

P A R A M O U N T
J a m a i c a

PARAMOUNT TRADING (JAMAICA) LIMITED

UNAUDITED FINANCIAL STATEMENTS

1st QUARTER ENDED AUGUST 31, 2019



P A R A M O U N T
J a m a i c a

Paramount Trading (Jamaica) Limited
Report to Stockholders
Three months ended August 31, 2019

The Board of Directors is pleased to present the unaudited results of the Company for the three months ended August 31, 2019.

We are pleased to present an improved performance for the first quarter ending August 31, 2019. Net profit before taxes of \$16.7 million increased by \$8.0 million or 92%. The increase was driven by reduction in overheads resulting from the restructuring exercise carried out in the latter part of the prior year.

The first three month ending August 31, 2019, generated revenue of \$360.6 million, 14 percent less than the \$417.0 million produced last year. The reduction in revenue was mainly due to less than expected outturn in the construction and technical grade brands. We expect that the lost sales for the first period will be recovered during the second quarter.

Gross profit \$106.5 million shows a 21% decline over last year. We did not close on several high value sales during the period. These will be billed during the second quarter.

Operating expenses of \$91.1 million shows a positive prior year variance of \$11.5 million reflecting a 11.2% decrease. Our restructuring exercise that was implemented during the third and fourth quarter last year are now producing the desired outcome on the expense side of the organization.

Finance cost shows a 93% reduction due to a positive outcome in our foreign exchange risk management. We produced a foreign exchange gain during this period as against a foreign exchange loss in the prior year.

We reduced our inventories and receivables by 18% and 5%, respectively and at the same time reduced our accounts payables by 33%.

The outlook for Paramount is very positive. The company will have the full capacity of our lubricant manufacturing plant and the positive outflow from this development will soon be evident. We will ensure that we benefit from the general improvements in the economy. The manufacturing, construction and transportation sectors will influence our growth.

We would like to thank our shareholders, employees, customers and all other stakeholders for their continued support and commitment.

Paramount Trading (Jamaica) Limited
First quarter ended August 31, 2019

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Paramount Trading (Jamaica) Limited
Statement of Comprehensive Income
First quarter ended August 31, 2019

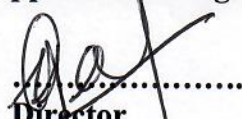
| | Unaudited 3 months ended <u>August 31, 2019</u> | Unaudited 3 months ended <u>August 31, 2018</u> | Unaudited 12 months ended <u>May 31, 2019</u> |
|-------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|
| Notes | \$ | \$ | \$ |
| Revenue | 360,574,100 | 417,079,499 | 1,595,644,995 |
| Direct Expenses | 254,122,388 | 282,889,649 | 1,093,782,137 |
| Gross Profit | 106,451,712 | 134,189,851 | 501,862,858 |
| Other Operating Income | 3,068,900 | 1,404,982 | 8,030,890 |
| | 109,520,613 | 135,594,833 | 509,893,748 |
| Less Operating Expenses | | | |
| Administrative | 88,852,392 | 99,582,470 | 401,762,914 |
| Selling & Distribution | 2,291,584 | 3,064,185 | 19,945,137 |
| | 91,143,976 | 102,646,655 | 421,708,051 |
| Operating Profit before Finance Costs & Taxation | 18,376,637 | 32,948,178 | 88,185,697 |
| Finance Costs | (3,147,213) | (24,535,373) | (14,201,555) |
| Finance Income | 1,477,092 | 381,663 | 1,637,477 |
| Net Finance Costs | (1,670,121) | (24,153,710) | (12,564,078) |
| Profit Before Taxation | 16,706,515 | 8,794,468 | 75,621,620 |
| Taxation | 2,088,314 | 1,041,323 | 12,978,521 |
| Net Profit | 14,618,201 | 7,753,144 | 62,643,099 |
| Earnings per Stock Unit | 0.009 | 0.005 | 0.041 |

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Paramount Trading (Jamaica) Limited
Statement of Financial Position
August 31, 2019

| | Notes | Unaudited 3 months ended August 31, 2019 \$ | Unaudited 3 months ended August 31, 2018 \$ | Audited 12 months ended May 31, 2019 \$ |
|-------------------------------------------------|--------------|----------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------|
| Non-Current Assets | | | | |
| Property, plant & equipment | | 349,760,258 | 259,389,902 | 360,287,984 |
| Investments | | 198,397,691 | 7,388,295 | 251,448,923 |
| Current Assets | | | | |
| Inventories | | 452,420,331 | 502,055,155 | 547,909,020 |
| Taxation Recoverable | | 2,040,251 | 1,414,472 | 1,670,977 |
| Receivables | | 351,261,207 | 463,170,552 | 373,001,691 |
| Cash and cash equivalents | | 78,474,104 | 15,631,935 | 45,455,080 |
| | | 884,195,893 | 982,272,114 | 968,036,768 |
| Current Liabilities | | | | |
| Payables | | 320,665,532 | 426,174,838 | 483,704,305 |
| Taxation Payable | | 10,074,295 | 4,299,509 | 8,808,722 |
| Current portion of long-term borrowings | | 12,381,431 | 11,780,528 | 12,381,431 |
| | | 343,121,257 | 442,254,875 | 504,894,457 |
| Net Current Assets | | 541,074,636 | 540,017,239 | 463,142,311 |
| Total Assets less Current Liabilities | | 1,089,232,584 | 806,795,436 | 1,074,879,218 |
| Equity | | | | |
| Issued capital | 6 | 77,492,243 | 77,492,243 | 77,492,243 |
| Retained earnings | | 678,495,188 | 670,685,716 | 663,876,987 |
| | | 755,987,431 | 748,177,959 | 741,369,230 |
| Non-Current Liabilities | | | | |
| Long term borrowings | | 45,086,927 | 53,508,835 | 48,277,851 |
| Preference Shares | | 279,517,378 | | 276,591,289 |
| Deferred Tax Liability | | 8,640,849 | 5,108,642 | 8,640,849 |
| | | 333,245,154 | 58,617,477 | 333,509,988 |
| Total Equity and Non-Current Liabilities | | 1,089,232,584 | 806,795,436 | 1,074,879,218 |

