This Prospectus is issued by Paramount Trading (Jamaica) Limited (the "**Company**") and is dated 21 March 2019. A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act, 2004 and was so registered on 21 March 2019. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus. A copy of this Prospectus was also delivered to the Financial Services Commission for the purposes of the registration of the Company as an issuer pursuant to section 26 of the Securities Act and the Company was so registered on 21 March 2019. The Financial Services Commission has not approved the Preference Shares (as defined below) for which subscription is invited nor has the Financial Services Commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

PARAMOUNT Jamaica

150,000,000 CUMULATIVE REDEEMABLE 8.75% FIXED RATE PREFERENCE SHARES DUE 2021 PRICED AT $2.00 EACH

The Company invites Applications for subscription for 150,000,000 new Preference Shares in the capital of the Company in the Invitation made subject to this prospectus. Mayberry Investments Limited is acting as sole lead broker to the Company in the Invitation. See the Terms and Conditions of the Invitation at Section 6.4 of this prospectus.

An Application Form for use by all Applicants is provided Appendix 1 together with notes on how to complete it. The Invitation will open at 9:00 a.m. on the Opening Date, 28 March 2019. Application Forms must be submitted to Mayberry or to your usual broker for processing by Mayberry on or prior to the Opening Date.

Applications submitted prior to 9:00 a.m. on the Opening Date will be received by Mayberry, but not processed until 9:00 a.m. on the Opening Date. The Invitation will close at 4:00 p.m. on the Closing Date, 4 April 2019 subject to the right of the Company to: (a) close the Invitation at any time after it opens on 9:00 a.m. on the Opening Date once Applications for all of the Preference Shares in the Invitation are received; and (b) extend the Closing Date for any reason, provided that it does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Companies Act. In the case of an early closing of the Invitation, or an extension to the Closing Date, notice will be posted on the website of the JSE at (www.jamstockex.com).

It is the intention of the Company to apply to the Jamaica Stock Exchange to list the Preference Shares on the Junior Market, however please note that this statement of the Company's intention is not a guarantee that the Preference Shares will be listed. The application by the Company, and its success, is dependent on (i) the subscription of not less than 50,000,000 Preference Shares by Applicants by the Closing Date (or any extension thereof); and (ii) the discretion of the JSE and the criteria for admission set out in the JSE Rules. Notwithstanding the foregoing if the Invitation is successful in raising at least $100,000,000 but the Preference Shares are not listed on the Junior Market the Company may elect to allot the Preference Shares in any event. See the Terms and Conditions for details.

Authorised share capital	1,570,000,000 Ordinary Shares
	250,000,000 Preference Shares
Issued share capital	1,542,467,080 Ordinary Shares
Maximum Number of Preference Shares to be issued	150,000,000 Preference Shares
Maximum Consideration	$300,000,000.00

PRINCIPAL OFFICE: 39 WALTHAM PARK ROAD KINGSTON 11, JAMAICA, W.I. TEL : (876) 923-0135

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SECTION 1: DEFINITIONS USED IN THIS PROSPECTUS

TERM	MEANING
Act	means the Companies Act, 2004
Affiliates	has the meaning given to such term by the Act
Applicant(s)	means a person (being an individual or a body corporate resident in Jamaica) who submits an Application
Application Form	means the prescribed form of application set out in Appendix 1
Articles of Incorporation	means the Articles of Incorporation of the Company adopted by the shareholders of the Company on 15 November 2012, together with any amendments thereto
Audited Financial Information	means the figures set out in Section 10 that are extracted from the financial statements of the Company as audited by the Auditors, for each of the 5 annual reporting periods ended 31 May in the years 2014 to 2018 inclusive
Auditors	means McKenley & Associates, Chartered Accountants of Unit 11, Seymour Park, 2 Seymour Avenue, Kingston 6. The independent external auditor of the Company
Auditor's Report	means the independent report(s) of the Auditor set out in Section 10, in relation to the Audited Financial Information
Authorised Preference Shares	means the 250,000,000 authorised cumulative redeemable preference shares in the capital of the Company each series of which is subject to its particular terms of issue
Board	means the Board of Directors of the Company
Company	means Paramount Trading (Jamaica) Limited, a company incorporated in Jamaica (number 40210) with its registered and principal office at 39 Waltham Park Road, Kingston 13.
Closing Date	means the date on which the Invitation closes, being Thursday, 4 April 2019 at 4:00 p.m., subject to the right of the Company to shorten or extend the Closing Date in the circumstances described in this Prospectus
Director(s)	means a director of the Board of the Company whose name and details are set out in Section 8 of this Prospectus

Forward Looking Statement(s)	means the forward looking statements referred to in Section 3 of this Prospectus which are disclaimed by the Company on the terms and for the reasons set out therein
FSC	means the Financial Services Commission of Jamaica of 39-40 Barbados Avenue, Kingston 5, Jamaica
Financial Information	means the Audited Financial Information and the Unaudited Financial Information
GCT	means General Consumption Tax charged in accordance with the General Consumption Tax Act of Jamaica
Invitation	means the invitation to prospective investors to subscribe for the Preference Shares, on the terms and conditions set out in this Prospectus
Invitation Price	means $2 per Preference Share
JCSD	means the Jamaica Central Securities Depository, a company incorporated in Jamaica (number 58658) with its registered and principal office at 40 Harbour Street, Kingston, Jamaica
JSE	means the Jamaica Stock Exchange, a company incorporated in Jamaica (number 6351) with its registered and principal office at 40 Harbour Street, Kingston, Jamaica
Junior Market	means the Junior Market trading platform of the JSE established April 2009
Maturity Date	means a date 2 years (24 months) following the issue date of the Preference Shares
Mayberry	means Mayberry Investments Limited a company incorporated in Jamaica (number 26905) with its registered and principal office at 1½ Oxford Road, Kingston 5, Jamaica that is acting as sole broker to the Company in the Invitation
Opening Date	means the date on which the Invitation opens, being 9:00 a.m. on Thursday 28 March 2019
Ordinary Shares	means the authorized and issued ordinary shares in the capital of the Company as the context may require
Ordinary Shareholder	means a holder of the Ordinary Shares
Preference Shares	means any of the new 8.75% fixed rate cumulative redeemable preference shares in the capital of the Company due 2021 that is subject to the Terms of Issue, and the subject of the Invitation

Preference Shareholder	means a holder of the Preference Shares
Preference Stock Units	means all or any of the Preference Shares that are fully paid and converted on issue to preference stock units in accordance with the Articles of Incorporation
PricewaterhouseCoopers	means PricewaterhouseCoopers, chartered accountants, of Scotiabank Centre, corner of Duke and Port Royal Streets, Kingston
Primary Applicant(s)	means, in the case of joint Applicants or multiple Applicants, the Applicant whose name appears first on the Application Form and who is the Applicant who serves as the primary recipient of notices from the Company
Prospectus	means this document dated Thursday 21 March 2019 which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act
Registrar	means the JCSD or such other persons as may be appointed by the Company from time to time to provide the services of Registrar for the Company
Shareholder(s)	means holders of the Ordinary or Preference Shares as the context shall require
Staff	means senior managers and employees of the Company
Terms and Conditions	means the terms and conditions of the Invitation set out in Section 6.4 of this Prospectus
Terms of Issue	means the terms of the issue of the Preference Shares approved by the board of the Company as set out in Appendix 2
Unaudited Financial Information	means the financial information set out in Section 10 of this Prospectus that has not been audited namely the financial information in respect of the quarter ended 30 November 2018 that is taken from the management accounts of the Company
$	means the Jamaican dollar unless otherwise indicated

SECTION 2: IMPORTANT INFORMATION ABOUT THE PROSPECTUS

RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus has been reviewed and approved by the Board of Directors of the Company. The Directors of the Company whose names appear in Section 8 of this Prospectus are the persons responsible (both individually and collectively) for the information contained in it. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and no information has been omitted which is likely to materially affect the import of information contained herein.

Each of the Directors of the Company has signed this Prospectus for the purposes of their responsibilities as described herein. Such responsibilities are joint and several as contemplated by the Companies Act. See the signatures in Section 15 of this Prospectus.

CONTENTS OF THIS PROSPECTUS

This Prospectus contains important information for prospective investors in the Company. All prospective investors should read this Prospectus carefully in its entirety before submitting an Application.

This Prospectus also contains summaries of certain documents, which the Board of Directors of the Company believe are accurate. Prospective investors may wish to inspect the actual documents that are summarised, copies of which will be available for inspection as described in Section 14. Any summaries of such documents appearing in this Prospectus are qualified in their entirety by reference to the complete document. The publication of this Prospectus shall not imply that there has been no change in the business, results of operations, financial condition or prospects of the Company since the date of this Prospectus.

UNAUTHORISED REPRESENTATIONS

No person is authorised to provide information or to make any representation whatsoever in connection with this Prospectus which is not contained in this Prospectus. Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination as to the accuracy or adequacy of the matters contained in this Prospectus.

INVITATION MADE IN JAMAICA ONLY

This Prospectus is intended for use in Jamaica only and is not to be construed as making an invitation to persons outside of Jamaica to subscribe for any Preference Shares. The distribution or publication of this Prospectus and the making of the invitation in certain jurisdictions outside of Jamaica is prohibited by law.

APPLICATION TO SUBSCRIBE FOR PREFERENCE SHARES

This Prospectus is not a recommendation by the Company that prospective investors should submit Applications to subscribe for Preference Shares in the Company. Prospective investors are expected to make their own assessment of the Company, and the merits and risks of subscribing for Preference Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Preference Shares, including but not limited to any tax implications. Each Applicant who submits an Application acknowledges and agrees that: (1) they have been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in section 6.4), and to gather and review all additional information considered by them to be necessary to verify the accuracy of the information contained in this Prospectus; (2) no person connected with the Company has made any representation concerning the Company not contained in this Prospectus, on which the Applicant has relied in submitting their Application.

SECTION 3: DISCLAIMER – FORWARD LOOKING STATEMENTS

Save for the historical Financial Information contained in this Prospectus, certain matters discussed in this Prospectus contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and pro forma financial information and/or financial projections.

Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made, taking into account any assumptions set out in this Prospectus for that purpose. Although the Directors believe that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ materially from historical or anticipated results.

When used in this Prospectus, the words "anticipates", "believes", "expects", "intends", “considers”, “pro forma”, “forecast”, “projection” and similar expressions, as they relate to the Company, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Company, and prior to the admission of the Preference Shares to listing on the JSE, the Company undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company's financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made).

There are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the Company's control. These factors include, without limitation, the following:

- economic, social and other conditions prevailing both within and outside of Jamaica, including actual rates of growth of the Jamaican and CARICOM regional economies, instability and volatility in domestic interest rates and regional and international exchange rates
- adverse climatic events and natural disasters
- unfavourable market receptiveness to renewals of current products, or any new products
- changes in any legislation or policy adversely affecting the Company
- any other factor negatively impacting on the realisation of the assumptions on which the Company's internal projections are based
- other factors identified in this Prospectus
- factors as yet unknown to the Company

Neither the FSC nor any Government agency or regulatory authority in Jamaica has made any determination on the accuracy or adequacy of the matters contained in this Prospectus.

SECTION 4: SUMMARY OF KEY INFORMATION

The following summary information is derived from, and should be read in conjunction with, and is qualified by, the full text of this Prospectus. You are advised to read the entire Prospectus carefully before making an investment decision about this transaction. Your specific attention is drawn to the Risk Factors in Section 11 of this Prospectus. If you have any questions arising out of this Prospectus you should consult your stockbroker, licensed investment advisor, accountant, attorney-at-law or other professional advisor.

Issuer:	Paramount Trading (Jamaica) Limited.
Securities:	150,000,000 new 8.75% fixed rate cumulative redeemable Preference Shares due 2021 subject to the Terms of Issue described in Appendix 2.
Dividend Payment:	Each 2021 Preference Share will carry the right to receive a cumulative preferential dividend at a fixed rate of 8.75% per annum calculated at the Invitation Price of each 2021 Preference Share. Dividends shall be paid monthly on the last business day of the month, commencing 30 April 2019. Dividends will accrue as of the date of final allotment of the Preference Shares (being the date of their listing on the JSE assuming the Application is successful).
Terms and Conditions:	See Section 6.4 of this Prospectus.
Price and Payment:	$2.00 per Preference Share. See paragraph 7 of Section 6.4 for details of payment methods. Payment must be submitted with the Application Form, together the JCSD processing fee of $163.10 (inclusive of GCT).
Application Forms:	See Appendix 1. Application Forms may be submitted to Mayberry at 1½ Oxford Road, Kingston 5 or to your usual broker for processing by Mayberry on the Opening Date.
Timetable of Key Dates:	**Publication of Prospectus**: Thursday 21 March 2019
	Opening Date: Thursday 28 March 2019
	Closing Date: Thursday 4 April 2019
Confirmation of allotment:	Please refer to the notice posted on the JSE website within 3 days of the Closing Date.
Refund cheques:	Available for collection from Mayberry within 10 days of the Closing Date.
Final allotment / listing:	Within 3 weeks of the Closing Date.
Early Applications:	APPLICATION FORMS MAY BE SUBMITTED IN ADVANCE OF THE OPENING DATE. Early Applications will be received, but not processed until the Opening Date. All early Applications will be treated as having been received at the same time, being 9:00 a.m. on the Opening Date. All other Applications will be received and processed on a first come, first served basis.
Key Terms of Issue:	A brief summary of the Terms of Issue appears below for convenience. Please see the full Terms of Issue in Appendix 2.
Redemption:	The Preference Shares are redeemable by the Company on the Maturity Date. The Company also reserves the right to redeem the Preference Shares (in full or part) on any dividend payment date without payment of any premium or penalty, on the provision of notice of at least thirty (30) days to Preference Shareholders. On redemption (whether mandatory

	or optional) Preference Shareholders will receive the Invitation price paid for the number of Preference Shares they hold that are being redeemed, together with any accrued and unpaid dividends.
Voting Rights:	The Preference Shares will not carry a right to vote except when the cumulative dividend has not been paid for more than 12 months; or on a winding up of the Company; or on a proposed variation of the rights attaching to the Preference Shares.
Financial Covenants:	The Company has also covenanted that while the Preference Shares are in issue and sums are due to Preference Shareholders the Company shall maintain the following financial ratios: (1) Minimum EBITDA Interest Expense of 150% (2) Maximum Debt Service Coverage Ratio of 120% (3) Maximum Debt to Equity Ratio of 200% and "Debt" shall include sums due to Preference Shareholders.
Rights to capital:	On a winding up of the Company each Preference Shareholder will have a right to repayment of capital ranking *pari passu* to any previously issued preference shares but in priority to the Ordinary Shareholders). The Preference Shareholders will however rank behind those of any statutory creditors (inclusive of employees), and secured creditors.
Further Preference Shares:	The Company also reserves the right to issue additional preference shares in accordance with the Articles of Incorporation and the Terms of Issue, to rank *pari passu* with the Preference Shares save as to the rate of dividend and tenor.
Conversion to Stock Units:	All Preference Shares will be issued fully paid and converted to Preference Stock Units on issue in anticipation of their listing.
Intention to List:	It is the intention of the Company to apply to the JSE to list the Preference Shares on the JSE, however, please note that this statement is not a guarantee that the Preference Shares will be listed. The making of the application by the Company, and its success, is dependent on (1) the Company's ability to raise at least $100 million in the Invitation from the sale of not less than 50 million Preference Shares (2) the discretion of the JSE and criteria set out in JSE rules. If the Invitation is successful in raising at least $100 million but the Preference Shares are not listed the Company may elect to allot the Preference Shares in any event or to return amounts due to Applicants.

PARAMOUNT
Jamaica

39 Waltham Park Road, Kingston 13 |
8 East Bell Road, Kingston 11
Tel: (876) 923-0135, 923-9178
Fax: (876)937-1241
Website: www.paramountjm.com
Email: paramount@paramountjm.com

SECTION 5: CHAIRMAN'S LETTER TO PROSPECTIVE INVESTORS

21 March 2019

Dear prospective investors,

The Board of Paramount Trading (Jamaica) Limited is pleased to invite you to apply for a new issue of up to 150 million new 8.75% fixed rate Preference Shares due 2021 in the capital of the Company on the terms set out in this Prospectus.

