

PARAMOUNT
Jamaica

PARAMOUNT TRADING (JAMAICA) LIMITED

UNAUDITED FINANCIAL STATEMENTS

SECOND QUARTER ENDED NOVEMBER 30, 2019



PARAMOUNT Jamaica

Paramount Trading (Jamaica) Limited Report to Stockholders Six months ended November 30, 2019

The Board of directors is pleased to present the unaudited results of the Company for the six (6) months ended November 30, 2019.

The financial highlights are as follows:

Earnings per share of \$0.026; (2018: \$0.024)

Net Profit of \$39.5 million; (2018: \$37.5 million)

Book value of \$780.9 million, (2018: \$716.2 million)

The company produced a profit after tax of \$39.55 million compared to \$37.51 million for the corresponding six month period last year. This 5% increase in net profit was attributed to the reduction in operating expenses, resulting from the restructuring exercise carried out in the latter part of the prior year.

For the six months ended November 30, 2019, revenue earned of \$768.2 million was 3% less than the \$795.5 million for the prior year. We expect that sales performance will rebound in the second half of the financial year.

Gross profit of \$231.1 million reflected a 10% decline over 2018. The results indicate an improvement over the 21% decline noted for quarter one.

Other operating income for the six months period of \$22.8 million increased by \$16.6 million or 268% over prior year. This additional income was mainly as a result of foreign exchange gains.

Operating expenses of \$191.2 million was 9% less than 2018 driven primarily by our cost containment programs.

Earnings per stock unit of \$0.026 improved over 2018 (\$0.024) by 8%.

For the second quarter, Paramount earned revenue of \$407.6 million compared to second quarter revenue earned last year of \$378.4 million, an 8% improvement. The company produced for the period profit after tax of \$24.9 million compared to \$29.7 million for the prior period. The company also earned gross profit of \$124.6 million compared to \$122.8 million last year.

For the second quarter, Paramount's administrative expenses improved quarter on quarter by 8.0%; \$94.4 million incurred for the 2019 quarter compared to \$102.1 million of the prior period. This was as a result of the company's cost containment programme. Selling and Distribution cost improved over 2018 by 8%; \$5.5 million for 2019 compared to \$6.0 million for the same period last year.

Net finance cost for the quarter amounted to \$9.0 million compared to a \$4.6 million recognized in 2018. This was mainly due to the interest cost of the 8.75% preference shares issued during the last quarter of financial year 2018 to 2019.

We continue to build out our manufacturing operations with over \$268 million in capital expenditure for the six months ended November 30, 2019. This expansion was financed in the main by the proceeds from our preference share issued earlier in the year.

The growth in shareholders' equity represents a 6.0% growth over the 2018 year-end position of \$741.369 million and a 9% improvement over this time last year now stands at \$780.9 million.

Paramount holds steadfast to its business model as it continues to build manufacturing capacity. The Board and management are committed to ensuring that the company continues on its growth path. The year-end objectives remain unchanged. It is expected that the combined focus on strong income and cost containment will deliver the strategic objectives.

We continue to express our thanks to our team, customers and shareholders.

A handwritten signature in dark ink, appearing to read 'Radcliff Knibbs', written over a horizontal dotted line.

Radcliff Knibbs
Chairman

Paramount Trading (Jamaica) Limited

Second quarter ended November 30, 2019

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PARAMOUNT TRADING (JAMAICA) LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 SECOND QUARTER ENDED NOVEMBER 30, 2019


	Notes	November 2019 Quarter Unaudited	November 2018 Quarter Unaudited (As Restated)	November 2019 Year-to-date Unaudited	November 2018 Year-to-date Unaudited (As Restated)	May 2019 Year-to-date Audited
		\$	\$	\$	\$	\$
Revenue		407,643,733	378,459,320	768,217,833	795,538,819	1,595,644,995
Direct Expenses		282,969,766	255,574,392	537,092,154	538,464,041	1,093,782,137
Gross Profit		124,673,966	122,884,928	231,125,679	257,074,778	501,862,858
Other Operating Income		12,897,645	23,682,203	22,898,459	6,210,142	16,990,695
		137,571,611	146,567,131	254,024,138	263,284,920	518,853,553
Less Operating Expenses:						
Administrative		94,455,110	102,163,292	183,307,502	201,745,762	401,762,914
Selling & Distribution		5,561,364	6,072,650	7,852,949	9,136,835	19,945,137
		100,016,474	108,235,942	191,160,450	210,882,597	421,708,051
Operating Profit before Finance Costs		37,555,137	38,331,188	62,863,687	52,402,323	88,185,697
Finance Costs		(9,552,069)	(4,506,712)	(19,631,195)	(10,165,042)	(23,161,360)
Interest Income		484,923	(160,897)	1,962,015	220,767	1,637,477
Net Finance Costs		(9,067,146)	(4,667,609)	(17,669,180)	(9,944,275)	(12,564,078)
Profit Before Taxation		28,487,991	33,663,580	45,194,507	42,458,048	75,621,619
Taxation	4	3,560,999	3,905,493	5,649,313	4,946,816	12,978,521
Net profit for the year being total comprehensive income		24,926,992	29,758,087	39,545,194	37,511,232	62,643,098
Earning per Stock Unit	5	0.016	0.019	0.026	0.024	0.040

