

P A R A M O U N T
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PARAMOUNT TRADING (JAMAICA) LIMITED

UNAUDITED FINANCIAL STATEMENTS

SECOND QUARTER ENDED NOVEMBER 30, 2020



PARAMOUNT Jamaica

Paramount Trading (Jamaica) Limited Report to Stockholders Six months ended November 30, 2020

The Board of Directors is pleased to present the unaudited results of the Company for the six (6) months ended November 30, 2020.

The financial highlights are as follows:

Revenue \$668.6 million; (2019: \$768.2 million)

Earnings per share of \$0.013; (2019: \$0.026)

Net Profit of \$19.7 million; (2019: \$39.5 million)

Book value of \$814.1 million, (2019: \$780.9 million)

Gross revenue for the second quarter was \$306.6 million, representing a 25 percent decline compared to the prior year's revenue of \$407.6 million. Gross profit for the quarter of \$100.0 million reflected a 20 percent decline over the prior year gross profit of \$124.7 million. The 25 percent decline in gross revenue produced a 20 percent decrease in gross profit. Improvement in the gross profit margin was as a result of increased sales of higher margined products. We realized gross margin of 32.6 percent compared to prior year margin of 30.6 percent.

Operating expenses for the second quarter of \$91.0 million was 9 percent less than the prior year operating expenses of \$100.0 million. Finance cost for the second quarter of \$12.7 million increased over the prior year by \$3.1 million as a result of the increase in our long term liabilities. Although we managed and reduced our operating expenses, due to lower revenue compared to prior year, we ended the quarter with a profit after tax of \$4.5 million compared to prior year \$24.9 million.

The Company produced a profit after tax of \$19.7 million compared to \$39.5 million for the corresponding six-month period last year due to lower revenue.

For the six-month period ended November 30, 2020, revenue earned of \$668.6 million was \$99.6 million less than the \$768.2 million earned in the prior year. The impact of the pandemic and the consequent economic decline have resulted in our revenue contraction.

Other operating income for the year to date of \$12.7 million showed a reduction of 55 percent from the \$22.9 million earned last year. This was mainly associated with foreign exchange gains and losses.

Operating expenses of \$182.0 million reflected a reduction of 5 percent over prior year's \$191.2 million. We continue to benefit from our efforts at cost rationalization and restructuring during this time.

Finance cost for the six months period was \$25.8 million compared to the \$19.7 million incurred in 2019; a 31% increase. This was mainly due to the interest cost as a result of the increase in our long term liabilities.

Earnings per stock unit for the period of \$0.013 reflected a decline over 2019 earnings of \$0.026.

Over the last six months, Paramount, like most companies, has experienced unprecedented challenges to our business as a result of the novel COVID-19 pandemic. We have adapted to the circumstances and will continue to be proactive in the measures taken to combat its impact on our operations. We have continued to pursue our growth strategy whilst maintaining the operational framework, which was developed to prioritize the safety of our staff members, customers and other stakeholders.

We will continue pivoting our operations to maximize on any possible gains we may derive during this period of crisis. We expect that our strategic objectives will be realized through strong income and cost containment.

The Board of Directors and management team remains steadfast in ensuring that the Company continues on its growth trajectory.

We continue to express our thanks to our management team, team members, customers, shareholders and other stakeholders for their support and confidence in us.



Radcliff Knibbs
Chairman

Paramount Trading (Jamaica) Limited

Second Quarter ended November 30, 2020

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PARAMOUNT TRADING (JAMAICA) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
Second Quarter ended November 30, 2020

