



PARAMOUNT
JAMAICA

2019 ANNUAL REPORT





Let the
Conversation
Start With Us

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QUALITY.

INNOVATION.

VALUE.

**ALLEGHENY
PETROLEUM**

MISSION

Our mission is to provide our customers with quality chemical products and services, guided by the principles of honesty, integrity, and rigorous adherence to stringent safety standards and procedures for the protection of both people and the physical environment. We will foster team-work, accountability and innovation among our employees and encourage their lifelong learning and personal development.

OUR VISION

To be a chemical industry leader and exemplary employer that remains success-driven and constantly energised through our passion to develop and fully satisfy our customers' needs for our products and services.

OUR VALUES

We hold closest to our hearts the values of honesty, integrity, teamwork, and accountability. We recognize that the contribution of each individual is fundamental to our on-going success and, therefore, we provide opportunities for personal growth and encourage employee involvement at all levels.



Chairman's Review

I am pleased to present to our stakeholders, the 2018-2019 Paramount Trading (Jamaica) Limited Annual Report.

2018-2019 was a turning point for Paramount, as we began to see the Company's financial performance trending upwards after the previous six quarters. During the year, the company achieved 1.596 billion in revenue, fueled by the efforts and commitment of its dedicated staff, who worked assiduously to drive the strategic objectives established at the start of the year.

As part of our strategic objectives, we expanded our bleach manufacturing and lubricant blending facilities to satisfy the needs of our clients, while we capitalized on opportunities in the market. We also improved the range of lubricant products, widening our customer base and targeting new clients. Our state-of-the-art lubricant Plant increased production output by 70%, which provided a significant contribution to our revenue.

Staff development continues to be high on the Company's agenda, as we initiated partnerships with several tertiary educational institutions. The year saw increased use of apprenticeship programs, which generated a pool of certified persons for our short-term projects and created opportunities for many of the nation's youth. The strategy also involved an overall Company restructuring which reduced expenses and maximized the use of its resources.

Moving forward, we plan to build on the progress made so far. We are confident that our management team along with the rest of our staff, will continue to improve on the results. We will continue to invest and innovate to meet and exceed our targets for the upcoming year.

The Board of Directors is steadfast in ensuring that we continue on this path of improvement and create long-term sustainable growth for the Company. Commensurate with this direction, I am pleased to announce the introduction of a new member to our Board of Directors, Mr. Metry Seaga. Mr. Seaga has extensive knowledge and experience in the manufacturing industry and will add significant value and expertise to our Board.

Our continued improvement is attributable to the dedication, knowledge and oversight of our Directors and Executive team along with the dedication and diligence of the staff members, and I thank them for their commitment. I would also like to express my gratitude to our shareholders, investors and clients for the support they continue to give us and I am very bullish on our future.



Radcliff Knibbs
Chairman



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Paramount Trading (Jamaica) Limited (the "Company") will be held on Saturday, November 2nd, 2019 at 10:00 a.m. at the Courtleigh Hotel & Suites, 85 Knutsford Boulevard, Kingston 5, Saint Andrew, for shareholders of the Company to consider and, if thought fit, to pass the following resolutions:

Ordinary Resolutions:

1. RECEIPT OF AUDITED ACCOUNTS

To receive the audited accounts of the Company for the year ended 31st May 2019 together with the reports of the auditors and the Board of Directors thereon:

"THAT the audited annual accounts of the Company for the year ended 31st May 2019 along with the reports of the auditors and the Board Directors thereon, be and are hereby adopted."

2. RETIREMENT OF DIRECTORS BY ROTATION AND RE-APPOINTMENT

(i) That the following Directors of the Board who, being the longest serving, have retired by rotation prior to the reading of this resolution in accordance with Article 97 of the Articles of Incorporation of the Company and, being eligible, have consented to be re-appointed and to act (*each resolution below to be passed separately*).

(a) **"THAT Richard Rogers be and is hereby re-elected a Director of the Company."**

(b) **"THAT Radcliff Knibbs be and is hereby re-elected as a Director of the Company."**

(ii) That Metry Seaga being appointed to the Board of Directors of the Company with effect from September 5, 2019, to fill a casual vacancy, has retired prior to the reading of this resolution in accordance with Article 93 of the Article of Incorporation of the Company and, being eligible, has consented to be re-appointed and to act:

(a) **"THAT Metry Seaga be and is hereby re-elected a Director of the Company."**

3. DIRECTORS' REMUNERATION

To authorise the Board to fix the remuneration of the Directors:

"THAT the amount shown in the audited accounts of the Company for the year ended 31st May 2019 as Directors' fees for services rendered by them, be and is hereby approved."

4. REAPPOINTMENT AND REMUNERATION OF AUDITORS

To reappoint the auditors, and to authorise the Board of Directors to fix their remuneration:

“THAT McKenley & Associates, who have consented to continue in office, be and are hereby appointed as the auditors of the Company, to hold office until the next annual general meeting, and to authorise the Board to fix their remuneration.”

5. OTHER ROUTINE BUSINESS

To deal with any other business that is considered routine and appropriate for the Annual General Meeting:

“To transact any other ordinary business of the Company that may properly be transacted at an annual general meeting.”

Dated this 26th day of September, 2019

BY ORDER OF THE BOARD



PMH Corporate Services Limited
COMPANY SECRETARY

IMPORTANT NOTE FOR SHAREHOLDERS:

A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies to attend and vote in his/her place. A proxy need not be a shareholder of the Company. The instrument appointing a proxy must be in writing and be executed by the shareholder(s) granting it, or by the shareholder's attorney duly authorised in writing. If the shareholder is a corporation, the proxy must be made under the seal of the corporate shareholder. A suitable form of proxy accompanies this notice. The proxy form must bear stamp duty of \$100.00, before being executed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the proxy.

All completed and executed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company at 39 Waltham Park Road, Kingston 13, Saint Andrew at least forty-eight (48) hours before the Annual General Meeting.

A corporate shareholder, instead of appointing a proxy, may by resolution of its Directors or other governing body, authorise and appoint any person it thinks fit to act as its representative at the Annual General Meeting of the Company, in accordance with Article 75 of the Company's Articles of Incorporation. Written evidence duly executed by an authorised official of the corporate shareholder and under seal of the corporate shareholder, of a resolution appointing a corporate representative, must be provided to the Company prior to the commencement of the Annual General Meeting.



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Directors' Report

The Directors are pleased to submit their report and the Audited Financial Statements for the year ended May 31, 2019.

FINANCIAL RESULTS

For the period the operating results were:

Revenue - \$1,595,644,995
Net Profit (After Tax) - \$62,643,098

DIRECTORS

The Directors of the Company as of May 31, 2019 were:

Mr. Radcliff Olander Knibbs (Chairman)
Mr. Hugh Anthony Graham (Managing Director)
Mr. Jukie Gladstone Chin
Ms. Sharon Donaldson Levine
Mr. James William Lechler
Mr. Richard Pierre Rogers
Ms. Anna Maria Graham

Mr. Metry Seaga was appointed to fill the casual vacancy created upon the death of Mr. Daryl Jay Fong Kong on November 27th, 2018.

The following Directors of the Board who, being the longest serving, have retired by rotation prior to the reading of this resolution in accordance with Article 97 of the Articles of Incorporation of the Company and, being eligible, have consented to be re-appointed and to act: **Richard Rogers** and **Radcliff Knibbs**.

The following Director of the Board, being appointed with effect from September 5, 2019, to fill a casual vacancy, has retired prior to the reading of this resolution in accordance with Article 93 of the Articles of Incorporation of the Company and, being eligible, has consented to be re-appointed and to act: **Metry Seaga**.

AUDITORS

The Auditors of the Company, McKenley and Associates of Unit 11, 2 Seymour Avenue, Kingston 6, Saint Andrew, have indicated their willingness to continue in office in accordance with the provisions of Section 154(2) of the Companies Act.

EMPLOYEES

The Directors wish to thank the management and staff of the Company for their performance during the year under review.

CUSTOMERS

The Directors wish to thank our valued customers, for their support and contribution to the Company's performance during the year under review, and look forward to their continued support of the Paramount brand.

Dated this 26th day of September, 2019

BY ORDER OF THE BOARD



PMH Corporate Services Limited
COMPANY SECRETARY

The Board of Directors



HUGH GRAHAM
CEO & Director

Hugh Graham founded Paramount Trading (Jamaica) Limited in February 1991. He is councillor of the St. Catherine Parish Council for the Lluidas Vale Division, a position he has held since 2007. He has served on the board of Main Event Entertainment Group since 2016 and has previously served on the boards of the National Water Commission, Rural Water Supply Limited, JUTC, Spectrum Management Authority, Jamaica Ultimate Tyre Company and Ewarton High School.



RADCLIFF KNIBBS, MBA
Chairman

Radcliff Knibbs is Non-Executive Chairman of the Board of Directors. He is the Managing Director of CMK Bakery Limited, operators of several Juici Patties restaurants. He is the Managing Director of CMK Properties Ltd, which is a property development company.



SHARON DONALDSON-LEVINE, LLB, MBA, CA
Director and Mentor

Sharon Donaldson-Levine is Mentor for Paramount Trading and Chair of the Audit Committee. She is a Chartered Accountant, a fellow member of the Institute of Chartered Accountants of Jamaica, and an attorney at law. She is Managing Director of General Accident Insurance Company (GAIC), Director of Musson (Jamaica) Limited, Treasurer for the Jamaica Environment Trust and represents the local general insurance industry in discussions with the Financial Service Commission.



JAMES LECHLER
Director

James Lechler is currently the General Manager for Stewarts Industrial, a division of the Stewart Automotive Group. He is the Director of Jamaica Engineering and Construction, Explosive Sales & Services Limited and Engineering Sales Co. Ltd.

The Board of Directors



JUKIE GLADSTONE CHIN,
O.D. Director

Jukie Chin is Founder, Chairman and Chief Executive Officer of Juici Beef Limited. Mr. Chin was awarded the Order of Distinction, officer class in 2003, and Gleaner Man of the Year 2007, amongst other business awards.



DARYL FONG KONG,
M.B.A. Director

Mr. Fong Kong was one of the founding Directors of Paramount and Chairman of the Compensation sub-committee. He was an instrumental part of the development of the company both as an executive and non-executive member. He will be greatly missed by the Paramount family.



RICHARD RODGERS
Director

Richard Rodgers is the second of two founding Non-Executive Directors of Paramount Trading and is a member of the Audit Committee. He is also a Director of Rogers Land Development Ltd.



ANNA MARIA GRAHAM
Director

Anna Maria Graham recently completed her Political Science degree with a minor in International Business with Honours. She was raised in the Paramount family for over 20 years and has acquired knowledge of the Company and exposure to the manufacturing industry. She has a passion for learning foreign languages and has acquired excellent leadership skills.



A Celebration of Life

DARYL FONG KONG

We are deeply saddened by the passing of Daryl Kong, He was one of the founding Directors of Paramount and Chairman of the Compensation sub-committee, an instrumental part of the development of the company both as an executive and non-executive member. He will be greatly missed by the Paramount family.