PARAMOUNT TRADING (JAMAICA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT NOVEMBER 30, 2019

	Notes	November 2019 Unaudited \$	November 2018 Unaudited (As restated) \$	May 2019 Audited \$
Non-Current Assets:				
Property, plant & equipment		604,895,095	271,244,721	360,287,984
Investments		96,531,519	7,388,295	251,448,923
Current Assets:				
Inventories		532,673,898	553,828,698	547,909,019
Taxation Recoverable		2,161,483	3,153,144	1,670,977
Receivables		348,469,132	399,103,868	373,001,691
Cash and cash equivalents		78,345,731	34,007,516	45,455,080
		961,650,243	990,093,226	968,036,767
Current Liabilities				
Payables		421,797,885	477,226,281	483,704,304
Taxation Payable		12,812,552	8,237,781	8,808,722
Current portion of long term borrowings		12,367,973	11,244,672	12,381,431
		446,978,410	496,708,734	504,894,457
Net current assets		514,671,833	493,384,492	463,142,310
Total assets less current liabilities		1,216,098,447	772,017,508	1,074,879,217
Equity:				
Issued capital	6	77,492,243	77,492,243	77,492,243
Retained earnings		703,422,180	638,745,120	663,876,987
		780,914,423	716,237,363	741,369,230
Non-current liabilities:				
Long term borrowings		144,099,708	50,671,503	48,277,850
Preference Shares		282,443,467		276,591,289
Deferred Tax Liability		8,640,849	5,108,642	8,640,848
		435,184,024	55,780,145	333,509,987
Total equity and non-current liabilities		1,216,098,447	772,017,508	1,074,879,217

Approved and signed on behalf of the Board by:


 Director


 Director

PARAMOUNT TRADING (JAMAICA) LIMITED

STATEMENT OF CHANGES IN EQUITY

Second quarter ended November 30, 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	-	37,511,231	37,511,231
Dividends		(61,698,683)	(61,698,683)
Balances at November 30, 2018	77,492,243	638,745,120	716,237,363

	<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	-	39,545,193	39,545,193
Balances at November 30, 2019	77,492,243	703,422,180	780,914,423

PARAMOUNT TRADING (JAMAICA) LIMITED
STATEMENT OF CASH FLOWS
SIX MONTHS ENDED NOVEMBER 30, 2019

	November 2019 Unaudited	November 2018 Unaudited (As restated)	May 2019 Audited
	\$	\$	\$
Cash flows from operating activities:			
Net profit for the period	39,545,193	37,511,231	62,643,098
Adjustments for:			
Depreciation	24,263,940	23,914,545	45,033,157
Provision for deferred taxes	-	-	3,532,207
Interest income	(1,477,092)	(220,767)	(1,637,477)
Interest expense	(10,079,126)	3,648,705	10,740,646
	52,252,916	64,853,714	120,311,631
Changes in operating assets and Liabilities:			
Inventories	15,235,122	(53,804,599)	(47,884,920)
Receivables	24,532,560	(22,335,186)	5,132,369
Payables	(61,906,422)	67,795,621	72,908,264
Taxation Recoverables	(490,506)	(1,823,651)	(341,386)
Taxation Payables	4,003,831	4,946,814	5,517,757
	(18,625,414)	(5,221,001)	35,332,084
Cash generated from operations	33,627,502	59,632,713	155,643,714
Interest received	1,477,092	220,767	1,637,477
Interest Paid	10,079,126	(3,648,705)	(10,740,646)
Net cash provided by operating activities	45,183,719	56,204,775	146,540,546
Cash flows from investing activity:			
Purchase of Property, plant and equipment	(268,871,051)	(31,561,620)	(141,723,594)
Net cash used in investing activity	(268,871,051)	(31,561,620)	(141,723,594)
Cash flows from financing activities:			
Dividends Paid	-	(61,698,683)	(61,698,683)
Loans, net	101,660,578	(7,629,275)	267,705,120
Net cash provided by/(used in) financing activities	101,660,578	(69,327,958)	206,006,437
Net (decrease)/increase in cash resources	(122,026,754)	(44,684,803)	210,823,389
Cash resources at the beginning of the period	296,904,003	86,080,614	86,080,614
Cash resources at the end of the period	174,877,250	41,395,811	296,904,003
Represented by:			
Investments	96,531,519	7,388,295	251,448,923
Cash and cash equivalents	78,345,731	34,007,516	45,455,080
	174,877,250	41,395,811	296,904,003

Paramount Trading (Jamaica) Limited

Notes to Interim Financial Statements

Second quarter ended November 30, 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

The Company operates in Jamaica and has its registered office at 39 Waltham Park Road Kingston 13. 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

Second quarter ended November 30, 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

Second quarter ended November 30, 2019

6. SHARE CAPITAL

	<u>2019</u>	<u>2018</u>
Authorised:		
1,620,000,000 (162,000,000)		
Ordinary shares of no par value		
<u>Issued and fully paid</u>		
1,542,467,080 (1542,467,080)	77,492,243	77,492,243
shares		

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