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PARAMOUNT TRADING (JAMAICA) LIMITED

UNAUDITED FINANCIAL STATEMENTS

2nd QUARTER ENDED NOVEMBER 30, 2018



Paramount Trading (Jamaica) Limited
Report to Stockholders
Six months ended November 30, 2018

The Board of Directors is pleased to present the unaudited results of the Company for the six months ended November 30, 2018.

The Company's revenue continues to reflect growth in the last 6 months. Sales for the second quarter was **\$325.1m** bringing sales for the six-month period to **\$697.3m** versus **\$687.2m** in the corresponding period last year, reflecting an increase of **\$10.1m** or **1.5%**. Sales for the 6-month period from lubricants of **\$72.7m** was included in revenue in the previous year.

Since the beginning of this financial year, the company commenced accounting for the lubricant business through the new joint venture blending operations with Allegheny and consequently its share of the profit from the venture, is reported separately in the Financial Statements. This amounted to **\$1.4m** in the current quarter and **\$2.1m** YTD.

Gross Profit increased to **\$232.5m** in the 6-month period up from **\$200.5m** in the previous year, representing an increase of **\$32.1m** or **16%**. This resulted from improved margins earned in this period as the company made price adjustments.

Net profit for the 6 months, however, declined from **\$58.6m** in previous year to **\$45.7m** this year, or by **\$12.9m** as a result of additional administrative expenses incurred to support business development in line with our strategic objectives.

The outlook for the rest of the financial year is positive with revenues trending appreciably in the right direction.

We continue to express our gratitude for the strong commitment of our team, and the strong support of our customers and shareholders.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, is written over a horizontal dotted line.

Paramount Trading (Jamaica) Limited

Table of Contents

Second quarter ended November 30, 2018

	Page
Unaudited Financial Statements	
Statement of profit or loss and other comprehensive income	1
Statement of financial position	2
Statement of changes in shareholders' equity	3
Statement of cash flows	4
Notes to the interim financial statements	5 -7
Schedule of top 10 stockholders, directors and senior officers	8

Paramount Trading (Jamaica) Limited

Statement of Profit or Loss and other Comprehensive Income Second quarter ended November 30, 2018

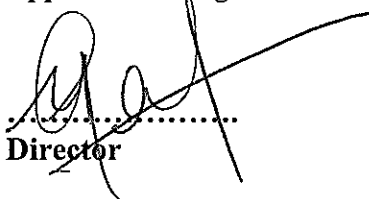
	<u>Notes</u>	<u>Unaudited 3 months ended November 30, 2018</u>	<u>Unaudited 3 months ended November 30, 2017</u>	<u>Unaudited 6 months ended November 30, 2018</u>	<u>Unaudited 6 months ended November 30, 2017</u>	<u>Audited 12 months ended May 31, 2018</u>
		\$	\$			\$
Revenue		325,096,507	356,288,602	697,275,086	687,178,485	1,398,409,815
Direct expenses		215,199,192	257,207,627	464,745,705	486,724,179	972,056,069
Gross profit		109,897,315	99,080,975	232,529,381	200,454,306	426,353,746
Other operating income		1,005,002	1,329,388	2,409,984	2,558,705	5,747,575
Share of Profit from Joint Venture		1,365,379	-	2,091,488	-	-
		112,267,696	100,410,363	237,030,853	203,013,011	432,101,321
Less operating expenses:						
Administrative expenses		90,719,944	72,915,837	177,589,022	135,636,108	323,030,774
Selling & distribution		8,051,175	5,993,359	13,723,186	8,784,512	29,732,504
		98,771,119	78,909,196	191,312,208	144,420,620	352,763,278
Operating profit before finance costs		13,496,577	21,501,167	45,718,645	58,592,391	79,338,043
Finance income		22,516,304	5,522,931	220,767	559,233	959,950
Finance costs		(4,506,712)	(3,315,073)	(6,364,885)	(1,539,235)	(13,253,914)
Net finance income/(costs)	4	18,009,592	2,207,858	(6,144,118)	(980,002)	(12,293,964)
Profit before taxation		31,506,169	23,709,025	39,574,527	57,612,389	67,044,079
Taxation	5	3,938,271	-	4,946,816	-	8,399,606
Net profit, being total comprehensive income for the period/year		27,567,898	23,709,025	34,627,711	57,612,389	58,644,473
Earnings per stock unit	6	\$0.018	\$0.015	\$0.022	\$0.037	\$0.038

