

THIS PROSPECTUS IS DATED Wednesday 12th December 2012. 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 Wednesday 12th December 2012. 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 (“FSC”) 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 Wednesday 12th December 2012. The FSC has not approved the shares for which subscription is invited nor has the FSC passed upon the accuracy or adequacy of this Prospectus.



Paramount Trading (Jamaica) Limited

Invitation For Subscription

30,850,000 Ordinary Shares at J\$2.43 per Ordinary Share

Up to 13,666,000 Shares in the Invitation (the “Reserved Shares”) are initially reserved for priority application from, and subscription by, the following persons (the “Reserved Share Applicants”): (a) 3,084,000 Shares for Directors and the Mentor of the Company, at the Invitation Price (the “Board Reserved Shares”), (b) 690,000 Shares for senior managers and employees of the Company, of which 50,004 Shares are priced at the discounted price of 10 cents per Share, to be sold in blocks of 1000 only 8,350,000 Shares for key suppliers and customers of the Company, at the Invitation Price (the “Key Partners Reserved Shares”); and (d) 1,542,000 Shares for Mayberry, the financial adviser and lead broker to the Company in the Invitation, at the Invitation Price (the “Mayberry Reserved Shares”). If any of the Reserved Shares in any category are not subscribed by the persons entitled to them, they will become available for subscription by priority applicants in the other categories and thereafter, they will become available for subscription by the general public. See Section 6.5 for full terms and conditions.

An Application for use by Reserved Share Applicants and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date, Wednesday 19th December 2012. Applications submitted prior to the Opening Date will be received, but not processed until the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date, Monday 24th December 2012, subject to the right of the Company to: (a) close the subscription list at any time after it opens on 9:00 a.m. on the Opening Date once the issue is fully subscribed 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 subscription list, or an extension to the Closing Date, notice will be posted on the website of the Jamaica Stock Exchange (www.jamstockex.com). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application to the JSE is dependent on the Company's ability to (i) raise at least J\$74,848,990.68 as a result of the Invitation and (ii) meet the criteria for admission. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed and the Company does not raise at least \$74,848,990.68 as a result of it, the Company will not make application for the Shares to be admitted to the Junior Market of the JSE and all payments for Shares received from Applicants will be returned (or refunded in full) to the Applicants.

SHARE CAPITAL

| | |
|--|------------------------|
| Authorised | 162,000,000 Shares |
| Maximum to be issued in the Invitation fully paid assuming all Shares in the Invitation are subscribed by the persons entitled to them | 30,850,000 Shares |
| General public: 17,184,000 Shares at the Invitation Price | \$41,757,120.00 |
| Board Reserved Shares: 3,084,000 Shares at the Invitation Price | \$7,494,120.00 |
| Employee Reserved Shares: 639,996 Shares at the Invitation Price | \$1,555,190.28 |
| Employee Reserved Shares: 50,004 Shares at the discounted price of 10 cents each | \$5,000.40 |
| Key Partners Reserved Shares: 8,350,000 Shares at the Invitation Price | \$20,290,500.00 |
| Mayberry Reserved Shares: 1,542,000 Shares at the Invitation Price | \$3,747,060.00 |
| Total Consideration | \$74,848,990.68 |

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Section 1

Important Disclaimers

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.

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 believes 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 15. 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. 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.

The Invitation is made to Jamaican Residents 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 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 Shares

This Prospectus is not a recommendation by the Company that prospective investors should submit Applications to subscribe for Shares in the Company. Prospective investors in the Company are expected to make their own assessment of the Company, and the merits and risks of subscribing for Shares. Prospective investors are also expected to seek appropriate advice on the financial and legal implications of subscribing for Shares, including but not limited to any tax implications. Each Applicant who submits an Application acknowledges and agrees that:

- (1) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in section 6.5), 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;
- (2) he/she has not relied on the Company or any other persons in connection with his/her investigation of the accuracy of such information or his/her investment decision; and
- (3) no person connected with the Company has made any representation concerning the Company or this Prospectus not contained in this Prospectus, on which the Applicant has relied in submitting his/her Application.

Section 2

Summary of Key Information on the Invitation

| | |
|--------------------------------|--|
| Issuer: | PARAMOUNT TRADING (JAMAICA) LIMITED (the “Company”). |
| Securities: | UP TO 30,850,000 ORDINARY SHARES* |
| Invitation Price: | J\$2.43 PER ORDINARY SHARE PAYABLE IN FULL ON DELIVERY OF AN APPLICATION |
| Application: | SEE APPENDIX 1 OF THIS PROSPECTUS (Applicants for Reserved Shares see * below). |
| Terms and Conditions: | SEE SECTION 6.5 OF THIS PROSPECTUS |
| Payment Method: | (1) Manager’s cheque made payable to either “MAYBERRY INVESTMENTS LIMITED” or “JN FUND MANAGERS LIMITED” (2) cleared funds held in Mayberry or JN Fund Managers account. All completed Applications may be deposited together with payment at Mayberry as set out in section 6.5. |
| Timetable of Key Dates: | REGISTRATION AND PUBLICATION OF PROSPECTUS: Wednesday 12 th December 2012 OPENING DATE: 9:00 a.m. Wednesday 19 th December 2012 CLOSING DATE:** 4:30 p.m. Monday 24 th December 2012 EARLY APPLICATIONS MAY BE SUBMITTED. 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. CONFIRMATION OF BASIS OF SHARE ALLOTMENTS: A notice confirming the provisional basis of allotment will be posted on the website of the Jamaica Stock Exchange (www.jamstockex.com) 3 business days after the Closing Date. *** RETURNED APPLICATIONS/REFUND CHEQUES: Available for collection from Mayberry, 1½ Oxford Road, Kingston 5, or JN Fund Managers Limited, 17 Belmont Road, Kingston 5 – in each case, 7 business days after the Closing Date. FINAL ALLOTMENT OF SHARES AND ADMISSION TO JUNIOR MARKET OF JSE. Within 3 to 4 weeks of the Closing Date. Successful Applicants will receive a letter from the Registrar of the Company, Jamaica Central Securities Depository, confirming their final allotments. |

* Up to 13,666,000 Shares in the Invitation (the “Reserved Shares”) are initially reserved for priority application from, and subscription by, the following persons (the “Reserved Share Applicants”): (a) 3,084,000 Shares for Directors and the Mentor of the Company, at the Invitation Price (the “Board Reserved Shares”), (b) 690,000 Shares for senior managers and employees of the Company, of which 50,004 Shares are priced at the discounted price of 10 cents per Share, to be sold in blocks of 1000 only (limit one block per person), and 639,996 Shares are priced at the Invitation Price (the “Employee Reserved Shares”); and (c) 8,350,000 Shares for key suppliers and customers of the Company, at the Invitation Price (the “Key Partners Reserved Shares”); and (d) 1,542,000 Shares for Mayberry, the financial adviser and lead broker to the Company in the Invitation, at the Invitation Price (the “Mayberry Reserved Shares”). If any of the Reserved Shares in any category are not subscribed by the persons entitled to them, they will become available for subscription by priority applicants in the other categories and thereafter, they will become available for subscription by the general public. See Section 6.5 for full terms and conditions.

**An Application for use by both Reserved Share Applicants and the general public is provided at the end of this Prospectus together with notes on how to complete it. The subscription list for the Shares will open at 9:00 a.m. on the Opening Date. The subscription list for the Shares will close at 4:30 p.m. on the Closing Date subject to the right of the Company to: (a) close the subscription list at any time after it opens at 9:00 a.m. on the Opening Date once the issue is fully subscribed 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 or an extension to the Closing Date, notice will be posted on www.jamstockex.com. It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application to the JSE is dependent on the Company's ability to (i) raise at least \$74,848,990.68 as a result of the Invitation and (ii) meet the criteria for admission. Please note that this statement of the Company's intention is not a guarantee that the Shares will in fact be admitted to the Junior Market of the JSE. If, however, the Invitation is not fully subscribed by the Closing Date the Company will not make application for the Shares to be admitted to the Junior Market of the JSE and all payments will be returned (or refunded in full) to the Applicants making them.

Photo: caustic soda





**PARAMOUNT
TRADING
(JA.) LTD.**

DISTRIBUTOR OF RAW MATERIAL CHEMICALS

Wednesday 12th December 2012

Dear Prospective Investors,

We are pleased to invite you to participate in the Invitation.

The Company

The Company was founded by Hugh Graham, Managing Director, together with non –executive Directors Richard Rogers and Daryl Fong Kong. Its mission is to provide Jamaican customers with quality chemical products and services, guided by the principles of honesty, integrity and rigorous adherence to stringent safety standards and procedures for the protection of both people and the physical environment.

The Company commenced operations on 1st February 1991, as a chemical manufacturers' representative and commission agency in **Jamaica**. At that time in Jamaica, the supply of raw material chemicals was dominated by large multi-national organizations. By the late 1980s the traditional distributors divested their non-bulk portfolios and the Company seized the opportunity to service the local market as a distributor of chemical raw materials for both industrial and domestic applications.

The Company supplies the commercial building and construction sectors and the food processing, baking and beverage sectors. It also supplies certain bulk foodstuffs and food additives, household chemical products, cosmetic and personal care products, and water treatment products. The Company sources products directly from the manufacturers internationally and supplies them directly to its customers. As a result, it is able to offer competitively priced products to the local market.

The Company operates from two locations in Kingston, which serve to separate its industrial chemical business from its food chemical and related product business. It has both warehouse and distribution capabilities, supported by the Stamina Trucking and Transport division which was recently amalgamated into the business. In 2009 the Company added its manufacturing facility which enables it to offer contract manufacturing and custom product blending services to customers in Jamaica. The Company aims to provide a one-stop chemicals distributorship for Jamaica and the Caribbean, offering complete to-your-door service. From ISO tanks to pallets, no job is too large or too small.

Registered office: 39 Waltham Park Road, Kingston 13.

Website: www.paramountjm.com Email: paramount@paramountjm.com

**Directors: Hugh Graham (Managing), R. Rogers, D. Fong Kong, S. Donaldson,
J. G. Chin O.D., J. Lechler, R. Knibbs**

The Company also provides technical support to its customers, in the areas of quality control testing, research and development as well as product safety and improvement. The Directors recognize the contribution of its suppliers, industry partners, loyal customers, and dedicated team to its growth thus far. The Company is known locally to the construction sector as the distributor of the SIKA line of construction products and admixtures produced by SIKA Group of France. The products were recently used in the construction of the new Digicel building in downtown Kingston, and the Falmouth port

Use of Proceeds

The Company intends to use the anticipated proceeds of the Invitation of \$74,848,990.68 for expansion and working capital purposes including, but not limited to, the following:

- increasing its manufacturing and blending capacity
- improvements to the existing plant and processes
- expand the SIKA line of construction products
- establishment of complementary facilities
- Payment of the expenses of the Invitation which, the Company estimates, will not exceed J\$7.5m (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial listing fees and GCT).

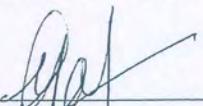
Dividend Policy

If the Company gains admission to the Junior Market of the JSE the Directors intend to pay an annual dividend of not less than 25% of net profits available for distribution, subject to the need for reinvestment in the Company from time to time.

How to make an Application for Shares

We hope that prospective investors will support the Invitation. Those investors who are interested in subscribing for Shares should read this Prospectus in its entirety and the full terms and conditions of the Invitation set out in Section 6.5, and then complete the Application set out in Appendix 1.

On behalf of the Board of the Company,



Hugh Graham

Founder, and Managing Director

Section 4:

Definitions Used in this Prospectus

| | |
|--------------------------------------|--|
| Act | means the Companies Act, 2004 |
| Allotment | means the allotment of the Shares to successful Applicants by the Company |
| Applicant | means a person (being an individual or a body corporate) resident in Jamaica, whether an applicant for Reserved Shares, or a member of the general public) who submits an Application |
| Application | means the form of application to be used by all Applicants who wish to make an offer to subscribe for Shares in the Invitation, which is 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 th November 2012 together with any amendments thereto |
| Auditor | means McKenley & Associates, Chartered Accountants of 12 Kingslyn Avenue, Kingston 10 |
| Audited Financial Information | means the financial information in Section 11 that is extracted from the audited accounts of the Company for the periods ended 31 st May 2008 to 31 st May 2012 inclusive |
| Board Applicants | means the members of the Board of Directors (save for Hugh Graham, the founding Shareholder) and the Mentor of the Company |
| Board Reserved Shares | means the 3,084,000 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Board Applicants on the terms and conditions set out in section 6.5 of this Prospectus |
| Board of Directors | means the Board of Directors of the Company, details of which are set out in Section 8 of this Prospectus |
| Company | means Paramount Trading (Jamaica) Limited, a company incorporated in Jamaica on 25 th February 1991 (number 40210) with its registered office at 39 Waltham Park Road, Kingston 13, Saint Andrew |
| Closing Date | means the date on which the subscription list in respect of the Invitation closes, being 4:30 p.m. on Monday 24 th December 2012, subject to the right of the Company to shorten or extend the period in the circumstances set out in this Prospectus |
| Director | means a member of the Board of Directors |
| Employee Applicants | means the employees and senior managers of the Company |
| Employee Reserved Shares | means the 690,000 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Employee Applicants on the terms and conditions set out in section 6.5 of this Prospectus |
| Financial Information | means the Audited Financial Information and the Unaudited Financial Information |

| | |
|---------------------------------------|---|
| forward looking statement(s) | means the forward looking statements referred to in Section 5 of this Prospectus |
| FSC | means the Financial Services Commission of Jamaica |
| Invitation | means the invitation to subscribe for 30,840,000 Shares in the capital of the Company on the terms and conditions set out in this Prospectus |
| Invitation Price | means J\$2.43 per Share |
| JSE | means the Jamaica Stock Exchange |
| Junior Market | means the Junior Market of the JSE |
| Key Partner(s) | means the key suppliers and customers of the Company |
| Key Partner(s) Reserved Shares | means the 8,350,000 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Key Partners on the terms and conditions set out in section 6.5 of this Prospectus |
| Mayberry | means Mayberry Investments Limited of 1 ½ Oxford Road, Kingston, Saint Andrew, lead broker and financial adviser to the Company in the Invitation |
| Mayberry Reserved Shares | means the 1,542,000 Shares in the Invitation that are initially reserved for priority application from, and allotment to, the Key Partners on the terms and conditions set out in section 6.5 of this Prospectus |
| Mentor | means Sharon Donaldson, the Mentor of the Company required to be appointed under the rules of the Junior Market |
| Opening Date | means the date on which the subscription list in respect of the Invitation opens, being 9:00 a.m. on Wednesday 19 th December 2012 |
| Prospectus | means this document dated Wednesday 12 th December 2012, which constitutes a prospectus for the purposes of the Companies Act, 2004 and the Securities Act |
| Registrar | means Jamaica Central Securities Depository Limited, 40 Harbour Street, Kingston, Saint Andrew |
| Reserved Shares | means the 13,666,000 Shares in the Invitation that are reserved for priority application from, and subscription by, the Board Applicants, the Employee Applicants and the Key Partners on the terms and conditions set out in section 6.5 of this Prospectus |
| Shares | means the ordinary shares in the capital of the Company inclusive of the 30,850,000 Shares that are offered for subscription in the Invitation on the terms and conditions set out in this Prospectus and the expression "Shares" shall include Reserved Shares where the context so requires |
| Shareholders | means holders of the Shares |
| terms and conditions | means the terms and conditions of the Invitation set out in Section 6.5 of this |

| | |
|--|---|
| | Prospectus |
| Unaudited Financial Information | means the financial information taken from the management accounts of the Company for the period 1 st June 2012 to 31 st October 2012 inclusive |
| \$ | means the Jamaican dollar unless otherwise indicated |

Section 5

Disclaimer: Forward Looking Statements

Certain matters discussed in this Prospectus inclusive of the Projected Financial Information contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and financial projections. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. 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" 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 Company to the Junior Market of 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 regional economies, instability, high domestic interest rates or exchange rate volatility
- adverse climatic events and natural disasters
- unfavourable market receptiveness to new products
- changes in any legislation or policy adversely affecting the revenues or expenses of the Company
- any other factor negatively impacting on the realisation of the assumptions on which the Company's Projected Financial Information 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.

