

PARAMOUNT
CHEMICALS

PARAMOUNT TRADING (JAMAICA) LIMITED

UNAUDITED FINANCIAL STATEMENTS

1st QUARTER ENDED AUGUST 31, 2016



**Paramount Trading (Jamaica) Limited
Report to Stockholders
Three months ended August 31, 2016**

The Board of Directors is pleased to present the unaudited results of the Company for the three months ended August 31, 2016.

Revenue increased by 6.3% moving to \$252.7 million up from \$237.7 million despite the continued devaluation of the Jamaica dollar which continued to impact our input costs. Of note was the sales of lubricants which moved from **\$2.2 mil** in the previous year's first quarter to **\$10.2 mil**.

Gross profit increased by 2.2% moving to \$82.6 million up from \$80.9 million in the corresponding period in the previous year.

Net profit was \$14.9 million which represented 35.1% of the profit of \$42.6 million in the corresponding period in the previous year. This was mainly due to one-off expenses incurred during the quarter which will not recur for the remainder of the year. Staff and other costs also increased in line with the strategic direction of the company.

During this quarter Paramount celebrated its 25th anniversary and we have an optimistic outlook for the rest of the year. The conclusion of the joint venture arrangement with Allegheny Petroleum in the latter part of the last financial year augers well for the company. We have also made progress in exploring new growth opportunities as well as improved efficiencies and service level improvements.

We are grateful for the strong commitment of our team, and the strong support of our customers and shareholders.

A handwritten signature in black ink, appearing to be "A. A.", is written over a horizontal dashed line.

Paramount Trading (Jamaica) Limited

Statement of Comprehensive Income First quarter ended August 31, 2016

Unaudited Financial Statements	Page
Statement of 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 Comprehensive Income First quarter ended August 31, 2016

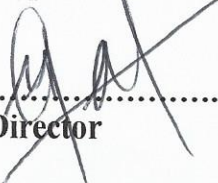
	<u>Notes</u>	Unaudited 3 months ended <u>August 31, 2016</u>	Unaudited 3 months ended <u>August, 31 2015</u>	Audited 12 months ended <u>May 31, 2016</u>
		\$	\$	\$
Revenue		252,739,356	237,716,310	1,024,351,766
Direct expenses		170,081,184	156,812,140	688,557,566
Gross profit		82,658,172	80,904,170	335,794,200
Other operating income		2,717,936	3,381,353	38,821,358
		85,376,108	84,285,523	374,615,558
Less operating expenses:				
Administrative expenses		64,489,741	40,187,034	180,968,801
Selling & distribution		3,742,519	710,435	12,842,557
		68,232,260	40,897,469	193,811,358
Operating profit before finance costs		17,143,848	43,388,054	180,804,200
Finance income		320,697	538,832	1,722,647
Finance costs		(2,490,103)	(1,319,383)	(9,483,834)
Net finance costs		(2,169,406)	(780,551)	(7,761,187)
Net profit, being total comprehensive income for the period/year		14,974,442	42,607,503	173,043,013
Earnings per stock unit	5	0.10¢	0.28¢	1.12¢

Paramount Trading (Jamaica) Limited
Statement of Financial Position
August 31, 2016

<u>Note</u>	<u>Unaudited</u> <u>August 31, 2016</u>	<u>Unaudited</u> <u>August, 31, 2015</u>	<u>Audited</u> <u>May 31, 2016</u>
	\$	\$	\$
Non-current assets:			
Property, plant and equipment	151,712,055	92,785,186	126,571,503
Investments	58,425,649	52,811,558	57,474,298
Current assets:			
Inventories	336,951,653	262,877,159	336,321,271
Taxation recoverable	852,171	377,076	852,171
Receivables	229,011,608	166,900,577	257,550,343
Cash and cash equivalents	47,011,756	111,489,314	80,920,662
	613,827,188	541,644,126	675,644,447
Current liabilities			
Payables	212,206,522	143,761,876	260,600,624
Current portion of director's loan	-	3,616,915	-
Current portion of long term borrowings	6,992,796	9,469,180	7,630,027
	219,199,318	156,847,971	268,230,651
Net current assets	394,627,870	384,796,155	407,413,796
Total assets less current liabilities	604,765,574	530,392,899	591,459,597

