Paramount Trading (Jamaica) Limited
Financial Statements
31 May 2013

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McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

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To the Members of
Paramount Trading (Jamaica) Limited

Independent Auditors' Report

We have audited the accompanying financial statements of Paramount Trading (Jamaica) Limited (the Company) which comprise the Company's Statement of Financial Position as at 31 May 2013 and the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Independent Auditors' Report

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 May 2013, and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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 purpose 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 Act, in the manner so required.

McKenley & Associates

Chartered Accountants

23 July 2013
Kingston, Jamaica

Paramount Trading (Jamaica) Limited
Statement of Comprehensive Income
31 May 2013

	Note	31 May 2013 $	31 May 2012 $
Revenue	3(i)	642,128,641	613,809,228
Direct expenses		445,544,075	414,244,595
Gross profit		196,584,566	199,564,633
Other operating income	8	40,553,548	14,179,987
		237,138,114	213,744,620
Less operating expenses:			
Administrative		125,639,363	111,116,871
Selling & distribution		4,129,929	2,611,668
		129,769,292	113,728,539
Operating profit before finance costs and taxation		107,368,822	100,016,081
Finance costs	10	(23,828,282)	(15,889,379)
Profit before taxation		83,540,540	84,126,702
Taxation	11	(10,192,184)	(30,752,062)
Net profit for the year, being total comprehensive income		73,348,356	53,374,640
		$	$
Earnings per share	12	0.54	*0.43

*Restated for comparative purposes

Paramount Trading (Jamaica) Limited
Statement of Financial Position
31 May 2013

	Note	2013 $	2012 $
Non-current assets:			
Property, plant and equipment	14	83,350,857	92,027,485
Investments	15	3,467,686	763,480
Current assets:			
Inventories	16	172,450,248	185,796,815
Receivables	17	146,238,460	98,692,742
Cash and cash equivalents	18	60,318,395	7,647,990
		379,007,103	292,137,547
Current liabilities:			
Payables	19	110,253,245	108,966,998
Taxation payable		12,159,063	32,104,263
Current portion of director's loan	20	1,290,000	1,339,808
Current portion of long term borrowings	21	19,675,276	20,541,540
		143,377,584	162,952,609
Net current assets		235,629,519	129,184,938
Total assets less current liabilities		322,448,062	221,975,903
Equity:			
Issued capital	22	77,492,243	10,283,059
Retained earnings		195,102,765	121,754,409
		272,595,008	132,037,468
Non-current liabilities:			
Shareholder's loans	23	-	4,235,527
Related company	24	-	11,733,883
Director's loan	20	12,934,128	15,813,707
Long term borrowings	21	36,918,926	56,457,349
		49,853,054	88,240,466
Deferred income taxes		-	1,697,969
Total equity and non-current liabilities		322,448,062	221,975,903

Approved for issue by the Board of Directors on 23 July 2013 and signed on its behalf by:

Hugh Graham Chief Executive Officer

James Lechler Director

Paramount Trading (Jamaica) Limited
Statement of Cash Flows
31 May 2013

	31 May 2013	31 May 2012
	$	$
Cash flows from operating activities		
Net profit after taxation	73,348,356	53,374,640
Adjustments for:		
(Gain)/Loss on disposal of property, plant & equipment	(126,001)	581,900
Deferred tax asset/(liability)	(1,697,969)	1,885,842
Depreciation	12,969,865	12,800,285
Operating cash flows before movements in working capital	84,494,251	68,642,667
Changes in operating assets and liabilities:		
(Increase)/decrease		
Inventories	13,346,567	(33,696,798)
Receivables	(47,545,718)	(12,615,176)
Increase/(decrease)		
Payables	1,286,247	(30,091,677)
Taxation	(19,945,200)	12,848,334
	(52,858,104)	(63,555,317)
Net cash provided by operating activities	31,636,147	5,087,350
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(5,017,236)	(17,088,743)
Proceeds from disposal of property, plant & equipment	850,000	700,000
Net cash used in investing activities	(4,167,236)	(16,388,743)
Cash Flows from Financing Activities:		
Net proceeds from issue of shares	67,209,184	-
Loans received	-	12,090,558
Loans repaid	(39,303,484)	(43,050,330)
Net cash provided by/ (used in) financing activities	27,905,700	(30,959,772)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	55,374,611	(42,261,165)
Cash and cash equivalents at beginning of year	8,411,470	50,672,635
CASH AND CASH EQUIVALENTS AT END OF YEAR	63,786,081	8,411,470
REPRESENTED BY:		
Cash and cash equivalents	60,318,395	7,647,990
Investments	3,467,686	763,480
	63,786,081	8,411,470