6.1 General Information

The Company is seeking to raise \$74,848,990.68 from subscriptions for up to 30,850,000 Shares in the Invitation. A total of up to 17,184,000 Shares have been initially reserved for subscription by the general public, while up to 13,666,000 Shares have been initially reserved for subscription by the Board Applicants, the Employee Applicants, the Key Partners and Mayberry as described in section 6.5, below. If any of the Reserved Shares in any category are not subscribed by the Reserved Share Applicants that are entitled to them, they will then be offered to Reserved Share Applicants in the other categories following which any remaining Reserved Shares they will be made available for subscription by the general public.

All Shares inclusive of Reserved Shares (with the exception of the 50,004 Employee Reserved Shares sold in blocks of 1,000 and priced at \$0.10 per Share) are priced at the Invitation Price of J\$2.43 per Share. Assuming that all of the Shares in the Invitation are taken up by investors, the Company will raise 74,848,990.68 and make application to the JSE for the Shares to be admitted to the Junior Market. If the application is successful, it is anticipated that the Shares will be admitted to trading within 3 to 4 weeks of the Closing Date (or the shortened or extended Closing Date, as the case may be). In the event that the Company does not raise \$74,848,990.68 and/or the Shares are not admitted to trade on the Junior Market of the JSE, all payments for Shares made by Applicants will be returned or refunded.

Prospective investors should read this entire Prospectus carefully. Those prospective investors who wish to subscribe for Shares should review the full terms and conditions of the Invitation set out in Section 6.5 before completing the Application set out in Appendix 1.

6.2 Minimum Fundraising

For the purposes of the requirement for disclosure set out in section 48 of the Companies Act, the minimum amount which, in the opinion of the Directors, must be received by the Company as a result of the subscription of its Shares in the Invitation \$74,848,990.68.

6.3 Use of Proceeds

The Company intends to use the proceeds of the Invitation for expansion, and working capital purposes including, but not limited to, the following:

- increasing its manufacturing and blending capacity
- improvements to the existing plant and processes
- expand the SIKA line of construction products
- establishment of complementary facilities
- Payment of the expenses of the Invitation which, the Company estimates, will not exceed J\$7.5 (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, Companies Registrar's fees, initial listing fees and GCT).

6.4 Key Dates

An Application for use by all Applicants, including Reserved Share Applicants and the general public, is provided at the end of this Prospectus together with notes on how to complete it. The subscription list will open on the Opening Date, Wednesday 19th December 2012 and will close at 4:30 p.m. on the Closing Date, Monday 24th December 2012 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 the issue is fully subscribed, and
- (b) to shorten or 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 either case the Company will arrange for a notice to be posted on the website of the JSE (www.jamstockex.com). It is the intention of the Company to apply to the JSE for admission of the Shares to the Junior Market. The application is dependent on the Company's ability to:

- (i) raise at least \$74,848,990.68 from the Invitation, and
- (ii) meet the criteria for admission set out in the Junior Market Rules made by the JSE.

If such application is made and it is successful the Company expects the Shares to be admitted to trading on the Junior Market of the JSE within 3 to 4 weeks of the Closing Date (or the shortened or extended Closing Date, as the case may be) and for dealings to commence on that date. In the event that the Shares are not admitted to trading on the Junior Market of the JSE all payments for Shares received by the Company will be returned or refunded to the Applicants making them.

6.5 Terms and Conditions for Applicants

1. All Applicants (whether Reserved Share Applicants, or members of the general public) must submit the Application provided at Appendix 1 to this Prospectus. Additionally, Reserved Share Applicants must specify their status on the Application and provide reasonably verifiable proof of their identity.
2. Up to 13,666,000 Reserved Shares in the Invitation are for priority application from, and allotment to, the following persons:
 - 3,084,000 Reserved Shares for Board Applicants - priced at the Invitation Price
 - 690,000 Reserved Shares for Employee Applicants – of which 50,004 Shares are priced at the discounted price of 10 cents per Share, to be sold in blocks of 1,000 Shares only (limit one per person) and 639,996 Shares are priced at the Invitation Price
 - 8,350,000 Reserved Shares for Key Partners – priced at the Invitation Price
 - 1,542,000 Reserved Shares for Mayberry – priced at the Invitation Price

All Reserved Shares will be allotted on a first come first serve basis by the Directors of the Company, acting in their sole discretion. Any Reserved Shares not applied for in any category will become available for subscription by Reserved Share Applicants in the other categories and thereafter, any remaining Reserved Shares will become available for subscription by the general public.

3. All Applicants 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 and the Application in Appendix 1.
4. Each Applicant acknowledges and agrees that:
 - (a) he/she has been afforded a meaningful opportunity to review this Prospectus (including the terms and conditions in this Section 6.5), 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) he/she has 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 his/her investigation of the accuracy of such information or his/her 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) he/she has made his/her own assessment of the Company, and the merits and risks of subscribing for 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.

5. Applications from the general public must request a minimum of 1,000 Shares and be made in multiples of 1,000. Applications in other denominations will not be processed or accepted.
6. All Shares inclusive of Reserved Shares (with the exception of the 50,004 Employee Reserved Shares sold in blocks of 1,000 and priced at \$0.10 per block) are priced at the Invitation Price of J\$2.43 per Share. A processing fee of J\$110 per Application payable to the Registrar of the Company JCSD applies and is payable by each Applicant. The \$110 processing fee will be refunded to an Applicant in the event that the Company refunds payments received from Applicants for Shares in accordance with paragraph 11, below.
7. All Applications must be accompanied by the appropriate payment in the form of either:
 - (a) a manager's cheque made payable to “**Mayberry Investments Limited**”, or “**JN Fund Managers Limited**”;
 - (b) authorisation from the Applicant on the Application, instructing Mayberry or JN Fund Managers to make payment from cleared funds held in an investment account in the Applicant's name.

All completed Applications must be delivered to either of:

- Mayberry, 1½ Oxford Road, Kingston, Jamaica.
 - JN Fund Managers Limited, 17 Belmont Road, Kingston, Jamaica
8. **Applications submitted 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, Wednesday 19th December 2012. 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).
 9. 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; and
 - (b) allot Shares to Applicants on a basis to be determined by it in its sole discretion. Multiple Applications by any person (whether in individual or joint names) may be treated as a single Application.
 10. Neither the submission of an Application 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 Shares by the Company to an Applicant (whether such 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 Shares, subject to the Articles of Incorporation of the Company and the terms and conditions set out in this Section 6.5 and the Prospectus generally.
 11. If the Invitation is successful in raising at least \$74,848,990.68 and the Shares are admitted to trade on the Junior Market of the JSE, Applicants will be allotted 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). Applicants

who wish to receive share certificates must make a specific request to the Registrar. In the event that Company does not raise at least \$74,848,990.68 and/or the Shares are not admitted to trade on the on the Junior Market of the JSE, all payments for Shares received from Applicants will be returned or refunded to the persons making them. Please note that the Company does not guarantee admission of the Shares to the Junior Market of the JSE.

12. 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 and JN Fund Managers within 7 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 sent to Mayberry and JN Fund Managers for collection by the Applicant (or the first-named joint Applicant) stated in the Application. Any other persons purporting to collect a cheque on behalf of an Applicant must be authorised in writing to do so.
13. Applicants must be at least 18 years old.

Photo: forklift and bulk chemicals



Section 7

Information about the Company

7.1 The Company, its History and its Strategic Goals

The Company supplies chemical raw materials as well as certain bulk foodstuffs and food additives, household chemical products, cosmetic and personal care products, and water treatment products.

The Company commenced operations in February 1991 as a representative and commission agency for foreign chemical manufacturers in Jamaica. By the late 1980s, declining economic conditions caused the exit of the large multi-national corporations who were the dominant suppliers of chemical raw materials to the local market. The Company saw an opportunity to enter the local distribution market, and as a result it refocused its business on the distribution of chemical raw materials and related products, for both industrial and domestic applications.

The Company specializes in the sale of chemical raw material products to local industrial, commercial and construction concerns. The Company imports and warehouses its chemical and other products, which provides its customers with the flexibility of purchasing chemicals locally as they require, without the need to arrange for import permits or special bulk storage facilities. In order to better service its customers, the Company introduced custom product blending facilities and a contract manufacturing facility in recent years. Since 2011 it has also been the exclusive distributor of Sika branded admixtures in Jamaica.

The industrial chemical and Sika admixture distribution business of the Company is located at 8 East Bell Road in Kingston. The Company also distributes foodstuffs, food additives and chemicals from a location at 39 and 44 Waltham Park Road in Kingston, supplying local food processors, and the local baking and beverage industries.

The Company aims to provide its customers with a convenient service. As such, the Company's warehouse and distribution capabilities are important to its business model. The Company owns and operates its own distribution via its Stamina Trucking and Transport division. The division was formed recently, when the business of Stamina Trucking and Transport Limited was amalgamated with the business of the Company. The Company owns and maintains a haulage and delivery fleet comprising 4 tractor heads with trailers, and 4 box trucks. The business is supported by a shipping and logistics team that strives to ensure timely product delivery, as well as reliable administration.

The Company recently embarked on a new project, to recycle its plastic storage containers. The Company imports its storage containers. The Company now re-exports them to Europe for the purposes of recycling and the Directors expect that the Company will gain both cost and environmental benefits from the new strategy over time.

The Company has a few competitors in the local market. In the view of the Directors, the Company and certain of the competitors each have a particular business focus which, in the case of the Company, is the supply of industrial chemicals to large local businesses.

The Company seeks to raise approximately J\$74 million in the Invitation to support improvements to the existing plant and processes, to establish new, complementary facilities and processes and to increase its manufacturing and blending capacity.

7.2 Products

The suppliers of the Company include recognizable international concerns such as Cargill, Jepsen and Jessen, Univar, Emerald Materials, KG International and Sika. The Company sources its products directly from these and other chemical manufacturers and supplies them directly to its customers, thereby eliminating the need for intermediaries. This strategy assists the Company to offer

competitively priced products to the local markets. The Company both purchases and sells its products on a spot (invoice) basis and has no long term arrangements for that purpose.

The Company supplies a wide range of chemical products and food additives, preservatives and stabilisers as follows:

| For use in baking, beverages and food processing | |
|---|---------------------------|
| Acetic acid | Monoethanolamine |
| Ammonium bicarbonate | Monocalcium phosphate |
| Ammonium hydroxide | Monopropylene glycol |
| Ascorbic acid (vitamin C) | Phosphoric acid |
| Baking powder | Potassium benzoate |
| Calcium chloride | Potassium sorbate |
| Caustic soda | Quick rolled oats |
| Citric acid | Sodium acid pyrophosphate |
| Cocoa powder | Sodium benzoate |
| Corn starch | Sodium bicarbonate |
| Corn syrup (glucose, 63/43, high fructose 42% versions) | Sodium metabisulfate |
| Copper carbonate | Sodium hexametaphosphate |
| Disodium phosphate | Soya lecithin |
| Egg nog stabiliser | Sweet whey powder |
| Ethyl vanillin | Tricalcium phosphate |
| Hydrogen peroxide | Trisodium citrate |
| Malodextrine | Tartaric acid |
| Methylene chloride | Vanillin |
| Mineral oil | Versene |

| For use in cosmetics, personal care, pharmaceuticals | |
|---|------------------------------------|
| Acetic acid | Pastrex SH |
| Borax dodecahydrate | Pearlising agent |
| Borax anhydrous | Petroleum jelly |
| Butyl glycol | PC silicone |
| Cetyl alcohol | Phosphoric acid 85% |
| Chemirithix (carbopol 940) | Rexquat WRT |
| Cocomidopropylbetaine | Sodium benzoate |
| Corn starch | Sodium bicarbonate |
| Ethyl vanillin | Sodium lauryl ethyl sulfate (SLES) |
| Hydrochloric acid | Sodium lauryl sulfate (SLS) |
| Hydrogen peroxide | Sodium metabisulfate |

| | |
|--------------------------|-----------------------------------|
| Hydroxyethyl cellulose | Sodium dodecylbenzene sulfonate |
| Irgassan (triclosan) ILB | Sorbitol 70% |
| Isopropyl alcohol | Soya lecithin (200, Ub varieties) |
| Menthol crystal BP | Stearic acid |
| Mineral oil | Stearyl alcohol |
| Monopropylene glycol | TC carbomer |
| Nonyl phenol ethoxylate | Tetrasodium pyrophosphate |
| Pastrex RL – D | Tetrasodium etda |