Equity:			
Issued capital	6	77,492,243	77,492,243
Retained earnings		518,259,981	433,006,245
		595,752,224	510,498,488
Non-current liabilities:			
Director's loan		-	3,888,264
Long term borrowings		9,013,350	16,006,147
		9,013,350	19,894,411
Total Equity and non-current liabilities		604,765,574	530,392,899
			591,459,597

Approved and signed on behalf of the Board by:



 Director



 Director

Paramount Trading (Jamaica) Limited

Statement of changes in Shareholders' Equity First quarter ended August 31, 2016

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at May 31, 2015	77,492,243	390,398,742	467,890,985
Total comprehensive income	-	42,607,503	42,607,503
Balances at August 31, 2015	<u>77,492,243</u>	<u>433,006,245</u>	<u>510,498,488</u>

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at May 31, 2016	77,492,243	503,285,539	580,777,782
Total comprehensive income	-	14,974,442	14,974,442
Balances at August 31, 2016	<u>77,492,243</u>	<u>518,259,981</u>	<u>595,752,224</u>

Paramount Trading (Jamaica) Limited

Statement of Cash Flows

Three months ended August 31, 2016

	3 months ended August 31, 2016	3 months ended August 31, 2015
	\$	\$
Cash flows from operating activities		
Net profit for the period	14,974,442	42,607,503
Adjustments for:		
Depreciation	4,302,761	2,526,167
Interest expense	446,930	1,106,944
Interest income	(263,906)	*(327,722)
Gain on disposal of property, plant and equipment	-	(900,000)
Operating cash flows before changes in working capital	19,460,229	45,012,892
Changes in operating assets and liabilities		
Inventories	(630,382)	15,476,459
Accounts receivable	28,802,640	*(19,252,744)
Tax recoverable	-	(43,996)
Payables	(48,394,102)	33,366,240
Current portion of long term borrowings	(637,231)	(6,777)
Interest paid	(446,930)	(1,106,944)
Net cash(used)/provided by operating activities	(1,845,776)	73,445,130

Cash flows from investing activity

Acquisition of property, plant and equipment	(29,443,314)	(1,727,090)
Proceeds from disposal of property plant and equipment	-	900,000
Net cash used in investing activity	(29,443,314)	(827,090)

Cash flows from financing activities

Loan repayments	(1,668,465)	(3,240,806)
Net cash used by financing activities	(1,668,465)	(3,240,806)
Net (decrease)/increase in cash and cash equivalents	(32,957,555)	69,377,234
Cash and cash equivalents at beginning of the period	138,394,960	94,923,638
Cash and cash equivalents at end of period	105,437,405	164,300,872
Represented by:		
Cash and cash equivalents	47,011,756	111,489,314
Investments	58,425,649	52,811,558
Net cash and cash equivalents at end of period	105,437,405	164,300,872

*Reclassified for comparative purposes

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements

First quarter ended August 31, 2016

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, 2016, 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, 2016.

(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

First quarter ended August 31, 2016

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.

4. 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%

5. 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.

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements

First quarter ended August 31, 2016

6. SHARE CAPITAL

	<u>2016</u>	<u>2015</u>
Authorised:		
162,000,000 (13,500,000x12)		
Ordinary shares of no par value		
<u>Issued and fully paid</u>		
154,246,708 shares	77,492,243	77,492,243



**TOP 10 STOCKHOLDERS, DIRECTORS AND SENIOR
OFFICERS
AUGUST 31, 2016**

Top 10 Stockholders

	Number of Shares Held
Hugh Graham	123,396,684
Radcliff Knibbs	14,479,724
Libnah Graham	2,782,000
Jean Louis Graham	1,730,000
Vaughn Phang	1,304,000
Ursus Corporation Limited	1,204,117
James Lechler	1,003,475
Jason Carl Carby	649,874
G.L. Enterprises Limited	492,000
Audrey M. Johnson	418,000

Directors and Senior Officers

	Number of Shares Held
Hugh Graham	123,396,684
Jukie Chin	42,000
Sharon Donaldson	141,000
Daryl Fong Kong	42,012
Radcliff Knibbs	14,479,724
James Lechler	1,003,475
Richard Rogers	42,012
Vaughn Phang	1,304,000