Senior Management Team



HUGH GRAHAM
CEO and Managing Director



VAUGHN PHANG MSC, BSC
COO (Chief Operating Officer)



JUNIOR LEVINE FCA
CFO (Chief Financial Officer)



MAXINE HUTCHINSON M.B.A, B.A
Senior Manager, Human
Resources and Administration



THAUSHA MARTIN MSC, PG DIP, BSC
Senior Commercial Manager

Management Team



ANGEL HERNANDEZ
Operations Manager



JULIANA MOODIE
Logistics Manager



GISSELLE LYEW YOU
Business Unit Manager
Sika/Construction



MILTON MULLINGS
Production Manager



ALICIA HINES
Team Lead - Chemicals



NIKOLAS HUDSON
Operations Officer



ELIZABETH HUMBER
Purchasing Manager



TOP 10 SHAREHOLDERS, DIRECTORS AND SENIOR OFFICERS

10 LARGEST SHAREHOLDERS as at May 31, 2019

NAME OF SHAREHOLDER	NUMBER OF SHARES	% HOLDING
HUGH GRAHAM	1,233,966,840	80%
RADCLIFF KNIBBS	144,059,764	9%
LIBNAH GRAHAM	27,820,000	2%
JEAN LOUIS GRAHAM	17,300,000	1%
VAUGHN PHANG	13,242,904	1%
URSUS CORPORATION LTD	12,541,170	1%
JAMES LECHLER	8,101,523	1%
JASON CARBY	6,498,740	0%
G.L. ENTERPRISES LTD	4,920,000	0%
LANNAMAN MORRIS SHIPPING LTD	4,208,000	0%

DIRECTOR AND SENIOR OFFICERS as at May 31, 2019

HUGH GRAHAM	1,233,966,840
RADCLIFF KNIBBS	144,059,754
JAMES LECHLER	8,101,523
JUKIE CHIN	420,000
RICHARD ROGERS	420,120
SHARON DONALDSON-LEVINE	1,410,000
VAUGHN PHANG	13,242,904

Corporate Data

PARAMOUNT TRADING (JAMAICA) LIMITED

Locations:

39 Waltham Park Road &
39 ¼ Waltham Park Road
Kingston 13

6 East Bell Road
Kingston 11

8 East Bell Rd
Kingston 11

Tel: 876.923.9015, 876.923.9040
Fax: 876.937.9241, 876.758.9040
Email: paramount@paramountjm.com
Website: paramountjm.com

BOARD OF DIRECTORS

Radcliff Knibbs (Chairman)
Hugh Graham
Anna Maria Graham
Jukie Chin
Sharon Donaldson-Levine
James Lechler
Richard Rogers

BOARD SUB-COMMITTEES

Mentor

Sharon Donaldson-Levine

Audit Committee

Sharon Donaldson-Levine
James Lechler (Chair)
Richard Rogers

Compensation Committee

Radcliff Knibbs
Hugh Graham

COMPANY SECRETARY

PMH Corporate Services Ltd.

Temple Court
85 Hope Road
Kingston 6

SENIOR MANAGEMENT TEAM

Hugh Graham - CEO
Vaughn Phang - COO
Junior Levine - CFO
Thausha Martin - Senior Commercial Manager
Maxine Hutchinson - Senior Manager, Human
Resources and Administration

ATTORNEYS-AT-LAW

Patterson Mair Hamilton

85 Hope Road
Kingston 6

REGISTRAR AND TRANSFER AGENTS

Jamaica Central Securities Depository Ltd.

P.O Box 1084
40 Harbour Street
Kingston, Jamaica

AUDITORS

McKenley & Associates

Unit 11, Seymour Park
2 Seymour Avenue
Seymour Park Complex
Kingston 6

BANKERS

Sagicor Bank Jamaica Ltd.

17 Dominica Drive
Kingston 5

National Commercial Bank Jamaica Ltd.

90-94 Slipe Road
Kingston 5

Corporate Governance

Paramount Trading is very ably led by a strong Board of Directors which diligently executes its mandate to direct the Company's affairs to ensure that success is achieved. This success translates into shareholder value and is attained through prudent and effective controls, as well as accurate risk assessment and management.

The composition of the Board is such that the best mix in terms of qualifications and backgrounds to effectively serve the Company's needs are achieved. The members of the Board are qualified, objective, committed, inquisitive and passionate. At Paramount we believe that this combination guarantees and will continue to deliver the desired outcomes over the foreseeable future.

The Board's Corporate Governance Policy is available on our website at:
<http://paramountjm.com/wp/wp-content/uploads/2018/09/CGPolicies.pdf>

AUDIT COMMITTEE

At Paramount, the committee assists the Board in fulfilling its responsibility relating to the integrity of the financial statements and their distribution to external bodies as well as ensuring that there is full compliance with regulatory and other bodies. The Audit Committee meets quarterly and the Committee includes: Sharon Donaldson, Richard Rogers and James Lechler (Chair).

COMPENSATION COMMITTEE

This committee assists the Board in fulfilling its responsibility for overseeing the decisions relating to remuneration and to ensure that it is aligned with our strategic objectives. The Compensation Committee meets quarterly and consists of: Radcliff Knibbs and Hugh Graham.



Directors

DIRECTORS	BOARD MEETING	AUDIT COMMITTEE	COMPENSATION COMMITTEE
Radcliff Knibbs	4	-	2
Hugh Graham	4	-	2
Sharon Donaldson-Levine	4	4	-
Richard Rogers	3	3	-
James Lechler	4	4	-
Jukie Chin	3	-	-
Anna Maria Graham	3	-	-
Daryl Fong Kong	1	-	1
		*4 meetings for the year	*2 meetings for the year



PARAMOUNT
Jamaica

HEAD OFFICE:

39 Waltham Park Road, Kingston 13

☎ 876 923-0135 | 876 923-9178 | 876 281-4784

BRANCHES:

6 & 8 East Bell Road, Kingston 11

☎ 876 758-3983 | 876 764-8305 | 876 436-6600

Fax: 758-9340



➤ OILS & LUBRICANTS



➤ BLEACH

PARAMOUNT TRADING

*You know us for raw material
NOW get acquainted with our
contract manufacturing and
private labeling products.*

OILS & LUBRICANTS - Located in Kingston, Jamaica and in partnership with Allegheny Petroleum USA, Paramount manufactures Industrial and Passenger Car Oils and Lubricants to meet the highest global standards. Our State-of-the-Art Blending Plant delivers a full line of lubricants to meet international specifications with your private labels. Call our team today to find your Perfect Blend!

BLEACH - With years of experience handling and trading Bleach ingredients, Paramount's own Bleach Manufacturing Team effortlessly produces quality bleach. Using your private labels, we manufacture products of different strengths, packaged in various sizes and accommodating your industrial and or household needs. Dream of clean and let us do the rest.

Management Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERFORMANCE SUMMARY

Paramount Trading Jamaica Limited continues on our journey of capacity building with a focus on physical and human resources. This is expected to put the company in a position to take advantage of innovation in the marketplace with the objective of enhancing value for all our stakeholders.

Financial Performance

The company recorded a profit before tax of \$75.0 million for the reporting year. This is an improvement of \$8.0 million or 13% over the prior year. The improved performance drove a 63% increase in petroleum and lubricant sales.

For the financial year ending May 31, 2019, Paramount Trading (Jamaica) Ltd. continued to unlock new opportunities, to drive growth, deliver new efficiencies, and grow its income. This resulted in sales revenue growth of (14%) \$1.596 billion up from \$1.389 billion in the previous year and a 13% a turn-around in profitability.

Gross profit increased to \$501 million from \$426 million, an improvement of 18% over prior year. We were also able to improve our gross margins due to strategic pricing and manufacturing.

Earnings per share grew from \$0.038 the previous year to \$0.040 for this period.

Revenue

The company's performance was bolstered by driving the business through transformation in capabilities throughout the organization, with an increased focus on the oil and lubricants, construction and food grade business which contributed to the positive results.

The core chemical business revenue grew by 7%, construction grew by 5% and petroleum grew by 63%.

Overheads

Operating expenses of \$421 million increased by 20% as the Company continued to build capacity to facilitate business growth in line with the strategic direction of the company.

Administrative expenses of \$401 million increased by 25% due mainly to a 25% increase in staff costs; a direct result of our intention to recruit and retain the requisite competencies necessary to drive and deliver the strategic outcomes. There was, however, a 33% reduction in selling and distribution expenses due to reduction in promotional activities for the period.

There was no appreciable movement in the total finance cost for this year over last year.



FINANCIAL POSITION

The Company's financial position was driven by a 14% increase in the revenue and a restructuring and realignment of expenses in the third and fourth quarter. As a result, Net Profit before tax improved by 13%. This has now set the stage for further improvement in the next year.

Total Assets at the end of the year was \$1.57 billion, an increase of \$358.6 million or 29% over the prior year.

Non-current assets increased by \$290 million or 90% over the previous year. There was a 36% increase in Plant Property and Equipment as we continue to build out our productive capacity. Investments grew by \$194 million as we invested the proceeds of the preference share issue, awaiting the build out of our manufacturing facilities. There was a 6% increase in Current assets from \$907.6 million to \$968.0 million. Inventory increased by \$47.9 million (9%), while cash and cash equivalent increased by 61% moving from \$28.2million in the prior year to \$45.4 million.

Total liabilities increased to \$838.4 million moving from \$488.7 million in the previous year, an increase of 72%. The significant increase in non-current liabilities was a result of the new preference shares capital raised during the year. This is recognized as a liability in accordance with IFRS. Current liabilities increased by 19% to \$504.9million up from \$427.4 million in the prior year as our accounts payable increased by 18%.

Outlook

During the year the company successfully issued \$300 million of cumulative redeemable preference shares, the proceeds of which will be used to take advantage of opportunities for improvement and expansion of the business.

During the third and fourth quarter there was a restructuring of administrative expenses and a realignment of human resources. The benefits of this exercise will be reflected in the next year's results.



We have strengthened our operating capacity. We believe that the company is, now more than ever, geared towards enhancing its competitiveness that will enable it to drive performance through the following methods:

- Expansion of the oils and lubricant business by contract manufacturing.
- Reengineering our manufacturing facilities, as well as our human capital to maximize our overall manufacturing potential output.
- Improving and expanding our distribution channels.
- Building a foundation to support export opportunities.
- Driving service efficiencies by embracing technology.
- Strengthening and expanding product portfolios through research and development.
- Strengthening in-house expertise by advanced training and heavily promoting technical and specialized expertise.
- Implementing a targeted human resources strategy involving creation of roles to advance the company and equip employees to operate effectively in these roles.

We will continue the thrust to drive sales growth and improve operational efficiency. With the expansion of the product lines and the increased production capacity we are confident that our strategy and management team will deliver improved results in 2020.

In addition, there are encouraging signs that our operating environment is improving, in particular, the construction and transportation industries have grown and by all indications the economic trends point to further growth in the short to medium term.

5 YEAR FINANCIAL REVIEW

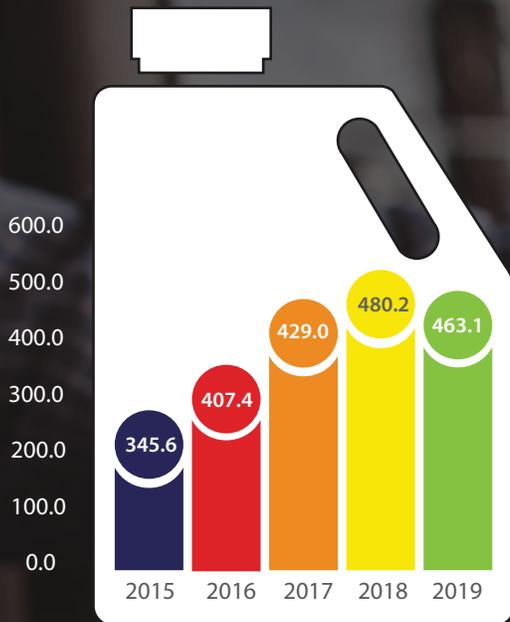
PROFIT AND LOSS ACCOUNT

	2015	2016	2017	2018	2019
Sales revenue (\$)	869,455,432	1,024,351,766	1,155,871,702	1,398,409,815	1,595,644,995
<i>% change over prior year</i>	23	18	13	21	14
Direct expenses	589,666,773	688,557,566	801,829,362	972,056,069	1,093,782,137
% of Sales	68	67	69	70	69
Gross Profit	279,788,659	335,794,200	354,042,340	426,353,746	501,862,858
<i>% change over prior year</i>	22	20	5	20	18
Administrative expenses	138,464,287	180,968,801	220,280,014	323,030,774	401,762,914
<i>% change over prior year</i>	15	31	22	47	24
Selling & Distribution expenses	6,384,999	12,842,557	34,788,739	29,732,504	19,945,137
<i>% change over prior year</i>	23	101	171	-15	-33
Net Finance costs	5,282,290	7,761,187	9,641,452	12,293,964	12,564,078
<i>% change over prior year</i>	-75	47	24	28	2
Profit before Tax (\$)	146,023,323	173,043,013	101,002,560	67,044,079	75,621,619
<i>% change over prior year</i>	56	19	-42	-34	13
Taxation (\$)	-	-	-	8,399,606	12,978,521
Depreciation (\$)	11,367,652	11,567,739	20,915,943	42,319,542	45,033,157
<i>% change over prior year</i>	6	2	81	102	6
Net Profit after Tax (\$)	146,023,323	173,043,013	101,002,560	58,644,473	62,643,099
<i>% change over prior year</i>	56	19	-42	-42	7
<i>Ratios:</i>					
Earnings per share (\$)	0.09	0.11	0.07	0.04	0.04
Net Profit Margin (%)	16.8	16.9	8.7	4.2	4.7
Gross Profit Margin (%)	32.2	32.8	30.6	30.5	31.5