| For use in households, industry, paint and water treatment | |
|---|--|
| Acetic acid | Pearlizing agent |
| Acticide Ep paste | Potassium hydroxide |
| Alcohol ethoxylate | Rexquat WRT |
| Ammonium (bifluoride, hydroxide) | Rodine 52 |
| Aqua kill | Potassium permanganate |
| BAC 80 / Barquat MB 80 / Uniquat | Petroleum jelly |
| Bardac LF 80 | Soda ash light |
| Barquat 4280 Z (Dual Quat) | Sodium acid pyrophosphate |
| Borax | Sodium bisulfate |
| Borax (anhydrous, dodecahydrate varieties) | Sodium bromide |
| Butyl glycol | Sodium dichloroisocyanurate |
| Calcium chloride | Sodium dodecylbenzene sulphonate (Nansa) |
| Calcium hypochlorite | Sodium gluconate |
| Caustic soda | Sodium hexametaphosphate |
| Chemirithix(carbopol 940) | Sodium molybdate |
| Chlorine | Sodium lauryl ethyl sulfate (SLES) |
| Citric acid | Sodium lauryl sulfate (SLS) |
| Cocomidopropylbetaine | Sodium sulphate |
| Coconut diethanolomide | Sodium tripolyphosphate Ld |
| Copper carbonate | Soya lecithin (200 and UB varieties) |
| Corn starch | Sorbitol |
| Dual quat (Barquat 4280 Z) | Sulfuric acid |
| Empigen bac 80 | Styrene acrylic (polyacrylate) |
| Hydrazine | Tetrapotassium pyrophosphate |
| Hydrochloric acid | Titanium dioxide |
| Hydrogen peroxide | Trisodium phosphate |
| Hydroxyethyl cellulose (HEC) | Tri-ethanolamine |
| Isopropyl alcohol | Pine oil |

| | |
|-------------------------|--------------|
| Menthol crystal BP | Zinc sulfate |
| Mineral oil | |
| Monopropylene glycol | |
| Nonyl phenol ethoxylate | |
| Phosphoric acid | |

The website of the Company sets out a more detailed description of certain of these products, inclusive of their typical uses, chemical properties, and hazards to note.

Photo: Sika France products



7.3 Product Safety, Product Testing and Technical Support Services

The Company takes product safety seriously. It operates a Health and Safety policy and its Operations Manager takes part in an advisory committee to the Ministry of Health and the Environment for the purposes of setting best practices for the local chemical industry.

The Company operates from 2 locations in Kingston, which serve to separate its industrial chemical business from its food chemical and related product business. The Company takes steps to ensure that its products are clearly labeled by the manufacturers in accordance with applicable standards (U.S. or European) and stored in accordance with manufacturer's specifications.

The Company carries out product testing inclusive of batch sampling for certain raw materials, and finished product testing. It also issues certificates of analysis having employed qualified persons inclusive of 4 chemists, of which 2 are biochemists and one is a chemical engineer. It operates 2 in-house labs, one at each of its premises.

The Company also provides technical support to its customers, in the areas of quality control testing, research and development as well as product safety and improvement. The Company is also able to call on many of its suppliers for technical assistance for the benefit of customers.

See also section 7.12 for information on the insurance arrangements of the Company.

Photo: shipment of liquid bulk chemicals



7.4 Permits, licences, and certificates

Import and sale of chemical and other products

The Company obtains the necessary permits to import its products prior to ordering any shipment. Such permits are typically issued by the Ministry of Health and the Environment, although some permits are also issued by the Ministry of Agriculture (e.g. in the case of sweet whey powder), the Coconut Industry Board (e.g. in the case of Coconut Diethanolamide / Empilan) and the Spirits Pool (e.g. isopropyl alcohol). The Company also buys products in bulk and has the capacity to store them as required. This, together with the ability of the Company to contract manufacture, blend and supply chemicals and other items island-wide, provides its customers with a convenient supply for their particular needs.

Tax Compliance Certificate

The Company has a Tax Compliance Certificate from the Ministry of Finance and Planning that is current to 8th May 2013. The certificate confirms that the Company has satisfied the statutory requirements in respect of income tax (including Pay As You Earn income tax), General Consumption Tax, Special Consumption Tax (as applicable), Education Tax, National Insurance Scheme, National Housing Trust and H.E.A.R.T. contributions for the period ending 30th September 2012.

G.C.T. Deferred Payment Scheme

The Company has been granted special approval to defer / waive the payment of G.C.T. on the importation / purchase of packaging materials. The approval is given in accordance with section 42 and 43 of the General Consumption Tax Act. It is valid until 31st March 2013.

National Contracts Commission

The Company is also seeking to renew its status as a recognized supplier with the National Contracts Commission (NCC) for the purposes of tendering for services to Government.

7.5 Concessionary regime for taxation of Junior Market Companies

If the Shares are admitted to trading on the Junior Market of the JSE, the Company will benefit from a 10 year concessionary tax regime that starts from that date: in the first 5 years, it will be eligible for a full remission of corporate income tax, and in the subsequent 5 year period, it will be eligible for a partial (50%) remission of corporate income tax. In order to take advantage of the concession, the Company must remain listed on the JSE for at least 15 years. In addition, transfers of Shares on JSE are exempt from transfer tax and stamp duty. Dividends may be received by Jamaican resident shareholders subject to 5% withholding for the purposes of income tax. See Section 14.2 of this Prospectus for further information.

7.6 Incorporation Details and Recent Capital Restructuring and Amalgamation

The Company was incorporated on 25th February 1991 as a private company with limited liability (no. 40210).

The Company re-registered as a public company and adopted new Articles for that purpose with the approval of its shareholders, given by way of written resolution dated 15th November 2012. The shareholders also approved an increase in the share capital of the Company, from 12 million ordinary shares to 13.5 million ordinary shares, the subdivision of each share into 12 shares, and the conversion of each fully paid share to stock.

In addition, the Company acquired the business of Stamina Trucking and Transport Company Limited (“Stamina Trucking”), a company owned by Hugh Graham and Donna Graham, with effect from 31st October 2012 by way of amalgamation. The relevant agreement provides for the transfer of substantially all of the assets of Stamina Trucking to the Company in consideration of the assumption by the Company of all of the liabilities of Stamina Trucking. Further details are set out in section 7.9 (Material Contracts) below.

7.7 Details of the Authorised and Issued Share Capital and the Shares in the Invitation

Capital Structure of the Company

As at Friday 30th November 2012, the latest practicable date prior to publication of this Prospectus, the authorised and issued share capital of the Company was as follows:

Authorised: 162,000,000

Issued: 123,396,708

Shareholdings in the Company Before and After the Invitation

As at Friday 30th November 2012, the latest practicable date prior to publication of this Prospectus, the holdings of Shares in the capital of the Company (including legal and, where known to the Company, beneficial holdings) were as follows:

| Name of Shareholder | Number of Shares before Opening Date of Invitation | % of Issued Shares before Opening Date of Invitation (rounded to 2 decimal places) |
|---|---|---|
| Hugh Graham (Director) | 123,396,684 | 100% |
| Richard Rogers (Director) | 12 | 0% |
| Daryl Fong Kong (Director) | 12 | 0% |
| Total Issued Share Capital Before Invitation | 123,396,708 | 100% |

After the subscription lists for the Invitation are closed, and assuming that the Invitation is fully subscribed by the public and also, by the Reserved Share Applicants, the percentage shareholdings in the Company will be as follows:

| Name of Shareholder | Number of Shares after Opening Date of Invitation | % of Issued Shares after Opening Date of Invitation (rounded to 2 decimal places) |
|-------------------------------|--|--|
| Hugh Graham (Director) | 123,396,684 | 80% |
| Richard Rogers (Director) | 12* | 0% |
| Daryl Fong Kong (Director) | 12* | 0% |
| General Public | 17,184,000 | 11.14% |
| Lead Broker | 1,542,000 | 1.00% |
| Board Applicants | 3,084,000 | 2.00% |
| Employee Applicants | 690,000 | 0.45% |

| | | |
|--|-------------|-------------|
| Key Partners | 8,350,000 | 5.41% |
| Total Issued Share Capital Following Invitation | 154,246,708 | 100% |

*Please note that the Directors (save for Hugh Graham) are Board Applicants who are eligible to subscribe for Reserved Shares in the Invitation.

7.8 Intellectual and Real Property

As at Friday 30th November 2012, the latest practicable date prior to the publication of this Prospectus, the Company has the following interests in intellectual and property:

| Property | Description |
|----------------------|--|
| Trademark | Paramount Chemicals (name and logo). Registered in class 1 for a period of 10 years from 13 th February 2012. Renewal is available on payment of a nominal fee. |
| Owned Real Property | Property located at 8 East Bell Road, Kingston registered at Volume 1298 Folio 649 of the Register Book of Titles of the National Land Agency. Subject to restrictive covenants regarding building and change of use, and an easement for the free use, repair and maintenance of a concrete drain, in favour of the owner of land registered at Volume 942 Folio 28 of the Register Book of Titles of the National Land Agency. |
| Owned Real Property | Property located at 44 Waltham Park Road, Kingston registered at Volume 1446 Folio 580 & 581 of the Register Book of Titles of the National Land Agency. Parent title registered at Volume 1161 folios 970 & 971 of the Register Book of Titles of the National Land Agency. Subject to incumbrances regarding subdivision and water flow to adjoining properties and roads. |
| Leased Real Property | (1) Property located at 39¼ Waltham Park Road, owned by Hugh Graham, Managing Director of the Company and Libnah Graham, registered at Volume 1399 Folio 889 and (2) property located at 39 Waltham Park Road owned by Hugh Graham, registered at Volume 1082 Folio 280 of the Register Book of Titles of the National Land Agency. Rental of US\$2,500 is payable by the Company to Managing Director Hugh Graham in respect of these 2 properties. |

7.9 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”) in the 2 years preceding Friday 30th November 2012, being the latest practicable date prior to the publication of this Prospectus:

| Date | Counterparty | Amount | Brief Details |
|---------------------------------|--|--|--|
| 30 th September 2012 | Alliance Investment Management Limited | \$16.644 million | Unsecured loan, extension of prior facility dated October 2011 (see summary below). Principal amount due for repayment 30 th September 2013. Interest is repayable monthly and is charged at the rate of 16% p.a. |
| 6 th July 2012 | Mayberry | 3.5% of the value of the funds raised by the | Financial advisory and lead brokerage services in the Invitation. |

| | | Company in the Invitation | |
|--------------------------------|--|---|--|
| 15 th November 2012 | Stamina Trucking and Transport Limited | Assumption of all of the assets and all of the liabilities of Stamina as of 1 st November 2012 | The contract is a related party contract. The counterparty Stamina is a company owned by Hugh Graham, Managing Director of the Company, and Donna Graham. The contract provides for the transfer of the business of Stamina to the Company, including all of its assets in consideration of the assumption by the Company of all of the assets and liabilities of Stamina at their respective book values (\$20,045,326.44 and \$685,041.73) as set out in the management accounts of the Company drawn up to 31 st October 2012. |
| 1 st June 2011 | Lechler's Construction Products and Supplies Limited | J\$6 million | Purchase of assets. At the relevant time James Lechler, a director of the Vendor, was not a director of the Company (Mr. Lechler was appointed November 2012 to the Board of the Company). |
| 4 th October 2011 | Alliance Investment Management Limited | J\$20.0437 million | Unsecured loan due 4 th October 2012 and carrying interest at the rate of 16% per annum. Repayments are made quarterly. This facility was extended on 30 th September 2012: see summary above. |
| 15 th January 2010 | PanCaribbean Bank Limited | J\$46.39 million | Working capital support loan carrying interest at a fixed rate of 13% per annum, sourced from funding provided by the Development Bank of Jamaica Limited. Interest repayment only in the first 12 months followed by 60 monthly payments. Secured by a first legal mortgage given by the Company over property at 8 East Bell Road, a guarantee mortgage over property at 39 Waltham Park Road owned by Hugh Graham, Managing Director of the Company, and supported by the personal guarantee of Hugh Graham. The loan also contains provisions that are standard for a facility of this nature. |
| December 2010 | Diversey Lever Jamaica Limited | US\$450,000 | Purchase of land registered under volume 1298 Folio 649 of the Register Book of Titles of the National Land Agency, from Diversey Lever Jamaica Limited by the Company. |
| 14 th March 2011 | Diversey Inc. of Wisconsin, USA | variable | Master Purchase Agreement for the manufacturing and supply of chemicals by the Company to Diversey Inc. |
| 8 th June 2006 | RBTT Bank Jamaica Limited | J\$14.4 million | Loan facility comprising an overdraft (\$5.5 million at 24% interest p.a.) demand loans (\$3.594 million and \$4 million at 22.75% interest p.a.), credit card (\$1.299 million at 46% interest p.a. or US\$20,000 at 18% interest p.a.). Secured by a demand first and second legal mortgage given by the Company over property at 44 |

| | | | |
|--|--|--|--|
| | | | Waltham Park Road and a demand first mortgage over property at 39 Waltham Park Road owned by Hugh Graham, Managing Director of the Company and supported by the personal guarantee of Hugh Graham. |
|--|--|--|--|

The material contracts include the related party agreement described in section 7.8 (Intellectual and Real Property) under ‘Leased Real Property’ and also, the Company’s course of dealing with Sika Group of France for the purposes of its exclusive supply of Sika products in Jamaica. At present, there is no contractual arrangement between the Company and SIK A Group. The Company assumed the role of exclusive distributor following its acquisition of the business and assets of Lechler’s Construction Products and Supplies Limited.

The material contracts referred to in this section that are documented arrangements (together with certain other documents) will be available for inspection as described in Section 15.

7.10 Litigation

As at Friday 30th November 2012, the latest practicable date prior to the publication of this Prospectus, there were no litigation, arbitration, or similar proceedings pending or threatened against the Company as defendant, nor do the Directors believe that there are circumstances that may give rise to such proceedings.

7.11 Dividend Policy

The Directors anticipate a payment of an annual dividend of not less than 25% of the annual net profits after payment of any applicable taxes where such profits are available for distribution, subject to the Company's need for reinvestment of some or all of its profits from time to time in order to finance the growth of the business of the Company.