About the Company

The Company is a publicly traded industrial and food chemical company incorporated in 1991 and domiciled in Jamaica. The principal activity of the Company is the importation and distribution of chemicals, lubricants, and other branded hardware products. The Company also provides haulage services.

In May 2010, the Company acquired a franchise with a recognised brand to manufacture chemicals on behalf of an international clean solution manufacturer. 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 oils and lubricants, Allegheny Petroleum Products Co. and under an initial joint venture arrangement, commenced blending operations at the plant located at 39 1/4 Waltham Park Road, Kingston. The proceeds of the Invitation are proposed to take advantage of opportunities for improvement and expansion of the business, to provide working capital and for general corporate purposes and to pay the expenses of the Invitation.

The Company has equipped itself for expansion, in both assets and capacity. With a specific focus on the development of its product range to include the joint venture partnership in the manufacturing of oils and lubricants. This expansion includes the acquisition of assets such as trucks, forklifts and an industry-specific software to facilitate first world manufacturing controls, which will improve on the Company's service delivery across business units, as well as streamline its reporting processes for industry partners such as the Ministry of Health and the Jamaica Stock Exchange.

Our human capacity has also been strengthened with the expansion of several key functional areas of the Company to include engineering, human resources, transportation and production. These activities contributed to our increased operational costs, but we have also seen a positive impact on our revenue.

Another strategic objective was to diversify our operation, improve long term sustainability and improve margins. The Company successfully acquired Seprod's bleach plant and its state-of-the-art bleach manufacturing assets in the second quarter of 2018 and relocated the operation to the Company's facility. This acquisition allowed the Company to onboard new customers and businesses as well as provides support to existing customers by co-packing consumer grade bleach as well as industrial grade.

The Company has prepared for its next phase of growth with the investments made over the last two years. The new business ventures and product lines will be aggressively pursued for growth into new markets and partnerships in the new financial year.

Please read section 7 of this Prospectus for more information on the Company and its operations.

Use of proceeds

The Company is now inviting applications for up to 150 million Preference Shares in the Invitation. The Board intends to use the proceeds of the Invitation to take advantage of opportunities for improvement and expansion of the business, to provide working capital and for general corporate purposes and to pay the expenses of the Invitation, which the Directors believe will not exceed $16.5 million (inclusive of brokerage fees, legal fees, accountant's fees, Registrar's fees, filing fees, initial listing fees and marketing expenses, but exclusive of GCT).

How to make an Application

Those investors who are interested in subscribing for Preference Shares should read this Prospectus in its entirety inclusive of the full Terms and Conditions of the Invitation set out in Section 6.4, the Risk Factors in section 11 and the full Terms of Issue of the 2021 Preference Shares at Appendix 2, and then complete the Application set out in Appendix 1.

On behalf of the board of Paramount Trading (Jamaica) Limited

Radcliff Knibbs, Chairman	**Hugh Graham, Managing Director**

SECTION 6: TERMS AND CONDITIONS OF THE INVITATION

6.1 General information

Prospective investors should read this Prospectus carefully. Those prospective investors who wish to subscribe for Preference Shares should review the Terms of Issue before completing the Application set out in Appendix 1.

The Company invites Applications for 150,000,000 new Preference Shares in the Invitation. All Preference Shares are priced at $2 per Preference Share.

The Invitation will open at 9:00 a.m. on the Opening Date, Thursday 28 March 2019 and will close at 4:00 p.m. on the Closing Date, Thursday 4 April 2019 subject to the right of the Company to: (a) close the subscription list at any time after 9:00 a.m. on the Opening Date once Applications for all of the Preference Shares in the Invitation are received, and (b) extend the Closing Date for any reason. In either case an informational notice will be posted on the website of the JSE - www.jamstockex.com

6.2 Minimum fundraising

For the purposes of the requirement for disclosure set out in section 48 of the Act, the minimum amount which, in the opinion of the Directors, must be received by the Company in order to provide for the matters set out in paragraph two of the Third Schedule to the Act is $100 million.

6.3 Use of proceeds

The Board intends to use the proceeds of the Invitation in order to Invitation to take advantage of opportunities for improvement and expansion of the business, to provide working capital and for general corporate purposes and to pay the expenses of the Invitation, which the Directors believe will not exceed $16.5 million (inclusive of brokerage fees, legal fees, accountant's fees, Registrar's fees, filing fees, initial listing fees, marketing expenses, but exclusive GCT) after payment of related expenses. See section 13 for further details.

6.4 Terms and conditions of the Invitation

(1) Status and minimum age of Applicants

Primary Applicants must be at least 18 years old.

(2) Application Form

All Applicants must submit the Application Form provided at Appendix 1 to this Prospectus. Additionally, each duly completed and signed Application Form must be accompanied by:

- Copy of Applicant's valid identification (Driver's License, Passport or National ID)
- Copy of Applicant's TRN card
- Payment for the desired number of Preference Shares at $2 each, TOGETHER WITH the JCSD processing fee of $163.10 (inclusive of GCT).

See Payment Methods, below. Payment (or confirmation of transfer) must be attached to each Application Form.

All Application Forms must be delivered to Mayberry at 1½ Oxford Road Kingston, Jamaica, or to your usual broker for delivery to Mayberry on or prior to the Opening Date. See also paragraph 7 below (Early Applications etc.).

(3) Payment methods

Payment may be made using any of the following methods:

(a) manager's cheque made payable to "Paramount Trading Preference Share Offer", or

(b) authorisation from the Applicant, instructing Mayberry to make payment from cleared funds held in an investment account in the Applicant's name at Mayberry, to an account held at Mayberry in the name of "Paramount Trading Preference Share Offer"; or

(c) transfer in the Real Time Gross Settlement ("**RTGS**") system to an account held at Mayberry in the name of Paramount Trading Preference Share Offer, in the case of payments of $1 million or more.

(4) Acceptance of Terms and Conditions by Applicants

All Applicants that have completed an Application Form will be deemed to have accepted the terms and conditions of the Invitation and any other terms and conditions set out in this Prospectus, including: any terms and conditions set out in this Section 6.4, the Application Form, and the Terms of Issue.

(5) Further acknowledgments by Applicants

Each Applicant further acknowledges and agrees that:

(a) they have been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6.4 and in the Terms of Issue), and to gather and review all additional information considered by him/her to be necessary to verify the accuracy of the information contained in this Prospectus;

(b) they have not relied on any person other than the Company and the Directors, each of whom have individual and collective responsibility for the contents of this Prospectus, in connection with their investigation of the accuracy of such information or their investment decision;

(c) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained herein, on which the Applicant has relied in submitting his/her Application; and

(d) they have made their own assessment of the Company, and the merits and risks of subscribing for Preference Shares, inclusive of taking advice (or waiving the need for such advice) in relation on the financial and legal implications of subscribing for Shares and the tax implications thereof.

(6) Minimum Application

Each Application must be for a minimum of 250,000 Preference Shares ($500,000) and be made in multiples of 50,000 Preference Shares ($100,000). Applications in other denominations will not be processed or accepted.

(7) Early Applications and order of processing

Applications submitted to Mayberry in advance of the Opening Date will be received and checked for completeness, but not processed. All such advance Applications will be treated as having been received at 9:00 a.m. on the Opening Date, Thursday 28 March 2019. All Applications received from 9:00 a.m. onwards on the Opening Date will be time stamped for processing in the order in which they were received and dealt with in that same order (e.g. on a first come first served basis).

(8) Company's discretions as to Applications and Allotment

The Company may:

(a) accept or reject any Application in whole or part without giving reasons, and neither the Company nor its Directors or agents shall be required to provide reasons for decisions or be liable to any Applicant or any other person for doing so;

(b) notwithstanding that the intention of the Company is to allot the Preference Shares on a first come, first served basis, the Company reserves the right to allot the Preference Shares to Applicants on a basis to be determined by it in its sole discretion in the event the Invitation is oversubscribed, including on a *pro rata* basis; and

(c) treat multiple Applications by any person (whether in individual or joint names) as a single Application, or accept or reject multiple applications in its sole discretion.

(9) When binding contract is formed

Neither the submission of an Application Form by an Applicant nor its receipt by the Company will result in a binding contract between the Applicant and the Company. Only the allotment of Preference Shares by the Company to an Applicant which, in the case of a successful application for admission to the JSE shall be the date of the date of initial listing of the Preference Shares or, in the case that the said application is not granted and the Company elects to allot the Preference Shares in accordance with paragraph 12 below, shall be a date not later than 21 days after the Closing Date (whether such Preference Shares represent all or part of those specified by the Applicant in his/her Application) will result in a binding contract under which the Applicant will be deemed to have agreed to subscribe for the number of allotted Preference Shares, subject to the Articles of Incorporation of the Company and the terms and conditions set out in this Section 6.4 and the Prospectus generally. This is not a guarantee that the Preference Shares will successfully be listed on the JSE.

(10) When Invitation is successful

If the Invitation is successful and Preference Shares valued at $100 million or more are fully subscribed the Company will make application to the JSE to list the Preference Shares.

If the Invitation is not successful and the Preference Shares as not subscribed as aforesaid the Company may return all funds to Applicants.

If the Preference Shares are admitted to the JSE, Applicants will be allotted the Preference Shares for credit to their account in the Jamaica Central Securities Depository specified in their Applications. Applicants may refer to the notice that will be posted on the website of the JSE **(www.jamstockex.com)** after the Closing Date (or the shortened or extended Closing Date, as the case may be).

In the event that the Preference Shares are fully subscribed as aforesaid, but not admitted to trading on the on the JSE, the Company reserves the right in its sole discretion to allot the Preference Shares. This may result in an illiquid market for transfers of Preference Shares and any such transfers shall be subject to stamp duty and transfer tax at the combined rate of 6%.

(11) Refunds

The Company will endeavour to return cheques or make refunds to Applicants whose Applications are not accepted, or whose Applications are only accepted in part, to Mayberry within 10 working days after the Closing Date (or the shortened or extended Closing Date, as the case may be) or as soon as practicable thereafter. Each Applicant's returned cheque or refund cheque will be dealt with according to the refund instructions stated in the Application. Please note that the $163.10 JCSD processing fee (inclusive of GCT) will not be refunded to an Applicant in the event that the Company refunds payments for the Preference Shares.

SECTION 7: INFORMATION ABOUT THE COMPANY

7.1 Overview

The Company operates 5 business segments as follows:

- Distribution of chemicals and chemical products for food and pharmaceutical additives and ingredients.
- Distribution of construction supplies and adhesives (SIKA branded products and other adhesives and hardware supplies, i.e., concrete admixtures, waterproofing/moisture protection, sealants, floor and protective coating, and more).
- 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.
- Manufacturing and distribution (joint venture) for oils and lubricants; engine oils and fluids, industrial oils and greases, hydraulic, transmission and other fluids.
- Transportation/haulage business (Stamina Trucking) offering island-wide service.

The Company started as a manufacturers' representative and commission agent in 1991 and as it grew, warehousing and distribution were added throughout the 1990s.

By the late 2000s, there was further growth into the construction sector through alliance with the SIKA group and expansion into manufacturing through the acquisition of a manufacturing facility.

In 2012, the Company expanded its distribution business through a partnership with Allegheny Petroleum to include Petroleum Products.

The Company now operates out of three locations with its head offices at 39 Waltham Park Road and has a staff complement of approximately 98 employees.

The Company listed on the Jamaica Stock Exchange on 31 December 2012 as part of its strategic thrust for growth.

In the last 2 years the Company moved further into manufacturing through the following:

- A 50-50 profit sharing joint venture arrangement with an existing partner, Allegheny Petroleum, to manufacture oils and lubricants in a plant built by Allegheny Petroleum on property made available by the Company; and
- Acquisition of a bleach and chlorine plant to repackage chlorine and provide contract manufacturing.

Today, the Company is one of the leading distributors of industrial and food chemicals in Jamaica. It also distributes 'Sika' branded hardware products which include anchoring adhesives and sealants to major concrete manufacturers, contractors, hardware stores and industrial professionals with specialized concrete products and chemicals.

Additionally, the Company offers construction technical services by a well-trained technical and applications team. These services include *inter alia*, industrial flooring systems, waterproofing of tanks, pools and roofs, epoxy injections and industrial concrete cutting and coring which have been used on major road construction projects as well as company buildings. The Company also provides trucking haulage services island wide via its Stamina Trucking division.

7.2 Applicable regulatory regime

The Ordinary Shares are listed on the JSE Junior Market, and the Company is subject to the Junior Market Rules which, amongst other things, require it to issue unaudited quarterly financial information and also, audited annual financial information as well as timely announcements, and to maintain certain standards of good corporate governance.

The Company is also registered with the FSC as an issuer of securities for the purposes of the Securities Act, being the Ordinary Shares.

If the minimum subscription for the Preference Shares in the Invitation (being $100 million) is achieved the Company will make application for the Preference Shares to be admitted to listing. If the application is successful the Company will be subject to the requirements of the JSE Rules and will also be registered with the FSC as an issuer of the Preference Shares in the Invitation.

The Company is registered as a manufacturer for the purposes of the Customs Act, but is not otherwise currently subject to regulation.

For the purposes of importation of certain of its products the Company is also required to obtain importation licenses from various agencies of the Government including the Ministry of Agriculture (food grade items).

Certain of the products sold by the Company inclusive of food and pharmaceutical additives and ingredients, technical and industrial grade chemicals, SIKA branded construction admixtures, sealants and elastic bondings, floors and protective coatings, anchoring, embedding, grouting, epoxy bonding and oils and lubricants for industrial and automotive use, which are subject to standards set by the Bureau of Standards.

See also Certifications at paragraph 7.6 below.

7.3 Taxation

As at the date of this Prospectus:

(1) <u>Preference Shares</u>

Transfers of the Preference Shares on the JSE are exempt from transfer tax and stamp duty. However, in the event that the 2021 Preference Shares were not listed, transfers of the Preference Shares would attract transfer tax (currently 5%) and stamp duty (currently 1%).

Preference Share dividends that qualify for treatment as a deductible expense of the chargeable income of the issuer and that are paid by the Company to Preference Shareholders who are resident in Jamaica, are not subject to withholding tax.

On the other hand, Preference Share dividends paid by the Company to Preference Shareholders who are not resident in Jamaica are, however, subject to income withholding tax at the rate of $33^1/_3$% if the payment is made to a person other than an individual, or 25% if the payment is made to an individual.

Foreign resident Preference Shareholders who reside in countries that have entered into a double taxation treaty with Jamaica may be subject to lower or higher rates of income withholding tax on any Preference Share dividends they may receive than that applicable to residents of Jamaica. Foreign resident Preference Shareholders will also have income tax on dividends withheld by the Company at source.

Each prospective Preference Shareholder should consult with an independent adviser as to the rate of withholding and other taxes that is applicable to them.

(2) <u>Junior Market companies generally</u>

The Company has been admitted to listing on the Junior Market as of 31 December 2012. The Company is entitled to a remission of income taxes for 10 years from the date of listing, as follows:

Years 1 to 5: 1 January 2013 to 31 December 2017 - 100%

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

The Income Tax Act requires the Company to ensure the following conditions are met in order for it to remain eligible for the remission: (i) the Company must remain listed for at least 15 years and its listing must not be suspended or cancelled, (ii) the paid up value of the Ordinary Shares must not exceed $500 million (iii) the Company must have at least 50 Ordinary Shareholders.

7.4 Details of the capital structure of the Company

(1) Capital structure of the Company

The Company was incorporated on 25 February 1991 as a private company with limited liability. The Company re-registered as a public company with limited liability and adopted new Articles for that purpose on 15 November 2012. The Company made an initial public offer of 30,850,000 Ordinary Shares subject to a prospectus dated 12 December 2012 and subsequently listed the Ordinary Shares as stock units on the JSE Junior Market on 31 December 2012.