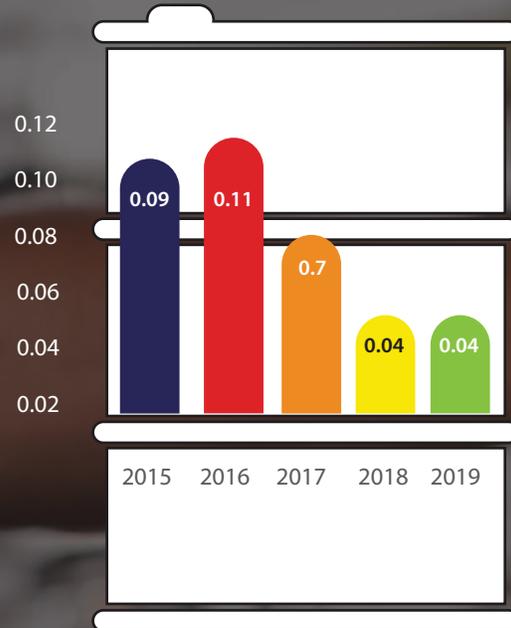
FINANCIAL POSITION

	2015	2016	2017	2018	2019
Non current assets	145,446,509	184,045,801	298,876,638	321,473,114	611,736,907
<i>% change over prior year</i>	54	27	62	8	90
Current assets	469,068,201	675,644,447	722,396,204	907,692,797	968,036,768
<i>% change over prior year</i>	9	44	7	26	7
Total assets (\$)	614,514,710	859,690,248	1,021,272,842	1,229,165,911	1,579,773,675
<i>% change over prior year</i>	17	40	19	20	29
Current liabilities	123,488,508	268,230,651	293,376,925	427,444,133	504,894,457
<i>% change over prior year</i>	-14.4	117.2	9.4	45.7	18.1
Non current liabilities	23,135,217	10,681,815	46,115,575	61,296,963	333,509,988
<i>% change over prior year</i>	-35	-54	332	33	444
Total Liabilities (\$)	146,623,725	278,912,466	339,492,500	488,741,096	838,404,445
<i>% change over prior year</i>	-18	90	22	44	72
Shareholders' Equity(\$)	467,890,985	580,777,782	681,780,342	740,424,815	741,369,230
<i>% change over prior year</i>	36	24	17	9	0
<i>Ratios:</i>					
Return on Assets (%)	23.8	20.1	9.9	4.8	4.0
Current Ratio (%)	3.8	2.5	2.5	2.1	1.9
Debt to Equity Ratio (%)	0.08	0.03	0.09	0.09	0.45

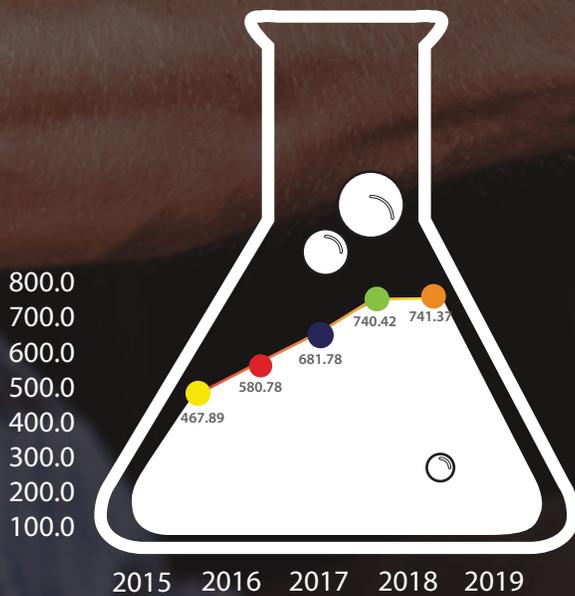
WORKING CAPITAL J\$ MIL



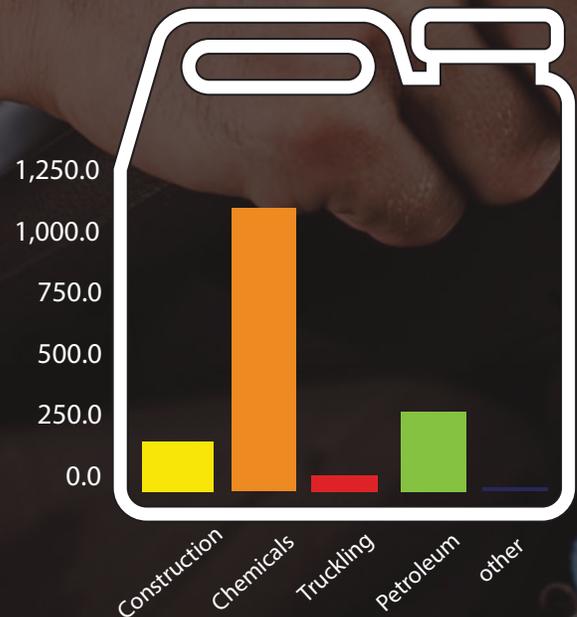
EARNINGS PER SHARE J\$



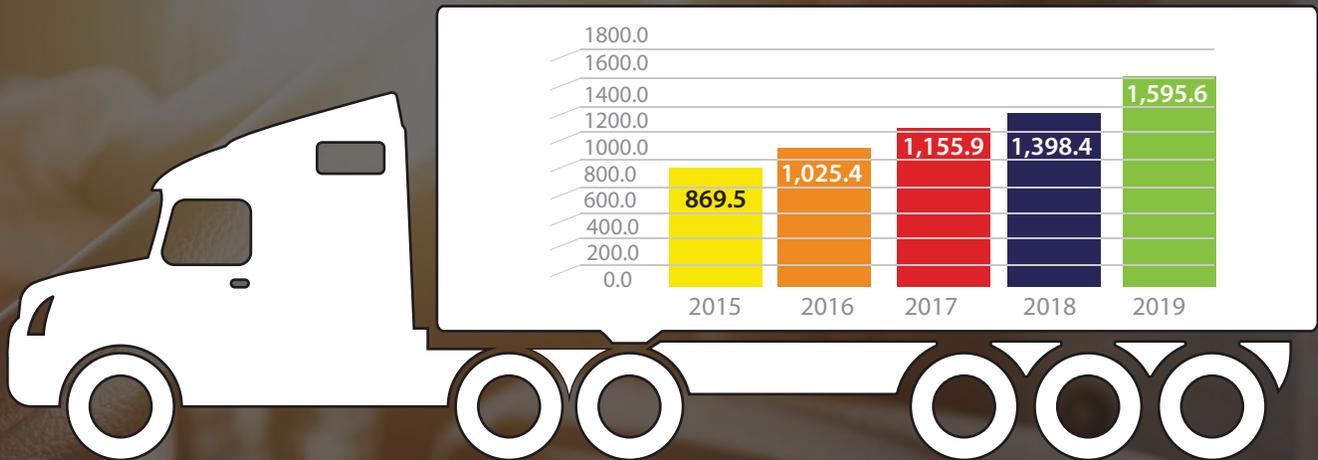
SHARE HOLDERS EQUITY (\$)



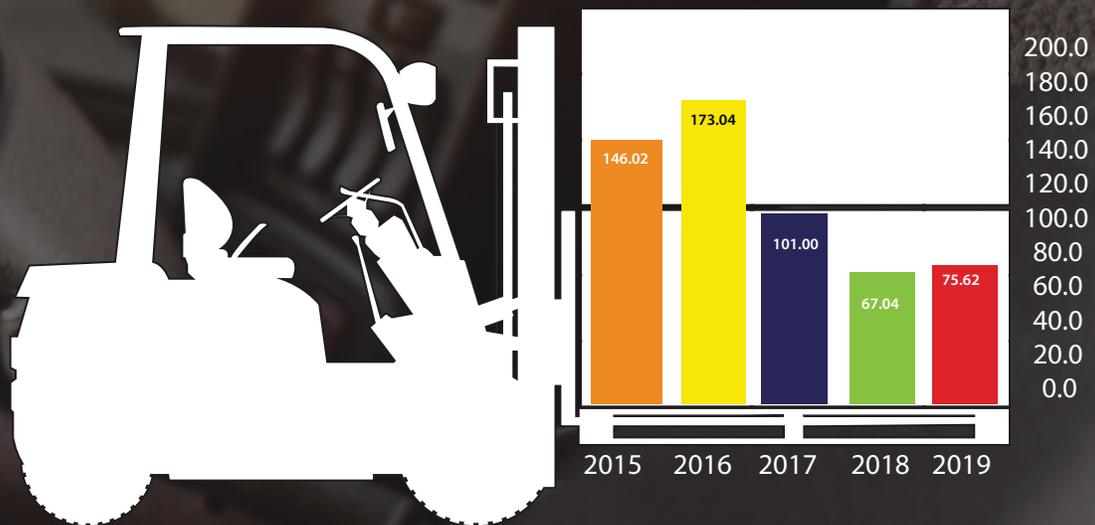
REVENUE BY CATEGORY J\$ MIL



SALES REVENUE J\$ MIL



PROFIT BEFORE TAX J\$ MIL



Corporate Social Responsibility

Each year Paramount strives to ensure that there are positive social effects associated with the way we operate our business. We understand the importance of supporting our local community as the community's success ultimately becomes Paramount's successes. This past year Paramount undertook several charitable engagements to give back to the community and reinforce our core values and our mission.

Paramount proudly hosted its 16th staging of its Annual Waltham Park Community Christmas Treat. This greatly anticipated event hosts over 1,500 persons including approximately 900 children between the ages of 3-18 from the Waltham Park community and surrounding areas. These numbers continue to grow every year. The children of the community enjoy a fun filled day of activities, rides, competitions, games, spot prizes, food and drinks from our partners and performances from performing and recording artistes. This has been one of the biggest social events of the year for the community for over a decade.

This year we were excited to host our very first tour for guests from the Top Hill Primary School. Students, teachers and family had an impactful and memorable experience in touring the newly minted lube plant and participating in innovative chemistry experiments with our dedicated staff.

Throughout the year, Paramount's staff came out in force to participate in various charity runs to include Digicel Foundation Imagine 5K Run, Sagicore Sigma Corporate Run, and the Colour Me Happy 5k.





Staff Investments

Investment in staff has always been foremost as this is critical to Paramount's success. We continue to challenge the development of our staff both professionally and personally, realizing that a symbiotic balance is needed to foster healthy employees. Consistent with our values, we recognize that the contributions of our employees are fundamental to Paramount's continued success.

Staff members were attended a series of in house wealth management seminars from various financial institutions to increase and bolster employee's financial literacy. Sagicor also hosted a health fair allowing staff members to partake in general check-ups as well as eye tests.

Professional development arranged internally, included Excel training classes, HEART certification for some staff members, and chlorine training from Allied Universal Corporation. Staff participated in weekly round table talks where they were able to freely voice their concerns or suggestions in their particular departments. Additionally, during Monday morning devotions, staff members from all of Paramount's locations gather to share inspirational words and voice any upcoming announcements. An information board was developed where staff members were able to make suggestions or voice concerns. The issues were placed on the board with weekly updates towards their resolution. Thus far, this initiative has had great success.

The Kulture Klub continued to put on social events to foster and boost morale among staff members. Some of these events included, Dandy Shandy Tournament, Paramount Trivia Challenge, Quarterly Birthday Celebrations, Movie and Karaoke nights, as well as hosting the annual Christmas Dinner.





"Confidence, Improvement and Innovation are our Duties....."

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To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report

Our opinion

We have audited the financial statements of Paramount Trading (Jamaica) Limited ("the Company") which comprise the statement of comprehensive income, the statement of financial position as at 31 May 2019, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 May 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company within the meaning of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Context

The context of our audit is set by the Company's significant activities for the year ended 31 May 2019. Two significant events were encountered during our audit work. Firstly, the Company's adoption of IFRS 9 in respect of the use of estimates and judgments involved in the expected credit loss (ECL) calculations for loans receivables and investments were significant. The second was the lack of a definitive conclusion of the long outstanding joint venture agreement with Allegheny Corporation of the USA. The Company continues to operate as a distributor of Allegheny products, as in the prior year.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. During our work, we encountered two key audit matters that required disclosure.



Independent Auditor's Report (continued)

Key Audit Matters (continued)

- **Impairment provision for receivables**

See notes 2 (h), 4 and 17 to the financial statements for management's disclosures of related accounting policies, judgments, and estimates.

