820	(19,446,878)
Funds provided by/(used) in operations	<u>172,600,899</u>	<u>160,211,379</u>
Financing operations		
Investment from Parent	(256,614,773)	(360,050,170)
NCB Loan	100,000,000	-
Bond	-	300,000,000
IFRS 9 Initial application	-	(5,792,336)
Re-measurement loss on employee benefit asset	-	(12,237,750)
Equity	(16,321,840)	
Funds provided by/(used) in financing	<u>(172,936,613)</u>	<u>(78,080,256)</u>
Investing activities		
Interest Received		
Plant and equipment purchased	(46,718,302)	(17,469,264)
Funds provided by/(used) in investing	<u>(46,718,302)</u>	<u>(17,469,264)</u>
INCREASE/(DECREASE) IN CASH BALANCES	(47,054,016)	64,661,859
Cash balances at start of year	143,238,834	78,576,975
Cash balances at end of year	<u><u>96,184,818</u></u>	<u><u>143,238,834</u></u>
Represented by:		
Cash and cash equivalent	<u><u>96,184,818</u></u>	<u><u>143,238,834</u></u>

Macroeconomic policies

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the Junior Market of the JSE. Such changes in policies may create opportunities as well as challenges for the Company. This is a risk that is not faced by the Company alone but also, by any trading business although the risk could have particular impact on its particular business model.

Foreign Currency Risk

The Company purchases most of its products from international suppliers and therefore payment is settled in United States dollars. Given that Tropical Battery quotes all its prices for goods sold to its customers in Jamaican Dollars, then the Company is exposed to foreign exchange losses as they may not be able to adjust prices in line with the pace of depreciation. Further, the presence of other competitors in the market, may limit the ability of the Company to adjust prices in a timely manner to make allowance for depreciation. If the Company is unable to adjust prices at the pace of depreciation, then it would adversely impact earnings and therefore reduce expected growth in returns to shareholders.

Risk relating to Marketability of the Shares

The Shares, though listed on the Jamaica Stock Exchange, may not be readily saleable due to lack of sufficient demand. Shareholders who may want to “cash-out” therefore, may not be able to do so in a timely manner at their desired price and may sell their shares at a discount.

Risks of hurricane, fire and other Acts of God

Catastrophic events affecting Jamaica such as hurricane(s) and earthquake(s) may severely impact economic activity in Jamaica and by extension, the operations of the Company. The properties from which the Company carries on business are susceptible to loss or damage by fire, hurricane, earthquake, flood and other perils. The Company maintains customary fire and peril insurance on all key equipment and products.

COVID-19 Pandemic

The COVID-19 pandemic has lead to general slow down in economic activity. Now, as countires start to lossen policies that were aimed at controlling the spread of the virus, then business acitivity has started to pick up. A second wave of COVID-19 or another pandemic, however, could lead to another slow down in business activity that may impact the company’s ability to meet revenue and profitability budgets. This could further reduce any expected gains that investors may anticipate to receive on their investment as the stock price may fall below the listing price.

Thin Market in Company’s Shares

The Junior Market of the Jamaican Stock Exchange is relatively small and the market in the Company’s Shares may be relatively thin compared to larger capital markets. This means that trades in small quantities of the Company’s Shares may trigger wide swings (up or down) in the market price of the Shares and may make it easier for the stock price to be manipulated.

Competition

Competition from existing and new providers of batteries, tyres, and automotive products may erode the Company's client base which would negatively impact on the profitability of the Company's business. Competitors may bring new services or technologies to the market or lower the product/service prices. The Company may be forced to respond to any such changes, for example by lowering prices or investing in new equipment/infrastructure earlier than planned.

Liability Claims

As a provider of batteries, tyres and automotive products, the Company is exposed to claims from customers and employees for damages relating to negligence or injury. Any such claim against the Company may result in reputational damage and loss of goodwill. Successful claims may, subject to the Company's liability insurance cover, impact negatively on the Company's financial position and future prospects.

New Technologies/Products

The development of new and improved batteries, tyres and automotive products is an ongoing process. Changes in technology made use of for the supply of products and services by the Company may be beyond the reach of the Company to respond in a timely manner, significantly impacting the Company's financial position and future prospects.

Exposure to Hazardous Materials

Employees, agents, contractors, service providers and customers may be exposed to hazardous materials used in the manufacture of products supplied by the Company and/or by the delivery of certain services to customers.