	Notes				
	<u>3 Months</u> <u>Ended</u> <u>November 30,</u> <u>2020 Unaudited</u>	<u>3 Months</u> <u>ended</u> <u>November</u> <u>30,2019</u> <u>Unaudited</u>	<u>November 2020</u> <u>Year-to-date</u> <u>Unaudited</u>	<u>November 2019</u> <u>Year-to-date</u> <u>Unaudited</u>	<u>May 2020</u> <u>12 Months</u> <u>ended</u> <u>Audited</u>
	\$	\$	\$	\$	\$
Revenue	306,602,612	407,643,733	668,610,498	768,217,833	1,515,582,258
Direct Expenses	206,581,078	282,969,767	452,254,934	537,092,154	1,047,403,570
Gross Profit	100,021,534	124,673,966	216,355,564	231,125,679	468,178,688
Other Operating Income	7,692,884	12,897,645	12,747,635	22,898,458	24,936,710
	107,714,418	137,571,611	229,103,199	254,024,137	493,115,398
Less Operating Expenses:					
Administrative	87,490,224	94,455,110	176,826,019	183,307,502	366,884,429
Selling & Distribution	3,470,405	5,561,364	5,204,083	7,852,949	18,811,448
	90,960,629	100,016,474	182,030,102	191,160,451	385,695,877
Operating Profit before Finance Costs	16,753,789	37,555,137	47,073,097	62,863,686	107,419,521
Finance Income/(Costs)	(12,669,148)	(9,552,069)	(25,750,717)	(19,631,195)	(47,935,902)
Interest Income	1,076,885	484,923	1,186,383	1,962,015	2,534,621
Net Finance Income/(Costs)	(11,592,263)	(9,067,146)	(24,564,334)	(17,669,180)	(45,401,281)
Profit Before Taxation	5,161,526	28,487,991	22,508,763	45,194,506	62,018,240
Taxation	645,191	3,560,999	2,813,595	5,649,313	8,998,751
Net profit for the year being total comprehensive income	4,516,335	24,926,992	19,695,168	39,545,193	53,019,489
Earning per Stock Unit	0.003	0.016	0.013	0.026	0.034

PARAMOUNT TRADING (JAMAICA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT NOVEMBER 30, 2020

Notes	November 2020	November 2019	May 2020
	Unaudited	Unaudited	Audited
	\$	\$	\$
Non-Current Assets:			
Property, plant & equipment	590,583,800	604,895,095	609,095,561
Right of Use Asset	78,650,572	-	83,277,076
Investments	166,304,191	96,531,519	34,018,405
Current Assets:			
Inventories	500,795,945	532,673,898	683,563,912
Taxation Recoverable	2,380,930	2,161,483	4,250,405
Receivables	250,298,594	348,469,132	270,174,419
Cash and cash equivalents	115,101,542	78,345,731	178,386,497
	868,577,011	961,650,244	1,136,375,233
Current Liabilities			
Payables	346,358,854	421,797,886	515,024,159
Taxation Payable	2,813,595	12,812,552	0
Current portion of long term borrowings	35,690,977	12,367,973	35,690,977
Current portion of lease Liability	7,394,545		7,394,545
	392,257,971	446,978,411	558,109,681
Net current assets	476,319,040	514,671,833	578,265,552
Total assets less current liabilities	1,311,857,603	1,216,098,447	1,304,656,594

Equity:

Issued capital	77,492,243	77,492,243	77,492,243
Retained earnings	736,591,644	703,422,180	716,896,476
	814,083,887	780,914,423	794,388,719

Non-current liabilities:

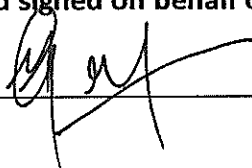
Long term borrowings	111,586,685	144,099,708	126,162,056
Lease Liability	74,399,610		78,170,576
Preference Shares	294,147,822	282,443,467	288,295,644
Deferred Tax Liability	17,639,599	8,640,849	17,639,599
	497,773,716	435,184,024	510,267,875

Total equity and non-current liabilities

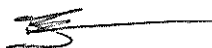
	1,311,857,603	1,216,098,447	1,304,656,594
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Approved and signed on behalf of the Board by:

Director



Director



PARAMOUNT TRADING (JAMAICA) LIMITED

STATEMENT OF CHANGES IN EQUITY

Second quarter ended November 30, 2020

	<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
Dividends			
Balances at November 30, 2019	<u>77,492,243</u>	<u>703,422,180</u>	<u>780,914,423</u>