7.12 Insurance Arrangements

The Company insures against certain risks facing its business. Its current policies of insurance include commercial all risks insurance, employer’s liability insurance, public / products liability insurance, loss of money / cash in transit insurance, goods in transit insurance, equipment all risk insurance. The Company also carries group personal accident insurance.

7.13 Charges Registered Against the Company

As at Friday 30th November 2012, the latest practicable date prior to the publication of this Prospectus, the following charges (within the meaning of section 93 of the Companies Act) were registered against the public file of the Company maintained by the Companies Office of Jamaica:

| Nature of charge | Beneficiary | Amount secured |
|--|-----------------------|--|
| Mortgage of land (44 Waltham Park Road, Volume No. 1161 Folio No(s). 970 and 971) created on 12 th March 1997 and registered for priority on 26 th March 1997. | Citizens Bank Limited | Stamped to secure \$2.3m with power to upstamp. No interest rate stated. The loan was wholly satisfied but the relevant lender has not filed appropriate releases and the Company intends to take steps to contact its successor to rectify the position: |
| Mortgage of land (44 Waltham Park Road, Volume No. 1161 Folio | Citizens Bank Limited | Stamped to secure \$2.6m at a rate of 49% with power to upstamp. Subject to prior |

| | | |
|--|-----------------------------------|---|
| <p>No(s). 970 and 971) created on 24th November 1998 and registered for priority on 14th December 1998.</p> | | <p>incumbrances registered with Grantee, Citizens Bank Limited on March 26th 1997 (Mtge. No. 970418) for \$2.3m with interest.</p> <p>The loan was wholly satisfied but the relevant lender has not filed appropriate releases and the Company intends to take steps to contact its successor to rectify the position:</p> |
| <p>Mortgage of land (44 Waltham Park Road, Volume No. 1161 Folio No(s). 970 and 971) created on 22nd November 2002 and registered for priority on 9th December 2002.</p> | <p>RBTT Bank Jamaica Limited</p> | <p>Stamped to secure \$870,000.00 at a rate of 24% with power to upstamp. Subject to prior Incumberances registered with Grantee, Union Bank of Jamaica Limited on March 26th 1997 (Mtge. No. 970418) and December 22nd 1998 (Mtge. No. 1044396) for 2.3m and 2.6m respectively.</p> |
| <p>Mortgage of land (8 Bell Road, Volume No. 1298 Folio No. 649) deemed to be created on 14th July 2010 and registered for priority on 14th July 2010.</p> | <p>Pan Caribbean Bank Limited</p> | <p>Stamped to secure \$46,930,000.00 at a rate of 13% with power to upstamp. Prohibition clause whereby the mortgagor covenants not to create any mortgage or charge over or affecting the mortgaged lands without previous consent in writing of the Mortgagee.</p> |
| <p>Mortgage of land (44 Waltham Park Road, Volume No. 1161 Folio No(s). 970 and 971) deemed to be created on 21st March 2011 and registered for priority on 21st March 2011.</p> | <p>RBTT Bank Jamaica Limited</p> | <p>Stamped to secure \$3,730,000.00 at an overdraft rate of 24.5% and a demand loan rate of 20.5%, with power to upstamp. Subject to prior incumbrances with Grantee, RBTT Bank Jamaica Limited, registered on:</p> <ul style="list-style-type: none"> • March 26, 1997 (Mtge. No. 970418) for \$2.3m with interest. • December 22, 1998 (Mtge. No. 1044396) for \$2.6m with interest. • December 22, 1998 (Mtge. No. 1214980) for \$870,000.00 with interest. |

Section 8

Directors and their Interests

8.1 Biographical details of the Board of Directors

Brief biographical details of the members of the Board of Directors appear below. The Directors' addresses are set out in section 14.

BOARD OF DIRECTORS

Hugh Graham

Managing Director (appointed February 1991)

Hugh Graham founded the Company in 1991. Prior to that he was a sales agent for international chemical manufacturers and distributors May and Baker Limited and Rhone Poulenc Inc. Under his guidance the Company was formed to operate initially as a manufacturers' representative and commission agent, then expanded to include warehousing and distribution, via the Stamina Trucking and Transport Company Limited business, which is now amalgamated with that of the Company. In 2010 Hugh oversaw the purchase by the Company of a manufacturing facility from Diversey Lever which enabled it to offer contract manufacturing services to local customers. That same year, the Company began to represent SIKA France construction products. In December 2011 the Company acquired the business of Lechler's Construction Products and Supplies Limited.

Hugh is Councillor of the St. Catherine Parish Council for the Lluidas Vale Division - a position he has held since 2007. He is also a Board Member for the National Water Commission and also Rural Water Supply Limited. Hugh is an avid tennis player with other private interests. He has also served on the Boards of The JUTC, Spectrum Management Authority and Ultimate Tyre Company.

Daryl Fong Kong

Non Executive Director (appointed February 1991)

Daryl Fong Kong is a founding non - executive Director of the Company. He is also a Director of Daytona Sales Company Limited, a local supplier of auto parts where he is also General Manager with responsibility for sales and inventory control, since 1989.

Daryl is a graduate of the University of South Florida in Tampa, Florida, USA. He holds both a Bachelor of Science degree in Accounting and Management Information Systems (MIS) and a Master of Business Administration (M.B.A.) degree from the same university. On his return to Jamaica Daryl lectured at the Institute of Management and Production.

Richard Rogers

Non Executive Director (appointed February 1991)

Richard Rogers is a founding non - executive Director of the Company. He is also a director of Rogers Concrete Block Works Limited, and Rogers Land Development Limited. Richard attended the University of South Florida, graduating with a Bachelors degree in Finance.

Sharon Donaldson

Non Executive Director and Mentor (appointed November 2012)

Sharon Donaldson is the Managing Director of General Accident Insurance Company ("GAIC"), which listed on the Junior Market in 2011. She has been responsible for its growth over her 20 year career with that company, which she first joined as the Financial Controller in 1989 before becoming Managing Director in 2001. In addition to her responsibilities at GAIC, Ms. Donaldson is a Director of Musson (Jamaica) Limited. She also represents the local general insurance industry in discussions with

the FSC and chairs the Finance and Accounting Committee of the Jamaica Association of General Insurance Companies (JAGIC).

As Mentor to the Board of the Company for the purposes of the Junior Market Rules, Mrs. Donaldson has particular responsibility for ensuring that the Company has adequate procedures, systems and controls for financial reporting, compliance with Junior Market Rules, and corporate governance generally.

Ms. Donaldson holds an LLB from the University of London, England, an M.B.A from University of Wales. She is a Chartered Accountant, a fellow member of the Institute of Chartered Accounts of Jamaica and an attorney at law.

Jukie Gladstone Chin, O.D.

Non Executive Director (appointed November 2012)

Jukie Gladstone Chin is a native of Rocky Point, Clarendon. He is the founder and Chief Executive Officer of Juici Beef Limited, which owns or has franchised a chain of more than 60 Juici Beef restaurants across Jamaica. Jukie established the first Juici Beef restaurant in May Pen, Clarendon in 1980 with a loan from his parents, having learned to make patties in his sister's restaurant where he briefly worked after he graduated from Glenmuir High School aged 16. The company's restaurants serve its extensive line of more than 50 products, including different types of patties, loaves, soups, fried chicken, porridge and other traditional Jamaican foods. Juici products are manufactured at the company's 90,000 square foot manufacturing plant in Clarendon Park, Jamaica and also, in Ontario Canada for the purposes of sales in supermarkets and convenience stores in that country. Jukie was awarded the Order of Distinction, officer class in 2003, amongst other business awards.

Radcliff Knibbs

Non Executive Director (appointed November 2012)

Radcliff Knibbs is the Co-Managing Director of CMK Limited, owner of eight Juici Patties restaurant franchises. He began his career in 1983 as a self employed trader in seafoods, selling to hotel and restaurant concerns. Radcliff subsequently worked in marketing at both the Jamaica National Export Corporation (1985 to 1987) and Shell Chemicals Jamaica Limited (1987 to 1989) before moving into the Juici Patties business as Managing Director of Inglewood Investment Limited, owner of the Inglewood restaurant.

Radcliff is a graduate of the Executive M.B.A. program at Florida International University, where he was awarded a leadership award, and also holds a Bachelor of Science degree in Pure and Applied Chemistry (Hons.) from the University of the West Indies. Radcliff is a former member of the board of directors of the Civil Aviation Authority (2004 to 2011) and Rosemount Primary and Junior High School.

James Lechler

Non Executive Director (appointed November 2012)

James Lechler is a graduate of Campion College and the Pennington School in Pennington, New Jersey and the National Aviation Academy in Clearwater, Florida. He returned home to Jamaica in 1982 to begin work with his father at Jamaica Engineering & Construction Co. Ltd. as the Technical Field Supervisor. He was later appointed as a Director of Jamaica Engineering & Construction Co. Ltd., and Explosive Sales & Services Ltd. and in 1992 took on the role of Managing Director of Engineering Sales Company Limited, where he continued to work until 2005. In October 2005, he founded Lechler's Construction Products & Services Limited which he continued to operate until December 2011, when it was sold to the Company.

In late 2009 James was appointed as the General Manager of Stewart Industrial, a division of Stewart's Automotive Group. He is an avid outdoorsman who enjoys hunting and boating and he is also an active member of World President's Organization (WPO) Jamaican chapter.

8.2 Directors' and Senior Managers' interest in Ordinary Shares

The Directors' and Senior Managers' interests in the Ordinary Shares of the Company (including legal and beneficial holdings) as at Friday 30th November 2012, the latest practicable date prior to the publication of this Prospectus, are set out below.

| Name of Director | Number of Shares before Opening Date of Invitation | % of Issued Shares before Opening Date of Invitation | % of Issued Shares after Closing of Invitation |
|------------------|--|--|--|
| Hugh Graham | 123,396,684 | 100% | 80% |
| Richard Rogers | 12* | 0% | 0%* |
| Daryl Fong Kong | 12* | 0% | 0%* |

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

*Please note that the Directors and the Mentor are eligible to submit Applications for the Board Reserved Shares.

8.3 Corporate Governance and Accountability

The Board has established an Audit Committee and a Compensation Committee, each of which is required to be established by the Junior Market Rules. The members of each Committee include at least 2 independent non executive Directors, and are as follows:

| Audit Committee | Compensation Committee |
|--|--|
| Sharon Donaldson (Chair, Independent Non – Executive Director) | Radcliff Knibbs (Chair, Independent Non – Executive Director) |
| Richard Rogers (Member, Independent Non – Executive Director) | Daryl Fong Kong (Member, Independent Non – Executive Director) |

Each Director of the Company will also be paid a fee of \$25,000 per meeting for his/her attendance at Board meetings. Directors who are also members of the Audit and Compensation Committees receive an additional fee of \$25,000 per meeting for their attendance at all Committee meetings.

All fees are exclusive of reasonable expenses incurred in attending meetings of the Board and/or the Committees, and the Annual General Meeting.

The Managing Director's salary was recently increased from a below – market level of J\$4.6 million to \$7m. The Compensation Committee will meet to set and review Directors' and Committee members' fees, and any executive and administrator salaries within the Company from time to time. The next

such review is expected to take place in January 2013.

Photo: long serving employees at the 20th anniversary celebrations of the Company, 2011



Section 9

Management Discussion and Analysis

9.1 Audited Financial Information

The Company has been operating in Jamaica for approximately 21 years, having launched its business in 1991. Its principal activity is the importation and distribution of chemical raw materials, food additives, and related products.

The financial year of the Company runs from 1st June to 31st May. At the end of the 2009/2010 financial year, the Company concluded arrangements to purchase the 8 Bell Road location from Diversey Lever, which provided it with the necessary facilities for both chemical manufacturing, and custom blending. The Company also entered into a Master Purchase Agreement with Diversey Lever under which the Company has committed to manufacture and supply certain products to Diversey Lever.

In the 2010/2011 financial year, the Company began to distribute the “SIKA” branded products to the commercial market. The Company supplied SIKA products to 2 recent large scale construction projects in Jamaica, namely the new Digicel group head office building in downtown Kingston, and the Falmouth port.

Despite tough economic conditions in recent years, the Company’s revenues grew by approximately 20% over the last 2 years, from \$513.3 million in 2010/2011 to \$613.9 million in the 2011/2012 financial year. Revenues from the chemicals business grew by 26% in the same period, from \$432.2 million in 2010/2011 to \$544.97 million in 2011/2012. The Directors consider the growth in revenue to be attributable in part to the Company’s acquisition of the Diversey Lever business, and in part to its new arrangements to distribute SIKA admixtures on behalf of SIKA of France.

Sales of construction and adhesive products contributed \$48.1 million to total revenue in the 2011/2012 financial year, a decrease of 6.66% compared to the \$51.4 million of sales of similar products booked by the Company in the 2010/2011 financial year. In 2011/12 the Company’s revenues from manufacturing also decreased, totalling \$20.8 million in the most recent year, compared with \$29.7 million in the prior year.

Over the period represented by the Audited Financial Information, the Company maintained a compound annual growth rate in its revenue of 21.6%.

Overall, Gross Profit increased by 17% over the last 2 years, rising to \$199.6 million in 2011/2012. The Gross Profit margin of the Company declined only slightly in the same period, moving from 33.33% in the 2010/2011 financial year, to 32.51% in 2011/2012 as an increase in direct expenses outpaced revenues.

Construction and adhesive product sales contributed more to overall gross profit in 2011/2012 than in the year prior, totalling \$17.3 million in 2011/2012 compared to \$15.6 million in 2010/2011. Chemical product sales did likewise, totalling \$174.4 million in 2011/2012 compared to \$143.9 million in the 2010/2011 financial year.

Overall operating Expenses also increased, largely as a result of increases in Administrative Expenses of \$24.2 million year over year, totalling \$98.3 million in the most recent year. An increase in the staff complement contributed to the growth in Administrative Expenses. Selling and Distribution as well as Depreciation declined moving from \$5.3 million and \$13.9 million to \$2.6 million and \$12.8 million respectively for the 2011/2012 financial year. As such, Operating Expenses totaled \$113.7 million for the 2011/2012 financial year relative to \$93.4 million the year prior.