Paramount Trading (Jamaica) Limited
Statement of Changes in Equity
31 May 2013

	Note	No. of Shares	Share Capital $	Retained Earnings $	Total $
Balances at 31 May 2011		10,283,059	10,283,059	68,379,769	78,662,828
Net profit for the year, being total comprehensive income		-	-	53,374,640	53,374,640
Balances at 31 May 2012		10,283,059	10,283,059	121,754,409	132,037,468
Stock Split (1 to 12)	22	113,113,649	-	-	-
Issue of shares, net of transaction costs		30,850,000	67,209,184	-	67,209,184
Net profit for the year, being total comprehensive income		-	-	73,348,356	73,348,356
Balances at 31 May 2013		154,246,708	77,492,243	195,102,765	272,595,008

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Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2013

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Paramount Trading (Jamaica) Limited is a private company limited by shares, incorporated in 1991 and domiciled in Jamaica. Its registered office is located at 39 Waltham Park Road, Kingston 13.

The principal activity of the Company is importation and distribution of chemicals and other related products. During the year ended May 31, 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, whose line of products include anchoring adhesives and sealants principally distributed to the commercial hardware market.

The Company’s shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on 31 December 2012.

2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied over the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Paramount Trading (Jamaica) Limited have been prepared in accordance with and compliance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. Although these estimates are based on management’s best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below:

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual events. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Critical judgments in applying the Company’s accounting policies

In the process of applying the Company’s accounting policies, management has made no significant judgments regarding the amounts recognized in the financial statements.

2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

(a) Basis of preparation (continued)

ii. Key sources of estimation uncertainty

Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Post employment benefits

Accounting for some post employment benefits requires the use of actuarial techniques to make a realizable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. The Company does not operate a defined benefit contribution pension scheme and therefore no judgment or estimate was required in this regard. The Company has implemented an individual retirement account (IRA) plan operated at a reputable financial institution for some categories of staff. The Company is only responsible to match employees' contributions to the plan.

Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

Accruals

Amounts accrued for certain expenses are based on estimates and are included in payables and accruals.

Property, plant and equipment

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Company to enable the value to be treated as a capital expense.

2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

(a) Basis of preparation (continued)

ii. Key sources of estimation uncertainty

Property, plant and equipment (continued)

Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and their expected utility to the Company resulting in the depreciation determined thereon.

Provision for impairment of receivables

In determining amounts recorded for provision for impairment of receivables in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, as a result of default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical experience in regards to loss is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

Net realizable value of inventories.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realize. These estimates take into consideration fluctuations of price or costs directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Standards and amendments to published standards effective during the year

At the date of authorization of these financial statements, certain new standards and amended standards and interpretations to existing standards have been published which became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has determined that none has any material relevance to its operations, except as noted below:

- Amendment to IAS 1, 'Presentation of Financial statements' (effective for annual periods beginning on or after 1 July 2012). The amendment requires entities to separate items presented in Other Comprehensive Income (OCI) into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2013

2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

(a) Basis of preparation (continued)

ii. Key sources of estimation uncertainty

Standards and amendments to published standards effective during the year (Continued)

Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is not expected to have a significant impact on the Company's financial statements.

New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Company.

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been issued which were not yet effective at the statement of financial position date, and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operation.

•IAS 19, 'Employee benefits' (effective for annual periods beginning after 1 January 2013). This amendment will eliminate the corridor approach to recognition of actuarial gains and losses arising from IAS 19 pension valuations and will result in the recognition of all actuarial gains and losses in OCI as they occur. Additionally, all the past service cost will be immediately recognized and interest cost and expected return on plan assets will be placed with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is assessing the impact of future adoption of the standard on its financial statements.

•IFRS 9, 'Financial instruments part 1': Classification and measurements (effective for annual periods beginning on or after 1 January 2015) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represents only payments of principal and interest (that is, it has only basic loan features). All other debt instruments are to be measured at fair value through profit or loss.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2013

2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

(a) Basis of preparation (continued)

New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Company (Continued).

•IFRS 9, ‘Financial instruments part 1’ (continued):

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through OCI rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Company is considering the implications of the standard, the impact on the Company and the timing of its adoption by the Company.

• IFRS 10, ‘Consolidated Financial Statements’, (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces all of the guidance control and consolidation in IAS 27, ‘Consolidated and Separate Financial Statements’, and SIC-12, ‘Consolidation- Special Purpose Entities’. IAS 27 (Revised) now renamed ‘Separate Financial Statements’. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provided additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a Group consolidates as its subsidiaries. The Company is assessing the impact of future adoption of the standard on its financial statements.