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, 2019

| | <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 | - | 7,753,144 | 7,753,144 |
| Balances at August 31, 2018 | <u>77,492,243</u> | <u>670,685,716</u> | <u>748,177,959</u> |

| | <u>Share Capital</u> | <u>Retained Earnings</u> | <u>Total</u> |
|------------------------------------|-----------------------------|---------------------------------|---------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Balances at May 31, 2019 | 77,492,243 | 663,876,987 | 741,369,230 |
| Total comprehensive income | - | 14,618,201 | 14,618,201 |
| Balances at August 31, 2019 | <u>77,492,243</u> | <u>678,495,188</u> | <u>755,987,431</u> |

Paramount Trading (Jamaica) Limited**Statement of Cash Flows****Three months ended August 31, 2019**

| | 3 months ended August 31, 2019 \$ | 3 months ended August 31, 2018 \$ | 12 months ended May 31, 2019 \$ |
|----------------------------------------------------|--------------------------------------------------|--------------------------------------------------|------------------------------------------------|
| Cashflow from Operating Activities | | | |
| Net Profit | 14,618,201 | 7,753,144 | 62,643,099 |
| Adjustments for: | | | |
| Gain on Disposal of Property, Plant & Equipment | 0 | 0 | 0 |
| Depreciation | 11,699,883 | 11,955,605 | 45,033,157 |
| Provision for Deferred Taxes | 0 | 0 | 3,532,208 |
| Interest Income | 1,477,092 | (381,663) | 1,637,477 |
| Interest Expense | (3,147,213) | 1,929,554 | 10,740,646 |
| | 24,647,962 | 21,256,640 | 123,586,588 |
| Changes in Operating Assets and Liabilities | | | |
| Inventories | 95,488,689 | (2,031,056) | (47,884,921) |
| Receivables | 21,740,484 | (85,036,492) | 5,132,369 |
| Payables | (163,038,773) | 315,213 | 72,908,265 |
| Taxation Recoverables | (369,275) | (84,979) | (341,484) |
| Taxation Payables | 1,265,573 | 16,072,129 | 5,517,757 |
| | (44,913,302) | (70,765,185) | 35,331,986 |
| Cash Generated from Operations | (20,265,340) | (49,508,545) | 158,918,573 |
| Interest Received | (1,477,092) | 381,663 | (1,637,477) |
| Interest Paid | 3,147,213 | (1,929,554) | (10,740,646) |
| Net Cash Flows from Operating Activities | (18,595,218) | (51,056,436) | 146,540,450 |
| Cash Flows from Investing Activities | | | |
| Purchase of Property, Plant and Equipment | (1,172,156) | (7,747,862) | (141,723,496) |
| Net Cash Flows from Investing Activities | (1,172,156) | (7,747,862) | (141,723,496) |
| Cash Flows from Financing Activities | | | |
| Dividends Paid | | | (61,698,683) |
| Loans Received | 2,926,089 | - | 276,591,289 |
| Loans Repaid | (3,190,923) | (4,256,086) | (8,886,169) |
| Net Cash provided by Activities | (264,835) | (4,256,086) | 206,006,437 |
| Net Decrease in Cash Resources | (20,032,209) | (63,060,384) | 210,823,390 |
| Cash Resources at the Beginning of the Year | 296,904,004 | 86,080,614 | 86,080,614 |
| Cash Resources at the End of the Year | 276,871,795 | 23,020,230 | 296,904,004 |
| Represented by | | | |
| Investments | 198,397,691 | 7,388,295 | 251,448,923 |
| Cash and Cash Equivalents | 78,474,104 | 15,631,935 | 45,455,080 |
| | 276,871,794 | 23,020,230 | 296,904,004 |

Paramount Trading (Jamaica) Limited

Notes to interim Financial Statements

First quarter ended August 31, 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, 2019, 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, 2019.

(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, 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.

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, 2019**

6. SHARE CAPITAL

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|--------------------|--------------------|
| Authorised: | | |
| 1,620,000,000 (1,620,000,000) | | |
| Ordinary shares of no par value | | |
| <u>Issued and fully paid</u> | | |
| 1,542,467,080 (1,542,467,080) | 77,492,243 | 77,492,243 |
| shares | | |



P A R A M O U N T
Jamaica

**TOP 10 STOCKHOLDERS, DIRECTORS AND SENIOR
OFFICERS
AUGUST 31, 2019**

Top 10 Stockholders

Hugh Graham
Radcliff Knibbs
Libnah Graham
Jean Louis Graham
Vaughn Phang
Ursus Corporation Limited
James Lechler
Jason Carl Carby
G.I. Enterprises Limited
Lannaman and Morris Ltd

Number of Shares Held

1,233,966,840
144,059,764
27,820,000
17,300,000
13,242,904
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
Daryl Fong Kong
Radcliff Knibbs
James Lechler
Richard Rogers
Vaughn Phang

Number of Shares Held

1,233,966,840
420,000
1,410,000
420,120
144,059,764
8,101,523
420,120
13,242,904