At the recent annual general meeting of the Company held 3 November 2018, the shareholders approved the re-designating of 50,000,000 ordinary shares as preference shares, followed by a subdivision of each of the preference shares into 5 units of no par value, resulting in 250,000,000 preference shares.

As at the date of this Prospectus, the authorised and issued capital of the Company was as follows:

Class	Authorised	Issued
Ordinary	1,570,000,000	1,542,467,080 listed on the JSE Junior Market
Preference	250,000,000	None

(2) Dividend history

See section 13.1 for the dividend history of the Ordinary Shares.

(3) Dividend policy

Ordinary Stock Units

The Company's dividend policy in respect of its ordinary stock units is to distribute not less than 25% of available profits to Ordinary Shareholders, subject to the discretion of the Board of Directors to change this dividend policy from time-to-time for the benefit of the business.

Preference Shares

It is the Company's intention to pay dividends on the Preference Shares in accordance with the Terms of Issue which provide for a fixed rate of interest of 8.75% per annum calculated on the Invitation Price of each Preference Share will be payable monthly, on the last business day of each month. The first dividend will accrue from the date of allotment of the Preference Shares until payment on 30 April 2019.

7.5 Shareholdings in the Company

As at 30 November 2018, being the date of the most recent unaudited accounts of the Company, the 10 largest holders of Ordinary Shares in the capital of the Company (including legal and, where known to the Company, beneficial holdings) were as follows:

Name	Number of Ordinary Shares	Percentage of Issued Ordinary Shares (rounded)
Hugh Graham	1,233,966,840	80.00%
Radcliff Knibbs	144,059,764	9.34%
Libnah Graham	27,820,000	1.80%
John Louis Graham	17,300,000	1.12%
Vaughn Phang	13,082,798	0.85%
Ursus Corporation Ltd.	12,541,170	0.81%
James Lechler	8,101,523	0.53%
Jason Carl Carby	6,498,740	0.42%
G.L. Enterprises Ltd.	4,920,000	0.32%
Lannaman & Morris Shipping Ltd.	4,208,000	0.27%
Top 10 Total	**1,472,498,835**	**95.46%**
Total Issued	**1,542,467,080**	**100.00%**

7.6 Certifications

As at the date of this Prospectus, the Company has the following certifications:

Type	Brief details
Tax Compliance Certificate	Certifies that the Company has satisfied applicable statutory requirements in respect of Income Tax (including P.A.Y.E.), General Consumption Tax, Special Consumption Tax, Education Tax, and also in respect of N.I.S., N.H.T. and H.E.A.R.T. Trust contributions for the period up to and ending 10 July 2019.
Companies Office Letter of Good Standing	Letter dated 12 February 2019 confirming that the Company was incorporated under the Act on 25 February 1991 and that it has complied with all the statutory requirements and is in good standing and still appears on the Companies Office register.

Certificate of Registration under the Factories Act	Certifies that the factory operated by the Company at 8 Bell Road East has been registered under the Factories Act for the period up to and ending 19 August 2019
Authorized Economic Operator Status	Letter from Jamaica customs Agency dated 24 January 2017 informing the Company that its application to the Authorized Ecomonic Operator status has been approved.

7.7 Real and intellectual property

As at the date of this Prospectus, the Company has the following interests in real and intellectual property:

Nature of Interest	Description of Property	Lessor	Details
Leasehold	Volume 1510 Folio 626, St. Andrew PART OF DELACREE 61.0642392 sq. Metres	Tools Hardware and Supplies Limited	Lease commenced on 1st June 2018, it is for a term of 10 years with a renewal option for an additional 10 years.
Leasehold	Volume 1293 Folio 59, ALL THAT parcel of land situated along Bell Road East part of FAMILY AND HOPEWELL PENS on the INDUSTRIAL ESTATE in the parish of Saint Andrew.	Advanced Budget Properties Limited	Lease commenced on 1st July 2015, it is for a term of 10 years.
Leasehold	Volume 1082 Folio 280, ALL THAT parcel of land part of DELACREE PEN situate in the parish of SAINT ANDREW	Hugh Graham	Lease is for a term of 10 years with a renewal option for an additional 10 years.
Leasehold	Volume 1399 Folio 889, ALL THAT parcel of land known as NUMBER THIRTY-NINE AND ONE-QUARTER WALTHAM PARK ROAD, part of DELACREE PEN in the parish of SAINT ANDREW	Hugh Graham and Libnah Graham	Lease commenced on 20th July 2016, it is for a term of 10 years with a renewal option for an additional 10 years.
Freehold	Volume 1446 Folio 580, St. Andrew,	N/A	Property owned by Paramount Trading (Jamaica) Limited.

	Swimmers Pen, Lot no. 21		
Freehold	Volume 1446 Folio 581, St. Andrew, Swimmers Pen, Lot no. 21	N/A	Property owned by Paramount Trading (Jamaica) Limited.
Freehold	Volume 1298 Folio 649, ALL THAT parcel of land part of BEAUCHAMP, FAMILY, LOWER DELACREE and HOPEWELL PENS in the parish of Saint Andrew.	N/A	Property owned by Paramount Trading (Jamaica) Limited.

Nature of Interest	Details
Trademarks-Proprietary	The Company is the registered proprietor of the following trademarks: 1. Paramount Chemicals (name and logo). Registered in class 1 for a period of 10 years from 13th February 2012. Renewal is available on payment of a nominal fee. 2. Stamina Trucking and Transport (name and logo). Registered in class 1 for a period of 10 years up to 21st March 2023. The trademarks will be renewable for a further 10 year period on payment of a nominal fee provided that they remain in use.

7.8 Material contracts

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company with the following persons ("Counterparties" and each of them a "Counterparty") in the 2 years preceding the date of this Prospectus:

Date	Counterparty	Amount	Brief Details
12 February 2019	Mayberry Investments Limited	4.1% of the value of the funds raised by the Company in the Invitation	Agreement Financial advisory and lead brokerage services in the Invitation.
17 November 2017	Eppley Limited	$24.69 million	The lease obligations relate to motor vehicles and is payable in monthly instalments
19 May 2017	Sagicor Bank Jamaica Limited	$12.9 million	Loan repayable in monthly instalments. The Loan is secured by a lien on a motor vehicle
23 December 2016	National Commercial Bank Jamaica Limited	$36.8 million	Loan repayable in monthly instalments. The loan is secured by a lien on a motor vehicle.

The material contracts also include the real property leases and related party arrangements described below. The material contracts (together with certain other documents) will be available for inspection as described in Section 14.

7.9 Related party arrangements

Date	Counterparty	Brief Details
20 July 2016	Hugh Graham Allegheny Petroleum Products Co	Course of dealings joint venture partnership agreement. The Company holds a 50% shareholding in the partnership and is responsible for providing the real estate to house the manufacturing facilities, which is facilitated through a lease of property owned by Hugh and Libnah Graham.

7.10 Litigation

As at the date of this Prospectus, there were two material litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant as indicated below.

Claim No.	Claimant	Defendant	Brief Details
2013 HCV 04279	Damion Boodie	Paramount Trading Jamaica Limited (1st Defendant) Anthony George (Wallace) (name listed incorrectly on court documents) (2nd Defendant)	Vehicle accident
2013 HCV 05741	Dave Scott	Paramount Trading Jamaica Limited (1st Defendant) Anthony Wallace (2nd Defendant)	Vehicle accident

7.11 Charges / Security interests registered against the assets of the Company

As at the date of this Prospectus, all charges (within the meaning of section 93 of the Companies Act) registered against the public file of the Company maintained by the Companies Office of Jamaica have been acknowledged in writing by the lender as being discharged (these related to the system of registration prior to the introduction of the Security Interests in Personal Property Act, 2013)

As at the date of this Prospectus, the following security interests within the meaning of the Security Interests in Personal Property Act) were registered against the public file of the Company maintained by the National Security Interests in Personal Property Registry of Jamaica:

Registration Details
Registration # 1013092844 Registered on 2 January 2014 and lapses on 2 January 2024. Secures indebtedness to Sagicor Bank Jamaica Limited. Collateral Description:2011 red BMW M3.
Registration # 1013093417 Registered on 2 January 2014 and lapses on 2 January 2024. Secures indebtedness to Sagicor Bank Jamaica Limited. Collateral Description:2011 red Suzuki Swift and 2011 Grey Suzuki Grand Vitara.
Registration # 1018480916 Registered on 10 February 2017 and lapses on 10 February 2027. Secures indebtedness to National Commercial Bank Jamaica Limited. Collateral Description:2017 Mercedes Benz GLE 63AMG S Coupe.
Registration # 1019244340 Registered on 22 May 2017 and lapses on 22 May 2027. Secures indebtedness to Sagicor Bank Jamaica Limited. Collateral Description: Grey 2016 Land Rover Discovery 4.
Registration # 1023173415 Registered on 3 May 2018 and lapses on 17 November 2022. Secures indebtedness to Eppley Limited. Collateral Description: 2017 Suzuki Swift, 2018 Mitsubishi ASX, 2017 Suzuki Vitara, 2018 Mitsubishi Pajero, 2017 Suzuki Vitara and 2017 Suzuki Vitara.

7.12 Subsidiaries

As at the date of this Prospectus, the Company has no subsidiaries.

SECTION 8: DIRECTORS & SENIOR OFFICERS

8.1 Details of the Directors

Brief biographical details of the Directors and Managers of the Company appear below.

HUGH GRAHAM, CEO and Managing Director. Hugh Graham founded Paramount Trading (Jamaica) Limited in February 1991. He is councilor 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, M.B.A. Director (Chairman). Chairman Radcliff Knibbs is the Non-Executive Chairman of the Board. He is the Managing Director of CMK Bakery Limited, operator of several Juici Patties restaurant franchises. He is a former member of the board of the Civil Aviation Authority (2004 to 2011) and Chairman of the Rosemount Primary and Junior School.
SHARON DONALDSON-LEVINE, LLB, M.B.A, C.A. Independent Director and Mentor. Sharon Donaldson-Levine is both a Director and Mentor for the company 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 the 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 FSC.
JAMES LECHLER Independent 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.
RICHARD ROGERS Independent Director. Director Richard Rodgers is the second of two founding Non-Executive Directors and is a member of the Audit Committee. He is also a Director of Rodgers Concrete Block Works Ltd. and Rodgers Land Development Ltd.
JUKIE CHIN, O.D. Independent Director. Director Jukie Chin is Founder, Chairman and CEO of Juici Beef Limited. He was awarded the Order of Distinction, officer class in 2003, and Gleaner man of the Year in 2007, amongst other business awards.
ANNA MARIA GRAHAM Independent Director. Anna Graham joined the Board in 2018 and serves as a Non-Executive Director of the Company. She has an academic background in Political Science and International Business.

The Directors' residential addresses are set out in Section 13.1 and all of them may be contacted for business purposes at the registered office of the Company.

8.2 Details of the Senior Managers

A list of the senior managers of the Company appears below:

VAUGHN PHANG MSc, BSc. (Chief Operating Officer)

GREGORY WILDMAN (Chief Financial Officer)
GARY DIXON M.B.A, BSc (Chief Revenue Officer)
MAXINE HUTCHINSON M.B.A, B.A (Senior Manager, Human Resources and Administration)

8.3 Interests in Ordinary Shares

The Directors' interests in the Ordinary Shares of the Company (including legal and beneficial holdings) as at 30 November 2018, being the date of its most recent unaudited accounts, are set out below:

Directors	Number of Shares Held
Hugh Graham	1,233,966,840
Radcliff Knibbs	144,059,764
James Lechler	8,101,523
Sharon Donaldson	1,410,000
Richard Rogers	420,120
Daryl Fong Kong (now deceased)	420,120
Jukie Chin	420,000

Save as set out above, no Director or senior Manager receives Ordinary Shares, Preference Shares, or options in respect of any such shares, in consideration of the services rendered by him or her to the Company.

8.3 Corporate Governance And Accountability

Paramount Trading is led by its Board of Directors. The members of the Board have a range of experience and qualifications that work to ensure that the Company's needs are achieved. The Board's Corporate Governance Policy is available on the Company's website at:

http://paramountjm.com/wp/wp-content/uploads/2018/09/CGPolicies.pdf

Audit committee

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 (Chair), Richard Rogers and James Lechler.

Compensation committee

The 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. Daryl Fong Kong chaired this committee until his recent passing; a new chair and member will be appointed at the committee's next meeting.

8.4 Directors' Fees

Certain of the Directors receive fees in the amount of $21,250 inclusive of General Consumption Tax for attending each meeting of the Board. These arrangements are also subject to the review and approval of the Compensation Committee.

SECTION 9: MANAGEMENT DISCUSSION AND ANALYSIS

9.1 REVIEW OF AUDITED FINANCIAL STATEMENTS

The most recent audited financial statements of the Company for the year ended 31 May 2018 reflected revenue growth of 21% over the previous financial year (compared to a simple annual 5-year average of 17% and compounded annual growth rate of 19% over the last 5 financial years from 1 June 2014 to 31 May 2018).

The result this year reflects a 97% increase in revenue over the results for the year ended 31 May 2014.
Profit before tax for the financial year from 1 June 2017 to 31 May 2018 reflected a decline of 34% over the previous year, primarily from the growth in operating expenses which grew by 38% in the financial year from 1 June 2017 to 31 May 2018 over the previous year.

	Audited	Audited	Audited	Audited	Audited
	May-31	May-31	May-31	May-31	May-31
	2018	2017	2016	2015	2014
	$000	$000	$000	$000	$000
Sales revenue	1,398,410	1,155,872	1,024,352	869,455	709,037
% change over prior year	21	13	18	23	10

In the view of the Directors the growth in revenue over the 5 year audited financial period under review resulted from a number of strategic initiatives which included the following:

- A focus on leveraging and deepening customer relationships through value added services to existing customers and increasing customer visits, which resulted in greater wallet share from customers
- Increased marketing activities which included improved visibility through presence at Trade Shows and Expos and consequently new customers were obtained over the period
- Increased cross selling of services to customers which resulted in some of our core chemical customers benefiting from provision of services from the SIKA business segment
- Better management of input costs as a result of better relationship with suppliers have resulted in more competitive prices to some customers and consequently increased business from such customers
- Expansion of the transportation services offered which resulted in growth in customer base for this business segment
- Expansion of product range to include lubricants and oil through an agreement with Allegheny Petroleum (USA) and more recently the acquisition of a chlorine and a bleach plant. The expansion of the product range is part of the Company's strategy to provide sustainable growth for the Company. Revenue from lubricants and oils amounted to approximately $300 million over the five year period

The Directors note that all 5 business segments reflected consistent growth over the last 5 financial years and they anticipate that Revenue growth will accelerate with planned increases in output from the new manufacturing plant for oils and lubricants.

<u>Net Profit</u>

	Audited	Audited	Audited	Audited	Audited
	May-31	May-31	May-31	May-31	May-31

	2018	2017	2016	2015	2014
	$000	$000	$000	$000	$000
Profit before tax	67,044	101,003	173,043	146,023	92,962
% change over prior year	-34	-42	19	56	27
Net Profit	58,644	101,003	173,043	146,023	93,387
% change over prior year	-42	-42	19	56	27
Operating Expenses	352,763	255,069	193,811	144,849	125,632
% Change over prior year	38	32	34	15	-3

During the financial year from 1 June 2017 to 31 May 2018 the Junior Market tax concession rate applicable to the Company moved from 100% to 50% of its chargeable income for the next 5 years. This change in tax policy accounts for the difference between pre-tax profits and net profit at 31 May 2018.

In the financial year from 1 June 2016 to 31 May 2016 net profit was positively impacted by net revenue of $21.6 million from a non-recurring project from an existing customer.

Notwithstanding the positive trend in revenue growth, net profit has trended down since 31 May 2016 on account of the need to deepen capital investments in expanded plant and machinery, and human capacity to manage more growth and complexity in line with the strategic direction of the Company.