• IFRS 11, ‘Joint Arrangements’, (effective for annual periods beginning on or after 1 January 2013). IFRS 11 is a more realistic reflection of joint arrangements, focusing on the rights and obligations of the arrangements rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities and revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company currently has no joint arrangements; therefore the standard is not expected to have any significant impact on the Company’s financial statements.

2. BASIS OF PREPARATION, ADOPTION OF STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

(a) Basis of preparation (continued)

New and amended standards and interpretations to existing standards that are not effective and have not been early adopted by the Company (Continued).

- IFRS 12, 'Disclosure of Interests in Other Entities', (effective for annual periods beginning on or after 1 January 2013). IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Company is assessing the impact of future adoption of the standard on its financial statements.

- IFRS 13, 'Fair value Measurement', (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities.

The Company is assessing the impact of future adoption of the standards on its financial statements but they are not expected to have any significant impact on the accounting policies or financial disclosures of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company or the cost of the item can be measured reliably.

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%

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Property, plant and equipment (Continued)

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 profit and loss.

Repairs and maintenance expenditure are charged to profit and loss during the financial period in which they are incurred.

(b) 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 so as 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. The Company has no subsidiaries.

The Company did business with a related entity, Stamina Trucking Limited during the year but the assets and liabilities were merged into the Company's operations, effective 31 October 2012. This resulted in bank accounts, receivables net of liabilities being taken over by the Company which resulted in an amount of $13,916,722 being taken to the profit and loss account.

(c) Foreign currency translation

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 includes estimated costs of completion and selling expenses.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and short term deposits maturing within three months or less from the date of deposit or acquisitions that are readily convertible into known amounts of cash and which are not subject to significant risk of change in value and are held for the purpose of meeting short- term cash commitments rather than for investment or other purposes.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

Financial assets

The Company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; they are principally through the provision of goods and services to customers (e.g. trade receivable) but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Company’s loans and receivables comprise trade and other receivables and cash and cash equivalent in the statement of financial position.

Financial liabilities

The Company’s financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective rate interest method. These liabilities are classified as payables and short term loans and included in current liabilities on the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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 account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

(h) Payables

Trade and other payables are stated at amortised cost.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of goods have been passed to the buyers and the amounts of revenue can be measured reliably.

Rental, other income and interest income are recognized as they accrue unless collectability is in doubt. Dividend income is recognized when the right to receive payment is established.

(j) Borrowings and borrowing costs

Bank and other borrowings are recognized initially at cost. Borrowings are subsequently stated at amortized cost, with any difference between cost and redemption value being recognized in profit or 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leases

Leases of property, plant and equipment where the Company has substantially 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 so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to profit or loss 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 leaser are classified as operating leases. Payments under operating leases are charged to profit or loss on a straight – line basis over the period of the lease.

(l) Dividends

Dividends on ordinary shares are recognized in stockholders' equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while final dividends are approved by shareholders at the Annual General Meeting.

(m) 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.

(n) 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 unit's 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 profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (continued)

Calculation of recoverable amount and reversal of impairment

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount.

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 income statement 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.

(o) Pension and employee benefits

The Company does not operate a pension scheme. The Company 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% of each participating individual's salary and the Company's total contribution for the year ended 31 May 2013 amounted to $479,169 (2012 - $572,196).

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.

(p) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures 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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Related parties (continued)

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

ii. has significant influence over the reporting entity ; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others.)

ii. One entity 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)

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity

v. The entity is associated with a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.

vi. The entity is controlled or jointly controlled by a person identified in (a)

vii. A person identified in (a)i has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(q) Income taxes

Taxation expense on the profit or loss for the year in the statement of comprehensive income comprises current and deferred tax charges. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

i. **Current taxation**

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 provision of tax in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes (continued)

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 this, the Company has not accounted for deferred taxation in the current year and has written back the balance on the deferred tax liability account against the current year's tax charge. See note 11 for further information on taxation as it relates to the Junior Market of the JSE.

(r) 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's four (4) strategic business units as the Company's reporting segments. These units offer different products and services and require different technology and marketing strategies.

The primary reportable business segments are:

i. Distribution of imported chemicals

ii. Manufacturing of branded chemical products

iii. Distribution of SIKA branded hardware products

iv. Haulage services provided to external customers

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Segment reporting (continued):

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

Transactions between business segments have been eliminated. Based on the information presented to and reviewed by the CODM, the entire operations of the Company are considered as one operating business segment.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (currency and interest rate risk), credit risk, liquidity risk and operational risk. The Company's overall risk management policies are established to identify and analyse the risks faced by the Company and to set appropriate risk levels and controls and to monitor risk and adherence to limits.