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at May 31, 2020	77,492,243	716,896,476	794,388,719
Total comprehensive income	-	19,695,168	19,695,168
Balances at November 30, 2020	<u>77,492,243</u>	<u>736,591,644</u>	<u>814,083,887</u>

PARAMOUNT TRADING (JAMAICA) LIMITED
STATEMENT OF CASH FLOWS
Second Quarter ended November 30, 2020

	<u>November 2020</u> <u>Unaudited</u>	<u>November 2019</u> <u>Unaudited</u>	<u>May 2020</u> <u>Audited</u>
	\$	\$	
Cash flows from operating activities:			
Net profit for the period	19,695,168	39,545,193	53,019,489
Adjustments for:			
Gain on disposal of Property, Plant & equipment	-	-	(3,510,000)
Depreciation	24,345,525	24,263,940	45,031,782
Depreciation-Right of Use	4,626,504	-	9,253,008
Provision for deferred taxes	-	-	8,998,751
Interest income	(1,186,383)	(1,962,015)	(2,534,621)
Interest expense	25,750,717	19,631,195	47,935,902
	73,231,531	81,478,313	158,194,311
Changes in operating assets and Liabilities:			
Inventories	182,767,968	15,235,122	(135,654,893)
Receivables	19,875,825	24,532,560	102,827,272
Payables	(168,665,307)	(61,906,421)	31,319,855
Taxation Recoverables	1,869,475	(490,506)	(2,579,428)
Taxation Payables	2,813,595	4,003,831	(8,808,722)
	38,661,556	(18,625,414)	(12,895,916)
Cash generated from operations	111,893,087	62,852,900	145,298,395
Interest received	1,186,383	1,962,015	2,534,621
Interest Paid	(25,750,717)	(19,631,195)	(47,935,902)
Net cash provided by/used in operating activities	87,328,753	45,183,720	99,897,114
Cash flows from investing activities:			
Purchase of Property, plant and equipment	(5,833,764)	(268,871,051)	(293,839,302)
Proceed from sale of Asset	-	-	3,510,000
Right of Use	-	-	(92,530,084)
Net cash used in investing activities	(5,833,764)	(268,871,051)	(382,859,386)
Cash flows from financing activities:			
Dividends Paid	-	-	-
Loans, net	(8,723,193)	101,660,578	105,933,087
Finance Lease	(3,770,965)	-	92,530,084
Net cash provided by/(used in) financing activities	(12,494,158)	101,660,578	198,463,171
Net (decrease)/increase in cash resources	69,000,831	(122,026,754)	(84,499,101)
Cash resources at the beginning of the period	212,404,902	296,904,003	296,904,003
Cash resources at the end of the period	281,405,733	174,877,250	212,404,902
Represented by:			
Investments	166,304,191	96,531,519	34,018,405
Cash and cash equivalents	115,101,542	78,345,731	178,386,497
	281,405,733	174,877,250	212,404,902

Paramount Trading (Jamaica) Limited

Notes to Interim Financial Statements

Second Quarter ended November 30, 2020

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 manufactures and distributes lubricants 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, 2020, 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, 2020.

(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, 2020

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, 2020

6. SHARE CAPITAL

	<u>2020</u>	<u>2019</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) shares	77,492,243	77,492,243

**TOP 10 STOCKHOLDERS, DIRECTORS' AND SENIOR
OFFICERS' INTERESTS
NOVEMBER 30, 2020**

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	13,242,904
Ursus Corporation Limited	12,541,170
Jason Carl Carby	6,498,740
G.I. Enterprises Limited	4,920,000
James Lechler	4,896,662
Lannaman and Morris 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
Radcliff Knibbs	144,059,764
James Lechler	4,896,662
Richard Rogers	420,120
Anna Maria Graham	3,250,000
Metry Seaga	0
Jacqueline Somers	0
Vaughn Phang	13,242,904
Maxine Hutchinson	0
Junior Levine	0
Thausha Martin	0