Consequently, the Directors expected operating expense growth to exceed revenue growth in the development and pilot phases of the expansion, and this is reflected in another year of decline in pre-tax profits in the financial year from 1 June 2017 to 31 May 2018. However, the Directors also have expectations of revenue generation from investment in adjacent and complementary business lines in the medium term, which they anticipate will assist to restore return on equity.

The Directors consider that the main contributors to the increased operating expenses are as follows:

- Higher depreciation expenses and insurance costs as a result of retooling and investment in machinery, equipment and other fixed assets including upgrade of the IT infrastructure. For the financial year ended 31 May 2018, depreciation expenses moved to $42.3 million up by 102% over the previous year while insurance costs moved to $22.2 million up by 32% over the previous year.
- Higher human resource cost largely due to an increase in staff complement in key roles in areas such as engineering, human resource management, transportation and sales. This resulted in an increase of 55% in staff costs over the previous year.

In response to increases operating expenses, the Directors have adopted a cost rationalisation response to mitigate the impact of the operating expense uptick. This included the following:

- An emphasis on variable compensation to allow for more effective use of compensation, as well as to incentivize sales growth behaviours. The emphasis on variable pay will be increased in the immediate future.
- Use of a “shared services” approach with the joint venture and across business lines to minimize expense growth through avoidance of duplication in support functions.
- Space rationalisation through consolidation of operations into fewer locations.

- Greater focus on the use of information technology to increase efficiency and reduce costs.

The Directors consider that the financial position at the end of the financial year running from 1 June 2017 to 31 May 2018 reflected a sound base for pursuing further growth.

	Audited	**Audited**	**Audited**	**Audited**	**Audited**
	May-31	**May-31**	**May-31**	**May-31**	**May-31**
	2018	**2017**	**2016**	**2015**	**2014**
	$000	$000	$000	$000	$000
Non- current assets	321,473	298,877	184,046	145,447	94,379
% Change over prior year	**8**	**62**	**27**	**54**	**9**
Current assets	907,693	722,396	675,644	469,068	430,609
Current liabilities	427,444	293,377	268,231	123,489	144,230
Current ratio	**2.1**	**2.5**	**2.5**	**3.8**	**3.0**
Total assets	1,229,166	1,021,273	859,690	614,515	524,988
% Change over prior year	**20**	**19**	**40**	**17**	**13**
Total liabilities	488,741	339,493	278,912	146,624	179,829
% Change over prior year	**44**	**22**	**90**	**-18**	**-7**
Shareholders' Equity	740,425	681,780	580,778	467,891	345,159
% Change over prior year	**9**	**17**	**24**	**36**	**27**

The current ratio has remained favourable over the 5-year period and at the end of the financial year from 1 June 2017 to 31 May 2018 stood at 2.1.

Total Assets at the end of the year to 31 May 2018 was $1.23 billion, an increase of $207.9 million or 20% over the prior year.

Non-current assets stood at $321.5 million at the end of the financial year to 31 May 2018, which represented an increase of $22.6 million over the previous year.

During the financial year to 31 May 2018, the Company acquired a bleach plant and completed the infrastructure for a chlorine plant to complement the existing product offerings. During the past 5 financial years, the Company invested approximately $279.2 million in Fixed Assets. Total Liabilities increased to $488.7 million at the end of 2018, moving from $339.5 million in the previous year. Loans of $25.4 million were obtained during the year to partly fund capital investment. Shareholders' equity grew at a compound annual growth rate of 21% during the 5 financial years from 1 June 2014 to 10 May 2018. Dividends of $104.3 million were also paid over this period.

Macro-Economic Outlook

The Company supplies a diverse clientele within the food, baking, beverage, hospitality, construction, mining, energy, transport and other domestic sectors.

The Directors have a positive outlook, as apart from the pass-through benefits of a general increase in economic activity, there is optimism around key sectors such as mining and quarrying, construction, water and manufacturing and distribution.

The Directors note that analysts expect the economy to grow 1.9% in calendar year 2019, and 1.8% in 2020. The Directors further note that for the Government projects 2.5% growth during the period resulting from continued strengthening of most industries, including agriculture, mining and quarrying, water supply, and construction related to plant upgrade investments and other projects. In relation to the Company's key clients, the following is noted:

- The Government's Fiscal Policy Paper dated 15 February 2018, points to a Government-projected 25% growth in Mining and Quarrying based on the continued increase in the global demand for aluminium, which is in turn expected by Government to lead to higher demand for alumina.
- The same document notes that Government considers that the industry's growth will be supported by increases in the capacity utilization rate at local refineries, especially JISCO/ALPART in Nain, St. Elizabeth, where the Government notes that management continues to make significant investments. Additionally, the local industry is expected to benefit from market diversification, particularly targeting the Asian bloc.
- The same document states that the electricity and water sector is projected to grow by 2.5%, based on increased business activities and in construction through increased housing stock, which the Government anticipates will lead to higher consumption of these utilities, facilitated by greater levels of production.

Based on the foregoing the Directors consider that the Company is poised to benefit from the anticipated growth in economic activities. They also consider that the Company is prepared for growth given recent investments made in the bleach and lubricant plants, amongst others. The Directors will drive these new business ventures and product lines aggressively in pursuit of new markets and partnerships. The Directors' strategic plan for the next 3 to 5 financial years also focuses on establishing a high performance culture, sustainable revenue growth through core maximisation, core transformation, adjacent and new business; and organisational efficiency through technology and production efficiency.

9.2 REVIEW OF UNAUDITED FINANCIAL INFORMATION

Revenue for the first 6 months of the current financial year commencing 1 June amounted to $697.3 million which represented an increase of $10.1 million or 1.5% over the corresponding period in the previous year.

The comparative period last year included direct revenue from lubricants of $72.7 million. However, since the beginning of this financial year, the Company commenced accounting for the lubricant business through the new joint venture blending operations with Allegheny and consequently its share of the profit from the venture is reported separately in the Financial Statements. This amounted to $2.1 million for a 6-month period.

The lubricant and bleach plants are not yet operating at optimal capacity; however, it is expected that full operations will yield a better outturn on a net basis than existed under the previous direct-revenue basis as a result of cost sharing arrangements with the joint venture partner.

Gross Profit increased to $232.5 million in the 6-month period ending 30 November up from $200.5m in the previous year, representing an increase of $32.1 million or 16%. This resulted from better margins earned in this period as the company implemented price adjustments.

Profit before taxation for the same 6-month period amounted to $39.6 million, a decline of $18 million over the previous year.

The impact of the increased administrative expenses on overall performance has continued but key overhead cost reductions are targeted for the rest of the year. There is also an expectation of improved performance in legacy business, and continued growth in new-business revenue.

Shareholders Equity stood at $713.3 million at the end of November 2018. Dividends of $61.7 million were also paid to Shareholders at the end of November 2018.

SECTION 10: FINANCIAL INFORMATION

Part 1 – Audited Financial Information

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6
Phone: (876) 978-3129 / (876) 978-9789
Fax: (876) 927-6409
Website: www.wmckenley.com

21 March 2019

The Directors

Paramount Trading (Jamaica) Limited

39 Waltham Park Road

Kingston 13

Dear Sirs:

We have given, and have not withdrawn our consent for the inclusion of our reports in the prospectus issued by Paramount Trading (Jamaica) Limited and dated 21 March 2019, in the form and context in which they are included.

Yours faithfully,

McKenley + Associates

CHARTERED ACCOUNTANTS

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6
Phone: (876) 978-3129 / (876) 978-9789
Fax: (876) 927-6409
Website: www.wmckenley.com

21 March 2019

The Directors
Paramount Trading (Jamaica) Limited
39 Waltham Park Road
Kingston 13

Dear Sirs:

We have audited, in accordance with International Standards on Auditing, the financial statements of Paramount Trading (Jamaica) Limited as at 31 May 2014, 31 May 2015, 31 May 2016, 31 May 2017 and 31 May 2018 for each of the five (5) years ended on those dates, and in our reports dated 24 July 2014,16 July 2015, 21 July 2016, 25 July 2017 and 25 July 2018, respectively, we expressed unqualified opinions on those financial statements.

In our opinion, the extracted statements of financial position and statements of comprehensive income set out in Section 10 of the prospectus are consistent, in all material respects, with the financial statements referred to above, from which they were derived.

For a better understanding of the company's financial position at the end of the reporting periods referred to above, the results of its operations for each of the respective periods ended on those dates, and the scope of our audit, summarized financial statements should be read in conjunction with the financial statements from which they were derived and our audit reports thereon.

Yours faithfully,

McKenley & Associate

CHARTERED ACCOUNTANTS

Paramount Trading (Jamaica) Limited

Audited Statements of Comprehensive Income 31 May 2014 – 31 May 2018

Expressed in Jamaican Dollars (J$)

	Audited 2018 $	Audited 2017 $	Audited 2016 $	Audited 2015 $	Audited 2014 $
Operating revenue	1,398,409,815	1,155,871,702	1,024,351,766	869,455,432	709,036,860
Less direct expenses	972,056,069	801,829,362	688,557,566	589,666,773	479,690,179
Gross profit	426,353,746	354,042,340	335,794,200	279,788,659	229,346,681
Other operating income	5,747,575	11,670,425	38,821,358	16,366,240	9,802,646
	432,101,321	365,712,765	374,615,558	296,154,899	239,149,327
Less operating expenses:					
Administrative	323,030,774	220,280,014	180,968,801	138,464,287	120,446,374
Selling & distribution	29,732,504	34,788,739	12,842,557	6,384,999	5,185,978
	352,763,278	255,068,753	193,811,358	144,849,286	125,632,352
Profit before finance income and costs	79,338,043	110,644,012	180,804,200	151,305,613	113,516,975
Finance income	959,950	1,105,807	1,722,647	1,585,400	823,391
Finance costs	(13,253,914)	(10,747,259)	(9,483,834)	(6,867,690)	(21,378,412)
Net finance costs	(12,293,964)	(9,641,452)	(7,761,187)	(5,282,290)	(20,555,021)
Profit before taxation	67,044,079	101,002,560	173,043,013	146,023,323	92,961,954
Taxation	(8,399,606)	-	-	-	425,259
Profit for year being total comprehensive income	58,644,473	101,002,560	173,043,013	146,023,323	93,387,213

Paramount Trading (Jamaica) Limited

Audited Statements of Financial Position 31 May 2014 – 31 May 2018

Expressed in Jamaican Dollars (J$)

	Audited	Audited	Audited	Audited	Audited
Assets	2018	2017	2016	2015	2014
	$	$	$	$	$
Non-current assets					
Property, plant and equipment	263,597,645	239,971,127	126,571,503	93,584,263	88,892,017
Investments	57,875,469	58,905,511	57,474,298	51,862,246	5,487,025
Current assets					
Inventories	500,024,099	367,058,842	336,321,271	278,353,618	202,586,187
Taxation recoverable	1,329,493	1,081,764	852,171	333,080	185,150
Receivables and prepayments	378,134,060	304,621,787	257,550,343	147,320,111	172,087,556
Cash and cash equivalents	28,205,145	49,633,811	80,920,662	43,061,392	55,749,847
	907,692,797	722,396,204	675,644,447	469,068,201	430,608,740
Current liabilities					
Payables	410,796,040	280,781,174	260,600,624	110,395,637	127,627,246
Taxation payable	3,290,965	-	-	-	-
Current portion of director's loan	-	-	-	3,510,542	3,115,528
Current portion of long term borrowings	13,357,128	12,595,751	7,630,027	9,582,329	13,487,376
	427,444,133	293,376,925	268,230,651	123,488,508	144,230,150
Net current assets	480,248,664	429,019,279	407,413,796	345,579,693	286,378,590
Total assets less current liabilities	801,721,778	727,895,917	591,459,597	491,026,202	380,757,632
Equity					
Issued capital	77,492,243	77,492,243	77,492,243	77,492,243	77,492,243
Retained earnings	662,932,572	604,288,099	503,285,539	390,398,742	267,666,672
	740,424,815	681,780,342	580,777,782	467,890,985	345,158,915

Non-current liabilities:					
Director's loan	-	-	-	4,833,375	8,343,816
Long term borrowings	56,188,322	46,115,575	10,681,815	18,301,842	27,254,901
Deferred tax liability	5,108,641	-	-	-	-
	61,296,963	46,115,575	10,681,815	23,135,217	35,598,717
Total equity and non-current liabilities	801,721,778	727,895,917	591,459,597	491,026,202	380,757,632

Paramount Trading (Jamaica) Limited

Audited Statements of Cash Flows 31 May 2014 – 31 May 2018

Expressed in Jamaican Dollars (J$)

	Audited 2018 $	Audited 2017 $	Audited 2016 $	Audited 2015 $	Audited 2014 $
Cash flows from operating activities					
Profit for the year	58,644,473	101,002,560	173,043,013	146,023,323	93,387,213
Adjustments for:					
Gain on disposal of property, plant & equipment	-	(4,721,030)	(5,044,206)	(215,000)	(267,555)
Depreciation	42,319,542	20,915,943	11,567,739	11,367,652	10,695,965
Provision for deferred taxes	5,108,642	-	-	-	-
Interest expense	1,217,668	1,479,349	4,536,312	-	-
Operating cash flows before movements in working capital	107,290,325	118,676,822	184,102,858	157,175,975	103,815,623
Changes in operating assets and liabilities:					
Inventories	(132,965,257)	(30,737,571)	(57,967,653)	(75,767,431)	(30,135,939)
Receivables	(73,512,274)	(47,071,444)	(110,230,232)	24,767,445	(25,849,096)
Payables	130,014,866	20,180,550	150,204,987	(17,231,609)	17,374,001
Taxation recoverable	(247,729)	(229,593)	(519,091)	(147,930)	(12,344,213)
Taxation payable	3,290,965	-	-	-	-
	(73,419,429)	(57,858,058)	(18,511,989)	(68,379,525)	(50,955,247)
Cash generated from operations	33,870,896	60,818,764	165,590,869	88,796,450	52,860,376
Interest paid	(1,217,668)	(1,479,349)	(4,536,312)	-	-
Net cash flow provided by operating activities	32,653,228	59,339,415	161,054,557	88,796,450	52,860,376
Cash Flows from Investing Activities:					
Purchase of property, plant & equipment	(65,946,060)	(134,315,567)	(44,554,979)	(16,059,898)	(18,329,178)

Proceeds from disposal of property, plant & equipment	-	4,721,030	5,044,206	215,000	2,359,608
Net cash used in investing activities	(65,946,060)	(129,594,537)	(39,510,773)	(15,844,898)	(15,969,570)
Cash Flows from Financing Activities:					
Dividend paid	-	-	(60,156,216)	(23,291,253)	(20,823,306)
Loans received	25,364,862	49,680,495	-	4,461,475	-
Loans repaid	(14,530,738)	(9,281,011)	(17,916,246)	(20,435,008)	(18,616,709)
Net cash provided by/ used in) financing activities	10,834,124	40,399,484	(78,072,462)	(39,264,786)	(39,440,015)
Net (decrease)/increase in cash resources	(22,458,708)	(29,855,638)	43,471,322	33,686,766	(2,549,209)
Cash resources at beginning of year	108,539,322	138,394,960	94,923,638	61,236,872	63,786,081
Cash resources at end of year	86,080,614	108,539,322	138,394,960	94,923,638	61,236,872
Represented by:					
Investments	57,875,469	58,905,511	57,474,298	51,862,246	5,487,025
Cash and cash equivalents	28,205,145	49,633,811	80,920,662	43,061,392	55,749,847
	86,080,614	108,539,322	138,394,960	97,923,638	61,236,872

Paramount Trading (Jamaica) limited

Audited Statement of Changes in Shareholders’ Equity 31 May 2013 – 31 May 2018

Expressed in Jamaican dollars (J$)

	Audited Share Capital $	Audited Retained Earnings $	Audited Total $
Balances at 31 May 2013	77,492,243	195,102,765	272,595,008
Profit for the year	-	93,387,213	93,387,213
Dividends paid	-	(20,823,306)	(20,823,306)
Balances at 31 May 2014	77,492,243	267,666,672	345,158,915
Profit for the year	-	146,023,323	146,023,323
Dividends paid	-	(23,291,253)	(23,291,253)
Balances at 31 May 2015	77,492,243	390,398,742	467,890,985
Profit for the year	-	173,043,013	173,043,013
Dividends paid	-	(60,156,216)	(60,156,216)
Balances at 31 May 2016	77,492,243	503,285,539	580,777,782
Profit for the year	-	101,002,560	101,002,560
Balances at 31 May 2017	77,492,243	604,288,099	681,780,342
Profit for the year	-	58,644,473	58,644,473
Balances at 31 May 2018	77,492,243	662,932,572	740,424,815

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

"Continuous Improvement and Innovation are our Duties......"