As at 31 May 2019, trade receivables amounted to \$336 Million with an impairment provision of \$16 Million representing 4.7% of the balance. With a profit after tax of \$62 Million, the accounts receivable represents a credit risk. We have recognized from our audit that this remains a credit risk in the current year.

Effective 1 January 2019, the Company adopted the accounting standard IFRS 9, 'Financial Instruments.' The standard introduced new requirements around two main aspects of how financial instruments are treated, namely, measurement & classification and impairment. In relation to impairment, the standard prescribes a new forward-looking expected credit loss ('ECL') impairment model, which takes into account reasonable and supportable forward-looking information and will generally result in the earlier recognition of impairment provisions.

The introduction of the new standard required the Company to build and implement new models to measure the expected credit losses for relevant financial assets, with the most significant impact on loans and receivables and investments. The standard is new and complex, and the determination of the ECL model is subjective and requires management to make significant judgments and estimates.

We obtained the Company's accounting calculations, as they relate to developing the IFRS 9 model, and assessed the reasonableness of estimates and judgments used in the calculations. We also evaluated the methodology used to arrive at the IFRS 9 model, including:

- Model development
- Key assumptions, judgments and forward -looking assumptions used in the ECL model

We found that these key controls along with the assumptions used in developing the model, produced reasonable and acceptable results and therefore we determined that we could place reliance on the model for the purpose of our audit.

We focused on the method used by management to determine the necessity for a provision against long outstanding debts and customers who are experiencing financial difficulties. We discussed and reviewed the impaired balances and reviewed correspondence with the customers along with agreements reached and the level of subsequent payments after the year-end.

We assessed and tested the fairness of the receivable balances by positive confirmation of certain customers along with reviewing payment pattern and determined that the reported balances were fairly stated. We reviewed subsequent payments and evaluated the payment arrangements with customers with balances over 90 days. The total balances owing to the Company over ninety (90) days amounted to \$92 Million and additional amounts provided against possible bad debts during the year amounted to \$3.6 Million.

We also queried certain assumptions used by management in implementing the ECL model and questioned why no significant increase in the provision was necessary, especially in regards to those customers who continue to access credit from the Company while having significant balances over 90 days. We also evaluated the historical experience for customers within the industry with similar risk characteristics who have long outstanding balances.



To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Key Audit Matters (continued)

- **Impairment provision for receivables (continued)**

Management has implemented a number of measures to enhance the Company's credit strategy including, a zero-credit policy in their retail division. We evaluated the performance of the receivables, reviewed the ECL model obtained from management, had discussions with management and reviewed the new policies established along with assessing subsequent receipts to determine whether there was any requirement for further adjustment to the impairment provision.

Based on our work, we consider the impairment provision of \$16 million to be reasonable and additional provision of \$3.6 million for the current year was considered to be fair.

- **Joint Operation**

See notes 2 (a), (c) and 17 to the financial statements for management's disclosures of related accounting policies, judgments, and estimates.

As noted in the prior year, the joint operation between Paramount and Allegheny remains a key audit matter. The proposed joint venture arrangement between both parties did not materialize, and as a consequence the Board of Directors decided to dissolve the venture. Currently, both parties are finalizing an agreement for Paramount to continue to manufacture and distribute products under license from Allegheny.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.



To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Key Audit Matters (continued)

Auditor's Responsibility for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- We are responsible for the direction, supervision, and performance of the Company. We remain solely responsible for our audit opinion.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Board of Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports but does not include the financial statements and the Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appear to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Wilfred McKenley.

McKenley & Associates

Chartered Accountants

25 July 2019
Kingston, Jamaica

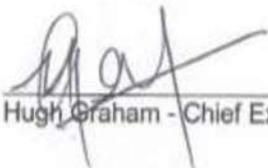
Paramount Trading (Jamaica) Limited
Statement of Comprehensive Income
Year ended 31 May 2019

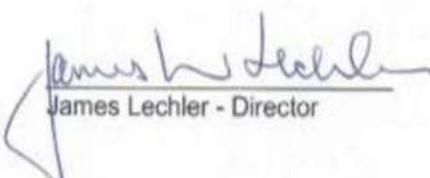
	Note	2019	2018
		\$	\$
Operating revenue	8(i)	1,595,644,995	1,398,409,815
Less direct expenses	9	1,093,782,137	972,056,069
Gross profit		501,862,858	426,353,746
Other operating income	8(ii)	8,030,890	5,747,575
		509,893,748	432,101,321
Less operating expenses:			
Administrative	9	401,762,914	323,030,774
Selling & distribution	9	19,945,137	29,732,504
		421,708,051	352,763,278
Profit before finance income and costs		88,185,697	79,338,043
Finance income	10	1,637,477	959,950
Finance costs	10	(14,201,555)	(13,253,914)
Net finance costs		(12,564,078)	(12,293,964)
Profit before taxation		75,621,619	67,044,079
Taxation	11	12,978,521	8,399,606
Profit for the year being total comprehensive income		62,643,098	58,644,473
		\$	\$
Earnings per share	12	0.040	0.038

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

	<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
Assets			
Non-current assets			
Property, plant and equipment	14	360,287,984	263,597,645
Investments	15	251,448,923	57,875,469
Current assets			
Inventories	16	547,909,019	500,024,099
Taxation recoverable		1,670,977	1,329,493
Receivables	17	373,001,691	378,134,060
Cash and cash equivalents	18	45,455,080	28,205,145
		<u>968,036,767</u>	<u>907,692,797</u>
Current liabilities			
Payables	19	483,704,304	410,796,040
Taxation payable		8,808,722	3,290,965
Current portion of long-term borrowings	20	12,381,431	13,357,128
		<u>504,894,457</u>	<u>427,444,133</u>
Net current assets		<u>463,142,310</u>	<u>480,248,664</u>
Total assets less current liabilities		<u>1,074,879,217</u>	<u>801,721,778</u>
Equity			
Issued capital	21	77,492,243	77,492,243
Retained earnings		663,876,987	662,932,572
		<u>741,369,230</u>	<u>740,424,815</u>
Non-current liabilities:			
Long term borrowings	20	48,277,850	56,188,322
Preference share	20	276,591,289	-
Deferred tax liability	22	8,640,848	5,108,641
Total equity and non-current liabilities		<u>1,074,879,217</u>	<u>801,721,778</u>

Approved for issue by the Board of Directors on 25 July 2019 and signed on its behalf by:


 Hugh Graham - Chief Executive Officer


 James Lechler - Director

Paramount Trading (Jamaica) Limited
Statement of Cash Flows
Year ended 31 May 2019

	<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
Cash flows from operating activities			
Net profit		62,643,098	58,644,473
Adjustments for:			
Depreciation	14	45,033,157	42,319,542
Provision for deferred tax		3,532,207	5,108,642
Interest Income		(1,637,477)	-
Interest expense		10,740,646	1,217,668
Operating cash flows before movements in working capital		120,311,631	107,290,325
Changes in operating assets and liabilities:			
Inventories		(47,884,920)	(132,965,257)
Receivables		5,132,369	(73,512,274)
Payables		72,908,264	130,014,866
Taxation recoverable		(341,386)	(247,729)
Taxation payable		5,517,757	3,290,965
		35,332,084	(73,419,429)
Cash generated from operations		155,643,715	33,870,896
Interest received		1,637,477	-
Interest paid		(10,740,646)	(1,217,668)
Net cash flow provided by operating activities		146,540,546	32,653,228
Cash flows from investing activity:			
Purchase of property, plant & equipment	14	(141,723,594)	(65,946,060)
Net cash used in investing activity		(141,723,594)	(65,946,060)
Cash flows from financing activities:			
Dividends Paid		(61,698,683)	-
Loans received		281,171,109	25,364,862
Loans repaid		(13,465,989)	(14,530,738)
Net cash provided by financing activities		206,006,437	10,834,124
Net increase/(decrease) in cash resources		210,823,389	(22,458,708)
Cash resources at the beginning of the year		86,080,614	108,539,322
Cash resources at the end of year		296,904,003	86,080,614
Represented by:			
Investments	15	251,448,923	57,875,469
Cash and cash equivalents	18	45,455,080	28,205,145
		296,904,003	86,080,614

Paramount Trading (Jamaica) Limited
Statement of Changes in Equity
Year ended 31 May 2019

	<u>No. of Shares</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
Balances at 31 May 2016	154,246,708	77,492,243	503,285,539	580,777,782
Profit for the year	-	-	101,002,560	101,002,560
Balances at 31 May 2017	154,246,708	77,492,243	604,288,099	681,780,342
Profit for the year	-	-	58,644,473	58,644,473
Balances at 31 May 2018	154,246,708	77,492,243	662,932,572	740,424,815
Profit for the year	-	-	62,643,098	62,643,098
Dividend	-	-	(61,698,683)	(61,698,683)
Balances at 31 May 2019	154,246,708	77,492,243	663,876,987	741,369,230

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Paramount Trading (Jamaica) Limited was a private company limited by shares, incorporated in 1991 and domiciled in Jamaica. Effective 31 December 2012, the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE). The registered office of the Company is located at 39 Waltham Park Road, Kingston 13.

The principal activity of the Company is the importation and distribution of chemicals, lubricants, and other related products. The Company also provides haulage services.

During the year ended 31 May 2010, the Company acquired a franchise with a recognized brand to manufacture chemicals on behalf of an international company. In addition, the Company also entered into arrangements with another international company to distribute "SIKA" branded hardware products. The products include anchoring adhesives and sealants principally distributed to the commercial hardware market.

In January 2018 the Company deepened its relationship with its supplier of lubricants and under the initial joint venture arrangement, commenced blending operations at the plant located at 39 1/4 Waltham Park Road, Kingston.

Items included in the financials are measured using the functional currency of the primary economic environment in which the Company operates. The financial statements are presented in Jamaican dollars, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein. These policies have been consistently applied for all the years presented, unless otherwise stated.

Going concern

The preparation of financial statements in accordance with IFRS assumes that the Company will continue in operation for the foreseeable future. This means, in part, that the statements of profit or loss and comprehensive income and the statement of financial position are prepared on the assumption that there is no intention or necessity to liquidate or curtail operations. This is commonly referred to as the going concern basis. Management believes that the preparation of the financial statements on the going concern basis continues to be appropriate.

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

- Financial instruments at fair value through profit or loss;
- Available-for-sale financial assets;
- Revaluation of certain property, plant and equipment; and
- Initial recognition of assets acquired and liabilities assumed in a joint venture.

Revenues and expenses

Revenues and expenses are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Judgments and estimates

The preparation of the financial statements in accordance with IFRS requires Management to make judgments and estimates that affect:

- The application of accounting policies;
- The reported amounts of assets and liabilities;
- Disclosures of contingent assets and liabilities; and
- The reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in the financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience, and other factors, including expectations of future events, believed to be reasonable under the circumstances. Judgments and estimates are interrelated. The Management's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revision to accounting estimates is recognized in the period in which the estimates are revised and in the future periods affected. The use of estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

The following are the accounting policies that are subject to judgments and estimates that the Management believes could have the most significant impact on the amounts recognized in the financial statements.

Financial assets

Judgment – financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of (i) the company's business model for managing the financial assets and (ii) the contractual cash flow characteristic of the financial assets. Judgment is required in determining the business model and its objective.

Revenue from contract with customers

Judgment - is required in (i) identifying performance obligations and determining the timing of the satisfaction of the performance obligations and (ii) the transaction price and the amount allocated to the performance obligations.

Estimation – if the consideration promised in a contract includes a variable amount, the company is required to estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer.

Impairment of assets

Judgment has been used, at each reporting date, in determining whether there has been an indication of impairment in the carrying amounts of the Company's tangible and intangible assets, which would require impairment testing to determine whether there is any indication that those assets have suffered impairment losses.

Where the carrying amount of an asset exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

Impairment of assets (continued)

Impairment losses are recognized in comprehensive income. This is reversed only if there has been a change in the estimates used to determine the recoverable amount and not to exceed the original carrying amount before its impairment. The reversal is also recognized in the statement of comprehensive income.

Inventories

Estimation – Inventories are carried at the lower of cost and net realized value. The estimation of net realized value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize. Additionally, estimation is required for inventory provision due to shrinkage, slow-moving, and obsolescence.

Income and other taxes

Judgment – Income and other taxes are subject to Government policies. In calculating current and recoverable income and other taxes, Management uses judgment when interpreting the tax rules and in determining the tax position. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business

Estimation – Income and other taxes are subject to Government policies, and estimates are required in determining the provision. Management recognizes liabilities for possible tax issues based on estimates of whether additional taxes may be due.

Receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the Aged Receivables and historical experience with delinquency and default. Default rates and the allowance amount are regularly reviewed against the actual outcomes to ensure that they remain appropriate.

Post-employment benefits

Estimation – The accounting for the Company's post-employment benefit plan requires the use of assumptions. The Individual Retirement Account ("IRA") requires the Company to match the employees' contributions to the plan. Management's best estimates of future salary escalations, retirement ages of employees, employees' turnover, and contribution rates by employees are required.

Joint arrangement

Judgment – Management applies judgment in determining the type of joint arrangement in which it is involved. The classification of the joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement, its structure and legal form, the terms agreed by the parties in the contractual arrangement, and when relevant, other facts and circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

Investment property

Judgment – Management applies judgment in determining whether a property qualifies as an investment property. Criteria are developed to allow management to exercise that judgment consistently.

Others

Estimation – Other estimates include determining the useful lives of PPE for depreciation; in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

Standards, interpretations, and amendments to published standards effective in the current year.

Certain amendments and clarifications to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new amendments and clarifications and has put into effect the following, which are immediately relevant to its operations.

Financial Instruments (IFRS 9) – classification and measurement and impairment

Effective, 1 January 2018, the Company adopted IFRS 9 - Financial Instruments, issued in July 2014 and the related consequential amendments introduces new requirements for (i) classification and measurement of financial assets and financial liabilities, (ii) impairment for financial assets and (iii) general hedge accounting, which represent a significant change from IAS 39.

IFRS 9 contains three (3) principal classification categories for financial assets:

- a) Amortized cost
- b) Fair value through other comprehensive income (FVTOCI) and
- c) Fair value through profit or loss (FVTPL)

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. THE ECL model applies to financial assets measured at amortized cost under IFRS 9, and credit losses are recognized earlier (at inception) than under IAS 39.

The adoption of IFRS 9 had no significant change on the allowance for doubtful receivables because the Company had instituted a policy during the year of adequately providing for all doubtful amounts.

The adoption of IFRS 9 did not require the company to restate its prior period comparative figures.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, interpretations, and amendments to published standards effective in the current year (continued).

Asset/Liability	IAS 39 Classification	IFRS 9 Re-classification
Receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Deferred tax liability	Other liabilities	Amortized cost
Income tax payable	Other liabilities	Amortized cost
Directors' account	Other liabilities	Amortized cost
Payables	Other liabilities	Amortized cost
Shareholder's loan	Other liabilities	Amortized cost
Long-term borrowing	Other liabilities	Amortized cost

IFRS 9 also had changes to hedge accounting. The new general hedge accounting requirements retain the three (3) types of hedge accounting, which are cash flow hedges, fair value hedges and hedges for net investments in foreign operations., but provided greater flexibility in the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship." Retrospective assessment of hedge effectiveness is no longer required. Enhanced annual disclosure requirements about the Company's risk management activities have also been introduced.

The Company does not use hedge accounting to manage its risk profile.

Revenue from contract with customers (IFRS 15)

Effective 1 January 2018, the Company adopted IFRS 15, issued in May 2014 and amended in September 2015 and April 2016. IFRS 15, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments.

The Company's revenue from contracts with customers results in performance obligations been satisfied at a point in time when the customer takes control, and the company has a present right to payment for the goods and /or services transferred.

the adoption of IFRS 15 did not require the Company to restate its prior period comparative figures.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, interpretations, and amendments to published standards effective in the current year (continued).

Amendment to IFRS 2, 'Shared – Based Payment' (effective for annual periods beginning on or after 1 January 2018).

The amendment addresses the accounting for cash-settled, share-based payments and equity – settled awards that include a 'net settlement' feature in respect of withholding taxes. The amendment clarifies the measurement basis for cash –settled, share-based payments and the accounting for modifications that change an award from cash –settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. This standard has no impact on the Company, as the Company has not yet introduced an equity compensation benefit scheme for employees.

Amendment to IAS 40, 'Investment property' (effective for annual periods beginning on or after 1 January 2018).

These amendments clarify that to transfer to, or from investment properties, there must be a change in use. To conclude if a property has changed use, there should be an assessment of whether the property meets the definition which must be supported by verifiable evidence.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018).

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. There was no impact from the adoption of this amendment as the Company was not involved in any complex or unusual foreign currency transaction.

Amendments to IFRS 4 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2018).

This amendment addresses the concerns of insurance companies about the different effective dates of IFRS 9, 'Financial instruments', and the forthcoming new insurance contracts standard. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach.' Both approaches are optional. IFRS 4 (including the amendments that have now been issued) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the overlay approach are expected to cease to be applicable when the new insurance standard becomes effective. This amendment did not have an impact on the Company, as it does not operate within that industry.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, interpretations, and amendments to published standards effective in the current year (continued).

Annual improvements to IFRSs 2014 – 2016 cycles.

The amendments to IAS 28, 'investments in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that the election by venture capital organizations, mutual funds, unit trust, and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. This Company will apply this amendment where applicable to future transactions.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards, amendments, and interpretations have been issued and may impact the financial statements but are not effective for the fiscal year ended 31 May 2019 and, accordingly, have not been applied in preparing these financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 –Leases, which replace IAS 17 – Leases and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 –months or less or the underlying assets have a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating and finance leases being retained.

The Company has been in the process of reviewing all of its leasing arrangements, and IFRS 16 will be applied retrospectively for annual periods beginning on or after 1 January 2019.

Amendments to IAS 28, 'Investments in associates and joint ventures,' effective for annual periods beginning on or after 1 January 2019.

In December 2016, the IASB amended IAS 28 – Investments in associates and joint ventures. These amendments clarify the accounting policy choice available for *electing to* measure the investments at fair value through profit or loss in accordance with IFRS 9.

Management is currently assessing the likely future impact of this amendment its financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

IFRS 17 ‘Insurance Contracts,’ effective for annual periods beginning on or after 1 January 2019.

This standard was issued as a replacement for IFRS 4, ‘Insurance Contracts’ and requires a current measurement model where estimates are re-measured each reporting period. The Company does not expect this standard to have any significant impact on the financial statements.

IFRC 23, ‘Uncertainty over income tax treatments,’ effective for annual periods beginning on or after 1 January 2019.

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income Taxes’ are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority. The Company is assessing the impact of this interpretation.

Amendment to IFRS 9, ‘Financial Instruments on prepayment features with negative compensation’ (effective for annual periods beginning on or after 1 January 2019).

This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Company is currently assessing the impact of this amendment.

(b) Foreign currency transaction and balances

Foreign currency transactions that require settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary assets and liabilities measured at historical cost denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the date of the transactions or initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Gains and losses arising from fluctuations in exchange rates are generally included in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments are recognised in other comprehensive income, except on impairment, in which case the foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign currencies.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation

A subsidiary is an enterprise controlled by the Company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements of companies from the date control commences until the date that control ceases.

At the reporting date:

- (i) The Company has no subsidiaries.
- (ii) The Company initially entered into a joint venture agreement with another entity to partner in manufacturing lubricants for the motor industry. As at 31 May 2019, the financial statements of this entity were not consolidated with that of the Company.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant, and equipment

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. Land is carried at cost and is not depreciated.

Depreciation is calculated on a straight-line method at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Current annual rates of depreciation are:

Buildings	2-6%
Plant, machinery, and equipment	10%
Furniture and fixtures	10%
Mobile equipment and motor vehicles	20%
Computer software and equipment	10%

The assets' residual values and useful lives are reviewed periodically for impairment. Where the assets' carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant, and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the statement of comprehensive income.

Repairs and maintenance expenditure are included in the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company.

The cost of self-constructed assets includes the cost of materials, direct labour, and related cost to put the asset into service. Borrowing costs, including but not limited to, interest on borrowings and exchange differences arising on such borrowings, that are directly attributable to the acquisition and/or construction of a qualifying asset are capitalized as part of the cost of that asset. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its use are complete. Thereafter, borrowing costs are recognised in profit or loss when they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

Inventories are stated at the lower of cost, determined consistently on the same bases, and net realizable value. The cost of inventories is determined based on weighted average cost and includes costs incurred in bringing the inventories to their present location and condition. Inventories comprised finished goods, work-in-progress, and raw and packaging materials.

Net realizable value is the estimated selling price of inventory during the normal course of business less estimated selling expenses.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at the bank, plus highly liquid instruments including certificates of deposits, where the original maturities of such instruments usually do not exceed three (3) months. The Company does not operate an overdraft facility.

(g) Financial instruments – recognition and measurement

A financial instrument is any contract that gives rise to a receipt or payment in cash or its equivalents and a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All financial instruments are measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on fair value or amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as fair value through profit or loss (FVTPL) are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of finance assets or financial liabilities classified as FVTPL are recognized immediately in net income.

Classification and subsequent measurement.

Financial instruments - assets

The Company classifies financial assets according to its business model for managing the financial assets and the contractual terms of the cash flows. Classification choices for financial assets are:

- Amortized cost
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

Classification choices for financial liabilities are:

- Amortized cost
- FVTPL

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments – recognition and measurement (continued)

Amortized cost

Financial assets are classified as amortized cost because the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding. These assets are measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Fair value through other comprehensive income (FVTOCI)

Financial assets are classified as FVTOCI because the financial assets are held with a business model with the objective to hold financial assets in order to collect contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in other comprehensive income when the asset is modified or impaired and subsequently transferred to profit or loss on derecognition.

Fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL unless they are classified as amortised cost or fair value through other comprehensive income. Gains and losses are recognized in other comprehensive income when the asset is modified or impaired and subsequently transferred to profit or loss or derecognition.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flow from the assets expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the contractual obligations are discharged, canceled or expires.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Trade receivables

Trade and other receivables are carried at anticipated realizable value. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in bad debt expense in the statement of comprehensive income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as recovery and credited to bad debt expense in the statement of comprehensive income.

Credit risk and expected loss

The Company is only exposed to credit risk on its trade receivables, and as such does not provide for any lifetime expected credit loss (LECL). It applies the practical experience of not adjusting the promised consideration receivable because the period is less than 12 months. The Company recognizes a loss allowance on a forward-looking basis at an amount equal to its expected credit model (ECL) that was developed during the year in regards to its financial assets measured at amortized cost.

(i) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

(j) Debt: borrowings and borrowing costs

Debt is classified as current when the Company expects to settle the liability in its normal operating cycle, it holds the liability primarily for trading, the liability is due to be settled within 12 months after the date of the statement of financial position, or it does not have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position; Otherwise, it is classified as long-term. After initial recognition, Debt is measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

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 ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue recognition

(i) Sale of goods

Revenue is recognized when the performance obligation, satisfied at a point-in-time to transfer goods and or services to the customer is complete. The completion is assessed when the customer takes control and or obtains the benefits of the goods and /or services and the company has a present right to payment as evidence by an invoice or the right to invoice.

(ii) Finance income

Finance income comprises interest-earned on funds invested and foreign exchange gains recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset

(iii) Other operating income

Other operating income includes gains on disposal of assets, recognized when the asset is sold, and miscellaneous inflows recognized when received.

(l) Leases

Leases of property, plant, and equipment where the Company has substantially taken over all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to comprehensive income over the lease period.

Property, plant, and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments under operating leases are charged to comprehensive income on a straight-line basis over the period of the lease.

(m) Dividends

Dividends declared, and payable to the Company's ordinary shareholders are recognised as a liability in the statement of financial position in the period in which the Company's Board of Directors approves the dividends.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to the statement of comprehensive income net of any reimbursement.

(o) Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in comprehensive income.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

(p) Pension and employee benefits

The Company does not have a Pension Plan, but it has implemented an Individual Retirement Account (IRA) scheme for some categories of staff operated by Sagicor Limited, a licensed Investment management entity. The Company contributes 5% to the IRA for each participating individual based on their gross salary. The Company recognizes a liability and an expense for its contribution to the IRA.

Employees' benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation and sick leave, non-monetary benefits such as medical care. Entitlement to annual leave and other benefits are recognized when they accrue to employees.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related party disclosure

Related parties are identified and disclosed to allow users of the financial statements to be aware of the possibilities that the financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the “reporting entity”)

(a) A person or close member of that person’s family is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions apply:

- The Company and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One company is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both companies are joint ventures of the same third party.
- One company is a joint venture of a third entity, and the other entity is an associate of the third entity.
- The company is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
- The company is controlled, or jointly controlled by a person identified in (a) above.
- A person identified in ((a) (i)) above has significant influence over the company or is a member of the key management personnel of the company (or of a parent of the company).