The Operating Profits of the Company increased by 25.5 per cent in the last 2 years, totalling \$100.02 million in 2011/2012 as compared to \$79.71 million in the prior financial year. Interest Expenses increased by 11 per cent to \$15.9 million in 2011/2012, from \$14.3 million in 2010/2011.

Profit before Taxation and Net Profit increased year over year by 29% and 21%, amounting to \$84.1 million and

\$53.4 million respectively in the 2011/2012 financial year.

The Company's asset base also increased during the 2011/2012 financial year, moving from \$378.1 million in the prior year to \$384.9 million at 31st May 2012. Inventories saw the most significant increase, moving from \$152.1 million as at 31st May 2011 to \$185.8 million as at 31st May 2012. Return on average assets was 14 % in the 2011/2012 financial year while return on equity was 51% during the same period.

9.2 Unaudited Financial Information

In the 5 month period ended 31st October 2012, the Company's unaudited sales figures increased by approximately 2% over the same 5 month period in the prior year. Overall gross profit also grew in the 5 months to end October 2012, increasing by 3% over the same period in the previous year. Gross profit margin also grew to 29.95% in the 5 months to end October 2012, compared to 29.66% in the same period in 2011. Expenses grew at a faster pace, by just over 7%, with administrative expenses climbing by 7% due to increases in staffing. Finance expense increased by 21% as a result of the new facility agreement entered into with Pan Caribbean for the purchase of the 8 Bell Road property and manufacturing facility. Profit before taxation was J\$14.5 million at 31st October 2012, which represents a decrease of 7% over the same period in 2011. Net profit increased by 11.99% in the 5 months to end October 2012 with a corresponding increase in earnings per share to \$1.41, up from \$1.26 in the 5 months to end October 2011.

The unaudited statement of the Company's financial position as at 31st October 2012 indicates that both fixed assets and Investments decreased by approximately 2% and 93% respectively, as compared to the same period the prior year. The Company's payables also showed improvement, reducing from \$150 million at 31st October 2011 to \$88 million at 31st October 2012. The improvement is also reflected in the cash equivalent.

9.3 Future Outlook

The Company has demonstrated its ability to achieve good results, despite difficult economic conditions. At this time, the Directors are seeking to further growth in certain key areas of its product portfolio. These are as follows :

Construction

The Company began to distribute specialist products to the construction sector in 2010. It is currently the sole Jamaican representative for the SIKA line of construction products and admixtures. These products include admixtures for concrete; epoxies for floors; waterproofing products for roofs, reservoirs, tanks, foundations; grouts; sealants for joints and cracks, amongst others.

The Directors plan to establish the Company as the regional manufacturer and distributor of SIKA admixture and construction products by formalizing its arrangements with SIKA of France, which are currently based on a course of dealing assumed by the Company from Lechler's Construction Products and Supplies Limited, the previous distributor whose assets and business were acquired by the Company in 2011¹. The Directors now propose to promote the ability of the Company to supply SIKA products more competitively both locally and in the region, given reduced manufacturing and shipping costs as compared to imported SIKA products or substitutes. The Directors also propose to establish working relationships with regional construction companies, and a technical support division of the Company to assist both commercial and do – it - yourself customers with queries in relation to application of the various SIKA products.

¹ A company controlled by James Lechler, who is now since November 2012 (but who was not at the time of the acquisition by the Company) a Director of the Company.

The Directors anticipate that the Company's range of Sika epoxies for floors will become key revenue drivers in future, as they will assist local and regional food processing establishments who export to the U.S. and Europe to meet new legislative and regulatory standards in those jurisdictions.

Photo: Sika products in reception and Sika epoxy floor



Contract Manufacturing

The Company gained contract manufacturing facilities following its 2011 acquisition of the 8 Bell Road East property from Diversey Lever and supplies customers inclusive of Diversey Lever with manufactured products. The Company is presently is completing arrangements for production of raw materials for polish applications, and the expansion of the business of the Company into the agro-industry and mining sectors.

Food-Grade Products

The Company has recently begun to develop and supply food - grade products to the local food processing sector. Such products include flavour enhancers, sweeteners and processing aids, amongst others.

The Environment

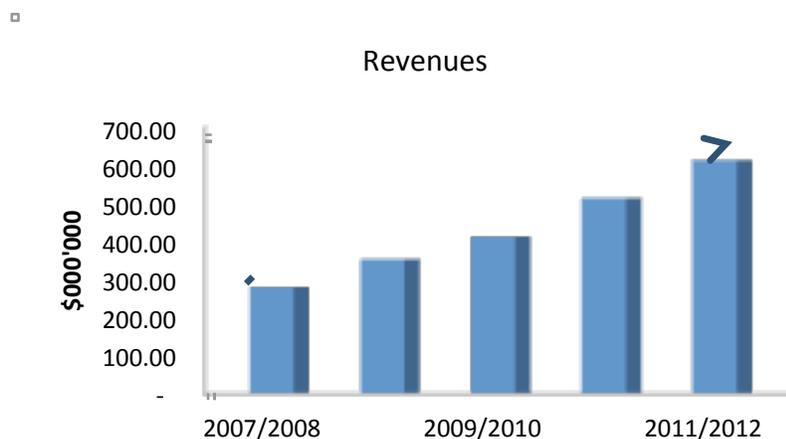
The Company supplies its products to customers in various types of packaging. The Directors are conscious of the impact that non - biodegradable waste packaging has on the environment and to that end, they are evaluating

a new recycling option, having acquired the requisite machinery and processed its waste plastic containers for export to a specialist plant in Europe.

photo: pilot project for container recycling and export of waste material

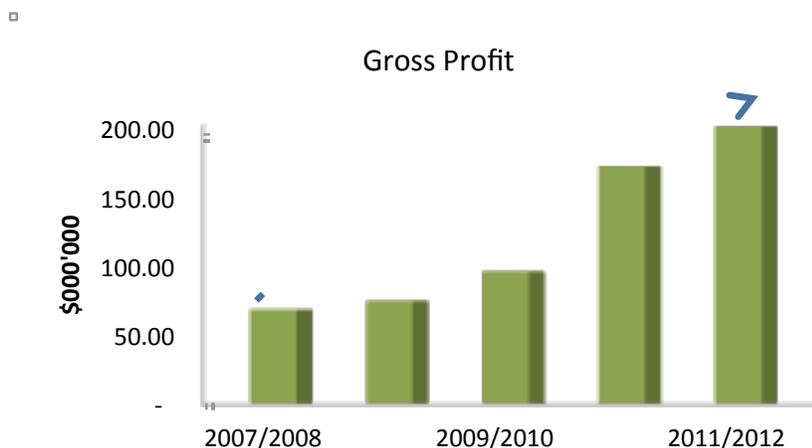


10.1 Revenue Analysis



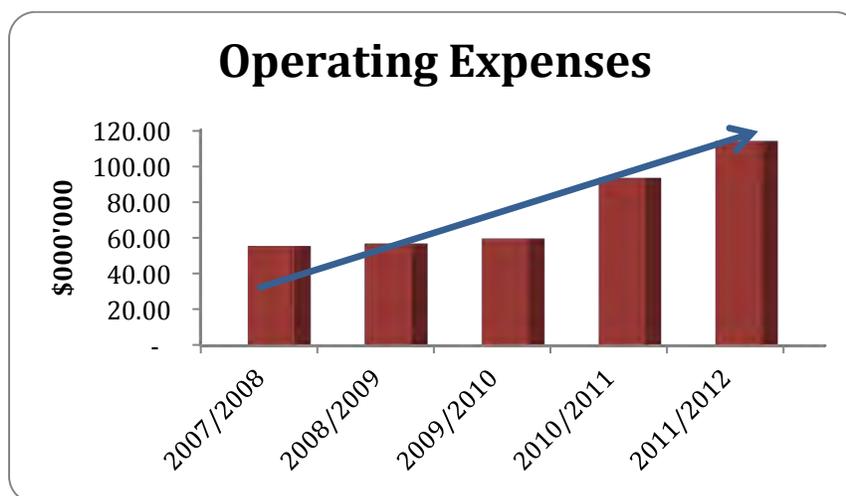
Revenues have increased consistently over the past 5 financial years, moving from \$280.73 million in financial year 2007/2008 to \$613.81 million in financial year 2011/2012. Over the same 5 year period, Revenues increased at an annual compounded rate of 22%. For the financial year ended 31st May 2012, Revenues grew by 20% when compared with the \$513.35 million booked for the financial year 2010/2011.

10.2 Gross Profit Analysis



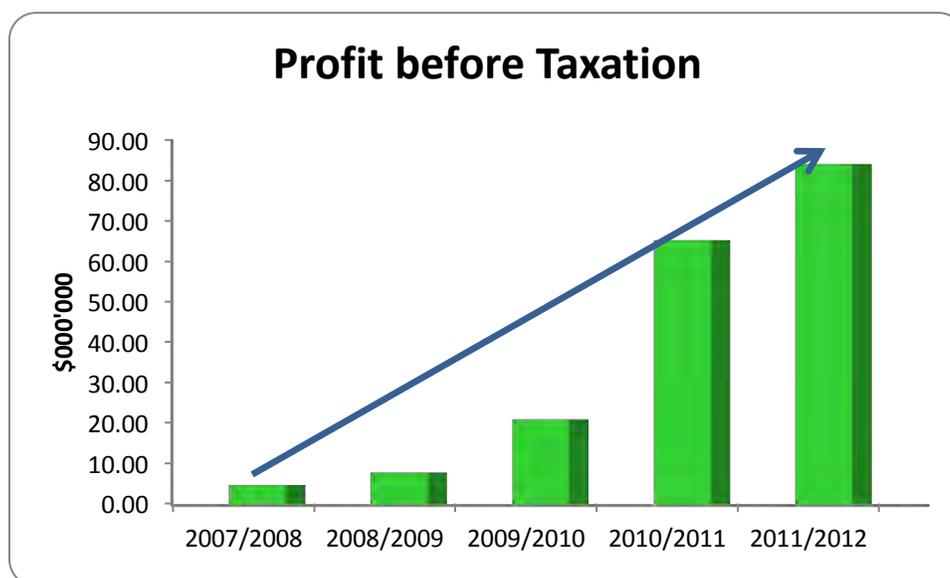
The company recorded Gross Profit of \$199.56 million for the financial year ending 31st May 2012. This represents a compounded annual growth rate of 31% when compared to \$68.13 million booked in the financial year 2007/2008. Relative to financial year 2010/2011, Gross Profit increased by 17% in financial year 2011/2012, from \$171.12 million this despite the growth in Direct Expenses outpacing the increase in Revenues.

10.3 Operating Expense Analysis



Operating Expenses totaled \$113.73 million for the 2011/2012 financial year. This represents a 22% increase from the \$93.42 million booked in the 2010/2011 financial year. For the past 5 financial years (being the financial years from 2007/2008 to 2011/2012), Operating Expenses have increased at an annual compounded rate of 20%.

10.4 Profit Before Taxation



For the financial year ending 31 May 2012, the Company reported Profit before Taxation of \$84.13 million. Compared with the prior financial year, this represents a 29% increase. Over the past 5 financial years, Profit before Taxation has grown by 102% from \$5.04 million in 2007/2008. The notable increase in Profit before Taxation between financial year 2009/2010 and 2010/2011 could be attributed to the growth in Revenues following the acquisition of a franchise with Diversey Lever of Jamaica.

10.5 Total Asset Analysis



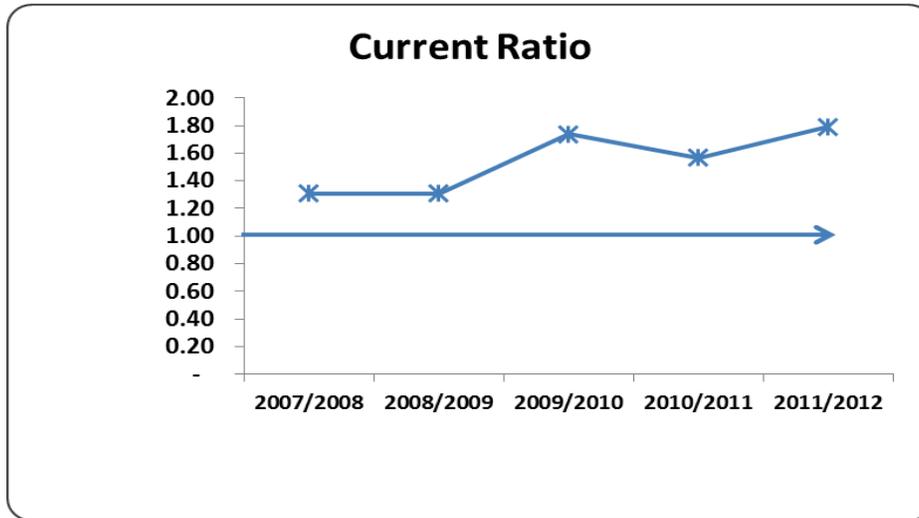
Assets totaled \$384.93 million at 31st May 2012, \$6.87 million more than the \$378.06 million booked as at 31st May 2011. The Company saw a significant growth in total assets between the 2009/2010 and 2010/2011 financial years. This significant increase was due to growth in Fixed Assets and Inventories during the period, from \$63.48 million and \$66.97 million, respectively to \$89.02 million and \$152.1 million, respectively. This was attributable to the acquisition of land and a manufacturing facility from Diversey Lever of Jamaica during the 2010/2011 financial year.

10.6 Total Equity Analysis



Shareholders' Equity has also increased consistently for the past 5 financial years, moving from \$16.19 million in 2007/2008 to \$132.04 million in 2011/2012. The annual increase was driven in part by consistent growth in profits which have been retained in the business.