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6
Phone: (876) 978-3129 / (876) 978-9789
Fax: (876) 927-6409
Website: www.wmckenley.com

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 2018, 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 2018, and of its financial performance and its cash flows for the period 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.

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.

- **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 2018, trade receivables amounted to $275 Million with an impairment provision of $13 Million representing 5% of the balance. With a profit after tax of $58 Million, the accounts receivable represent a credit risk. We have recognized from our audit that there has been an increase in the credit risk in this regard over the prior year.

Wilfred M. McKenley, F.C.C.A., F.C.A., M.B.A., Janice E. McKenley, B.Sc., EMBA., F.C.C.A., F.C.A. (Partner on Leave)

To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Key Audit Matters (continued)

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

  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 $68 Million and additional amounts provided against possible bad debts during the year amounted to $2 Million.

  We also queried certain assumptions by management as to why no additional increase in the provision is 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.

  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, 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 to be reasonable and no additional provision was considered to be necessary.

To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Key Audit Matters (continued)

- **Joint Operation**

See notes 2 (a), (c) 17, 19 and 24 to the financial statements for management's disclosures of related accounting policies, judgments, and estimates.

As described in Note 24, the Company entered into a 50:50 joint agreement with a foreign entity to manufacture certain lubricant products in Jamaica. The foreign entity entered into this arrangement with the understanding that they would undertake the construction of the plant and provide the machinery and technology. The plant is located at 39 1/4 Waltham Park Road.

Operation of the blending of the lubricant products commenced in January 2018. However, with regards to the nature of the agreement, in relation to the manufacture and distribution of the products, negotiations are still ongoing at the reporting date, May 31, 2018. As a consequence, apart from the blending operations, the trading operation between both entities continues as in the prior year. (See note 24 for further information).

We evaluated the relationship between the two entities, by reference to IFRS 10 and 11, as to whether joint control existed and the type of joint arrangement in place. Based on the nature of the current operations, regardless of the initial intention of the agreement, we reviewed the accounting treatment adopted, and we are satisfied with the methods applied.

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)

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.

To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

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

- 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.

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

To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditor's Report (continued)

Other Information (continued)

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.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 2018
Kingston, Jamaica

Paramount Trading (Jamaica) Limited
Statement of Comprehensive Income
Year ended 31 May 2018

	Note	2018	2017
		$	$
Operating revenue	8(i)	1,398,409,815	1,155,871,702
Less direct expenses	9	972,056,069	801,829,362
Gross profit		426,353,746	354,042,340
Other operating income	8(ii)	5,747,575	11,670,425
		432,101,321	365,712,765
Less operating expenses:			
Administrative	9	323,030,774	220,280,014
Selling & distribution	9	29,732,504	34,788,739
		352,763,278	255,068,753
Profit before finance income and costs		79,338,043	110,644,012
Finance income	10	959,950	1,105,807
Finance costs	10	(13,253,914)	(10,747,259)
Net finance costs		(12,293,964)	(9,641,452)
Profit before taxation		67,044,079	101,002,560
Taxation	11	8,399,606	-
Profit for the year being total comprehensive income		58,644,473	101,002,560

		$	$
Earnings per share	12	0.038	0.065

Paramount Trading (Jamaica) Limited
Statement of Financial Position
31 May 2018

Assets	**Note**	**2018** $	**2017** $
Non-current assets			
Property, plant and equipment	14	263,597,645	239,971,127
Investments	15	57,875,469	58,905,511
Current assets			
Inventories	16	500,024,099	367,058,842
Taxation recoverable		1,329,493	1,081,764
Receivables	17	378,134,060	304,621,787
Cash and cash equivalents	18	28,205,145	49,633,811
		907,692,797	722,396,204
Current liabilities			
Payables	19	410,796,040	280,781,174
Taxation payable		3,290,965	-
Current portion of long term borrowings	20	13,357,128	12,595,751
		427,444,133	293,376,925
Net current assets		480,248,664	429,019,279
Total assets less current liabilities		801,721,778	727,895,917
Equity			
Issued capital	21	77,492,243	77,492,243
Retained earnings		662,932,572	604,288,099
		740,424,815	681,780,342
Non-current liabilities:			
Long term borrowings	20	56,188,322	46,115,575
Deferred tax liability	22	5,108,641	-
Total equity and non-current liabilities		801,721,778	727,895,917

Approved for issue by the Board of Directors on 25 July 2018 and signed on its behalf by:

.... Hugh Graham-Chief Executive Officer

.... Sharon Donaldson - Director

Paramount Trading (Jamaica) Limited
Statement of Cash Flows
Year ended 31 May 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Net profit		58,644,473	101,002,560
Adjustments for:			
Gain on disposal of property, plant & equipment	8	-	(4,721,030)
Depreciation	14	42,319,542	20,915,943
Provision for deferred taxes		5,108,642	-
Interest expense		1,217,668	1,479,349
Operating cash flows before movements in working capital		107,290,325	118,676,822
Changes in operating assets and liabilities:			
Inventories		(132,965,257)	(30,737,571)
Receivables		(73,512,274)	(47,071,444)
Payables		130,014,866	20,180,550
Taxation recoverable		(247,729)	(229,593)
Taxation payable		3,290,965	-
		(73,419,429)	(57,858,058)
Cash generated from operations		33,870,896	60,818,764
Interest paid		(1,217,668)	(1,479,349)
Net cash flow provided by operating activities		32,653,228	59,339,415
Cash Flows from Investing Activities:			
Purchase of property, plant & equipment	14	(65,946,060)	(134,315,567)
Proceeds from disposal of property, plant & equipment		-	4,721,030
Net cash used in investing activities		(65,946,060)	(129,594,537)
Cash Flows from Financing Activities:			
Loans received		25,364,862	49,680,495
Loans repaid		(14,530,738)	(9,281,011)
Net cash provided by financing activities		10,834,124	40,399,484
Net decrease in cash resources		(22,458,708)	(29,855,638)
Cash resources at the beginning of the year		108,539,322	138,394,960
Cash resources at the end of year		86,080,614	108,539,322
Represented by:			
Investments	15	57,875,469	58,905,511
Cash and cash equivalents	18	28,205,145	49,633,811
		86,080,614	108,539,322

Paramount Trading (Jamaica) Limited
Statement of Changes in Equity
31 May 2018

	No. of Shares	Share Capital	Retained Earnings	Total
		$	$	$
Balances at 31 May 2015	154,246,708	77,492,243	390,398,742	467,890,985
Profit for the year	-	-	173,043,013	173,043,013
Dividend paid	-	-	(60,156,216)	(60,156,216)
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

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 is 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 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.

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 its 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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.

Disclosure initiative (IAS 1)

In December 2014, the International Accounting Standard Board ("IASB") issued Disclosure Initiative amendments to IAS 1 as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments were effective for annual periods beginning on or after January 1, 2016, and were applied prospectively. The implementation of these amendments did not have any significant effects on these financial statements.

Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative amendments to IAS 7 – Statement of Cash Flows also as part of the IASB's Disclosure Initiative. These amendments required entities to provide additional disclosures that will enable financial statement users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes.

These amendments are effective for annual periods beginning on or after 1 January 2017.

Income taxes (IAS 12)

In January 2016, the IASB amended IAS 12 – *Income taxes* by issuing Recognition of deferred tax assets for unrealized losses. The amendments clarify the accounting for deferred tax where the asset is measured at fair value, and that fair value is below the asset's tax base. The amendments also address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after 1 January 2017.

Disclosure of interests in other entities (IFRS 12)

In December 2016, the IASB amended IFRS 12 – Disclosure of interest in other entities. The objective of these amendments is to require an entity to disclose information that enables users of the financial statements to evaluate the nature of and risk associated with its interest in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

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

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 2017 and, accordingly, have not been applied in preparing these Group financial statements.

Investment property (IAS 40)

In January 2016, the IASB issued amendments to IAS 40 – Investment property. These amendments clarified that to transfer to, or from investment property, there must be a change in use. There must be an assessment and supportable evidence for the change.

These amendments are effective for annual periods beginning on or after 1 January 2018.

Financial instruments (IFRS 9)

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, which bring together the classification and measurement, impairment and hedge-accounting phases of the IASB's project to replace IAS 39 – Financial Instrument: Recognition and Measurement. IFRS 9 principal focus includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets; and new disclosure requirements about expected credit loss and credit risk. For Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

IFRS 9 will be applied retrospectively for annual periods beginning on or after 1 January 2018.

Revenue from contracts with customers (IFRS 15)

In May 2014, the IASB issued IFRS 15 – Revenue from contracts with customers, which replace IAS 11 – Construction contracts, IAS 18 – Revenue and International Financial Reporting Interpretation Committee ("IFRIC") 13 – Customer loyalty program (IFRIC 13), as well as various other interpretations regarding revenue. 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. It also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which address three topics (identifying performance obligations, principal versus agent considerations and licensing) and provided some transition relief for modified contracts and completed contracts.

IFRS 15 and the amendments will be applied retrospectively for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

Leases (IFRS 16)

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.

IFRS 16 will be applied retrospectively for annual periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been applied.

Foreign currency transactions and advance consideration (IFRIC 22)

In January 2016, the IASB amended IAS 21 – *The* effects of changes in foreign exchange rates by issuing IFRIC 22 – Foreign currency transactions and advance consideration. These amendments clarified how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the de-recognition of a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration in a foreign currency.
IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted, and the Company is required to disclose that fact

Investments in associates and joint ventures (IAS 28)

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.

These amendments are effective for annual periods beginning on or after 1 January 2018.

Management is currently assessing the likely future impact of these standards and amendments on these 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 9 'Financial Instruments', which is effective for accounting periods beginning on or after 1 January 2018**, replaces the existing guideline in *IAS 39 Financial; Instruments: Recognition and Measurement.* IFRS 9 principal focus includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

  IFRS 9 will be applied retrospectively for annual periods beginning on or after 1 January 2018.

- **IFRS 15, 'Revenue from Contracts with Customers', effective for accounting periods beginning on or after 1 January 2018.** This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus can direct the use and obtain the benefits from the good or service. Contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments are exceptions. This standard also contains enhanced disclosure requirements.

  This standard replaces IAS 11 – Construction contracts, IAS 18 – Revenue and International Financial Reporting Interpretation Committee ("IFRIC") 13 – Customer loyalty program (IFRIC 13), as well as various other interpretations regarding revenue.

  In April 2016, the IASB published clarifications to IFRS 15, which address three topics (identifying performance obligations, principal versus agent considerations and licensing) and provided some transition relief for modified contracts and completed contracts.

  IFRS 15 and the amendments will be applied retrospectively for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

- **IFRC 22 'Foreign currency transactions and advance consideration,' effective for annual periods beginning on or after 1 January 2018.** In January 2016, the IASB amended IAS 21 – The effects of changes in foreign exchange rates by issuing IFRIC 22 – Foreign currency transactions and advance consideration. These amendments clarified how to determine the date of the transaction to determine the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the de-recognition of a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration in a foreign currency.

  IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted, and the Company is required to disclose that fact.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

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)

- **Amendments to IAS 7,'Statement of Cash Flows' effective for annual periods beginning on or after 1 January 2017.** The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdown and repayments of borrowings and non-cash changes, such as acquisitions, disposals, and unrealised exchange differences. The adoption of this amendment is expected to impact the nature and extent of the Company's disclosures.

- **Amendments to IFRS 2, 'Share-Based Payment,' effective for annual periods 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 obligations associated with a share-based payment and pay that amount to the tax authorities. The Company is currently assessing the impact of this amendment.

- **Annual Improvements to IFRSs 2014 - 2016 cycles.** These amendments impact two standards which are relevant to the Company's operations as follows:

- **IFRS 12 'Disclosure of Interests in Other Entities'**,
  In December 2016, the IASB amended IFRS 12 – Disclosure of interest in other entities. The objective of these amendments is to require an entity to disclose information that enables users of the financial statements to evaluate the nature of and risk associated with its interest in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

  These amendments should be applied retrospectively and effective for annual periods beginning on or after 1 January 2017.

  Management is currently assessing the likely impact of these standards and amendments on the Company's financial statements, but they do not anticipate any material impact on the accounting policies or financial disclosures of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 entered into a joint venture agreement with another entity to partner in manufacturing lubricants for the motor industry. As at 31 May 2018, the financial statements of this entity will not be consolidated with that of the Company. See note 23 for further details.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

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 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 required to be 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 issue of financial assets and financial liabilities, except those classified as *fair value through profit or loss ("FVTPL")*, are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristic and management's choice and intentions related to it for ongoing measurement. Classification choices for financial assets include:

- Fair value through profit or loss (FVTPL)
- Held-to-maturity investments and
- Loans and receivables

Classification choices for financial liabilities include:

- FVTPL; and
- Other liabilities

The Company's financial assets and financial liabilities are generally classified as loans and receivables and investments while other liabilities are generally measured at fair value.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when the instrument is either held for trading or designed as such upon initial recognition. Financial instruments are classified as held for trading if acquired principally for selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit making.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Held-to-maturity investments

Financial assets are classified as held-to-maturity investments on initial recognition when the entity has a positive intention and ability to hold to maturity. These financial assets have fixed or determinable payments and fixed maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at fair value less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Other liabilities

The other financial liabilities are measured at cost less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

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.

(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

Revenue is recognized when the amount can be reliably measured when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met for each of the activities described below:

(i) Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration that is due to the delivery and supply of goods.

(ii) Services rendered
Revenue from the provision of services is recognised when the service has been provided to customers.

(iii) 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

(iv) 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. No dividends were declared for the year ended 31 May 2018.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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. As a result of the tax-free status that was granted to the Company, entries relating to deferred taxation were reversed as at 31 May 2013.

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. The appropriate income tax charge for five (5) months to 31 May 2018 along with the appropriate deferred taxation was recorded in the financial statements for the year ended 31 May 2018.

(s) 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.

Paramount Trading (Jamaica) Limited
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) 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.

(u) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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.

(x) 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.

Held-to-maturity investments are a certificate of deposits and are recognised at fair value. Incomes from these investments are accounted for based on the accrual basis.

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.

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3. CAPITAL MANAGEMENT (continued)

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 2018, the Company's strategy, which was in principle unchanged from 2017, was to maintain the gearing ratio below 1:1. The gearing ratios at 31 May 2018 and 31 May 2017 were as follows:

	31 May 2018 $	31 May 2017 $
Total long term debts	74,654,092	58,711,326
Total long-term debt plus equity	822,634,562	740,491,668
	0.09	0.08

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 INSTRUMENTS AND 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 follows:

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.

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 2018 includes aggregate net foreign liabilities of approximately US$1,104,044 (2017- US$994,057) 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

	2018 US$	2017 US$
Financial assets		
- Cash and cash equivalents	548,962	645,452
Financial liabilities		
- Payables and accruals	(1,653,006)	(1,639,509)
Net total liabilities	(1,104,044)	(994,057)
Equivalent to	(J$141,207,212)	(J$129,366,578)

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 2018 is J$127.90 to US$1 (2017 - J$130.14 to US$1)

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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% (2017-5%) weakening of the Jamaican dollar would have decreased profit for the year by approximately $7.1 Million (2017 - $6.4Million), 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:

	2018 $	2017 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	69,545,450	58,711,326
	69,545,450	58,711,326
Variable rate instruments		
Financial assets	72,264,836	89,959,638
Financial liabilities	-	-
	72,264,836	89,959,638

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% (2017 - 2%) increase/(decrease) in interest rates would have increased/(decreased) profit by approximately $1.4 Million (2017 - $1.8 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.