A related party transaction involves the transfer of resources, services or obligations between a reporting company and a related party, regardless of whether a price is charged.

(r) Investments

Investments are classified as loans and receivables. Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market.

Certificate of Deposits and Investments are recognised at fair value. Incomes from these investments are accounted for based on the accrual basis.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income taxes

The income tax expense for the year comprises a current and deferred tax. Income tax expense is recognized in net income, except to the extent that it relates to items recognized either in OCI or directly in equity.

I. Current taxation

The current tax charge is the expected tax payable on the taxable income for the year, using tax rates in effect at the reporting date plus any over or under the provision of tax in respect of previous years.

II. Deferred taxation

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent, it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realized, or the liability will be settled based on enacted rates.

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on 31 December 2012. Under the Junior Market of the JSE incentive regime, the 100% income tax-free status expired 31 December 2017, and the Company is now subject to income tax at 50% of its taxable income until 31 December 2022. As a consequence of the expiration of the 100% tax relief, deferred taxation was recorded in the financial statements for the year ended 31 May 2019.

(t) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Management considers the Company to have five (5) strategic business units, which offer different products and services and principally require different technology and marketing strategies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Segment reporting (continued)

The primary reportable business units are:

Distribution

- (i) of imported chemicals and lubricants
- (ii) of SIKA branded construction and adhesive products

Manufacturing

- (iii) of branded chemical products
- (iv) manufacturing of lubricants

Haulage

- (v) haulage services provided to external customers

The manufacturing operations are conducted at 6, and 8 East Bell Road, Kingston 11 and the distribution of chemicals is done from both the Company's warehouses at East Bell Road and 39 Waltham Park Road, Kingston 13.

Financial and other transactions between business units have been eliminated, where necessary in preparing the financial statements.

(u) Expenses

- (i) Expenses are recognised on the accrual basis.
- (ii) Finance costs comprise interest incurred on borrowings, calculated using the effective interest method, foreign exchange losses and bank-related charges.
- (iii) Payments under leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(v) Share capital

Ordinary shares are classified as equity and carried at cost. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(w) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period.

(x) Interest-bearing borrowings

Interest-bearing borrowings are recognised at cost. After initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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3. CAPITAL MANAGEMENT

The Company's objectives when managing capital is:

- Ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- Maintaining healthy liquidity reserves and access to capital;
- Optimizing the cost of capital while taking into consideration current and future industry, market, and economic risks and conditions; and
- To safeguard its ability to continue as a going concern in order to provide returns for its stockholders and benefits for other stakeholders

The definition of capital varies from company to company, industry to industry, and for different purposes. Management considers the definition of the Company's capital as long-term debt plus total equity.

The Company has a policy in place to manage capital. As part of the overall management of capital, management and the Audit Committee of the Board of Directors review the Company's compliance with, and performance against, the policy. In addition, periodic review of the policy is performed to ensure consistency with the risk tolerance.

The Company monitors its capital structure through measuring the gearing ratio. This ratio is calculated as total long-term debt divided by total capital under management.

The Company also monitors the return on capital, which is defined as net operating income divided by total stockholders' equity plus long-term debt and ensures its ability to service debt and meet other fixed obligations by tracking its interest and other coverage ratios and forecasting cash flows. Management reviews financial and other covenants of the existing debt agreements on an ongoing basis to monitor compliance with the agreements.

During 2019, the Company's strategy, which was in principle unchanged from 2018, was to maintain the gearing ratio below 1:1. The gearing ratios at 31 May 2019 and 31 May 2018 were as follows:

	<u>31 May</u> <u>2019</u> \$	<u>31 May</u> <u>2018</u> \$
Total long term debts	337,250,570	74,654,092
Total long-term debt plus equity	1,078,619,800	822,634,562
	0.31	0.09

Except for standard requirements relating to long-term loans, such as defined monthly payment dates, there are no externally imposed capital requirements, and there have been no changes to the Company's approach to capital management during the year.

4. FINANCIAL RISK MANAGEMENT

Overview and risk management framework

The Company's overall risk management policies are established to identify and analyze the risks faced by the Company and to set appropriate risk levels and controls and to monitor risk and adherence to limits. Derivative financial instruments are not used to reduce exposure to any of the risks.

The Board of Directors is ultimately responsible for the oversight of the Company's risk management and has established committees such as audit and treasury to monitor risks. The Company seeks to minimize potential adverse effects on the Company's financial performance and to manage these risks by close monitoring of each risk factor as noted below.

The Company has exposure to the following risks from the use of financial instruments:

- Market risk (including foreign currency and interest rate risk)
- Credit risk;
- Liquidity risk; and

The Company has exposure to the following risks from its operations:

- Operational risk; and
- Reputational risk

The following presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the financial statements and notes thereof.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(a) Financial risk management

(i) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing the return. The Company's financial risk management policy establishes guidelines on how the Company is to manage the market risk inherent in the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the established guidelines. The Company does not use derivatives in order to manage the volatility of market risk.

• **Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company conducts business globally and is exposed to these risks arising from various transactions denominated in foreign currencies, primarily United States (US\$) dollar.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Company further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

The Company's statement of financial position as at 31 May 2019 includes aggregate net foreign liabilities of approximately US\$1,434,633 (2018 -US\$1,104,044) in respect of transactions arising in the ordinary course of business which was subject to foreign exchange rate changes as follows

The concentration of currency risks:

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Financial assets:		
Cash and cash equivalents	441,376	548,962
Financial liabilities:		
Payables and accruals	(1,876,009)	(1,653,006)
Net total liabilities	(1,434,633)	(1,104,044)
Equivalent to	<u>(J\$190,547,955)</u>	<u>(J\$141,207,212)</u>

The above assets/ (liabilities) are receivable/ (payable) in United States dollars. The average of the Bank of Jamaica (BOJ) buying and selling rate of exchange applicable at 31 May 2019 is J\$132.82 to US\$1 (2018- J\$127.90 to US\$1)

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2019

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(i) Market risk (continued)

• **Foreign currency risk (continued)**

Foreign currency sensitivity

A 5% (2018 5%) weakening of the Jamaican dollar would have decreased profit for the year by approximately \$9.5 Million (2018 - \$7.1 Million), assuming all other variables, in particular, interest rates, remain constant.

• **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest –bearing financial assets are primarily cash and cash equivalent, securities purchased under resale agreements and investments. Interest bearing financial liabilities are represented by loans and bank overdrafts.

The Company attempts to manage the risk relating to financial liabilities by procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible. A financial asset is primarily managed by investing excess cash in short-term deposits and maintains interest-earning bank accounts with licensed financial institutions.

During the year, the Company experienced a reduction in the rates on certain of its loans. At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

	<u>2019</u> \$	<u>2018</u> \$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	337,250,570	69,545,450
	<u>337,250,570</u>	<u>69,545,450</u>
Variable rate instruments		
Financial assets	257,073,664	72,264,836
Financial liabilities	-	-
	<u>257,073,664</u>	<u>72,264,836</u>

Fair value sensitivity analysis for fixed rate instruments:

The Company does not hold any financial instruments that are carried at fair value. As a consequence, at the reporting date, fluctuation in interest rates, would not affect the profit or other comprehensive income recognized for the year.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(i) Market risk (continued)

- Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments:

At the reporting date, a 2% (2018 - 2%) increase/(decrease) in interest rates would have increased/(decreased) profit by approximately \$5.1 Million (2018 - \$1.4 Million) assuming that all other variables, in particular, foreign currency rates, in both the current and prior years remained constant.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company faces credit risk principally in respect of its receivables from customers and to a lesser extent cash at bank and short-term deposits held with financial institutions and investments with non- bank counterparties.

Apart from the introduction of IFRS 9 and the Expected Credit Loss model (ECL), there were no significant changes in the Company's approach to managing credit risk during the year.

Cash and cash equivalent

Cash and cash equivalent and investments are managed by maintaining these balances with licensed financial institutions considered to be stable and are deemed to have a low risk of default.

Trade receivables credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers. The Company also structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted about a single counterparty. The Company has an established credit process, which involves regular analysis of the ability of customers and other counterparties to meet repayment obligations.

The credit quality of the customer is assessed, taking into account its financial position, experience, and other factors. The utilization of credit limits is regularly monitored.

Customers of the Company principally include wholesalers, retailers, bauxite companies, companies within the construction industry and bakeries. The Company has procedures in place to restrict customer orders if the orders exceed their credit limits. Customers that fail to meet the Company's benchmark creditworthiness may transact business with the Company on a prepayment or cash basis.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(ii) Credit risk (continued)

Impairment:

The Company establishes a provision for impairment that represents its estimate of possible incurred losses in respect of trade receivables. Impairment is assessed for each customer balance over 90 days. The Company's exposure to this risk is moderate because approximately 72% (2018 - 75%) of its trade debtors are under 90 days.

The Company's credit period on the sale of goods ranges from 7 to 60 days, depending on the relationship with the respective customer. The Company introduced the ECL model in regards to impairment of receivables and this resulted in the Company providing fully for all receivables where collectability is deemed doubtful. The ECL model adopted had no major impact on the brought forward receivable balances at the beginning of the financial year.

Maximum exposure to trade receivables credit risk

	<u>2019</u> \$	<u>2018</u> \$
Credit risk exposures are as follows:		
Receivables (inclusive of prepayments and other receivables)	373,001,691	378,134,060

Exposure to credit risk by customer sector

The following table summarizes the Company's credit exposure for trade receivables at their carrying amounts, as categorized by customer sector:

	<u>Note</u>	<u>31 May</u> <u>2019</u> \$	<u>31 May</u> <u>2018</u> \$
Manufacturing, wholesalers, and retailers		303,099,625	245,423,776
Sugar industry		-	522,680
Government		2,911,837	5,637,903
Bauxite sector		29,945,532	23,660,407
	17	335,956,994	275,244,766
Less: provision for impairment		(16,269,116)	(12,663,684)
		319,687,878	262,581,082

As at 31 May 2019, the reporting date, there were significant concentrations of credit risk in respect of fourteen (14) major receivable customers of the Company who in aggregate accounted for approximately \$114 Million (2018 - \$103 Million), representing approximately 34% (2018 - 37%) of trade receivables for the Company.

No amounts were considered necessary for doubtful debts in respect to these balances as the amounts were deemed to be fully collectible.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

(ii) Credit risk (continued)

Movement on the provision for impairment of trade receivables

The movement on the provision for impairment of trade receivables was as follows:

	<u>31 May</u> <u>2019</u> \$	<u>31 May</u> <u>2018</u> \$
Balance at 1 June 2018	12,663,683	10,465,496
Increase in provision for receivables impairment	3,605,433	2,198,187
Balance at 31 May 2019	<u>16,269,116</u>	<u>12,663,683</u>

The creation of a provision for impaired receivables has been included in expenses in the profit or loss account. Amounts charged to the allowance account are written off when there is no expectation of recovering the additional cash.

Aging analysis of trade receivables that are past due and impaired

Trade receivables over 90 days overdue are considered impaired and are reviewed for any necessary provision. The impairment recognized represents an estimate of possible incurred losses in respect of trade receivables over 90 days. The impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the impaired receivables is expected to be recovered.

	<u>31 May</u> <u>2019</u> \$		<u>31 May</u> <u>2018</u> \$	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Due 0 to 60 days	208,343,194	-	180,142,173	-
Past due 61 to 90 days	35,747,336	-	27,170,218	-
Past due over 91 days	91,866,464	16,269,116	67,932,374	12,663,683
	<u>335,956,994</u>	<u>16,269,116</u>	<u>275,244,765</u>	<u>12,663,683</u>

As of 31 May 2019, trade receivables of \$91,866,464 (2018 - \$67,932,374) for the Company were considered impaired and the amount of the provision was \$16,269,116 (2018 - \$12,663,683).

The ECL model of calculating impairment was implemented and when compared to the above model, based on the incurred loss principle of IAS 39, the ECL model provision figure was considered to be adequate. When the ECL model was used to compute the impairment provision for the prior year ended 31 May 2018, there was no material adjustment that was considered necessary to the 2019 opening financial statement for trade receivable balances.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(ii) Credit risk (continued)

Financial instruments counterparty credit risk

The Company exposure to financial instruments counterparty credit risk is related to its activities with cash and cash equivalent balances amounts due from related parties and investments. The Company manages this exposure by maintaining these balances with licensed financial institutions considered to be stable and are deemed to have a low risk of default and to transact only with highly rated counterparties.