Operational risk

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events. This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Company does not currently insure against any of these risks, largely because it operates in a virtual environment with no real property. However, losses arising from some or all of the risks described may have a negative impact on the Company's financial position, cash flows, and profits.

Termination of Contractual Relationships

The successful operations of the Company depend on the continuance of the contractual relationships with significant overseas Suppliers of products. There is a risk that some of the contracting parties may choose other parties to distribute their products. If such relationships were terminated or impaired, the Company's turnover and profits may suffer in the short to medium-term while it takes steps to increase sales of its other products, develop alternative products, and attract and build relationships with other key partners. The Company is also in good standing with all its third-party brand owners.

New accounting rules or standards

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is not faced by the Company alone but also, by all trading businesses

Admission of the shares to the Junior Market of the JSE

After the Closing Date, and assuming that the Company is able to raise \$260,000,000.00 as a result of the Invitation by the Closing Date, the Company will make application to the JSE to admit the Shares to the Junior Market. However, the Company is not able to guarantee the full subscription of the Shares in the Invitation or the admission of the Shares to the Junior Market.

Volatility in price of Shares

Following their proposed admission to trading on the Junior Market the Shares may experience volatility in their market price which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control.

Tax domicile

The Company is incorporated in Jamaica and its principal financial, legal, and accounting advisers and auditors are also based in Jamaica. There are taxation risks associated with a listing on the Junior Market. The applicable tax waivers are conditional upon the Company remaining listed on the Junior Market and on the main market of the Jamaica Stock Exchange for a continuous prescribed period. If the Company fails to remain listed for such prescribed period then it may become liable to pay all income tax earlier remitted, with respect to the years when it enjoyed the remission.

Risk Management

The Company's goal in risk management is to ensure that it understands, measures, and monitors the various risks that arise and that it adheres strictly to the policies and procedures, which are established to address these potential risks and that it establishes insurance (where prudent and commercially reasonable to do so) to minimize on loss and damage that the Company may suffer as a result of liability claims. The Board of Directors of the Company is ultimately responsible for the overall risk management policies of the Company. The Board's Audit Committee will oversee the Company's risks policies and procedures relating to the financial statements and reporting process as well as the internal controls of the Company. The Board's Remuneration Committee will oversee risks related to compensation/remuneration.

Threshold responsibility for risk management will be assigned to the Managing Director who, as part of his duties, will be required, on a day-to-day basis, to identify, assess, monitor and manage all principal risks in accordance with well-defined policies and procedures. Risk reporting will be an item on the agenda of each regular Board Meeting. This approach will allow the Company to develop early warning signals that monitor changes in risk affecting its operation and financial performance. The Company has appointed Jeffrey Hall as its mentor. Jeffrey is a highly experienced corporate leader and Chief Executive who has served on the Board of several public companies. Jeffrey will assist the Company to establish a Junior Market and legal compliance regime to ensure that the Company strictly adheres to the Junior Market Rules and all legal reporting requirements. The Directors do not guarantee that changes in the local and international markets will not have any materially adverse impact on the Company's financial results.

No guarantee that the Company will pay dividends

Any dividends on the Shares will be dependent upon the performance of the Company. The Company's dividend policy is set out in Section 7 and should not be construed as a dividend forecast. Under Jamaican law a company can only pay dividends to the extent that it has distributable reserves and cash on hand to pay such dividends. Even where the Company has distributable reserves the Directors may decide not to pay dividends if to do so would render the Company inadequately capitalized or if for any other reason the Directors considers that paying dividends at that time would not be in the best interest of the Company. No dividends can be paid unless recommended by the Directors.

New Technology

With the increase of electric vehicles, this will reduce the demand for lead acid batteries over time. Lead acid batteries is our core product presently. The Company will look at supplying replacement lithium ion batteries for electric cars. The Company will also investigate the possibility of installing metered charging stations in public parking lots such as malls, paid parking areas and government buildings. The Company is also exploring an electrical maintenance service for electric vehicles at Tropical Battery locations.

Dumping of cheap and inferior products in the market

As the first world countries move to electric cars the lead acid battery manufacturers in countries that traditionally manufacture lead acid batteries will slowly go out of business. This will bring about a dumping of cheap and inferior products to third world countries such as Jamaica. This could have a potential impact on our sales. Tropical Battery as the leading battery supplier will monitor the situation and seek protection through the Bureau of Standards or Anti-Dumping and Subsidies Commission where appropriate.