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, 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.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- **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 75% (2017-72%) of its trade debtors are under 90 days.

The Company's credit period on the sale of goods ranges from 7 to 30 days. The Company has provided fully for all receivables where collectability is deemed doubtful.

Maximum exposure to trade receivables credit risk

	2018 $	2017 $
Credit risk exposures are as follows:		
Receivables (inclusive of prepayments and other receivables)	377,290,110	304,621,787

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:

	Note	31 May 2018 $	31 May 2017 $
Manufacturing, wholesalers, and retailers		245,423,776	201,074,895
Sugar industry		522,680	292,833
Government		5,637,903	20,085,255
Bauxite sector		23,660407	5,902,842
	17	275,244,766	227,355,825
Less: provision for impairment		(12,663,684)	(10,465,496)
		262,581,082	216,890,329

As at 31 May 2018, 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 $103 Million (2017 - $97.8Million), representing approximately 37% (2017 48%) 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 collectible.

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:

	31 May 2018 $	31 May 2017 $
Balance at 1 June 2017	10,465,496	9,345,300
Increase in provision for receivables impairment	2,198,187	1,120,196
Balance at 31 May 2018	12,663,683	10,465,496

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.

	31 May 2018 $		31 May 2017 $	
	Gross	Impairment	Gross	Impairment
Due 0 to 60 days	180,142,173	-	143,247,091	-
Past due 61 to 90 days	27,170,218	-	19,404,642	-
Past due over 91 days	67,932,374	12,663,683	64,704,092	10,465,496
	275,244,765	12,663,683	227,355,825	10,465,496

As of 31 May 2018, trade receivables of $67,932,374 (2017 - $64,704,092) for the Company were considered impaired and the amount of the provision was $12,663,683 (2017 - $10,465,496).

Paramount Trading (Jamaica) Limited
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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

	2018	2017
	$	$
Credit risk exposures are as follows:		
Investments	57,875,469	58,905,511
Cash and short term equivalents	28,205,145	49,633,811
	86,080,614	108,539,322

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.

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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:

2018

	Carrying amount	Contractual cash flows	1 year or less	1-2 yrs	2-5 yrs
	$	$	$	$	$
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

2017

	Carrying amount	Contractual cash flows	1 year or less	1-2 yrs	2-5 yrs
	$	$	$	$	$
Accounts payable	280,781,174	280,781,174	280,781,174	-	-
Long-term liabilities	58,711,324	75,660,838	17,382,780	13,062,891	45,215,167
Total financial liabilities	339,492,498	356,442,012	298,163,954	13,062,891	45,215,167

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)

- **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.

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 81% (2017 - 82%) 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 9% (2017-8%) 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 2% (2017-3%) of revenue.
- Transportation division operates from 39 Waltham Park Road and accounts for approximately 2 %(2017-3%) of revenue.
- Lubricants division began operating from 44 Waltham Park Road in March 2018 and account for approximately 6% (2017-4%) of revenue.

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5. OPERATING SEGMENTS (continued)

	2018					
	Chemicals	Construction and Adhesives	Manufacturing	Transport	Lubricants	Total
	$	$	$	$	$	$
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						417,537,343

	2017					
	Chemicals	Construction and Adhesives	Manufacturing	Transport	Lubricants	Total
	$	$	$	$	$	$
Revenues	912,565,526	109,916,222	27,996,869	33,012,751	72,380,334	1,155,871,702
Cost of sales	-	-	-	-	-	801,829,362
Gross profit						354,042,340

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:

	2018 $	2017 $
Professional fees including auditors' remuneration	3,729,167	2,950,000
Directors' emoluments:		
Fees	300,000	390,506
Executive management remuneration	10,000,000	10,000,000
Bad debts expensed	2,223,761	1,120,197
Foreign exchange (gains)/losses	(503,889)	3,564,339
Depreciation	42,319,542	20,915,943
Staff costs (including management remuneration)	151,110,412	93,794,797

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7. STAFF COSTS

	2018 $	2017 $
Salaries (excluding managements' remuneration)	126,356,392	78,392,808
Executive management remuneration	10,000,000	10,000,000
Employers payroll taxes	13,185,956	7,679,396
Staff welfare	6,741,397	7,722,593
	156,283,745	103,794,797

The average number of persons employed full-time by the Company during the year was 79 (2017- 69)

8. OPERATING REVENUE AND OTHER OPERATING INCOME

(i) Operating revenue consists of the following:

	2018 $	2017 $
Sale of goods	1,355,467,731	1,122,858,951
Services rendered	42,942,084	33,012,751
	1,398,409,815	1,155,871,702

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:

	2018 $	2017 $
Gain on disposal of fixed assets	-	4,721,030
Rental income – warehousing	5,325,600	6,919,895
Other	421,975	29,500
	5,747,575	11,670,425

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

9. EXPENSES BY NATURE

	2018 $	2017 $
Cost of inventories recognized as expense	972,056,069	801,829,362
Subtotal: direct expenses	972,056,069	801,829,362
Selling, advertising, promotion, and distribution	27,508,743	33,668,543
Bad debts expenses	2,223,761	1,120,196
Subtotal: selling and distribution	29,732,504	34,788,739
Audit fee	3,729,166.	2,300,833
Depreciation	42,319,542	20,915,943
Repairs and maintenance	6,110,337	3,721,858
Staff costs	146,283,745	93,794,797
Motor vehicle expenses	3,276,625	3,298,334
Utilities	8,710,780	12,213,684
Insurance	22,263,180	16,852,200
Security	10,034,133	6,162,097
Rental	13,003,108	24,904,132
Other expenses	67,300,158	36,116,136
Subtotal: administrative	323,030,774	220,280,014
	1,324,819,347	1,056,898,115

10. FINANCE INCOME AND COSTS

	2018 $	2017 $
Finance income -		
Interest income	959,950	1,105,807
Finance costs -		
Interest expenses	1,217,668	1,479,349
Debt financing fees and expenses	12,540,136	5,703,571
Foreign exchange (gains)/losses	(503,890)	3,564,339
	13,253,914	10,747,259

11. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% (2017 – 25%).

	2018 $	2017 $
Taxation for the year comprises:		
Current tax expense	3,290,965	-
Deferred Tax	5,108,641	-
	8,399,606	-

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 five (5) months for the year ended 31 May 2018. 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.

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31 May 2018

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:

	2018	2017
	$	$
Profit before taxation	67,044,079	101,002,560
Tax calculation @ 25% (2017 – 25%)	16,761,020	25,250,640
Adjustment for difference in treatment of:		
Depreciation and capital allowances	1,038,511	(7,455,403)
Net effect of other charges for tax purposes	(2,002,900)	(180,742)
Adjustment for the effect of remission of tax.	(12,505,666)	(17,614,495)
Tax charged for the year	3,290,965	-

(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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

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.

	2018 $	2017 $
Net profit attributable to shareholders (J$)	58,644,473	101,002,560
Weighted average number of ordinary shares in issue	1,542,467,080	1,542,467,080
Basic earnings per share	0.038	0.065

13. DIVIDENDS

During the year, no ordinary dividends were proposed or paid (2017 - no ordinary dividends were proposed or paid).

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

14. PROPERTY, PLANT, AND EQUIPMENT

2018

	Equipment	Capital Work-in-progress	Computer Equipment	Furniture & Fixtures	Buildings	Motor Vehicles	Forklift	Leased Vehicles	Total
	$	$	$	$	$	$	$	$	$
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									
1 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
Notes to the Financial Statements
31 May 2018

14. PROPERTY, PLANT AND EQUIPMENT (continued)

2017

	Equipment	Capital Work-in-progress	Computer Equipment	Furniture & Fixtures	Buildings	Motor Vehicles	Forklift	Leased Vehicles	Total
	$	$	$	$	$	$	$	$	$
At cost:									
1 June 2016	70,051,340	-	4,800,475	7,544,720	67,567,046	39,600,255	3,309,666	19,696,663	212,570,165
Additions	17,916,901	57,910,006	3,649,530	575,378	-	51,584,245	2,679,507	-	134,315,567
Disposals	-	-	-	-	-	-		(9,934,043)	(9,934,043)
31 May 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
Depreciation:									
1 June 2016	23,221,090	-	1,918,070	1,967,665	16,917,507	24,250,241	1,224,816	16,499,273	85,998,662
Charge for the year	9,078,193	-	536,077	734,420	1,689,176	7,031,240	954,543	892,294	20,915,943
Relieved on disposal	-	-	-	-	-	-	-	(9,934,043)	(9,934,043)
31 May 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
Net book value									
31 May 2017	55,668,958	57,910,006	5,995,858	5,418,013	48,960,363	59,903,019	3,809,814	2,305,096	239,971,127

15. INVESTMENTS

	2018 $	2017 $
Held-to- Maturity		
1.3% (2017- 2% - 2.35%) US$ Certificate of Deposits	57,528,458	57,969,414
J$ Securities purchased under resale agreements	347,011	936,097
	57,875,469	58,905,511

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 2.5% (2017 - 3%).

16. INVENTORIES

	2018 $	2017 $
Chemicals	326,171,410	311,141,699
Construction and adhesives	39,457,167	32,842,265
Manufacturing raw materials	97,416,480	943,515
	463,045,057	344,927,479
Goods-in-transit	47,079,940	30,005,285
Less: provision for obsolete stock	(10,100,898)	(7,873,922)
	500,024,099	367,058,842

17. RECEIVABLES

	2018 $	2017 $
Trade receivables	275,219,504	227,355,825
Refundable general consumption tax	4,337,788	42,816,079
Other receivables and prepayments	32,067,428	30,851,276
Prepayments: joint venture	79,173,023	14,064,103
-	390,797,743	315,087,283
Less provision for bad debts	(12,663,683)	(10,465,496)
Total financial assets	378,134,060	304,621,787

Trade receivables balance at the end of the year includes $49,287,354 (2017 - $53,953,502) 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 balance. The Company does not hold any collateral over trade receivables balances.

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

18. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash	110,000	110,000
Cash equivalents - US$ bank accounts	14,389,368	26,029,726
Cash equivalents - JA. $ bank accounts	13,705,777	23,494,085
	28,205,145	49,633,811

19. PAYABLES

	2018 $	2017 $
Foreign payables	259,642,589	243,661,641
Local payables and accruals	44,037,927	31,241,429
Payables :Joint venture	106,872,219	-
Other payables	243,305	5,878,104
	410,796,040	280,781,174

20. LONG-TERM BORROWINGS

	2018 $	2017 $
(i) 8.95 % Sagicor Bank	2,119,352	8,107,094
(ii) 8.39% National Commercial Bank (NCB)	31,650,693	35,167,112
(iii) 8.49% Sagicor Bank	10,705,823	12,862,399
(iv) 12.5% -16.75% finance lease obligations [see (iv) below]	25,069,582	2,574,721
	69,545,450	58,711,326
Less current portion due within 12 months	(13,357,128)	(12,595,751)
Non-current balance	56,188,322	46,115,575

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 located 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) The lease obligations relate to motor vehicles and are payable as follows:

	2018 $	2017 $
Due from the reporting date as follows:		
Within one (1) year	7,339,894	1,403,228
Within two to five (2-5) years	27,715,658	2,104,830
Total future minimum lease payments	35,055,552	3,508,058
Less: future interest charges	(9,985,970)	(933,337)
Present value of minimum lease payments	25,069,582	2,574,721

21. SHARE CAPITAL

	2018 $	2017 $
Authorized:		
1,620,000,000 (2017 - 162,000,000) ordinary shares of no par value		
Issued and fully paid:		
1,542,467,080 (2017 – 154,246,708) 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 2017 because the Company was listed on the JSE Junior Market, effective 31 December 2012 and was relieved from 100% income tax until 31 May 2017 (See note 11).

During the year ended 31 May 2018, 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:

	2018 $	2017 $
Deferred tax liability	5,108,641	-

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

	2018 $	2017 $
Interest receivable	83,961	-
Decelerated capital allowances	5,024,680	-
	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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2018

23. RELATED PARTIES TRANSACTIONS AND BALANCES

The statement of comprehensive income includes the following related party transactions

	2018 $	2017 $
Key management compensation		
Salaries:	14,862,667	13,792,000
Rental of premises		
Director	-	3,540,000
Motor vehicle rental expense		
Director	4,552.566	8,334,954

24. JOINT VENTURE COMMITMENTS

(i) Joint Venture

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified as a *joint venture* when the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company entered into a joint venture partnership agreement with an overseas entity to manufacture and distribute lubricants for the local market. The Company holds a 50% shareholding in the agreement and is responsible for providing the real estate for housing the manufacturing facilities while the other entity is required to provide the manufacturing equipment and other practical knowledge to produce lubricants.

Although blending operations commenced in January 2018, discussions regarding the joint venture arrangements were still in progress at the reporting date, May 31, 2018. The trading relationship between both entities, supplier, and importer remained the same as in the prior year.

25. CONTINGENCIES AND COMMITMENTS

(i) The Company's attorneys reported in their letter dated 10 July 2018 that as of 31 May 2018:

- 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, 10 July 2018, 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 2018, except those relating to financial institutions are detailed in Note 20 of the financial statements.

26. 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.

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Paramount Trading (Jamaica) Limited

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Second quarter ended November 30, 2018

Paramount Trading (Jamaica) Limited

Statement of Profit or Loss and other Comprehensive Income
Second quarter ended November 30, 2018

	Notes	Unaudited 3 months ended November 30, 2018	Unaudited 3 months ended November 30, 2017	Unaudited 6 months ended November 30 2018	Unaudited 6 months ended November 30, 2017	Audited 12 months ended May 31, 2018
		$	$			$
Revenue		325,096,507	356,288,602	697,275,086	687,178,485	1,398,409,815
Direct expenses		215,199,192	257,207,627	464,745,705	486,724,179	972,056,069
Gross profit		109,897,315	99,080,975	232,529,381	200,454,306	426,353,746
Other operating income		1,005,002	1,329,388	2,409,984	2,558,705	5,747,575
Share of Profit from Joint Venture		1,365,379	-	2,091,488	-	-
		112,267,696	100,410,363	237,030,853	203,013,011	432,101,321
Less operating expenses:						
Administrative expenses		90,719,944	72,915,837	177,589,022	135,636,108	323,030,774
Selling & distribution		8,051,175	5,993,359	13,723,186	8,784,512	29,732,504
		98,771,119	78,909,196	191,312,208	144,420,620	352,763,278
Operating profit before finance costs		13,496,577	21,501,167	45,718,645	58,592,391	79,338,043
Finance income		22,516,304	5,522,931	220,767	559,233	959,950
Finance costs		(4,506,712)	(3,315,073)	(6,364,885)	(1,539,235)	(13,253,914)
Net finance income/(costs)	4	18,009,592	2,207,858	(6,144,118)	(980,002)	(12,293,964)
Profit before taxation		31,506,169	23,709,025	39,574,527	57,612,389	67,044,079
Taxation	5	3,938,271	-	4,946,816	-	8,399,606
Net profit, being total comprehensive income for the period/year		27,567,898	23,709,025	34,627,711	57,612,389	58,644,473
Earnings per stock unit	6	$0.018	$0.015	$0.022	$0.037	$0.038

Paramount Trading (Jamaica) Limited
Statement of Financial Position
November 30, 2018