Maximum exposure to financial instruments counterparty credit risk

	<u>2019</u> \$	<u>2018</u> \$
Credit risk exposures are as follows:		
Investments	251,448,923	57,875,469
Cash and short term equivalents	45,455,080	28,205,145
	<u>296,904,003</u>	<u>86,080,614</u>

Due from related parties

At the reporting date, there were no significant concentrations in respect of amounts due from related parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The Company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. The Company maintains cash and short-term deposits for up to 90 - day periods to meet its liquidity requirements.

The Company's liquidity management process, as carried out within the Company and monitored by the Treasury function, includes:

- i. Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows
- ii. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow
- iii. Maintaining committed lines of credit
- iv. Managing the concentration and profile of debt maturities
- v. Optimizing cash returns on investments.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2019

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(iii) Liquidity risk (continued)

Cash flows of financial liabilities

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below shows the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to settle its liabilities. These amounts are due as follows:

2019

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>1-2 yrs</u>	<u>2-5 yrs</u>
	\$	\$	\$	\$	\$
Accounts payable	483,704,304	483,704,304	483,704,304	-	-
Long-term liabilities	337,250,570	353,174,610	18,406,633	17,668,804	317,045,173
Total financial liabilities	820,954,874	836,878,914	502,164,937	17,668,804	317,045,173

2018

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>1-2 yrs</u>	<u>2-5 yrs</u>
	\$	\$	\$	\$	\$
Accounts payable	251,025,982	251,025,982	251,025,982	-	-
Long-term liabilities	69,545,450	91,321,380	20,476,742	17,661,067	53,183,571
Total financial liabilities	320,571,432	342,347,362	271,502,724	17,661,067	53,183,571

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Financial risk management (continued)

(iii) Liquidity risk (continued)

Determination and disclosure of fair value of financial instruments

Fair value is considered as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market, such as a recognized stock exchange exists, as it is the best evidence of the fair value of a financial instrument.

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observed, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical instruments. The available-for-sale instruments in financial repurchase agreement (reports) are classified as level 1.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument either directly (i.e., as prices) or indirectly (i.e., derived from prices). There were no financial instruments held by the Company in this category.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instruments that are not based on observable market data (unobservable inputs). There were no financial instruments held by the Company in this category.

The following methods and assumptions have been used in preparing the financial statements at the reporting date:

- (i) The carrying value of cash and cash equivalents, accounts receivable and accounts payable are assumed to approximate to their carrying values due to their short-term nature
- (ii) Long-term liabilities carrying values approximate fair values as the loans are carried at an amortised cost reflecting their contractual obligations and the interest rates are reflective of market rates for similar loans
- (iii) Related party balances are carried at their contracted settlement values due to their short-term nature.
- (iv) Investments classified as available-for-sale are measured at fair value by reference to price quotes as published by established and reputable managers of these instruments.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes such as personnel, technology, and infrastructure, as well as from external factors, other than financial risks, such as those arising from legal, regulatory requirements and natural disasters.

The management of the Company is responsible for managing operational risk so as to avoid financial loss and damage to the Company's reputation while at the same time balancing the control procedures to allow innovation and creativity to facilitate the growth of the Company. Management is aware of the many operational risks and continues to implement the necessary strategies to mitigate the negative impact of the different risks associated with the operation of the Company.

(c) Reputational risk

The Company is engaged in a business that distributes chemical raw materials to various industries and manufactures basic inputs for food processing and industrial applications. Its reputation is critical within the marketplace and the Company's management endeavors at all times to be ethical and adopts international best practices in the storage, manufacturing, and distribution of its products.

The Company ensures that the necessary sanitary and quality standards are maintained and has regular audits from the government bodies responsible for the Company's portfolio of products including the government's Bureau of Standards, Public Health Department, Jamaica Customs Department and the Ministry of Industry and Commerce. Also, as a supplier to several multinational and reputable local companies, the Company adheres and complies with their quality standards, and when potential customers conduct their independent audits, the Company is usually approved as a certified distributor to their respective plants.

Rigorous quality checks are integrated into the Company's receiving and delivery processes of its products, and this reduces the level of customer complaints. Management considers the Company's reputation secured as events that may damage the Company's reputation are immediately investigated and the appropriate action taken in a manner that satisfies the complainant.

Paramount Trading (Jamaica) Limited
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5. OPERATING SEGMENTS

The Company has five reportable operating segments: Chemicals, Construction and Adhesive, Manufacturing, Transportation, and Lubricants. The reportable operating segments are strategic business units offering different products and services. They are separately managed due to their distinct nature. The following summary describes the operations in each of the Company's reportable segments:

- The distribution of chemicals and chemical products for food and pharmaceutical additives and ingredients.
- The construction and adhesive business is the distribution of the SIKA branded products and adhesive and hardware supplies, i.e., concrete admixtures, waterproofing/moisture protection, sealants, floor and protective coating, and more.
- The manufacturing of technical and industrial grade chemicals for direct use or as raw materials; solvents, disinfectants, germicides, household laundry and cleaning products, paints resin, and many more.
- Transportation/Haulage business provides island-wide delivery solutions.
- The distributions of oils and lubricants; engine oils and fluids, industrial oils and greases, hydraulic, transmission and other fluids.

Performance is measured based on segment gross profit as included in the internal management reports. Management has determined that this measure is the most relevant in evaluating segment results and allocating resources. Information regarding the results of each reportable operating segment is as follows:

- Chemicals located at 39 Waltham Park Road and 8 East Bell Road, account for over 58% (2018 - 81%) of revenue.
- Construction and Adhesives is a wholesale distribution outlet, trading under the SIKA brand and is located on Bell Road, in Kingston; and accounts for approximately 14% (2018-9%) of revenue.
- Manufacturing operates from both the 39 Waltham Park Road (food grade) and 8 East Bell Road (technical grade) locations and accounts for approximately 3% (2018-2%) of revenue.
- Transportation division operates from 39 Waltham Park Road and accounts for approximately 5% (2018-2%) of revenue.
- Lubricants division began operating from 39 1/4 Waltham Park Road in March 2018 and account for approximately 24% (2018-6%) of revenue.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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5. OPERATING SEGMENTS (CONTINUED)

	<u>2019</u>					<u>Total</u>
	<u>Chemicals</u>	<u>Constructi on and Adhesives</u>	<u>Manufacturing</u>	<u>Transport</u>	<u>Lubricants</u>	
	\$	\$	\$	\$	\$	\$
Revenues	908,816,249	159,097,308	193,737,911	45,550,669	288,442,857	1,595,644,995
Cost of sales						1,093,782,137
Gross profit						<u>501,862,858</u>

	<u>2018</u>					<u>Total</u>
	<u>Chemicals</u>	<u>Constructi on and Adhesives</u>	<u>Manufacturing</u>	<u>Transport</u>	<u>Lubricants</u>	
	\$	\$	\$	\$	\$	\$
Revenues	847,379,627	151,511,847	179,932,559	42,942,084	176,643,698	1,398,409,815
Cost of sales						980,872,472
Gross profit						<u>417,537,343</u>

The segment information presented by management to the CEO does not provide a detailed analysis of the assets and liabilities related to the operations of the respective segments. Assets and liabilities are not assigned to each segment in the preparation of the Company's financial statements.

6. OPERATING PROFIT BEFORE TAXATION

The following have been charged in arriving at operating profit:

	<u>2019</u>	<u>2018</u>
	\$	\$
Professional fees including auditors' remuneration	3,775,000	3,729,167
Directors' emoluments:		
Fees	435,000	300,000
Executive management remuneration	19,166,664	10,000,000
Bad debts expensed	3,609,633	2,223,761
Foreign exchange gains	(8,959,805)	(503,889)
Depreciation	45,033,157	42,319,542
Staff costs (excluding management remuneration)	187,721,668	151,110,412

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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7. STAFF COSTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries (excluding managements' remuneration)	164,484,063	126,356,392
Executive management remuneration	19,166,664	10,000,000
Employers payroll taxes	17,821,314	13,185,956
Staff welfare	5,416,291	6,741,397
	<u>206,888,332</u>	<u>156,283,745</u>

The average number of persons employed full-time by the Company during the year was 97 (2018-79)

8. OPERATING REVENUE AND OTHER OPERATING INCOME

(i) Operating revenue consists of the following:

	<u>2019</u>	<u>2018</u>
	\$	\$
Sale of goods	1,550,094,326	1,355,467,731
Services rendered	45,550,669	42,942,084
	<u>1,595,644,995</u>	<u>1,398,409,815</u>

The Company does not rely on any one customer or sector to generate the majority of its revenue.

(ii) Other operating income consists of the following:

	<u>2019</u>	<u>2018</u>
	\$	\$
Rental income – warehousing	3,840,025	5,325,600
Other	4,190,865	421,975
	<u>8,030,890</u>	<u>5,747,575</u>

Warehousing rental income is obtained from the Company's property located at Bell Road, which was used by a 3rd party for storage.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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9. EXPENSES BY NATURE

	<u>2019</u>	<u>2018</u>
	\$	\$
Cost of inventories recognized as expense	1,093,782,137	972,056,069
Subtotal: direct expenses	1,093,782,137	972,056,069
Selling, advertising, promotion, and distribution	16,335,504	27,508,743
Bad debts expenses	3,609,633	2,223,761
Subtotal: selling and distribution	19,945,137	29,732,504
Audit fee	3,775,000	3,729,166
Depreciation	45,033,157	42,319,542
Repairs and maintenance	7,590,951	6,110,337
Staff costs	206,888,332	146,283,745
Motor vehicle expenses	4,567,926	3,276,625
Utilities	12,354,284	8,710,780
Insurance	25,329,610	22,263,180
Security	15,743,476	10,034,133
Rental	14,725,234	13,003,108
Other expenses	65,754,944	67,300,158
Subtotal: administrative	401,762,914	323,030,774
	<u>1,515,490,188</u>	<u>1,324,819,347</u>

10. FINANCE INCOME AND COSTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Finance income -		
Interest income	1,637,477	959,950
Finance costs -		
Interest expenses	10,740,646	1,217,668
Debt financing fees and expenses	12,420,714	12,540,136
Foreign exchange gains	(8,959,805)	(503,890)
	<u>14,201,555</u>	<u>13,253,914</u>

11. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% (2018 – 25%).

	<u>2019</u>	<u>2018</u>
	\$	\$
Taxation for the year comprises:		
Current tax expense	9,446,314	3,290,965
Deferred Tax	3,532,207	5,108,641
	<u>12,978,521</u>	<u>8,399,606</u>

Effective 1 January 2018, the 100% tax remission for the first five (5) years after listing on the Junior Market (JM) of the Jamaican Stock Exchange (JSE) expired and the Company was subject to income tax on 50% of its chargeable income for the year ended 31 May 2019. The Company also accounted for deferred tax using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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11. TAXATION (CONTINUED)

(b) The tax on the Company's profit differs from the theoretical amount that would arise using the applicable tax rate as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Profit before taxation	75,621,619	67,044,079
Tax calculation @ 25% (2018 – 25%)	18,905,405	16,761,020
Adjustment for difference in treatment of:		
Depreciation and capital allowances	9,883,869	1,038,511
Net effect of other charges for tax purposes	(9,896,646)	(2,002,900)
Adjustment for the effect of remission of tax.	(9,446,314)	(12,505,666)
Tax charged for the year	<u>9,446,314</u>	<u>3,290,965</u>

(c) Remission of income tax:

By notice dated 13th August 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JMJSE) if certain conditions were achieved after the date of initial admission.

Effective 31 December 2012, the Company's shares were listed on the Junior Market of the JSE. Consequently, the Company is entitled to a remission of income taxes for ten years in the proportion set out below;

Years 1 to 5 (1 January 2013 - 31 December 2017) – 100%

Years 6-10: (1 January 2018 - 31 December 2022) – 50%

Provided the following conditions are met:

- (i) The Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of its rules.
- (ii) The Subscribed Participating Voting Share Capital of the Company does not exceed J\$500 million
- (iii) The Company has at least 50 Participating Voting Shareholders

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.

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Notes to the Financial Statements
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12. EARNINGS PER SHARE

Basic EPS is computed by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue for the year.