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 class of its financial instruments as follows:

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates will impact the Company's income and value of its financial instruments. The objective of market risk management is to both manage and control the Company's exposure to this type of risk to within acceptable parameters, while optimizing the return on risk.

i. **Currency risk**

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 is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions. 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.

4. FINANCIAL RISK MANAGEMENT

(b) Market risk (Continued)

i. Currency risk

The main currency giving rise to this risk is the United States dollars (US$). The Company's balance sheet as at 31 May 2013 includes aggregate net foreign liabilities of approximately US$588,382 (2012 – US$969,879) in respect of transactions arising in the ordinary course of business which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

	2013 US$	2012 US$
Financial assets		
- Cash and cash equivalents	258,761	9,174
	258,761	9,174
Financial liabilities		
- Payables and accruals	(818,910)	(979,053)
Net total liabilities	(560,149)	(969,879)

The above assets/liabilities are receivable/payable in United States dollars. The exchange rate applicable at balance sheet date is J$99.12 to US$1 (2012 - J$87.75 to US$1)

Foreign currency sensitivity

Subsequent to the year end, the Jamaican dollar suffered an approximate 2 % depreciation against the United States dollar. A 5% weakening of the Jamaican dollar would have decreased profit for the year by approximately $2.8Million, assuming all other variables, in particular interest rates, remain constant.

The Jamaican dollar was relatively stable after the reporting year end, 31 May 2013.

ii. 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.

The Company's cash and cash equivalent are subject to interest rate risk. However, the Company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible. The Company invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed financial institutions.

Interest rates on certain loans are fixed and are not affected by fluctuations in market interest rates.

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

(b) Market risk (continued)

ii. Interest rate risk (continued)

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:

	2013 $	2012 $
Fixed rate		
Assets	-	-
Liabilities	70,818,330	94,152,404
	70,818,330	94,152,404
Variable rate:		
Assets	60,053,632	2,606,903
Liabilities	-	-
	60,053,632	2,606,903

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 profit or equity.

Cash flow sensitivity analysis for variable rate instruments:

At the reporting date, a 2% (2012- 5%) decrease in interest rates would have decreased profit by approximately $1.2 Million (2012-$130,345), assuming that all other variables, in particular foreign currency rates, in both the current and prior years remained constant.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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.

Cash and cash equivalent:

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

Trade receivables

Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers and the Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to 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 Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Customers of the Company principally include wholesalers, retailers, bauxite companies and bakeries. There is a credit policy in place under which each customer is analyzed individually for creditworthiness prior to the Company offering them a credit facility. Customers are assigned credit limits, which represent the maximum credit allowable. The Company has procedures in place to restrict customer orders if the orders will exceed their credit limits. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company on a prepayment or cash basis. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilization of credit limits is regularly monitored.

The Company's exposure to this risk is minimal because approximately 89% of its trade debtors are under 90 days.

Impairment:

The Company establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Impairment is assessed for each customer balance over 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2013

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Maximum exposure to credit risk

	31 May 2013 $	31 May 2012 $
Credit risk exposures are as follows:		
Investments	3,467,686	763,480
Receivables	146,238,460	98,692,742
Cash and short term equivalents	60,318,395	7,647,990
	210,024,541	107,104,212

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables over 90 days overdue are considered impaired and are reviewed for any necessary provision.

Ageing analysis of trade receivables that are past due and impaired

As of 31 May 2013, trade receivables of $15,223,400 (2012- $5,528,983) for the Company were impaired. The amount of the provision was $5,985,063 (2012 $5,528,983) for the Company. The impairment recognized represents an estimate of possible incurred losses in respect of trade receivables. The main components of the provision for impairment are a specific loss component that relates to individually significant exposures.

The impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. It was assessed that a portion of the impaired receivables is expected to be recovered.

	31 May 2013 $		31 May 2012 $	
	Gross	Impairment	Gross	Impairment
Past due 0 to 60 days	115,954,283	-	75,805,048	-
Past due 61 to 90 days	7,621,953	-	8,559,689	-
Past due over 91 days	15,223,400	5,985,063	5,528,983	5,528,983
	138,799,636	5,985,063	89,893,720	5,528,983

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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 2013 $	31 May 2012 $
At 1 June 2012	5,528,983	6,375,028
Provision for receivables impairment	456,080	-
Recoveries	-	(846,045)
At 31 May 2013	5,985,063	5,528,983

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

There are no significant financial assets other than those listed above that were individually impaired.

