



PARAMOUNT TRADING (JAMAICA) LIMITED

UNAUDITED FINANCIAL STATEMENTS

3rd QUARTER ENDED FEBRUARY 28, 2019



Paramount Trading (Jamaica) Limited
Report to Stockholders
Nine months ended February 28, 2019

The Board of Directors is pleased to present the unaudited results of the Company for the nine months ended February 28, 2019.

The Company continue to record satisfactory performance over the last 9 months. Sales for the third quarter was **\$329.8m** bringing sales for the nine-month period to **\$1,027.1m** versus **\$1,035.3m** in the corresponding period in the previous year, reflecting a marginal reduction of **\$8.2m** or **0.8%**. Sales for the quarter did not include Lubricant sales made under the new JV arrangement of **\$64.3m** and **\$162.6m** year-to-date.

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 **\$1.9m** in the current quarter and **\$4m** YTD.

Gross Profit increased by **\$4.2m** in the quarter moving from **\$100m** to **\$104.2m** representing a **4.2%** increase, while Gross Profit in the 9-month period moved up from **\$300.4m** in the previous year to **\$336.8m** in the current year, representing an increase of **\$36.4m** or **12.1%**. This resulted from improved margins earned in this period as the company made price adjustments.

Net profit for the 9 months, however, declined from **\$66.5m** in previous year to **\$45.5m** this year, or by **\$21m** as a result of additional administrative expenses incurred as the business continues to develop 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 and the containment of expenses.

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 black ink, appearing to read "D. M. ...", is written over a horizontal dotted line. The signature is fluid and cursive.

Paramount Trading (Jamaica) Limited

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Paramount Trading (Jamaica) Limited

Statement of Profit or Loss and other Comprehensive Income Third quarter ended February 28, 2019

<u>Notes</u>	<u>Unaudited 3 months ended February 28, 2019</u>	<u>Unaudited 3 months ended February 28, 2018</u>	<u>Unaudited 9 months ended February 28, 2019</u>	<u>Unaudited 9 months ended February 28, 2018</u>	<u>Audited 12 months ended May 31, 2018</u>
	\$	\$			\$
Revenue	329,788,312	348,082,373	1,027,063,397	1,035,260,858	1,398,409,815
Direct expenses	225,613,884	248,099,163	690,269,082	734,823,342	972,056,069
Gross profit	104,174,428	99,983,210	336,794,315	300,437,516	426,353,746
Other operating income	635,500	1,642,337	3,045,484	4,201,042	5,747,575
Share of Profit from Joint Venture	1,906,136	-	3,997,624		-
	106,716,064	101,625,547	343,837,423	304,638,558	432,101,321
Less operating expenses:					
Administrative expenses	92,704,060	79,892,499	270,146,281	215,528,607	323,030,774
Selling & distribution	9,404,803	10,794,606	23,274,789	19,579,118	29,732,504
	102,108,863	90,687,105	293,421,070	235,107,725	352,763,278
Operating profit before finance costs	4,607,201	10,938,442	50,416,353	69,530,833	79,338,043
Finance income	7,036,262	1,350,061	801,663	6,268,587	959,950
Finance costs	(3,757,772)	(3,417,515)	(3,667,291)	(9,316,043)	(13,253,914)
Net finance income/(costs)	3,278,490	(2,067,454)	(2,865,628)	(3,047,456)	(12,293,964)
Profit before taxation	7,885,691	8,870,988	47,550,725	66,483,377	67,044,079
Taxation	985,711	-	2,027,035	-	8,399,606
Net profit, being total comprehensive income for the period/year	6,899,980	8,870,988	45,523,690	66,483,377	58,644,473
Earnings per stock unit	\$0.004	\$0.006	\$0.030	\$0.043	\$0.038