Paramount Trading (Jamaica) Limited
Statement of Financial Position
November 30, 2018

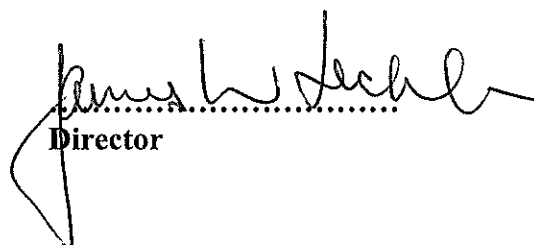
	<u>Note</u>	<u>Unaudited</u> <u>November 30,</u> <u>2018</u> \$	<u>Unaudited</u> <u>November 30,</u> <u>2017</u> \$	<u>Audited</u> <u>May 31,</u> <u>2018</u> \$
Non-current assets:				
Property, plant and equipment		271,244,721	258,222,757	263,597,645
Investments		7,388,295	57,096,449	57,875,469
Current assets:				
Inventories		553,828,698	394,433,969	500,024,099
Tax recoverable		3,153,144	1,112,914	1,329,493
Receivables	7	399,103,868	321,275,132	378,134,060
Cash and cash equivalents		34,007,516	21,980,198	28,205,145
		990,093,226	738,802,213	907,692,797
Current liabilities				
Payables		480,109,802	237,481,735	410,796,040
Taxation Payable		8,237,781	-	3,290,965
Current portion of long term borrowings		11,244,672	15,530,383	13,357,128
		499,592,255	253,012,118	427,444,133
Net current assets		490,500,971	485,790,095	480,248,664
Total assets less current liabilities		769,133,987	801,109,301	801,721,778

Equity:				
Issued capital	8	77,492,243	77,492,243	77,492,243
Retained earnings		635,861,600	661,900,487	662,932,572
		713,353,843	739,392,730	740,424,815
Non-current liabilities:				
Long term borrowings		50,671,503	61,716,571	56,188,322
Deferred tax liability		5,108,641	-	5,108,641
		55,780,144	61,716,571	61,296,963
Total Equity and non-current liabilities		769,133,987	801,109,301	801,721,778

Approved and signed on behalf of the Board by:



 Director



 Director

Paramount Trading (Jamaica) Limited

Statement of changes in Shareholders' Equity Second quarter ended November 30, 2018

	<u>Note</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at May 31, 2017		77,492,243	604,288,099	681,780,342
Total comprehensive income		-	57,612,389	57,612,389
Balances at November 30, 2017		<hr/> 77,492,243	<hr/> 661,900,488	<hr/> 739,392,731
		<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at May 31, 2018		77,492,243	662,932,572	740,424,815
Total comprehensive income		-	34,627,711	34,627,711
Dividends	9		(61,698,683)	(61,698,683)
Balances at November 30, 2018		<hr/> 77,492,243	<hr/> 635,861,600	<hr/> 713,353,843

Paramount Trading (Jamaica) Limited

Statement of Cash Flows

Six months ended November 30, 2018

	<u>6 months ended</u> <u>November 30, 2018</u>	<u>6 months ended</u> <u>November 30, 2017</u>
	\$	\$
Cash flows from operating activities		
Net profit for the period	34,627,711	57,612,389
Adjustments for:		
Depreciation	23,914,545	14,911,842
Interest expense	3,648,705	3,014,177
Interest income	(220,767)	(394,860)
Operating cash flows before changes in working capital	61,970,194	75,143,548
Changes in operating assets and liabilities		
Inventories	(53,804,599)	(27,375,127)
Accounts receivable	(22,335,186)	(16,706,314)
Tax recoverable	(1,823,651)	(31,150)
Taxation payable	4,946,816	-
Payables	70,679,141	(43,299,439)
Interest received	220,767	394,860
Interest paid	(3,648,705)	(3,014,177)
Net cash provided by/(used in) operating activities	56,204,777	(14,887,799)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(31,561,620)	(33,163,472)
Net cash used in investing activities	(31,561,620)	(33,163,472)
Cash flows from financing activities		
Dividends Paid	(61,698,683)	-
Loan received	-	24,689,862
Loan repayments	(7,629,275)	(6,101,266)
Net cash (used)/provided by financing activities	(69,327,958)	18,588,596
Net decrease in cash and cash equivalents	(44,684,803)	(29,462,675)
Cash and cash equivalents at beginning of the period	86,080,614	108,539,322
Cash and cash equivalents at end of period	41,395,811	79,076,647
Represented by:		
Cash and cash equivalents	34,007,516	21,980,198
Investments	7,388,295	57,096,449
Net cash and cash equivalents at end of period	41,395,811	79,076,647