Exposure to credit risk for trade receivables

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

	31 May 2013 $	31 May 2012 $
Manufacturing, wholesalers and retailers	116,843,920	75,668,043
Sugar industry	1,164,452	730,365
Government	7,454,005	2,996,356
Bauxite sector	13,337,259	10,498,956
	138,799,636	89,893,720
Less: provision for impairment	(5,985,063)	(5,528,983)
	132,814,573	84,364,737

Paramount Trading (Jamaica) Limited
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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its payment obligations associated with its financial liabilities when they fall due.

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

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 periodically. 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.

The Company's financial liabilities comprise long-term loans and payables and accruals. These amounts are due as follows:

	Current		Non-Current			
	Within 3 Months		4 to 12 Months		Over 12 Months	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Long-term loans	7,437,624	7,151,683	13,527,652	14,729,665	49,853,054	76,506,683
Related company	-	-	-	-	-	11,733,883
Accounts payable	110,253,245	108,966,998	-	-	-	-
Total	**117,690,869**	**116,118,681**	**13,527,652**	**14,729,665**	**49,853,054**	**88,240,566**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) 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 growth of the Company. Management is aware of the many operational risk and continues to implement the necessary strategies to mitigate against the negative impact of the different risks associated with the operation of the Company.

(f) Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for its stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital as well as meet externally imposed capital requirements. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total stockholders' equity.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet). Total capital is calculated as stockholders equity as shown in the balance sheet plus net borrowings.

During 2013, the Company's strategy, which was in principle unchanged from 2012, was to maintain the gearing ratio below 1:1. The gearing ratios at 31 May 2013 and 31 May 2012 were as follows:

	31 May 2013 $	31 May 2012 $
Net borrowings	70,818,330	110,121,914
Total capital	343,413,338	243,857,251
Gearing ratio	21%	45%

There were no changes to the Company's approach to capital management during the year.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Disclosure of fair value of financial instruments:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.
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 active market for identical instruments. The available-for-sale instruments in financial repurchase agreement (repos) 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 carrying value of cash and cash equivalents, accounts receivable and accounts payable are assumed to approximate to their fair values due to their short-term nature. Long term liabilities and related party balances are carried at their contracted settlement values.

5. SEGMENTAL FINANCIAL INFORMATION

The Company is organized into four (4) primary business units that are exposed to similar risks. The principal divisions are:

(i) Chemicals – distribution of chemical products
(ii) Construction and Adhesives – operation under the SIKA brand distributing adhesives and hardware supplies
(iii) Manufacturing – manufacturing of commercial cleaning agents
(iv) Transportation – haulage services

Performance is measured based on segment gross profit as included in the internal management reports that are reviewed by the Chief Operating Decision Maker (CODM). Based on the information presented to and reviewed by the CODM, the entire operations of the Company are considered as one operating segment. Inter-segment pricing and transactions are determined on an arm's length basis.

Information regarding the results of each segment is noted below.

Chemicals – Located in Kingston, the capital of Jamaica, and accounts for over 90% (2012-88%) of revenue.

Paramount Trading (Jamaica) Limited
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5. SEGMENTAL FINANCIAL INFORMATION (Continued)

Construction and Adhesives – This division is a wholesale distribution outlet, trading under the SIKA brand and is located on Bell Road, in Kingston; this division accounts for approximately 6% (2012-8%) of revenue.

Manufacturing – This division operates from both the Waltham Park Road (Food Grade) and Bell Road (Technical Grade) locations, and accounts for approximately 3% (2012-3%) of revenue.

Transportation – This division operates from Waltham Park Road, and accounts for approximately 1% (2012-1%) of revenue

			2013		
	Chemicals	Construction and Adhesives	Manufacturing	Transport	Total
	$	$	$		$
Revenues	580,689,421	37,565,889	16,772,431	7,100,900	642,128,641
Cost of sales	411,892,456	18,142,055	9,645,137	5,864,427	445,544,075
Gross profit	168,796,965	19,423,834	7,127,294	1,236,473	196,584,566
Gross profit %	29%	52%	43%	17%	31%

			2012		
	Chemicals	Construction and Adhesives	Manufacturing	Transport	Total
	$	$	$		$
Revenues	544,972,284	48,080,786	20,756,158	-	613,809,228
Cost of sales	370,597,056	30,789,442	12,858,097	-	414,244,595
Gross profit	174,375,228	17,291,344	7,898,061	-	199,564,633
Gross profit %	32%	36%	38%	-	33%

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6. Operating Profit before Taxation

	2013 $	2012 $
Auditors' remuneration	1,500,000	1,200,000
Directors' emoluments:		
Fees	175,000	-
Management remuneration	4,800,000	4,800,000
Bad debts expense	1,302,690	(846,045)
Foreign exchange losses	11,120,435	206,899
Inventory written off during the year	-	119,475
Depreciation	16,325,249	12,800,285
Staff costs (including management remuneration)	50,526,809	42,703,020