	Note	Unaudited November 30, 2018 $	Unaudited November 30, 2017 $	Audited May 31, 2018 $
Non-current assets:				
Property, plant and equipment		271,244,721	258,222,757	263,597,645
Investments		7,388,295	57,096,449	57,875,469
Current assets:				
Inventories		553,828,698	394,433,969	500,024,099
Tax recoverable		3,153,144	1,112,914	1,329,493
Receivables	7	399,103,868	321,275,132	378,134,060
Cash and cash equivalents		34,007,516	21,980,198	28,205,145
		990,093,226	738,802,213	907,692,797
Current liabilities				
Payables		480,109,802	237,481,735	410,796,040
Taxation Payable		8,237,781	-	3,290,965
Current portion of long term borrowings		11,244,672	15,530,383	13,357,128
		499,592,255	253,012,118	427,444,133
Net current assets		490,500,971	485,790,095	480,248,664
Total assets less current liabilities		769,133,987	801,109,301	801,721,778
Equity:				
Issued capital	8	77,492,243	77,492,243	77,492,243
Retained earnings		635,861,600	661,900,487	662,932,572
		713,353,843	739,392,730	740,424,815
Non- current liabilities:				
Long term borrowings		50,671,503	61,716,571	56,188,322
Deferred tax liability		5,108,641	-	5,108,641
		55,780,144	61,716,571	61,296,963
Total Equity and non-current liabilities		769,133,987	801,109,301	801,721,778

Approved and signed on behalf of the Board by:

....
Director

....
Director

Paramount Trading (Jamaica) Limited

Statement of changes in Shareholders' Equity
Second quarter ended November 30, 2018

	Note	Share Capital	Retained Earnings	Total
		$	$	$
Balances at May 31, 2017		77,492,243	604,288,099	681,780,342
Total comprehensive income		-	57,612,389	57,612,389
Balances at November 30, 2017		77,492,243	661,900,488	739,392,731

	Note	Share Capital	Retained Earnings	Total
		$	$	$
Balances at May 31, 2018		77,492,243	662,932,572	740,424,815
Total comprehensive income		-	34,627,711	34,627,711
Dividends	9		(61,698,683)	(61,698,683)
Balances at November 30, 2018		77,492,243	635,861,600	713,353,843

Paramount Trading (Jamaica) Limited

Statement of Cash Flows
Six months ended November 30, 2018

	6 months ended November 30, 2018	6 months ended November 30, 2017
	$	$
Cash flows from operating activities		
Net profit for the period	34,627,711	57,612,389
Adjustments for:		
Depreciation	23,914,545	14,911,842
Interest expense	3,648,705	3,014,177
Interest income	(220,767)	(394,860)
Operating cash flows before changes in working capital	61,970,194	75,143,548
Changes in operating assets and liabilities		
Inventories	(53,804,599)	(27,375,127)
Accounts receivable	(22,335,186)	(16,706,314)
Tax recoverable	(1,823,651)	(31,150)
Taxation payable	4,946,816	-
Payables	70,679,141	(43,299,439)
Interest received	220,767	394,860
Interest paid	(3,648,705)	(3,014,177)
Net cash provided by/(used in) operating activities	56,204,777	(14,887,799)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(31,561,620)	(33,163,472)
Net cash used in investing activities	(31,561,620)	(33,163,472)
Cash flows from financing activities		
Dividends Paid	(61,698,683)	-
Loan received	-	24,689,862
Loan repayments	(7,629,275)	(6,101,266)
Net cash (used)/provided by financing activities	(69,327,958)	18,588,596
Net decrease in cash and cash equivalents	(44,684,803)	(29,462,675)
Cash and cash equivalents at beginning of the period	86,080,614	108,539,322
Cash and cash equivalents at end of period	41,395,811	79,076,647
Represented by:		
Cash and cash equivalents	34,007,516	21,980,198
Investments	7,388,295	57,096,449
Net cash and cash equivalents at end of period	41,395,811	79,076,647

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

The Company operates in Jamaica and has its registered office at 39 Waltham Park Road Kingston 11. The principal activity of the Company is importation and distribution of chemical raw materials and other related products. The Company provides contract manufacturing services for an international company and is a distributor of the "SIKA" line of construction products. This line includes admixtures, adhesives and sealants with applications that range from the do-it-yourself to road construction.

Effective 31 December 2012, the Company's shares were listed on the Junior Market of the Jamaica Stock Exchange.

2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with IAS 34, interim reporting and should be read in conjunction with the audited financial statements for the year ended May 31, 2018, which have been prepared in accordance with IFRS and comply with the Jamaican Companies Act.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim financial statements are consistent with those used in the audited financial statements for the year ended May 31, 2018.

(a) Depreciation:

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated lives

(b) Trade receivables

Trade receivables are carried at anticipated realisable value. A provision is made for impairment of trade receivables when it is established that there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Inventories

Inventories are stated at the lower of cost, determined consistently on the same bases, and net realizable value. The cost of finished goods and work-in-progress comprise raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. In the case of manufactured inventories, net realizable value is the estimated costs of completion and selling expenses.

(d) Borrowing and borrowing costs

Bank and borrowings are recognized initially at cost. Borrowings are subsequently stated at amortized cost, with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowing on an effective interest basis.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Capitalization of such borrowing costs cease when the assets are substantially ready for their intended use or sale.

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

(e) Finance income and finance costs

Finance income and finance costs include interest income, interest expense and foreign exchange gain or loss arising from translation of foreign currency asset and liabilities

4. FINANCE INCOME AND FINANCE COSTS

During the quarter ended November 30, 2018, finance costs included foreign exchange gain of **$22.7m** which resulted in a net positive balance of **$18m** in the period.

5. TAXATION

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 31, 2012. Consequently, the Company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

Years 1 to 5	100%
Years 6 to 10	50%

As the company is currently in Year 6 of trading, estimated Income Tax for the period was calculated at 25% of Profit for the Period less 50% Relief according to the rules of the Junior Stock Exchange.

6. EARNINGS PER STOCK UNIT

Earnings per stock unit are calculated by dividing the profit for the period by the weighted average number of shares in issue for the period.

7. RECEIVABLES

The Receivables balance includes $98,933,508 (2017 - $22,810,119) representing Investment in Joint Venture Operations at the end of the period.

8. SHARE CAPITAL

	2018	2017
Authorised:		
1,620,000,000 Ordinary shares of no par value		
Issued and fully paid		
1,542,467,080 ordinary shares	77,492,243	77,492,243

9. DIVIDENDS

On November 3, 2018 the Board of Directors approved a dividend of **$0.04** per share. This was paid to Shareholders on November 30, 2018.

TOP 10 STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS
NOVEMBER 30, 2018

Top 10 Stockholders	Number of Shares Held
Hugh Graham	1,233,966,840
Radcliff Knibbs	144,059,764
Libnah Graham	27,820,000
Jean Louis Graham	17,300,000
Vaughn Phang	13,082,798
Ursus Corporation Limited	12,541,170
James Lechler	8,101,523
Jason Carl Carby	6,498,740
G. L. Enterprises Limited	4,920,000
Lannaman & Morris (Shipping) Ltd	4,208,000

Directors and Senior Officers	Number of Shares Held
Hugh Graham	1,233,966,840
Jukie Chin	420,000
Sharon Donaldson	1,410,000
Daryl Fong Kong	420,120
Radcliff Knibbs	144,059,764
James Lechler	8,101,523
Richard Rogers	420,120
Vaughn Phang	13,082,798
Gary Dixon	120,000

Part 1 – Audited Financial Information cont'd.

The Company's most recent annual report setting out the audited accounts for the financial year from 1 June 2017 to 31 May 2018 is available on the following website the contents of which report is deemed to be incorporated by reference in its entirety into this prospectus:

https://www.jamstockex.com/wp-content/uploads/2018/09/PTL-Annual-Report-2018-1.pdf

Part 2 – Unaudited Financial Information

The Company's most recent unaudited quarterly accounts for the 3-month period ending 30 November 2018 are available on the following website the contents of which accounts are deemed to be incorporated by reference in their entirety into this prospectus:

https://www.jamstockex.com/wp-content/uploads/2019/01/PTL-Unaudited-Financial-Statements-2nd-Quarter-Ended-November-30-2018.pdf

Important Note

This Section 10 contains hyper-links to financial information posted on a website/other information that is incorporated by reference into this Prospectus. Prospective Investors are also strongly encouraged to read the full text of the information for a more complete understanding of the Company and its financial condition and prospects, which are relevant to its ability to service payments due to Preference Shareholders.

SECTION 11: RISK FACTORS

Key Personnel

It is important that the Company attracts and retains appropriately skilled persons in order to operate its business, and to promote its growth. It is also important for the Company to replace personnel whose employment may be terminated for any reason within a reasonable time. In Jamaica, competition for qualified personnel can be intense, as there are a limited number of people with the requisite skills, knowledge and experience. The Company will need to attract and retain honest qualified personnel and failure to do so could have a material adverse impact on the Company's future prospects.

Macro-Economic Policies

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the JSE and the market for including the Ordinary Shares and the Preference Shares in a negative manner.

New Regulatory Rules or Standards

The business of the Company is currently unregulated. The business of the Company may become subject to existing or new regulatory rules or standards depending on the type of products it offers. If such regulatory rules or standards become onerous from the point of view of the Company or its clients this could require the Company to recapitalize, or to change the nature of its business operations, and in any case, changes in such regulatory rules or standards may affect its long - term profitability.

New Accounting Rules or Standards

The Company may become subject to new accounting rules or standards that differ from those that are presently applicable. Such new accounting rules or standards could require significant changes in the way the Company currently reports its financial position, operating results or cash flows. Such changes could be applied retrospectively. This is a risk that is common to companies that apply International Financial Reporting Standards (IFRS), as required under the Jamaican Companies Act.

Operational Risk

The Company is also subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events (including severe weather, other acts of God social unrest). This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the island. The Directors consider that the Company is prudent and that it insures itself against some (but not all) of these risks. It may not be feasible for the Company to insure itself in respect of all of the risks mentioned, because no coverage maybe available or it is not economical to do so.

Risk of Catastrophic Events

Claims for property damage and business interruption arising out of natural disasters and other catastrophes may have a significant impact on results of operations and financial condition. Natural disasters and other catastrophes can be caused by various events including, but not limited to, hurricanes, earthquakes, tornadoes, wind, hail, fires and explosions, and the incidence and severity of natural disasters and other catastrophes are inherently unpredictable.

Control

The issue of the Preference Shares will not confer legal or effective control of the Company on Applicants. The Company is jointly controlled by shareholders of the issued Ordinary Shares.

Market Risk

Market risk is the risk that the value of the Company's investments will decrease due to factors including but not limited to price risk (the risk that the prices of securities in the investment portfolio of the Company (the "investment securities" will change), interest rate risk (the risk that interest rates attaching to the said investment securities will change), and currency risk (the risk that foreign exchange rates attaching to the said investment securities will change).

Volatility in Price of Ordinary or Preference Shares/ Flat Trading

Following their proposed admission to trading on the JSE the Preference Shares, like the Ordinary Shares, may experience volatility in their market price, or flat trading, being very infrequent or insignificant volumes of trading, either of which may extend beyond the short term and which may be dependent on the Company's financial performance, as well as on investors' confidence and other factors over which the Company has no control. In either case the market price of the shares may be negatively affected or constrained from growing.

Revocation of Tax Concessions Risk

The Company is admitted to the Junior Market. It must remain listed on either the Junior Market or the Main Market for a period of fifteen years in order to be eligible for a concessionary tax regime as described in Section 7.3. If the Company is de-listed at any time during the fifteen year period from the date of listing or breaches other conditions set out in the Junior Market Rules, it will become retrospectively liable to pay corporate income tax at the rate that would otherwise have been applicable to it during the concessionary period.

Admission of the Preference Shares to listing on the JSE

After the Closing Date, and assuming that the Company is able to raise $100 million as a result of the Invitation by the Closing Date, the Company will make application to the JSE to admit the Preference Shares to the Junior Market. However, the Company is not able to guarantee adequate subscription of the Preference Shares in the Invitation or the admission of the Shares to the Junior Market.

Product liability risk

The Company supplies industrial chemicals, oils and lubricants, bulk foodstuffs, food additives, and related items (collectively, the "products"). Certain of the products are known to be harmful to human health and/or the environment, or capable of damage to property or are combustible. Other products may be considered to be safe at the present time, but they may become known to be hazardous in future.

The Company distributes products manufactured by other suppliers, but it may be sued by customers or other persons who suffer harm as a distributor of the products. The Company carries insurance cover against third party liability risk as well as product liability risk, however such cover may not be adequate in a given circumstance, or it may not be available at all in accordance with the terms and conditions of any particular insurance policy. In the latter event, the expenses of the Company would increase and the profits of the Company may decrease.

SECTION 12: PROFESSIONAL ADVISERS TO THE COMPANY

Sole Broker
Mayberry Investments Limited
1½ Oxford Road, Kingston 5

Auditors
McKenley & Associates
Unit 11, Seymour Park
2 Seymour Avenue, Kingston 6

Attorneys to the Company
Patterson Mair Hamilton
Temple Court, 85 Hope Road
Kingston 6, Jamaica W.I.

Registrars and Transfer Agents for the Ordinary Shares and the Preference Shares
Jamaica Central Securities Depository
40 Harbour Street
Kingston

SECTION 13: STATUTORY AND GENERAL INFORMATION

13.1 <u>Statutory information required to be set out in this Prospectus by section 42 and the Third Schedule to the Companies Act</u>

1. The Company has no founders or management or deferred shares.

2. The Articles of Incorporation fix no shareholding qualification for directors and none has been otherwise fixed by the Company in general meeting.

3. The Articles of Incorporation contain the following provisions with respect to the remuneration of Directors:

(a) The remuneration of the directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings or any committee of the Directors or general meetings of the Company in connection with the business of the Company. The Directors may award special remuneration out of the funds of the Company to any Director going or residing abroad in the interest of the Company, or undertaking any work additional to that usually required of Directors of a company similar to the Company. (Article 77)

(b) A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs. (Article 79)

(c) A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or management entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. (Article 89(3))

(d) Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the company. (Article 89(5))

(e) The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 91)

(f) A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine. (Article 118)

4. The names and addresses of the Directors are as follows:

Hugh Graham, 9 Durie Drive, Kingston 8, Saint Andrew

Anna Maria Graham, 9 Durie Drive, Kingston 8, St. Andrew

Richard Rogers, 15 Carmel Avenue, Unit #2, Kingston 8, Saint Andrew

Sharon Donaldson, 3 Millsborough Avenue, Townhouse #1, Kingston 6, Saint Andrew

Jukie Gladstone Chin O.D., 78 Eli Drive, May Pen, Clarendon

Radcliff Knibbs, 15 Carmel Avenue, Kingston 8, Saint Andrew

James Lechler, 6A Roedeen Close, Kingston 6, Saint Andrew

5. The minimum amount required to be raised out of the proceeds of the Invitation to provide for the matters set out in paragraph 2 of Part 1 of the Third Schedule to the Companies Act (the "minimum subscription") is $100,000,000.

6. The Invitation will open for subscription at 9:00 a.m. on Thursday 28 March 2019 and will close at 4:00 p.m. on the Closing Date, Thursday 4 April 2019 subject to the Company's right to (a) close the Invitation at any time without notice after 9:00 a.m. on the Opening Date if Applications have been received for an amount in excess of the Preference Shares offered in the Invitation, or (b) to extend the Closing Date as described in this Prospectus.

7. All Applicants will be required to pay in full the Invitation Price of $2 per Preference Share as specified in the terms and conditions set out in Section 6.4 of this Prospectus. No further sum will be payable on allotment.

8. The Company invited applications for subscription for the following securities:

9. Save as set out in paragraphs 17 and 18 below no person has, or is entitled to be given, any option to subscribe for any shares in, or debentures of, the Company.

10. As at 30 November 2018, being the date to which the most recent management accounts included in the Unaudited Financial Information of the Company are made up to, the Company held investments in the form of cash and equivalents amounting to $34.007 million.

11. There is no amount for goodwill, patent, or trademarks shown in the financial statements of the Company and there is no contract for sale and purchase, which would involve any goodwill, patent or trademarks.