10.7 Current Ratio



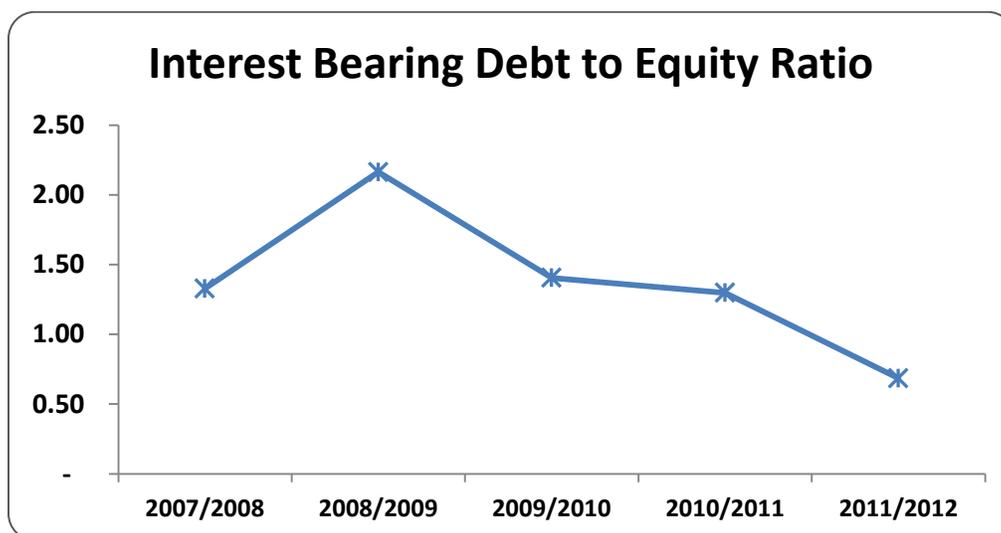
Over the past 5 financial years, the Company has maintained a current ratio exceeding one time with the ratio moving from 1.31 times in financial year 2007/2008 to 1.79 times in 2011/2012. This implies that during the period the Company’s current assets were sufficient to meet all of its short term liabilities that are due for payment in one year or less.

10.8 Gross Profit Margins



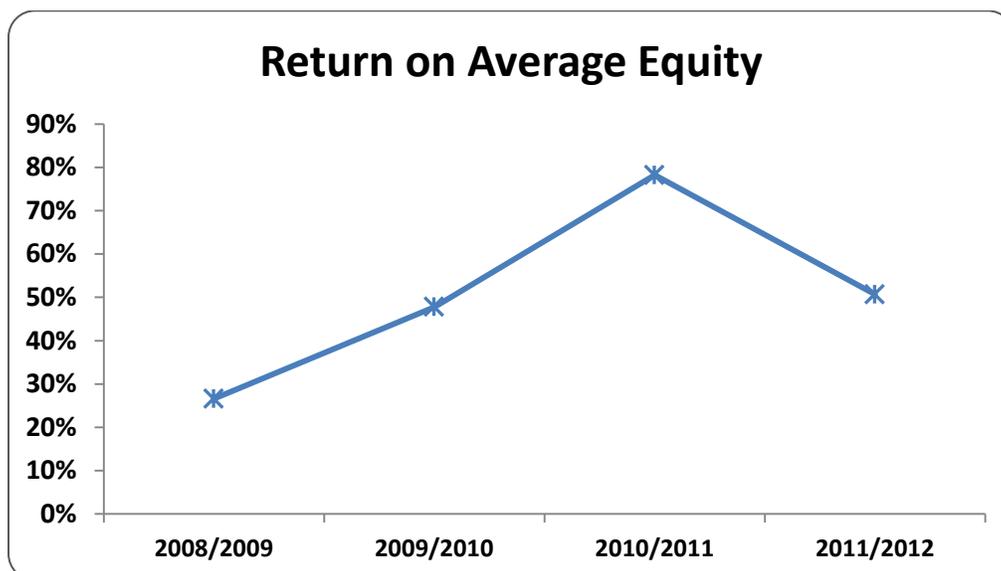
Gross Profit as a proportion of Revenues has averaged over 20% in the 5 financial years from 2007/2008 to 2011/2012. In financial year 2010/2011, the gross profit margin reached a high of 33% as the year over year growth in Revenue outpaced the increase in direct expenses which was attributable in part to increased administrative expenses and staff complement.

10.9 Interest Bearing Debt to Equity Ratio



As at 31st May 2012, total interest bearing debt was 0.69 times Shareholders' Equity. When compared to prior financial years this represent a decline as equity has increased at a faster rate than interest bearing debt. At the end of the 2007/2008 financial year, the interest bearing debt to equity ratio amounted to 1.33 times Shareholder's Equity.

10.10 Return on Average Equity Analysis



Between the financial years 2008/2009 and 2011/2012, shareholders of the Company benefited from an increase in return from the equity invested. Return on Equity (Net Profit as a per cent of average shareholders' equity) moved from 27% in 2008/2009 to 51% in 2011/2012.



**McKENLEY
& ASSOCIATES**
CHARTERED ACCOUNTANTS

12 Kingslyn Avenue
Kingston 10, Jamaica
Telephone: (876) 968-3117-8
Fax: (876) 929-7041
Website: www.wmckenley.com

12 December 2012

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

Dear Sirs,

We have audited, in accordance with International Standards on Auditing, the separate financial statements of Paramount Trading (Jamaica) Limited as at and for each of the years ended May 31, 2008 though to May 31, 2012, and in our reports dated January 12, 2009, March 2, 2010, April 21, 2011, June 16, 2012, November 7, 2012 respectively, we expressed unqualified opinions on those financial statements to the effect that the financial statements present a true and fair view.

In our opinion, the extracted statements of financial position and statements of comprehensive income of the Company set out in Section 11 of the prospectus are consistent, in all material respects, with the financial statements (where applicable) referred to above, from which they were derived.

For a better understanding of the Company's financial position at the reporting dates referred to above, the results of operations for each of the years ended on those dates, and the scope of our audit, the extracted statements of financial position and statements of comprehensive income should be read in conjunction with the financial statements from which they were derived and our audit reports thereon, where applicable.

Yours truly,


MCKENLEY & ASSOCIATES
WM/sb/paramount12

Audited Financial Information

AUDITED FINANCIAL INFORMATION: INCOME STATEMENTS

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Revenue | 280,730,713 | 352,751,085 | 413,460,438 | 513,345,259 | 613,809,228 |
| Direct Expenses | (212,604,689) | (278,199,864) | (317,659,636) | (342,227,899) | (414,244,595) |
| Gross Profit | 68,126,024 | 74,551,221 | 95,800,802 | 171,117,360 | 199,564,633 |
| Other Operating Income: | | | | | |
| Other Income | 703,305 | 21,358 | 136,868 | 2,009,063 | 14,179,987 |
| | 68,829,329 | 74,572,579 | 95,937,670 | 173,126,423 | 213,744,620 |
| LESS OPERATING EXP: | | | | | |
| Administrative | 48,231,038 | 49,395,852 | 53,214,670 | 74,159,251 | 98,316,586 |
| Selling & Distribution | 1,907,132 | 4,315,779 | 2,303,993 | 5,330,955 | 2,611,668 |
| Depreciation | 5,332,245 | 3,114,503 | 4,054,964 | 13,929,535 | 12,800,285 |
| | 55,470,415 | 56,826,134 | 59,573,627 | 93,419,741 | 113,728,539 |
| Operating Profit | 13,358,914 | 17,746,445 | 36,364,043 | 79,706,682 | 100,016,081 |
| Interest Expenses | (8,317,275) | (9,671,592) | (15,182,779) | (14,321,005) | (15,889,379) |
| Profit Before Taxation | 5,041,639 | 8,074,853 | 21,181,264 | 65,385,677 | 84,126,702 |
| Taxation | (2,888,512) | (3,113,805) | (7,899,950) | (21,158,445) | (30,752,062) |
| Net profit for the year | 2,153,127 | 4,961,048 | 13,281,314 | 44,227,232 | 53,374,640 |

AUDITED FINANCIAL INFORMATION: BALANCE SHEETS

| NON CURRENT ASSETS | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fixed Assets | 28,224,882 | 29,394,410 | 25,537,387 | 89,020,927 | 92,027,485 |
| Investments | - | - | - | 10,366,609 | 763,480 |
| Deferred Tax Assets | - | - | - | 187,873 | - |
| | 28,224,882 | 29,394,410 | 25,537,387 | 99,575,409 | 92,790,965 |
| CURRENT ASSETS | | | | | |
| Inventories | 43,241,381 | 79,060,105 | 85,129,901 | 152,100,017 | 185,796,815 |
| Receivables | 56,291,561 | 57,055,577 | 72,680,751 | 86,077,566 | 98,692,742 |
| Taxation Recoverable | - | - | - | - | - |
| Deferred GCT | 1,417,586 | 1,603,518 | - | - | - |
| Cash at Bank | 2,469,702 | 352,963 | 13,943,037 | 40,306,026 | 7,647,990 |
| | 103,420,230 | 138,072,163 | 171,753,689 | 278,483,609 | 292,137,547 |
| TOTAL ASSETS | 131,645,112 | 167,466,573 | 197,291,076 | 378,059,018 | 384,928,512 |
| SHAREHOLDERS' EQUITY | | | | | |
| Issued Capital | 10,283,059 | 10,283,059 | 10,283,059 | 10,283,059 | 10,283,059 |
| Retained Earnings | 5,910,175 | 10,871,223 | 24,152,537 | 68,379,770 | 121,754,409 |
| | 16,193,234 | 21,154,282 | 34,435,596 | 78,662,829 | 132,037,468 |
| NON-CURRENT LIABILITIES: | | | | | |
| Shareholders' Loan | 6,524,893 | 4,912,227 | 4,912,227 | 21,327,702 | 4,235,527 |
| Long term mortgage loan | 7,696,871 | 7,696,871 | 7,696,871 | 16,597,080 | 15,813,707 |
| Related Company Loan | 8,805,206 | 8,805,206 | 17,897,449 | 17,673,783 | 11,733,883 |
| Long term borrowings | 13,454,721 | 19,217,035 | 33,653,661 | 65,919,333 | 56,457,349 |
| | 36,481,691 | 40,631,339 | 64,160,208 | 121,517,898 | 88,240,466 |
| Deferred Income Tax | - | - | - | - | 1,697,969 |
| | 36,481,691 | 40,631,339 | 64,160,208 | 121,517,898 | 89,938,435 |
| CURRENT LIABILITIES | | | | | |
| Payables | 73,851,629 | 80,519,497 | 85,079,180 | 139,058,675 | 108,966,998 |
| Bank Overdraft | - | 2,959,851 | - | - | - |
| Due to Related Company | 2,396,322 | 3,914,845 | - | - | - |
| Current portion of Long term | 368,922 | 15,900,422 | 7,043,640 | 18,196,752 | 20,541,540 |

borrowings

| | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Current portion of Long term mortgage loan | - | - | - | 1,366,935 | 1,339,808 |
| Taxation Payable | 2,353,314 | 2,386,337 | 6,572,452 | 19,255,929 | 32,104,263 |
| | 78,970,187 | 105,680,952 | 98,695,272 | 177,878,291 | 162,952,609 |
| TOTAL SHAREHOLDERS' EQUITY & LIABILITIES | 131,645,112 | 167,466,573 | 197,291,076 | 378,059,018 | 384,928,512 |

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Independent Auditors' Report to the Members

Financial Statements

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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 2012 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.



**McKENLEY
& ASSOCIATES**
CHARTERED ACCOUNTANTS

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Telephone: (876) 968-3117-8
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Website: www.wmckenley.com

To the Members of
Paramount Trading (Jamaica) Limited

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 2012, 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.

Chartered Accountants

**7 November 2012
Kingston, Jamaica**

Paramount Trading (Jamaica) Limited
Statement of Comprehensive Income
Year Ended 31 May 2012

| | <u>Note</u> | <u>31 May 2012</u> \$ | <u>31 May 2011</u> \$ |
|--|-------------|--------------------------|--------------------------|
| Revenue | 2(k) | 613,809,228 | 513,345,259 |
| Direct expenses | | 414,244,595 | 342,227,899 |
| Gross profit | | <u>199,564,633</u> | <u>171,117,360</u> |
| Other operating income | 6 | 14,179,987 | 2,009,063 |
| | | <u>213,744,620</u> | <u>173,126,423</u> |
| Less operating expenses: | | | |
| Administrative | | 98,316,586 | 74,159,251 |
| Selling & distribution | | 2,611,668 | 5,330,955 |
| Depreciation | | 12,800,285 | 13,929,535 |
| | | <u>113,728,539</u> | <u>93,419,741</u> |
| Operating profit before finance costs and taxation | | 100,016,081 | 79,706,682 |
| Finance costs | 8 | <u>(15,889,379)</u> | <u>(14,321,005)</u> |
| Profit before taxation | | 84,126,702 | 65,385,677 |
| Taxation | 9 | <u>(30,752,062)</u> | <u>(21,158,445)</u> |
| Net profit for the year, being total comprehensive income | | <u>53,374,640</u> | <u>44,227,232</u> |
| | | <u>\$</u> | <u>\$</u> |
| Earnings per share | 10 | <u>5.19</u> | <u>4.30</u> |

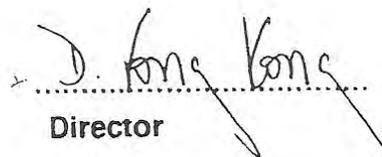
Paramount Trading (Jamaica) Limited
Statement of Financial Position
Year Ended 31 May 2012

| | <u>Note</u> | <u>2012</u> \$ | <u>2011</u> \$ |
|---|-------------|--------------------|--------------------|
| Non-current assets: | | | |
| Property, plant and equipment | 12 | 92,027,485 | 89,020,927 |
| Investments | 13 | 763,480 | 10,366,609 |
| Deferred income taxes | | - | 187,873 |
| Current assets: | | | |
| Inventories | 14 | 185,796,815 | 152,100,017 |
| Receivables | 15 | 98,692,742 | *86,077,566 |
| Cash and cash equivalents | 16 | 7,647,990 | 40,306,026 |
| | | <u>292,137,547</u> | <u>278,483,609</u> |
| Current liabilities: | | | |
| Payables | 17 | 108,966,998 | *139,058,675 |
| Taxation payable | | 32,104,263 | 19,255,929 |
| Current portion of long term mortgage loan | 18 | 1,339,808 | 1,366,935 |
| Current portion of long term borrowings | 19 | 20,541,540 | 18,196,752 |
| | | <u>162,952,609</u> | <u>177,878,291</u> |
| Net current assets | | <u>129,184,938</u> | <u>100,605,318</u> |
| Total assets less current liabilities | | <u>221,975,903</u> | <u>200,180,727</u> |
| Equity: | | | |
| Issued capital | 20 | 10,283,059 | 10,283,059 |
| Retained earnings | | <u>121,754,409</u> | <u>68,379,770</u> |
| | | 132,037,468 | 78,662,829 |
| Non-current liabilities: | | | |
| Shareholders' loans | 21 | 4,235,527 | 21,327,702 |
| Related company loan | 22 | 11,733,883 | 17,673,783 |
| Long term mortgage loan | 18 | 15,813,707 | 16,597,080 |
| Long term borrowings | 19 | 56,457,349 | 65,919,333 |
| | | 88,240,466 | 121,517,898 |
| Deferred income taxes | | 1,697,969 | - |
| Total equity and non-current liabilities | | <u>221,975,903</u> | <u>200,180,727</u> |