7. STAFF COSTS

	2013 $	2012 $
Salaries (excluding managements' remuneration)	36,306,722	28,480,927
Management's remuneration	4,800,000	4,800,000
Employers payroll taxes	3,248,748	3,186,565
Staff welfare	6,171,339	6,235,528
	50,526,809	42,703,020

The average number of persons employed full-time by the Company during the year was 45 (2012- 31)

8. OTHER OPERATING INCOME

	2013 $	2012 $
Gain on disposal of fixed assets	126,001	-
Gain on amalgamation of the assets of Stamina Trucking	13,916,722	-
Cancellation of Related Party balances	7,246,332	-
Rental income – Warehousing	10,613,802	4,652,802
Haulage Services	7,622,484	9,146,980
Finance income	1,028,207	380,205
	40,553,548	14,179,987

Warehouse rental income is obtained from the Company's property located at Bell Road which was used by a 3rd party for storage of certain items. The trucks owned by the Company were previously rented to a related party, Stamina Trucking Limited, until both entities were merged, effective 31 October 2012.

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

	2013 $	2012 $
Selling, advertising, promotion and distribution	2,827,239	3,457,713
Audit fee	1,500,000	1,200,000
Depreciation	12,969,865	12,800,285
Bad debts expensed/(recovered)	1,302,690	(846,045)
Repairs and maintenance	4,091,039	4,999,427
Staff costs	50,526,809	42,703,020
Motor vehicle expenses	11,640,702	12,712,120
Cost of inventories recognized as expense	445,544,075	414,244,595
Utilities	8,763,867	7,054,875
Insurance	7,359,401	5,836,472
Security	4,558,036	4,296,227
Rental	2,781,000	2,760,000
Other expenses	21,448,644	16,754,445
	575,313,367	527,973,134

10. FINANCE COSTS

	2013 $	2012 $
Interest expenses	11,843,662	14,802,352
Debt financing fees and expenses	11,984,620	1,087,027
	23,828,282	15,889,379

11. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises:

	2013 $	2012 $
Income tax @ 30% (2012 33 1/3%)	12,436,356	28,866,220
Prior year's overprovision for taxation	(546,203)	-
Deferred taxation: liability/(asset)	(1,697,969)	1,885,842
Taxation charged in income statement	10,192,184	30,752,062

The tax charge on the Company's profit differs from the theoretical amount that arose using the statutory tax rate of 30% (2012 33 1/3%) as follows:

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11. TAXATION (Continued)

	2013 $	2012 $
Profits before taxation	83,540,540	84,126,702
Tax calculation at 30% (2012 33 1/3%)	25,062,162	28,042,234
Depreciation and capital allowance	1,901,658	1,861,596
Net income allowed for tax purposes	(5,644,354)	(1,037,610)
Deducting 5/12 of tax computed for the months following the listing on the Junior Market of the JSE	(8,883,110)	-
Current year taxation charge	12,436,356	28,866,220

The charge for deferred tax purposes principally represented the difference between the book written down value of fixed assets and the written down value of fixed assets for capital allowances at the current tax rate. No account was taken of deferred taxation during the year ended 31 May 2013 because it is not expected that this tax will crystallize in the near future because the Company was granted a remission from income tax during the year.

The taxation charge for 2012 and 2011 are also disproportionate to the taxable profits due to setting off of the capital portion of lease payments which is not allowed in profit or loss but allowed against statutory taxable profits.

During the 2012/2013 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities, from 33 1/3% to 25% effective from 1 April 2013. The change in the tax rate was signed into law on 28 December 2012 and as such has been applied in determining the amounts for deferred taxation in these financial statements.

On 12 February 2013, the Minister of Finance and Planning announced that a surtax of 5% will be imposed on the taxable income of large unregulated entities, effective 1 April 2013. This represents an addition to the 25% tax rate to be levied as at 1 January 2013, making the effective tax rate for the Company 30% for the year ended 31 May 2013.

Based on Ministry Paper 15 of 2013 issued by the Ministry of Finance and Planning, "large unregulated companies" are to be defined as those companies with gross income equal to or greater than $500 Million that are not regulated by the Financial Services Commission, Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulation. The Company, according to this Ministry Paper is considered a large unregulated company.