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements

Second quarter ended November 30, 2018

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

The Company operates in Jamaica and has its registered office at 39 Waltham Park Road Kingston 11. The principal activity of the Company is importation and distribution of chemical raw materials and other related products. The Company provides contract manufacturing services for an international company and is a distributor of the “SIKA” line of construction products. This line includes admixtures, adhesives and sealants with applications that range from the do-it-yourself to road construction.

Effective 31 December 2012, the Company’s shares were listed on the Junior Market of the Jamaica Stock Exchange.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34, interim reporting and should be read in conjunction with the audited financial statements for the year ended May 31, 2018, which have been prepared in accordance with IFRS and comply with the Jamaican Companies Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim financial statements are consistent with those used in the audited financial statements for the year ended May 31, 2018.

(a) Depreciation:

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated lives

(b) Trade receivables

Trade receivables are carried at anticipated realisable value. A provision is made for impairment of trade receivables when it is established that there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit and loss.

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements
Second quarter ended November 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Inventories

Inventories are stated at the lower of cost, determined consistently on the same bases, and net realizable value. The cost of finished goods and work-in-progress comprise raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. In the case of manufactured inventories, net realizable value is the estimated costs of completion and selling expenses.

(d) Borrowing and borrowing costs

Bank and borrowings are recognized initially at cost. Borrowings are subsequently stated at amortized cost, with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowing on an effective interest basis.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Capitalization of such borrowing costs cease when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

(e) Finance income and finance costs

Finance income and finance costs include interest income, interest expense and foreign exchange gain or loss arising from translation of foreign currency asset and liabilities

4. FINANCE INCOME AND FINANCE COSTS

During the quarter ended November 30, 2018, finance costs included foreign exchange gain of **\$22.7m** which resulted in a net positive balance of **\$18m** in the period.

5. TAXATION

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 31, 2012. Consequently, the Company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

Years 1 to 5	100%
Years 6 to 10	50%

As the company is currently in Year 6 of trading, estimated Income Tax for the period was calculated at 25% of Profit for the Period less 50% Relief according to the rules of the Junior Stock Exchange.

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements Second quarter ended November 30, 2018

6. EARNINGS PER STOCK UNIT

Earnings per stock unit are calculated by dividing the profit for the period by the weighted average number of shares in issue for the period.

7. RECEIVABLES

The Receivables balance includes \$98,933,508 (2017 - \$22,810,119) representing Investment in Joint Venture Operations at the end of the period.

8. SHARE CAPITAL

	<u>2018</u>	<u>2017</u>
Authorised:		
1,620,000,000 Ordinary shares of no par value		
<u>Issued and fully paid</u>		
1,542,467,080 ordinary shares	77,492,243	77,492,243

9. DIVIDENDS

On November 3, 2018 the Board of Directors approved a dividend of **\$0.04** per share. This was paid to Shareholders on November 30, 2018.



**TOP 10 STOCKHOLDERS, DIRECTORS AND SENIOR
OFFICERS
NOVEMBER 30, 2018**

Top 10 Stockholders	Number of Shares Held
Hugh Graham	1,233,966,840
Radcliff Knibbs	144,059,764
Libnah Graham	27,820,000
Jean Louis Graham	17,300,000
Vaughn Phang	13,082,798
Ursus Corporation Limited	12,541,170
James Lechler	8,101,523
Jason Carl Carby	6,498,740
G. L. Enterprises Limited	4,920,000
Lannaman & Morris (Shipping) Ltd	4,208,000

Directors and Senior Officers	Number of Shares Held
Hugh Graham	1,233,966,840
Jukie Chin	420,000
Sharon Donaldson	1,410,000
Daryl Fong Kong	420,120
Radcliff Knibbs	144,059,764
James Lechler	8,101,523
Richard Rogers	420,120
Vaughn Phang	13,082,798
Gary Dixon	120,000