12. As at 30 November 2018, being the date to which the most recent management accounts included in the Unaudited Financial Information of the Company are made up to, the indebtedness of the Company was as follows:

Non-current liabilities:	
Director's loan	-
Long term borrowings	56,188,322

Deferred tax liability	5,108,641
	61,296,963

13. In the 5 year financial period from 1 June 2014 to 31 May 2018 inclusive, the Company paid the following dividends on the Ordinary Shares:

	Audited	Audited	Audited	Audited	Audited
	2018 $	2017 $	2016 $	2015 $	2014 $
Dividend paid	-	-	(60,156,216)	(23,291,253)	20,823,306)

14. The dividend policy of the Company is described in Section 7.4.

15. There is no property that is currently proposed to be purchased or acquired by the Company which is to be paid for wholly or partly out of the proceeds of this Invitation for the purposes of paragraphs 6 to 9 (inclusive) of Part 1 of the Third Schedule of the Companies Act.

16. Save as set out in paragraph 18 below within the 2 preceding years, no commissions have been paid, nor will any be payable to anyone for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures of the Company.

17. The Company expects to pay the expenses of the Invitation out of the proceeds of its fundraising, and the Company estimates that such expenses will not exceed $16.5 million (inclusive of brokerage fees, legal fees, auditors' fees, the Registrar's fees, stamp duties and other document filing fees, initial listing and other JSE and JCSD fees and GCT).

18. Within the last 2 years preceding the date of this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any promoter or person in connection with the sale of shares in the Company save for Mayberry by virtue of an engagement letter dated 12 February 2019. Under the terms of the engagement Mayberry is entitled to receive brokerage fees amounting to 4.1% of the funds raised in the Invitation plus GCT, and recoupment of its disbursements.

19. The material contracts of the Company are set out in Section 7.8 of this Prospectus.

20. The external auditors of the Company are McKenley and Associates whose address is set out in Section 12.

21. McKenley have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of their name in the context in which it is included.

22. The Company was incorporated on 25 February 1991. The Company has no subsidiaries.

23. The share capital of the Company consists of two classes of shares, namely Ordinary Shares and redeemable preference shares. All Ordinary Shares rank *pari passu* in respect of the usual entitlements to a return of surplus capital in the event of a winding up, and payment of any dividends declared by the Board and carry the usual voting rights in the Company.

24. The Preference Shares will rank in priority in respect of rights to a return of surplus capital and the payment of any cumulative preference dividends, and consistent with their status as a fixed income debt type share, none of the Preference Shares have voting rights in the Company save in narrowly prescribed circumstances fixed by their respective terms of issue.

SECTION 14: DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by appointment only, at the law offices of Patterson Mair Hamilton, Temple Court, 85 Hope Road, Kingston 6 between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date:

1. The Articles of Incorporation of the Company.

2. The Material Contracts described in section 7.8.

3. The consent of the Auditors to the inclusion of each of their names and references thereto in the form and context in which they appear in this Prospectus.

SECTION 15: DIRECTORS' SIGNATURES

The Directors whose signatures appear below are individually and collectively responsible for the contents of this Prospectus:

Hugh Graham

Radcliff Knibbs

Richard Rogers

Sharon Donaldson,

Jukie Gladstone Chin O.D.

James Lechler

Anna Maria Graham

APPENDIX 1: APPLICATION FORM

Appendix 1 **Application Form**

PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

To: Paramount Jamaica Limited ("Paramount" or the "The Company")

Re: In respect of up to 150,000,000 Cumulative Redeemable Preference Shares at J$2.00 each being offered made pursuant to the Prospectus dated and registered on or around March 21, 2019. I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated in this Application Form by reference.

I/We hereby apply for ☐☐☐☐☐☐☐☐ Cumulative Redeemable Preference shares in Paramount Jamaica Limited on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J$2.00 each, and I/we attach my/our payment (*inclusive* of processing fees of J$163.10) for ☐☐☐☐☐☐☐☐☐☐ or I/we request my broker to make payment on my/our behalf from cleared funds held by them in my /our names in account numbered ________________________, with them. I/We hereby instruct my/our broker to debit my/our account with the sum of J$ ☐☐☐☐☐☐☐☐☐☐ for the purposes of my/our subscription of preference shares and processing fee as indicated above.

I/We agree to accept the same or any smaller number of Shares in respect of which this application may be accepted, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of the Company, by which I/we agree to be bound. I/We request you to sell and transfer to me/us the number of shares which may be allocated to me/us at the close of the said Invitation based on the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the shares that may be allocated to me/us to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository (JCSD).

All fields are relevant and must be completed.
Please indicate your JCSD account number here

JCSD ACCOUNT NUMBER

BROKER CODE

PRIMARY HOLDER DETAILS

PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)

TAXPAYER REGISTRATION NUMBER

PRIMARY MOBILE/CELL NUMBER

WORK NUMBER

EMAIL ADDRESS—PLEASE PRINT

SIGNATURES:

PRIMARY HOLDER: ____________________________

DATE SIGNATURE AFFIXED:

COMPANIES *(COMPANY SEAL OR STAMP REQUIRED)*:

DIRECTOR: ____________________________

DIRECTOR/SECRETARY: ______________________

DATE SIGNATURES AFFIXED:

JOINT HOLDER INFORMATION

FIRST NAMED JOINT HOLDER

OCCUPATION

TAXPAYER REGISTRATION NUMBER

SIGNATURE

SECOND NAMED JOINT HOLDER

OCCUPATION

TAXPAYER REGISTRATION NUMBER

SIGNATURE

THIRD NAMED JOINT HOLDER

OCCUPATION

TAXPAYER REGISTRATION NUMBER

SIGNATURE

USE BY REGISTRAR ONLY
Form ID:
Batch #

ALL APPLICANTS MUST INDICATE THEIR TAXPAYER REGISTRATION NUMBER (TRN) OR OTHER EQUAL IDENTIFIER ON THE APPLICATION
ALL APPLICANTS ARE REQUIRED TO PAY J$163.10 NON-REFUNDABLE PROCESSING FEE PER APPLICATION SUBMITTED
THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. All completed applications must be delivered to Mayberry Investments Limited ("Mayberry") at 1 $^1/_2$ Oxford Road, Kingston 5, or to your usual broker for delivery to Mayberry on or prior to opening date.
2. Applications that are not from the Reserved Share pool must be for a minimum of 250,000 shares and be made in multiples of 50,000 shares. Applications in other denominations will **not** be processed or accepted.
3. All applicants must attach their payment for the specified number of Shares they have applied for, in the form of either:
   A. A Manager's cheque made payable to "Paramount Trading Preference Share Offer", or
   B. Authorization on the Application Form from the Applicant instructing Mayberry Investments Limited ("Mayberry") to make payment from cleared funds held in an investment account in the Applicant's name at Mayberry, to an account held at Mayberry in the name of "Paramount Trading Preference Share Offer", or
   C. Transfer in the Real Time Gross Settlement ("RTGS")/ACH system to an account held at Mayberry in the name of Paramount Trading Preference Share Offer
4. If you are applying jointly with any other person, Joint Holder Information must be provided and each joint holder **must** sign the Application Form at the place indicated.
5. All Applicants must be at least 18 years old and must attach a certified copy of their T.R.N. card or Jamaican Driver's Licence displaying the T.R.N.
6. Share Certificates will not be issued unless specifically requested through your broker. Instead, the shares allotted to a successful applicant will be credited to his account at the Jamaica Central Securities Depository ("JCSD"). If the applicant does not have a JCSD account, one will be created by your broker and the allotted shares deposited to that account. Applicants may refer to the notice posted on the JSE website (www.jamstockex.com) for instructions on confirming Share Allotments
7. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus and the Articles of Incorporation of the Company generally.
8. Requests for changes to your JCSD account information e.g. dividend mandate instructions, change of address, telephone numbers and email addresses etc. must be directed through your broker as customary.

THIS SECTION FOR USE BY BROKER ONLY

DATE APPLICATION RECEIVED: ___________________________

TIME RECEIVED: ___________________________

PAYMENT METHOD: ___________________________________

PAYMENT VALUE: ________________________

* **MIL A/c #**
* **MIL Transfer/Deposit slip**
* **RTGS / Wire**
* **Cheque #**

PAYMENT DATE: _________________________

POOL: __________________________________

BROKER STAMP AND SIGNATURE:

MIL ADVISOR: ____

BRANCH: _________________________________

APPENDIX 2: TERMS OF ISSUE

In these Terms of Issue defined terms shall have the meanings given to them by the Prospectus unless a contrary indication is made:

Agreed Rate	means an amount of 8.75% per year, calculated on the Invitation Price, and for this purpose a year shall mean any period of 365 days
Business Day	means a date, not being a Saturday, Sunday or public holiday when banks are open for business in Jamaica
Company	means Paramount Trading (Jamaica) Limited, a company incorporated under the laws of Jamaica with its registered office at 39 Waltham Park Road, Kingston, Jamaica
Invitation Price	means $2 per Preference Share
Maturity Date	means the day falling 24 months after the final allotment of the Preference Shares
Registrar, Transfer and Paying Agent	means the Jamaica Central Securities Depositary Limited, a company incorporated under the laws of Jamaica with its registered office at 40 Harbour Street, Kingston, Jamaica

The preference shares shall be cumulative redeemable preference shares denominated as the **"8.75% Preference Shares due 2021"** (referred to herein as the **"Preference Shares**") conferring upon the registered holders thereof the following rights and are issued subject to the following restrictions, namely:

(1) Ranking

The Preference Shares will rank in priority to the ordinary shares and pari passu to any future Preference Shares of the Company of any class save as to dividend and maturity date.

(2) Dividend income

The right to a cumulative preferential dividend at the Agreed Rate, payable to registered holders, subject to the Company having sufficient distributable profit for that purpose in accordance with the Act.

The first dividend payment will accrue from the date of final allotment until payment on 30 April 2018. Thereafter dividends will be due and payable monthly in arrears on the last Business Day of the calendar month, in Jamaican Dollars, by the Registrar and Paying Agent on behalf of the Company.

The right to the preferential dividend is cumulative and any such dividend due to be paid and remaining unpaid shall remain due and owing until it is repaid in full.

(3) Repayment of capital

The right on a winding up of the Company or other return of capital to repayment in Jamaican Dollars in priority to any payment to the holders of Ordinary Shares and pari passu with all other preference shares, of:

(a) any arrears or accruals of the preferential dividend that is due to be paid at the Agreed Rate whether declared or earned or not or calculated down to the date of such repayment; and (b) a right to return of the Invitation Price, in each case, as at the date fixed by the Board for the purposes of such repayment and in priority to any repayment of capital to the holders of the Ordinary Shares but to no further or other right to share in the secured assets, or any surplus assets, of the Company on a winding up.
(4) Voting: Save as provided herein and in paragraph (5) below the Preference Shares shall NOT carry the right to vote at any general meeting of the Company EXCEPT: (a) in circumstances where the dividend is due to be paid at the Agreed Rate remains unpaid for a period greater than 12 months; and/or (b) in the event that a resolution to wind-up the Company has been tabled for consideration in accordance with the Act, AND in any such event, every registered holder present in person or by proxy shall have one (1) vote, and on a poll every registered holder shall have one (1) vote for each Preference Share of which he is the registered holder.
(5) Further issues of preference shares: The Company may without any consent or sanction of the registered holders of the Preference Shares create and issue further preference shares, the same to be converted into preference stock units either: (a) ranking pari passu and identically in all respects and so as to form one class with the existing Preference Shares; and/or (b) ranking pari passu therewith as regards priority in respect of income and/or capital but carrying a different rate of dividend or otherwise differing from the Preference Shares (and any other preference shares) so as to form a separate class, for the purposes of the Articles of Incorporation of the Company. Subject to the provisions of this paragraph, the rights attaching to the Preference Shares may not be varied either while the Company is a going concern, or during or in contemplation of a winding-up of the Company without the consent in writing of three-fourths (3/4) of the registered holders or without the sanction of an extraordinary resolution passed at a separate meeting of the registered holders, but not otherwise. To every such separate meeting all of the provisions of the Articles of Incorporation of the Company relating to general meetings of the Company or to proceedings thereat shall, mutatis mutandis apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy five (5) per cent in nominal amount of the issued Preference Shares (but so that if at any adjourned meeting of such registered holders a quorum as above defined is not present those members who are present shall be a quorum). For the avoidance of doubt, at any such meeting every registered holder present in person or by proxy shall have one (1) vote, and on a poll every registered holder present in person or by proxy, shall have one (1) vote for each Preference Share of which he is the registered holder.
(6) Redemption

Subject to the provisions of the Companies Act and the terms and conditions set out in this paragraph (6), whole or partial redemption of the Preference Shares shall be effected in the following manner:

(a) Mandatory redemption: on the Maturity Date at the Invitation Price and otherwise on terms that are specified by the Board of the Company for that purpose.

(b) Optional redemption: the Company also reserves the right to redeem the Preference Shares on any dividend payment date, at the Invitation Price without payment of any Premium or penalty.

(c) General provisions for all redemptions: Any circular or notice issued by the Company for the purposes of this paragraph (6) shall:

(i) fix the, date, time and place for the redemption;

(ii) specify how many of the Preference Shares are to be redeemed, and whether redemption is optional or mandatory;

(iii) provide instruction to the registered holders to deliver to the Company any certificates for cancellation (if applicable), or other evidence of ownership specified in the notice, provided always that the Company may in its sole discretion refuse to accept such evidence, or accept such substituted evidence as it considers reasonable for the purposes of redemption whether or not such substituted evidence is provided by the registered holder or is otherwise available to the Company;

(iv) in the case of a circular, be posted to the registered holders not less than thirty (30) days prior to the date of redemption, and in the case of a notice such notice shall also appear in a national newspaper in Jamaica at least twenty one (21) days prior to the date of redemption;

(v) in the case of a proposed redemption of some but not all of the Preference Shares then in issue, the Company shall provide for redemption pro rata, and

(vi) provide for payment of any arrears of dividend calculated at the Agreed Rate up to a date fixed by the Company and set out in the circular or notice (as the case may be).

As from the time of the issue of any circular or notice of redemption the Preference Shares specified in the said circular or notice shall cease to accrue dividends, save and except in respect of any such Preference Shares in respect of which payment due on such redemption was refused. On redemption, any dividends accrued at the Agreed Rate up to the date of redemption shall be paid.

In the event that at the time for redemption the Company is permitted to redeem only some of the Preference Shares it shall do so at such time and in the sole discretion of the Company, subject always to these Terms of Issue.

Payments by the Company to the registered holders of the Preference Shares for the purposes of this paragraph 6 shall be made in cash or by cheque. On redemption of any Preference Shares, and subject always to the provisions of the Act and the Articles, the said Preference Shares may be:

(x) cancelled or held in treasury and in either case, shall be capable of re-issue as preference shares of the same or another class; and/or

(y) converted into shares and/or stock units of any other class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (as nearly as may be) as the shares and/or stock units of such class then in issue or into unclassified shares and/or stock units of the same nominal amount as the Preference Shares.

All redemption payments shall be made gross of any applicable fees and taxes (save for withholding taxes required to be held at source under Jamaican law), and brokerage fees and Jamaica Stock Exchange fees (as applicable).

(7) Financial Covenants

The Company represents, warrants and covenants for the benefit of the holders of Preference Shares that, so long as any of the said preference shares remain in issue and are allotted to one or more registered holders, the Company shall maintain the following financial ratios:

(a) Minimum EBITDA to Interest expense ratio of 200%

(b) Maximum Debt Service Coverage Ratio of 120%

(c) Maximum Debt to Equity Ratio of 200%

and “Debt” shall be construed to include all indebtedness of the Company inclusive of sums due to Preference Shareholders, and “Interest” shall mean interest on such Debt. In addition “EBITDA” shall mean for the Company for any period, (a) the sum of the net income (excluding any extraordinary and non-operating income and expenses for the preceding twelve months) of the Company for such period plus, (b) to the extent deducted in determining net income of the Company for such period, the aggregate amount of (i) Interest Expense, (ii) income tax expense (including accrued income tax), (iii) depreciation expense, and (iv) amortization expense and Debt Service Coverage Ratio” shall mean the result of the following calculation: net operating income / Debt service payments.

(8) Conversion to preference stock units on the Issue Date

As it is intended that the preference shares shall be converted to preference stock units on issue, references in these terms to Preference Shares shall be construed to mean on issue of the same, Preference Stock Units.