11. TAXATION (Continued)

(b) 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 (JSE) 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 following proportion:

Years 1 to 5 (1 January 2013 - 31 December 2017) – 100%
Years 6-10: (1 January 2018 - 31 December 2023) – 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 J500 million

(iii) the Company has at least 50 Participating Voting Shareholders

(b) Remission of income tax:

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Because the Company was listed on the Junior Market of the JSE, 31 December 2012, five (5) months before the end of the Company's financial year end, income taxes were calculated on the operating profits for the seven (7) months of the financial year ended 31 May 2013.

12. EARNINGS PER SHARE

The EPS is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 136,250,875 (2012 –123,396,708). The weighted average number of shares for both years reflects the 12 for 1 split in the number of shares in issue up to 15 November 2012.
The weighted average number for the current year also reflects the 30,850,000 shares which were issued as part of the IPO effective 31 December 2012.

13. DIVIDENDS

No dividends were paid or declared during the year.

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14. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Computer Equipment	Furniture & Fixtures	Building	Motor Vehicle	Forklift	Boat	Leased Vehicles	Total
	$	$	$	$	$	$	$	$	$
At cost:									
1 June 2012	21,707,058	2,305,115	1,446,670	67,567,046	22,702,971	993,166	8,027,164	26,169,663	150,918,853
Additions	3,047,097	631,061	1,240,366	-	98,712	-	-		5,017,236
Disposals	-	-	-	-	(905,000)	-	-		(905,000)
31 May 2013	24,754,155	2,936,176	2,687,036	67,567,046	21,896,683	993,166	8,027,164	26,169,663	155,031,089
Depreciation:									
1 June 2012	12,379,518	445,627	749,896	10,160,803	16,980,305	666,240	3,125,603	14,383,376	58,891,368
Charge for the year	2,475,416	293,618	268,704	1,689,176	1,204,952	198,633	1,605,433	5,233,933	12,969,865
Relieved on disposal	-	-	-	-	(181,001)	-	-	-	(181,001)
31 May 2013	14,854,934	739,245	1,018,600	11,849,979	18,004,256	864,873	4,731,036	19,617,309	71,680,232
NET BOOK VALUE									
31 May 2013	9,899,221	2,196,931	1,668,436	55,717,067	3,892,427	128,293	3,296,128	6,552,354	83,350,857
NET BOOK VALUE									
31 May 2012	9,327,540	1,859,488	696,774	57,406,243	5,722,666	326,926	4,901,561	11,786,287	92,027,485

15. INVESTMENTS

	2013	2012
Available-for-sale investments:	$	$
Securities purchased under resale agreements	3,467,686	763,480

The Company has entered into a collateralized reverse repurchase agreement (securities purchased under agreement to resell), which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations.

Securities purchased under agreement to resell are regarded as cash and cash equivalents for the purposes of the statement of cash flows. The average effective interest rate at the year end was approximately 2% (2012- 5%)

16. INVENTORIES

	2013	2012
	$	$
Chemical raw materials	146,222,804	163,062,794
Construction and adhesives	20,010,138	26,013,500
Manufacturing raw materials	531,688	981,660
	166,764,630	190,057,954
Goods In Transit	10,663,726	-
Less: provision for obsolete stock	(4,978,108)	(4,261,139)
	172,450,248	185,796,815

17. RECEIVABLES

	2013	2012
	$	$
Trade receivables	138,799,636	89,893,720
Deferred general consumption tax	9,678,265	11,636,455
Other receivables	3,745,622	2,691,550
	152,223,523	104,221,725
Less provision for bad debts	(5,985,063)	(5,528,983)
	146,238,460	98,692,742

Trade receivables balance at the end of the year includes approximately $32,835,270 (2012- $20,430,820) from the Company's 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
31 May 2013

17. RECEIVABLES (CONTINUED)

The aging of trade receivables as at the reporting date are as follows:

	2013 $	2012 $
Current: below 30 days	78,282,042	49,476,907
Past due 31-60 days	37,672,241	26,328,142
Past due 61- 90 days	7,621,953	8,559,689
More than 90 days	15,223,400	5,528,982
Total	138,799,636	89,893,720

18. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Cash in hand	50,000	95,345
US$ bank accounts	22,911,733	804,975
JA.$ bank accounts	37,356,662	6,747,670
	60,318,395	7,647,990

Exchange rate exposure:

	2013 $	2012 $
Cash at bank- United States dollars		
The weighted average effective exchange rate throughout the year was as follows	93.58	86.67
The weighted average effective exchange rate at year end	99.12	87.75

19. PAYABLES

	2013 $	2012 $
Foreign payables	81,170,311	85,911,859
Local payables and accruals	27,858,934	19,838,583
Other payables	1,224,000	3,216,556
	110,253,245	108,966,998

20. DIRECTOR'S LOAN

	2013	2012
	$	$
Director's Loan	14,224,128	17,153,515
Less current portion due within 12 months	(1,290,000)	(1,339,808)
	12,934,128	15,813,707

This represents the balance due on mortgage loan obtained by the Managing Director and on-lent to the Company. The loan is unsecured at an interest rate of 12% per annum and will mature in May 2017.