	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Net profit attributable to shareholders (J\$)	62,643,098	58,644,473
Weighted average number of ordinary shares in issue	1,542,467,080	1,542,467,080
Basic earnings per share	<u>0.040</u>	<u>0.038</u>

13. DIVIDENDS

In November 2018, ordinary dividend of 4 cents per share was proposed and paid resulting in a total dividend payout of \$61,698,683. (2018 - No ordinary dividend was proposed or paid).

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
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14. PROPERTY, PLANT, AND EQUIPMENT

	<u>2019</u>								
	<u>Equipment</u>	<u>Capital Work-</u> <u>in-progress</u>	<u>Computer</u> <u>Equipment</u>	<u>Furniture &</u> <u>Fixtures</u>	<u>Buildings</u>	<u>Motor Vehicles</u>	<u>Forklift</u>	<u>Leased</u> <u>Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At cost:									
1 June 2018	151,525,502	11,159,420	26,749,643	9,591,973	67,567,046	94,967,270	6,884,413	34,452,482	402,897,749
Capitalization of work- in-progress	11,159,420	(11,159,420)	-	-	-	-	-	-	-
Additions	34,818,804	101,577,735	151,638	800,279	-	-	-	4,375,137	141,723,594
31 May 2019	197,503,726	101,577,735	26,901,282	10,392,252	67,567,046	94,967,270	6,884,413	38,827,619	544,621,343
Depreciation:									
1 June 2018	51,953,222	-	3,509,682	3,886,422	20,295,860	45,627,712	3,208,401	10,818,805	139,300,104
Charge for the year	19,276,316	-	1,712,255	943,899	1,689,176	14,257,065	1,178,249	5,976,105	45,033,157
31 May 2019	71,229,538	-	5,221,937	4,830,453	21,985,035	59,884,777	4,386,652	16,794,910	184,338,488
Net book value									
31 May 2019	126,274,188	101,577,735	21,679,346	5,561,798	45,582,010	35,082,492	2,497,761	22,032,708	360,287,984

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2018

	<u>Equipment</u>	<u>Capital Work- in-progress</u>	<u>Computer Equipment</u>	<u>Furniture & Fixtures</u>	<u>Buildings</u>	<u>Motor Vehicles</u>	<u>Forklift</u>	<u>Leased Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At cost:									
1 June 2017	87,968,241	57,910,006	8,450,005	8,120,098	67,567,046	91,184,500	5,989,173	9,762,620	336,951,689
Capitalization of work- in-progress	57,910,006	(57,910,006)	-	-	-	-	-	-	-
Additions	5,647,255	11,159,420	18,299,638	1,471,875	-	3,782,770	895,240	24,689,862	65,946,060
31 May 2018	151,525,502	11,159,420	26,749,643	9,591,973	67,567,046	94,967,270	6,884,413	34,452,482	402,897,749
Depreciation:									
1 June 2017	32,299,283	-	2,454,147	2,702,085	18,606,683	31,281,481	2,179,359	7,457,524	96,980,562
Charge for the year	19,653,939	-	1,055,535	1,184,337	1,689,177	14,346,231	1,029,042	3,361,281	42,319,542
31 May 2018	51,953,222	-	3,509,682	3,886,422	20,295,860	45,627,712	3,208,401	10,818,805	139,300,104
Net book value									
31 May 2018	99,572,280	11,159,420	23,239,961	5,705,551	47,271,186	49,339,558	3,676,012	23,633,677	263,597,645

Paramount Trading (Jamaica) Limited
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15. INVESTMENTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Fair Values:		
1.3% (2018- 2% - 2.35%) US\$ Certificate of Deposits	6,821,599	57,528,458
J\$ Securities purchased under resale agreements	342,884	347,011
3% J\$ Repo: Mayberry Investments	190,000,000	-
3% US\$ Repo: Mayberry Investments	54,284,440	-
	<u>251,448,923</u>	<u>57,875,469</u>

Securities purchased under agreement to resell are regarded as cash and cash equivalents for the statement of cash flows. The average effective interest rate at the year-end was approximately 3.0% (2018 – 2.5%).

16. INVENTORIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Chemicals	294,128,429	326,171,410
Construction and adhesives	56,236,518	39,457,167
Manufacturing raw materials	137,525,251	97,416,480
	<u>487,890,198</u>	<u>463,045,057</u>
Goods-in-transit	70,119,718	47,079,940
Less: provision for obsolete stock	(10,100,897)	(10,100,898)
	<u>547,909,019</u>	<u>500,024,099</u>

17. RECEIVABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade receivables	335,956,994	275,219,504
Refundable general consumption tax	-	4,337,788
Other receivables and prepayments	53,313,813	32,067,428
Prepayments: joint venture	-	79,173,023
	<u>389,270,807</u>	<u>390,797,743</u>
Less provision for bad debts	(16,269,116)	(12,663,683)
Trade & other receivables	<u>373,001,691</u>	<u>378,134,060</u>

Trade receivables balance at the end of the year includes \$49,735,467 (2018 - \$49,287,354) from the Company's five (5) largest customers, and the balances were all within the approved credit limits. There are no other customers who represent more than 5% of the total trade receivables. The Company does not hold any collateral over trade receivables.

Other receivables mainly comprise amounts recoverable from a supplier and deposits in relation to the acquisition of assets.

18. CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash	170,000	110,000
Cash equivalents - US\$ bank accounts	7,233,582	14,389,368
Cash equivalents - JA. \$ bank accounts	38,051,498	13,705,777
	<u>45,455,080</u>	<u>28,205,145</u>

19. PAYABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Foreign payables	263,797,331	259,642,589
Local payables and accruals	100,713,936	44,037,927
Payables : related to manufacturing plant	88,404,549	106,872,219
Other payables	30,788,489	243,305
	<u>483,704,304</u>	<u>410,796,040</u>

20. LONG-TERM BORROWINGS

	<u>2019</u>	<u>2018</u>
	\$	\$
(i) 8.95 % Sagicor Bank	-	2,119,352
(ii) 8.39% National Commercial Bank (NCB)	27,827,632	31,650,693
(iii) 8.49% Sagicor Bank	8,358,858	10,705,823
(iv) 7.01% - Simpson Financing	4,448,235	-
(v) 12.5% -16.75% finance lease obligations [see (iv) below	20,024,556	25,069,582
	<u>60,659,281</u>	<u>69,545,450</u>
Less current portion due within 12 months	(12,381,431)	(13,357,128)
Non-current balance	<u>48,277,850</u>	<u>56,188,322</u>

The details of the loan are as follows:

- (i) This represents the principal loan balance, which is repayable in monthly installments of principal and interest of \$539,986. The loan was renegotiated at a lower interest rate and will mature in September 2018. The loan is secured by a legal mortgage over commercial properties at 39 and 44b Waltham Park Road, Lot # 8 Bell Road and other real estate along with a personal guarantee of the Managing Director.
- (ii) This loan represents the principal balance which is repayable in monthly installments of \$ 527,813 over 96 months. The loan is secured by a lien on a motor vehicle.
- (iii) This represents the principal loan balance which is repayable in monthly installments of \$ 263,829 over sixty (60) months. The loan is secured by a lien on a motor vehicle.
- (iv) This loan represent loan financing for motor truck and is repayable in 84 monthly installment of \$69,099. The loan is secured by a lien on the truck.
- (v) The lease obligations relate to motor vehicles and are payable as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Due from the reporting date as follows:		
Within one (1) year	5,140,118	7,339,894
Within two to five (2-5) years	24,955,446	27,715,658
Total future minimum lease payments	<u>30,095,564</u>	<u>35,055,552</u>
Less: future interest charges	(10,071,008)	(9,985,970)
Present value of minimum lease payments	<u>20,024,556</u>	<u>25,069,582</u>

20. LONG-TERM BORROWINGS (CONTINUED)

	<u>2019</u> \$	<u>2018</u> \$
8.75% - Cumulative Redeemable Preference Shares	276,591,289	-

The 8.75% Cumulative Redeemable Preference Shares were issued in March 2019 and will be redeemed in March 2022. The proceeds are to finance improvement, expansion and cash flow of business operations.

21. SHARE CAPITAL

	<u>2019</u> \$	<u>2018</u> \$
<u>Authorized:</u> 1,620,000,000 (2018 – 1,620,000,000) ordinary shares of no-par value		
<u>Issued and fully paid:</u> 1,542,467,080 (2018 – 1,542,467,080) shares of no par value	77,492,243	77,492,243

22. DEFERRED INCOME TAXES

Deferred tax represents the potential income tax liability due as a result of future accelerated depreciation charges that will become subject to income tax if they crystallize. No provision was made for deferred tax during the year ended 31 May 2019 because the Company was listed on the JSE Junior Market, effective 31 December 2012 and was relieved from 100% income tax for 5 years until 31 May 2018. (See note 11).

During the year ended 31 May 2019, deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amount determined after appropriate offsetting are as follows:

	<u>2019</u> \$	<u>2018</u> \$
Deferred tax liability	8,640,848	5,108,641

Deferred taxation charged to profit or loss comprises the following temporary differences:

	<u>2019</u> \$	<u>2018</u> \$
Interest receivable	-	83,961
Adjustment for deferred tax for the year	3,532,207	-
Decelerated capital allowances	5,108,641	5,024,680
Deferred tax liability at year end	8,640,848	5,108,641

Deferred income tax liabilities are recognised as the Company will be subject to income tax at 50% of the tax rate (25%) of its earnings for the next five (5) years, if the Company remains listed on the Junior Market of the Jamaica Stock Exchange.

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23. RELATED PARTIES TRANSACTIONS AND BALANCES

The statement of comprehensive income includes the following related party transactions

	<u>2019</u> \$	<u>2018</u> \$
Key management compensation		
Salaries:	19,166,664	14,862,667
Rental of premises		
Director	-	-
Motor vehicle rental expense		
Director	-	4,552,566

24. CONTINGENCIES AND COMMITMENTS

- (i) The Company's attorneys reported in their letter dated 15 June 2019 that as of 31 May 2019:
- they were not instructed as attorneys for the Company in respect of any litigation or claim in which the Company was involved

They further reported that in their capacity of attorneys for the Company as at the date of their letter, 15 June, 2019, they are:

- not aware of, nor have been instructed in relation to any significant judgment rendered for or against the Company during the period
 - not aware of, nor have been instructed in relation to any impending liabilities, direct claims or contingent liabilities
 - not aware of any other information of a similar nature which have come to their firm's attention and which, in the firm's opinion, requires disclosure in the Company's financial statements.
- (ii) Management is not aware of any commitments as at 31 May 2019, except those relating to financial institutions which are detailed in Note 20 of the financial statements.

25. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

Management, based on our discussions with them, stated that they are not aware of any other significant commitments or contingencies that require disclosure as at the date of this audit report.

PROXY FORM

“I/We _____ (insert name)

of _____ (address)

being a shareholder(s) of the above-named Company, hereby appoint:

_____ (proxy name)

of _____ (address)

or failing him, _____ (alternate proxy)

of _____ (address)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday November 2nd, 2019 at 10:00 a.m. at the Courtleigh Hotel & Suites, 85 Knutsford Boulevard, Kingston 5, Saint Andrew, and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed, the proxy will vote as he sees fit):

No.	Resolution details	Vote for or against (tick as appropriate)	
Ordinary Resolutions			
1.	To receive the audited accounts of the Company for the year ended 31st May 2019 together with the reports of the auditors and the Board of Directors thereon.	<input type="checkbox"/> For	<input type="checkbox"/> Against
2.(i)	To re-appoint the following Directors of the Board, who have resigned in accordance with Article 97 of the Articles of Incorporation of the Company and, being eligible, have consented to act on re-appointment:		
2.(i)(a)	To re-appoint Richard Rogers as a Director of the Board of the Company.	<input type="checkbox"/> For	<input type="checkbox"/> Against
2.(i)(b)	To re-appoint Radcliff Knibbs as a Director of the Board of the Company.	<input type="checkbox"/> For	<input type="checkbox"/> Against
2.(ii)	To re-appoint the following Director of the Board, who has resigned in accordance with Article 93 of the Articles of Incorporation of the Company and, being eligible, has consented to act on re-appointment:		
2.(ii)(a)	To re-appoint Metry Seaga as a Director of the Board of the Company.	<input type="checkbox"/> For	<input type="checkbox"/> Against
3.	To authorise the Board to fix the remuneration of the Directors.	<input type="checkbox"/> For	<input type="checkbox"/> Against

NOTES