Approved and signed on behalf of the Board by:



 Director



 Director

Paramount Trading (Jamaica) Limited
Statement of Cash Flows
Year Ended 31 May 2012

| | <u>31 May 2012</u> | <u>31 May 2011</u> |
|---|---------------------|---------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net profit after taxation | 53,374,640 | 44,227,232 |
| Adjustments for: | | |
| Loss on disposal of property, plant & equipment | 581,900 | 123,215 |
| Deferred tax asset/(liability) | 1,885,842 | (187,873) |
| Depreciation | 12,800,285 | 13,929,535 |
| | <u>68,642,667</u> | <u>58,092,109</u> |
| Changes in non-cash working capital balances: | | |
| (Increase)/decrease | | |
| Inventories | (33,696,798) | (66,970,116) |
| Receivables | (12,615,176) | (11,020,164) |
| Increase/(decrease) | | |
| Payables | (30,091,677) | 51,602,844 |
| Taxation | 12,848,334 | 12,683,477 |
| | <u>(63,555,317)</u> | <u>(13,703,959)</u> |
| Net cash provided by operating activities | <u>5,087,350</u> | <u>44,388,150</u> |
| Investing activities: | | |
| Purchase of property, plant & equipment | (17,088,743) | (77,536,290) |
| Proceeds from disposal of property, plant & equipment | 700,000 | - |
| Net cash used in investing activities | <u>(16,388,743)</u> | <u>(77,536,290)</u> |
| Financing activities: | | |
| Loans received | 12,090,558 | 79,837,649 |
| Loans repaid | (43,050,330) | (9,959,911) |
| Net cash (used in)/provided by financing activities | <u>(30,959,772)</u> | <u>69,877,738</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | <u>(42,261,165)</u> | <u>36,729,598</u> |
| Cash and cash equivalents at beginning of year | 50,672,635 | 13,943,037 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>8,411,470</u> | <u>50,672,635</u> |
| REPRESENTED BY: | | |
| Cash and cash equivalents | 7,647,990 | 40,306,026 |
| Investments | 763,480 | 10,366,609 |
| | <u>8,411,470</u> | <u>50,672,635</u> |

Paramount Trading (Jamaica) Limited
Statement of Changes in Equity
Year Ended 31 May 2012

| | <u>Note</u> | <u>Share Capital</u> \$ | <u>Accumulated Profits</u> \$ | <u>Total</u> \$ |
|---|-------------|--------------------------------|--------------------------------------|--------------------|
| Balances at 31 May 2010 | | 10,283,059 | 24,152,537 | 34,435,596 |
| Net profit for the year, being total comprehensive income | | - | 44,227,232 | 44,227,232 |
| Balances at 31 May 2011 | | 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 | | <u>10,283,059</u> | <u>121,754,409</u> | <u>132,037,468</u> |

The accompanying notes form an integral part of the financial statements.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are noted below and they have been consistently applied to all the years presented in the financial statements, unless otherwise stated. Where necessary, prior year comparative figures have been restated and reclassified to conform to current year's presentation. In particular, general consumption tax recoverable of \$2,376,651 in 2011 was reclassified from payables to receivables.

(a) Basis of preparation

i. Statement of compliance

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

ii. Basis of measurement

These financial statements have been prepared under the historical cost convention except for the measurement at fair value of certain property, plant and equipment. The presentation and functional currency of the Company is the Jamaican dollar.

iii. Going concern

The Company's financial statements have been prepared on the going concern basis which anticipates that the Company will be in operation for the foreseeable future.

iv. New standards, interpretations and amendments that became effective during the year

Certain new or amended IFRSs and Interpretation to Existing Standards (IFRICs) became effective as of 1 June 2011, the beginning of the Company's financial year. Those that became effective during the year and are considered relevant to the Company's operations are:

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

iv. New standards, interpretations and amendments that became effective during the year (continued)

During the year, certain new standards, interpretations and amendments to existing standards became effective. The only standard deemed relevant to the Company; revised IAS 24 Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. This revision introduced changes to related party disclosure requirements for government – related entities and amends the definitions of a related party. Aside from the change to the definition of a related party in note 2(r), this revision did not have a significant impact on these financial statements.

v. New standards, interpretations and amendments to existing standards not yet effective

At the date of approval of the financial statements, there were certain standards, interpretations and amendments to existing standards which were in issue but not yet effective. Those which are considered relevant to the Company are as follows:

- IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective July 1, 2012) has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option, to present the profit or loss and other comprehensive income in two statements, has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.
- IFRS 7(Amendments) Disclosures –Transfer of Financial Assets (effective July 1, 2011). The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

v. New standards, interpretations and amendments to existing standards not yet effective (continued)

- IFRS 7^(Amendments) Amendment to IFRS 7, Financial Instruments: Disclosures is effective for annual reporting periods beginning on or after January 1, 2013. The standard is amended to help users of financial statements to understand the actual and potential effects of netting arrangements on the entity's financial position. The amendment includes minimum disclosure requirements related to financial assets and liabilities that are offset in the statement of financial position or subject to enforceable master netting arrangements or similar arrangements.
- IFRS 9 Financial Instruments (effective January 1, 2015). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009. The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised cost and fair value. The revised standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement of the recognition and de-recognition of financial assets and financial liabilities.
- IFRS 10 Consolidated Financial Statements (effective January 1, 2013) supersedes IAS 27 Consolidated and Separate Financial Statements and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).
- IFRS 12 Disclosure of Interests in Other Entities (effective January 1, 2013) contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate:

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

v. New standards, interpretations and amendments to existing standards not yet effective (continued)

- IFRS 12 (con't) – the nature of, and risks associated with, an entity's interests in other entities; and
 - the effects of those interests on the entity's financial position, financial performance and cash flows.

Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

- IFRS 13 Fair Value Measurement (effective January 1, 2013) replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.
- IAS 12 Income Taxes (effective January 1, 2012) requires an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.
- IAS 32 (Amendment) Financial Instruments: Presentation - The standard clarifies that an entity currently has a legal enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all the counterparties.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(v) New standards, interpretations and amendments to existing standards not yet effective (continued)

- IAS 32 (Amendment) In addition, it clarifies that gross settlement is equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and process receivables and payables in a single settlement process or cycle.

The Directors anticipate that the adoption of the standards, interpretations and amendments, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

(b) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities and the total comprehensive income and expenses in the financial statements and accompanying notes. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the period in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are:

i. Accruals

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

ii. 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.

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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Use of estimates and judgments (continued)

iii. 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, 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 loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

iv. Net realisable 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.

v. Income taxes

Estimates are required in determining the provision for income tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audits 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 are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Foreign currency translation

Foreign currency translations 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF 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. 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% |

The asset's residual values and useful lives are reviewed periodically for impairment. Where the asset's 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.

(e) 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 from the date control commences until the date that control ceases.

The Company does business with other related entities but it has no subsidiaries.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 asset. 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.

(g) 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 is the estimated costs of completion and selling expenses.

(h) 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) Payables

Trade and other payables are stated at amortised cost.

(k) 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.

(l) 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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.

(o) 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.

(p) 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.

**Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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 2012 amounted to \$572,196 (2011 - \$512,743).

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.

(r) 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;

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) Segment reporting:

An operating segment is a component of the group 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.

The Company has three (3) reportable segments, as described below, which are considered the Company's strategic business units. These units offer different products and services and require different technology and marketing strategies.

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. The primary reportable business segments are:

- i. Distribution of imported chemicals
- ii. Manufacturing of branded chemical products
- iii. Distribution of SIKA branded hardware products

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

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. 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. The main currency giving rise to this risk is the United States dollars (US\$).

The Company's balance sheet as at 31 May 2012 includes aggregate net foreign liabilities of approximately US\$969,879(2011 – US\$991,569) in respect of transactions arising in the ordinary course of business which were subject to foreign exchange rate changes as follows:

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

i. Currency risk (continued)

Concentrations of currency risks

| | <u>2012</u> <u>US\$</u> | <u>2011</u> <u>US\$</u> |
|------------------------------|----------------------------|----------------------------|
| Financial assets | | |
| - Cash and cash equivalents | 9,174 | 36,990 |
| | <u>9,174</u> | <u>36,990</u> |
| Financial liabilities | | |
| - Payables and accruals | (979,053) | (1,028,559) |
| Net total liabilities | <u>(969,879)</u> | <u>(991,569)</u> |

The above assets/liabilities are receivable/payable in United States dollars. The exchange rate applicable at balance sheet date is J\$87.75 to US\$1 (2011– J\$86.5 to US\$1). The rate at 30 September 2012 is J\$89.90

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 \$4.3Million, assuming all other variables, in particular interest rates, remains constant.

The Jamaican dollar was relatively stable after the prior year end.

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. During the year, the Company experienced a reduction in the rates on certain of its loans.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

ii. Interest rate risk (continued)

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-bearing bank accounts with licensed financial institutions.

Interest rates on certain loans are fixed and are not affected by fluctuations in market interest rates. During the year, the Company experienced a reduction in the rates on certain of its loans.

At the reporting date the interest profile of the Company's interest bearing financial instruments was:

| | <u>2012</u> \$ | <u>2011</u> \$ |
|-----------------------|-------------------|--------------------|
| Fixed rate | | |
| Assets | - | - |
| Liabilities | 90,465,269 | 102,080,102 |
| | <u>90,465,269</u> | <u>102,080,102</u> |
| Variable rate: | | |
| Assets | 2,606,903 | 16,987,430 |
| Liabilities | - | - |
| | <u>2,606,903</u> | <u>16,987,430</u> |

Fair value sensitivity analysis for fixed rate instruments:

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

Cash flow sensitivity analysis for variable rate instruments:

At the reporting date, a 5% (2011- 1%) change in interest rates would have decreased profit by \$130,345 (2011-\$169,874), assuming that all other variables, in particular foreign currency rates, in both the current and prior years remain constant.

**Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012**

3. 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 analysed 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 95% 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
Year Ended 31 May 2012

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

Maximum exposure to credit risk

| | <u>31 May</u> <u>2012</u> \$ | <u>31 May</u> <u>2011</u> \$ |
|--|------------------------------------|------------------------------------|
| Credit risk exposures are as follows: | | |
| Investments | 763,480 | 10,366,609 |
| Receivables | 98,692,742 | 86,077,566 |
| Cash and short term equivalents | 7,647,990 | 40,306,026 |
| | <u>107,104,212</u> | <u>136,750,201</u> |

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

Trade receivables that are less than 30 days past due are not considered impaired. Trade receivables over 90 days overdue are considered impaired.

Ageing analysis of trade receivables that are past due and impaired

As of 31 May 2012, trade receivables of \$5,528,983 (2011 - \$10,610,332) for the Company were impaired. The amount of the provision was \$5,528,983 (2011 - \$6,375,028) for the Company. The impairment recognized represents an estimate of 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 receivables is expected to be recovered.

| | <u>31 May</u> <u>2012</u> \$ | | <u>31 May</u> <u>2011</u> \$ | |
|------------------------|------------------------------------|-------------------|------------------------------------|-------------------|
| | <u>Gross</u> | <u>Impairment</u> | <u>Gross</u> | <u>Impairment</u> |
| Past due 0 to 60 days | 75,805,048 | - | 65,661,108 | - |
| Past due 61 to 90 days | 8,559,689 | - | 9,718,961 | - |
| Past due over 91 days | 5,528,983 | 5,528,983 | 10,610,332 | 6,375,028 |
| | <u>89,893,720</u> | <u>5,528,983</u> | <u>85,990,401</u> | <u>6,375,028</u> |

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. 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:

| | <u>31 May</u> <u>2012</u> | <u>31 May</u> <u>2011</u> |
|--------------------------------------|--|--|
| | \$ | \$ |
| At 1 June 2011 | 6,375,028 | 4,719,977 |
| Provision for receivables impairment | - | 1,655,051 |
| Recoveries | (846,045) | - |
| At 31 May 2012 | <u>5,528,983</u> | <u>6,375,028</u> |

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

| | <u>31 May</u> <u>2012</u> | <u>31 May</u> <u>2011</u> |
|--|--|--|
| | \$ | \$ |
| Manufacturing, wholesalers and retailers | 75,668,043 | *75,451,591 |
| Sugar industry | 730,365 | 725,218 |
| Government | 2,996,356 | *1,504,078 |
| Bauxite sector | <u>10,498,956</u> | <u>8,309,514</u> |
| | 89,893,720 | 85,990,401 |
| Less: provision for impairment | <u>(5,528,983)</u> | <u>(6,375,028)</u> |
| | <u>84,364,737</u> | <u>79,615,373</u> |

* Reclassified for comparative purposes

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. 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 loan and payables and accruals. These amounts are due as follows:

| | <u>Current</u> | | <u>Non-Current</u> | | | |
|----------------------|----------------------------|--------------------|---------------------------|-------------------|---------------------------|--------------------|
| | <u>Within 3 Months</u> | | <u>4 to 12 Months</u> | | <u>Over 12 Months</u> | |
| | <u>2012</u> \$ | <u>2011</u> \$ | <u>2012</u> \$ | <u>2011</u> \$ | <u>2012</u> \$ | <u>2011</u> \$ |
| Long-term loans | 7,151,683 | 6,043,412 | 14,729,665 | 13,520,275 | 76,506,583 | 103,844,115 |
| Related company loan | - | - | - | - | 11,733,883 | 17,673,783 |
| Account payables | 108,966,998 | 139,058,675 | - | - | - | - |
| Total | 116,118,681 | 145,102,087 | 14,729,665 | 13,520,275 | 88,240,466 | 121,517,898 |

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. 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.