21. LONG TERM BORROWINGS

			2013	2012
			$	$
(i)	16%	Alliance Investment Management Limited	13,947,688	17,825,545
(ii)	17.45%	RBC Royal Bank	274,912	1,385,754
(iii)	13 %	Pan Caribbean bank loan – DBJ	28,158,000	37,544,000
(iv)	14 %	Art's Car Mart	261,965	839,458
	Finance lease obligations [see (b) below]		13,951,637	19,404,132
			56,594,202	76,998,889
Less current portion due within 12 months			(19,675,276)	(20,541,540)
			36,918,926	56,457,349

(a) The details of the loan are as follows:

(i) This represents the balance on loan which is repayable in fifty five monthly installments of principal and interest of $530,691.73 and will mature in January 2016.

(ii) This represents the balance of loan which is repayable in fifty nine equal monthly installments of principal and interest of $105,419.89 and will mature in August 2013.

(iii) This represents the balance of loan which is repayable in seventy two equal installments of principal of $783,000 with interest payable monthly on the outstanding balance. The loan will mature in May 2016.

(iv) This represents the balance on a 24 month loan facility with monthly installments of principal and interest of $56,373.33 which will mature in August 2013.

21. LONG TERM BORROWINGS (Continued)

The loans are secured by:

- Legal mortgage over commercial properties located at 44b Waltham Park Road, 39 Waltham Park Road, Lot# 8 Bell Road and other real estate.

- Personal guarantee of the Managing Director

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

	2013	2012
Due from the reporting date as follows:		
Within one year	7,772,836	9,797,820
Within two to five years	12,016,740	19,789,576
Total future minimum lease payments	19,789,576	29,587,396
Less: future interest charges	5,837,939	10,183,254
Present value of minimum lease payments	13,951,637	19,404,132

22. SHARE CAPITAL

	2013	2012
	$	$
Authorised:		
162,000,000 (2012 - 12,000,000) ordinary shares of no par value		
Issued and fully paid:		
154,246,708 (2012- 10,283,059) shares of no par value	77,492,243	10,283,059

Effective November 15, 2012 the shareholders passed a resolution to re-register as a public company under Section 34 of the Companies Act and adopted new articles for that purpose. In addition the following resolutions were passed:

- The authorized share capital be increased by 1.5 Million ordinary shares
- That each of the ordinary shares of the company be subdivided into 12 ordinary shares
- That all fully paid shares in the capital of the Company be converted to stock units

By Prospectus dated December 12, 2012, the Company made an Initial Public Offer (IPO) of 30,850,000 shares to the general public at an invitation price of $2.43 per ordinary share. The offer was fully subscribed and transactions cost of $7,639,807 was netted against the proceeds.

23. SHAREHOLDER'S LOAN

The shareholder's loan principally represented net advances to the Company to assist with the initial purchase of the business and subsequently to provide working capital support. During the year the amounts were set-off against other related party balances.

24. RELATED COMPANY

Stamina Trucking Limited is an entity in which there is common control and influence by principals of Paramount Trading (Jamaica) Limited. The net payables balance of $NIL (2012- $11,733,883) represents the invoiced value relating to transportation services provided to the Company by the entity at arms length prices less payments by Paramount Trading (Jamaica) Limited in settlement of its liabilities.

	2013 $	2012 $
Stamina Trucking Limited:		
Opening balance:1 June	11,733,883	17,673,782
Transportation services invoiced during the year	(8,880,193)	(10,747,702)
Additional funding provided	8,600,000	5,000,000
Payment on account	(404,687)	(192,197)
Cancellation of debt on acquisition of Stamina's net assets	(11,049,003)	-
Closing balance: 31 May	-	11,733,883

In the prior year, the net amount due at year end to related party was interest free and had no fixed terms of repayment. During the year, the assets of Stamina Trucking Limited were acquired by Paramount Trading Limited, net of liabilities and the balance due to Stamina Trucking limited was cancelled at 31 May 2013.

25. COMMITMENTS AND CONTINGENCIES

Apart from commitments to financial institutions (disclosed in Note 21) the management and directors of the Company were not aware of any material claims, disputes and legal proceedings against the Company.

26. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

Management is not aware of any subsequent events that have taken place since 31 May 2013 which could have either a material effect on these financial statements or the Company's ability to continue to operate as a going concern.