Paramount Trading (Jamaica) Limited

Statement of Financial Position February 28, 2019

	<u>Note</u>	<u>Unaudited February 28, 2019</u> \$	<u>Unaudited February 28, 2018</u> \$	<u>Audited May 31, 2018</u> \$
Non-current assets:				
Property, plant and equipment		266,250,951	266,952,841	263,597,645
Investments		7,388,295	57,427,656	57,875,469
Current assets:				
Inventories		582,934,467	444,850,956	500,024,099
Tax recoverable		1,462,021	1,128,976	1,329,493
Receivables	7	455,431,948	339,459,505	378,134,060
Cash and cash equivalents		5,643,783	51,466,067	28,205,145
		1,045,472,219	836,905,504	907,692,797
Current liabilities				
Payables		528,794,429	339,287,165	410,796,040
Taxation Payable		1,890,380	-	3,290,965
Current portion of long term borrowings		11,853,628	14,593,830	13,357,128
		542,538,437	353,880,995	427,444,133
Net current assets		502,933,782	483,024,509	480,248,664
Total assets less current liabilities		776,573,028	807,405,006	801,721,778
Equity:				
Issued capital	8	77,492,243	77,492,243	77,492,243
Retained earnings		646,757,579	670,771,476	662,932,572
		724,249,822	748,263,719	740,424,815
Non-current liabilities:				
Long term borrowings		47,214,565	59,141,287	56,188,322
Deferred tax liability		5,108,641	-	5,108,641
		52,323,206	59,141,287	61,296,963
Total Equity and non-current liabilities		776,573,028	807,405,006	801,721,778

Approved and signed on behalf of the Board by:

.....
Director

.....
Director

Paramount Trading (Jamaica) Limited

Statement of changes in Shareholders' Equity Third quarter ended February 28, 2019

	<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		-	66,483,377	66,483,377
Balances at February 28, 2018		<u>77,492,243</u>	<u>670,771,476</u>	<u>748,263,719</u>
		<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			45,523,690	45,523,690
Dividends	9		(61,698,683)	(61,698,683)
Balances at February 28, 2019		<u>77,492,243</u>	<u>646,757,579</u>	<u>724,249,822</u>

Paramount Trading (Jamaica) Limited

Statement of Cash Flows

Nine months ended February 28, 2019

	9 months ended February 28, 2019	9 months ended February 28, 2018
	\$	\$
Cash flows from operating activities		
Net profit for the period	45,523,690	66,483,377
Adjustments for:		
Depreciation	33,289,808	22,658,110
Interest expense	5,372,116	5,319,180
Interest income	(801,663)	(492,361)
Operating cash flows before changes in working capital	83,383,951	93,968,306
Changes in operating assets and liabilities		
Inventories	(82,910,368)	(77,792,114)
Accounts receivable	(77,297,888)	(34,837,718)
Tax recoverable	(132,528)	(47,212)
Taxation Payable	(1,400,585)	-
Payables	117,998,389	58,505,991
Interest Received	801,663	492,361
Interest Paid	(5,372,116)	(5,319,180)
Net cash provided by operating activities	35,070,518	34,970,434
Cash flows from investing activities		
Acquisition of property, plant and equipment	(35,943,114)	(49,639,824)
Net cash used in investing activities	(35,943,114)	(49,639,824)
Cash flows from financing activities		
Dividends Paid	(61,698,683)	-
Loan received	-	25,364,862
Loan repayments	(10,477,257)	(10,341,071)
Net cash (used)/provided by financing activities	(72,175,940)	15,023,791
Net (decrease)/increase in cash and cash equivalents	(73,048,536)	354,401
Cash and cash equivalents at beginning of the period	86,080,614	108,539,322
Cash and cash equivalents at end of period	13,032,078	108,893,723
Represented by:		
Cash and cash equivalents	5,643,783	57,427,656
Investments	7,388,295	51,466,067
Net cash and cash equivalents at end of period	13,032,078	108,893,723

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements

Third quarter ended February 28, 2019

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 Third quarter ended February 28, 2019

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 February 28, 2019, finance costs included foreign exchange gain of **\$6.5m** which resulted in a net positive balance of **\$3.3m** 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 Third quarter ended February 28, 2019

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 **\$101,356,678 (2017 - \$43,074,500)** representing Investment in Joint Venture Operations at the end of the period.

8. SHARE CAPITAL

	<u>2019</u>	<u>2018</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
FEBRUARY 28, 2019**

Top 10 Stockholders

Hugh Graham
Radcliff Knibbs
Libnah Graham
Jean Louis Graham
Vaughn Phang
Ursus Corporation Limited
James Lechler
Jason Carl Carby
G. L. Enterprises Limited
Lannaman & Morris (Shipping) Ltd

Number of Shares Held

1,233,966,840
144,059,764
27,820,000
17,300,000
13,082,798
12,541,170
8,101,523
6,498,740
4,920,000
4,208,000

Directors and Senior Officers

Hugh Graham
Jukie Chin
Sharon Donaldson
Radcliff Knibbs
James Lechler
Richard Rogers
Vaughn Phang
Gary Dixon

Number of Shares Held

1,233,966,840
420,000
1,410,000
144,059,764
8,101,523
420,120
13,082,798
120,000