(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 2012, the Company's strategy, which was unchanged from 2011, was to maintain the gearing ratio below 1:1. The gearing ratios at 31 May 2012 and 31 May 2011 were as follows:

| | <u>31 May</u> <u>2012</u> | <u>31 May</u> <u>2011</u> |
|----------------|--|--|
| | <u>\$</u> | <u>\$</u> |
| Net borrowings | 110,121,814 | 141,081,585 |
| Total capital | 243,857,251 | 219,744,414 |
| Gearing ratio | <u>45%</u> | <u>64%</u> |

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

(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:

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Disclosure of fair value of financial instruments (continued):

- 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.

4. SEGMENTAL FINANCIAL INFORMATION

The Company is organized into three (3) primary business divisions that are exposed to similar risks. The principal divisions are:

- (a) Chemicals** – distribution of chemical products
- (b) Construction and Adhesives** – operation under the SIKA brand distributing adhesives and hardware supplies
- (c) Manufacturing** – manufacturing of commercial cleaning agents

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 88% (2011-84%) of revenue.

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 8% (2011-10%) of revenue.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

4. SEGMENTAL FINANCIAL INFORMATION (CONTINUED)

Manufacturing – This division operates from both the Waltham Park Road (Food Grade) and Bell Road (Technical Grade) locations, and accounts for approximately 3%(2011-6%) of revenue.

| | 2012 | | | |
|-------------------------|-------------------------|--|-----------------------------|---------------------|
| | <u>Chemicals</u> | <u>Construction and Adhesives</u> | <u>Manufacturing</u> | <u>Total</u> |
| | \$ | \$ | \$ | \$ |
| Revenues | 544,972,284 | 48,080,786 | 20,756,158 | 613,809,228 |
| Less 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 percentage | 32% | 36% | 38% | 33% |

| | 2011 | | | |
|-------------------------|-------------------------|--|-----------------------------|---------------------|
| | <u>Chemicals</u> | <u>Construction and Adhesives</u> | <u>Manufacturing</u> | <u>Total</u> |
| | \$ | \$ | \$ | \$ |
| Revenues | 432,247,160 | 51,387,610 | 29,710,469 | 513,345,239 |
| Less cost of sales | 288,325,826 | 35,820,369 | 18,081,704 | 342,227,899 |
| Gross profit | 143,921,334 | 15,567,241 | 11,628,765 | 171,117,340 |
| Gross profit percentage | 33% | 30% | 39% | 33% |

5. STAFF COSTS

| | <u>2012</u> | <u>2011</u> |
|---|--------------------|--------------------|
| | \$ | \$ |
| Salaries (including managements' remuneration) | 33,280,927 | 24,979,696 |
| Employers payroll taxes | 3,186,565 | 2,173,443 |
| Staff welfare | 6,235,528 | 1,853,465 |
| | <u>42,703,020</u> | <u>29,006,604</u> |

The average number of persons employed full-time by the Company during the year was 31 (2011-20)

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

6. OTHER OPERATING INCOME

| | <u>2012</u> | <u>2011</u> |
|-----------------------------|-------------------|------------------|
| | \$ | \$ |
| Rental income – Warehousing | 4,652,802 | 1,429,294 |
| Rental income – Trucks | 9,146,980 | - |
| Finance income | 380,205 | 579,769 |
| | <u>14,179,987</u> | <u>2,009,063</u> |

Rental income was obtained from a property owned by the Company located at Bell Road which was being used for storage. The trucks owned by the Company were rented to Stamina Trucking, a related party.

7. EXPENSES BY NATURE

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| | \$ | \$ |
| Selling, advertising, promotion and distribution | 3,457,713 | 3,675,904 |
| Audit fee | 1,200,000 | 950,000 |
| Depreciation (note 11) | 12,800,285 | 13,929,535 |
| Bad debts (recovered)/ expensed | (846,045) | 1,655,051 |
| Repairs and maintenance | 4,999,427 | 3,627,467 |
| Finance cost | 15,889,379 | 14,321,005 |
| Staff costs (note 5) | 37,903,020 | 26,606,604 |
| Motor vehicle expenses | 12,712,120 | 12,915,493 |
| Cost of inventories recognized as expense | 414,244,595 | 342,227,899 |
| Director's remuneration | 4,800,000 | 2,400,000 |
| Rental | 2,760,000 | 5,508,000 |
| Other expenses | 33,942,019 | 22,151,687 |
| | <u>543,862,513</u> | <u>449,968,645</u> |

8. FINANCE COSTS

| | <u>2012</u> | <u>2011</u> |
|----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Interest expenses | 14,802,352 | 13,471,821 |
| Debt financing fees and expenses | 1,087,027 | 849,184 |
| | <u>15,889,379</u> | <u>14,321,005</u> |

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

9. TAXATION

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

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Income tax @ 33 1/3% | 28,866,220 | 21,346,318 |
| Deferred taxation: liability/(asset) | 1,885,842 | (187,873) |
| | <u>30,752,062</u> | <u>21,158,445</u> |

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

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|--------------------|-------------------|
| | \$ | \$ |
| Profits before taxation | <u>84,126,702</u> | <u>65,385,677</u> |
| Tax calculation at 33 1/3 % | 28,042,234 | 21,795,226 |
| Depreciation and capital allowance | 1,861,596 | (240,092) |
| Expenses allowed for tax purposes | <u>(1,037,610)</u> | <u>(208,816)</u> |
| | <u>28,866,220</u> | <u>21,346,318</u> |

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.

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.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the Company's net profit divided by the number of ordinary shares in issue for the year of 10,283.059 (2011 – 10,283,059).

11. DIVIDENDS

No dividends were paid or declared during the year.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

12. PROPERTY, PLANT & EQUIPMENT

| | <u>Equipment</u> | <u>Computer</u> <u>Equipment</u> | <u>Furniture</u> <u>& Fixtures</u> | <u>Building</u> | <u>Motor Vehicle</u> | <u>Forklift</u> | <u>Boat</u> | <u>Leased</u> <u>Vehicles</u> | <u>Total</u> |
|-----------------------|------------------|-------------------------------------|---|-----------------|----------------------|-----------------|-------------|----------------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At cost: | | | | | | | | | |
| 1 June 2011 | *12,829,970 | *1,373,782 | 1,157,855 | 65,236,746 | *23,338,428 | 993,166 | 7,740,000 | *26,169,663 | 138,839,610 |
| Additions | 8,877,088 | 931,333 | 288,815 | 2,330,300 | 4,374,043 | | 287,164 | | 17,088,743 |
| Disposals | | | | | (5,009,500) | | | | (5,009,500) |
| 31 May 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 |
| Depreciation: | | | | | | | | | |
| 1 June 2011 | *10,688,642 | *181,281 | 614,865 | 8,471,627 | *18,697,218 | 467,607 | 1,548,000 | *9,149,443 | 49,818,683 |
| Charge for the year | 1,690,876 | 264,346 | 135,031 | 1,689,176 | 2,010,687 | 198,633 | 1,577,603 | 5,233,933 | 12,800,285 |
| Relieved on disposal | | | | | (3,727,600) | | | | (3,727,600) |
| 31 May 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 |
| 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 |
| NET BOOK VALUE | | | | | | | | | |
| 31 May 2011 | *2,141,328 | *1,192,501 | 542,990 | 56,765,119 | *4,641,210 | 525,559 | 6,192,000 | *17,020,220 | 89,020,927 |

* Reclassified for comparative purposes

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

13. INVESTMENTS

| | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
| | \$ | \$ |
| Available-for-sale investments: | | |
| Securities purchased under resale agreements | 763,480 | 10,366,609 |

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 5 % (2011-6.5%)

14. INVENTORIES

| | <u>2012</u> | <u>2011</u> |
|------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Chemical raw materials | 163,062,794 | 133,007,480 |
| Construction and adhesives | 26,013,500 | 21,101,305 |
| Manufacturing raw materials | 981,660 | 2,252,371 |
| | <u>190,057,954</u> | <u>156,361,156</u> |
| Less: provision for obsolete stock | (4,261,139) | (4,261,139) |
| | <u>185,796,815</u> | <u>152,100,017</u> |

During the year, no write-off has been recognized in profit or loss. There were no goods-in-transit at the year end.

15. RECEIVABLES

| | <u>2012</u> | <u>2011</u> |
|----------------------------------|--------------------|-------------------|
| | \$ | \$ |
| Trade receivables | 89,893,720 | 85,990,401 |
| Other receivables | 11,636,455 | 3,986,600 |
| Deferred general consumption tax | 2,691,550 | 2,475,593 |
| | <u>104,221,725</u> | <u>92,452,594</u> |
| Less provision for bad debts | (5,528,983) | (6,375,028) |
| | <u>98,692,742</u> | <u>86,077,566</u> |

Trade receivables balance at the end of the year includes approximately \$20,430,820 (2011-15,721,833) 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
Year Ended 31 May 2012

15. RECEIVABLES (CONTINUED)

The following are the trade receivables ageing as of 31 December 2012 and 2011 respectively

| | <u>2012</u> | <u>2011</u> |
|------------------------|-------------------|-------------------|
| | \$ | \$ |
| Current: below 30 days | 49,476,907 | 48,122,184 |
| Past due 31-60 days | 26,328,142 | 17,538,924 |
| Past due 61- 90 days | 8,559,689 | 9,718,961 |
| More than 90 days | 5,528,982 | 10,610,332 |
| Total | <u>89,893,720</u> | <u>85,990,401</u> |

16. CASH AND CASH EQUIVALENTS

| | <u>2012</u> | <u>2011</u> |
|---------------------|------------------|-------------------|
| | \$ | \$ |
| Cash in hand | 95,345 | 17,314,277 |
| US\$ bank accounts | 804,975 | 3,199,597 |
| JA.\$ bank accounts | 6,747,670 | 19,792,152 |
| | <u>7,647,990</u> | <u>40,306,026</u> |

Exchange rate exposure:

| | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
| | \$ | \$ |
| Cash at bank- United States dollars | | |
| The weighted average effective exchange rate throughout the year was as follows | 86.67 | 85.93 |
| The weighted average effective exchange rate at year end | 87.75 | 86.50 |

17. PAYABLES

| | <u>2012</u> | <u>2011</u> |
|-----------------------------|--------------------|--------------------|
| | \$ | \$ |
| Foreign payables | 85,911,859 | 88,970,363 |
| Local payables and accruals | 19,838,583 | 42,642,599 |
| Other payables | 3,216,556 | 7,445,713 |
| | <u>108,966,998</u> | <u>139,058,675</u> |

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

18. LONG TERM MORTGAGE LOANS

| | <u>2012</u> | <u>2011</u> |
|---|--------------------|--------------------|
| | \$ | \$ |
| 14% Victoria Mutual Building Society loan | 17,153,515 | 17,964,015 |
| Less current portion due within 12 months | <u>(1,339,808)</u> | <u>(1,366,935)</u> |
| | <u>15,813,707</u> | <u>16,597,080</u> |

The above mortgage loan, which is in the name of the Managing Director, was obtained and used to assist with the construction of the Company's premises located at 39 Waltham Park Road, Kingston 11. The mortgage is secured by the private residence of the Managing Director which is valued significantly above the current mortgage balance.

19. LONG TERM BORROWINGS

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| | \$ | \$ |
| 16% Alliance Investment Management Limited | 17,825,545 | 21,050,591 |
| 17.45% Royal Bank of Trinidad & Tobago (RBTT) | 1,385,754 | 2,318,838 |
| 13 % Pan Caribbean bank loan – DBJ | 37,544,000 | 46,930,000 |
| 16.75-20% Pan Caribbean Financial Services | 19,404,132 | 12,247,395 |
| 21% First Global Leasing Limited | - | 1,569,261 |
| 25 % Art's Car Mart | 839,458 | - |
| | <u>76,998,889</u> | <u>84,116,085</u> |
| Less current portion due within 12 months | <u>(20,541,540)</u> | <u>(18,196,752)</u> |
| | <u>56,457,349</u> | <u>65,919,333</u> |

- i. The Alliance Investment Management Limited loans were primarily obtained to assist in purchasing capital equipment and they are secured by guarantee by the Managing Director and real estate. The total loan balance was registered in the name of the Managing Director but this portion represents the Company's in house calculation of the amount relating to the Company.
- ii. The RBTT Bank loans are secured by legal mortgage over commercial property at 44b Waltham Park Road to cover approximately \$5.77 million.
- iii. Pan Caribbean bank loan – (Development Bank of Jamaica), was obtained for working capital support and is secured by real estate and personal guaranteed by the Managing Director.
- iv. The Pan Caribbean Financial Services loans relate to leased motor vehicles .
- v. The First Global Leasing Limited loan was obtained under a sale and lease back agreement using motor vehicles and equipment as security for the loans.
- vi. Art's Car Mart provided a 24 month facility for the purchase of a motor vehicle during the year.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

20. SHARE CAPITAL

| | <u>2012</u> | <u>2011</u> |
|--|--|--|
| | <u>Number of</u> <u>Stock Units</u> | <u>Number of</u> <u>Stock Units</u> |
| <u>Authorised:</u> | | |
| 12,000,000 ordinary shares of no par value | | |
| <u>Issued and fully paid:</u> | | |
| 10,283,059 shares of no par value | <u>10,283,059</u> | <u>10,283,059</u> |

At the first Directors' meeting held 10th October 1991 a resolution was passed to allot 198 shares, adding to 2 subscriber's shares of \$1 each to total 200 allotted shares with a value of \$200. At a Directors' meeting held 20th September 2002, the Share Capital was increased to Twelve Million dollars (\$12,000,000) and Ten Million, Two Hundred and Eighty Two Thousand, Eight Hundred and Fifty Nine (10,282,859) \$1 shares were allotted, thereby increasing shares issued and fully paid to Ten Million, Two Hundred and Eighty Three Thousand and Fifty Nine (10,283,059) shares, with a value of \$10,283,059.

21. SHAREHOLDERS LOAN

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Opening balance: 1 June 2011 | 21,327,702 | 4,912,227 |
| Net(repayments)/advances and reclassifications during the year | <u>(17,092,175)</u> | <u>16,415,475</u> |
| Closing balance : 31 May 2012 | <u>4,235,527</u> | <u>21,327,702</u> |

The shareholder's loan principally represents net advances to the Company to assist with the initial purchase of the business and subsequently to provide working capital support. There is no defined repayment period and no interest was charged during the year.

22. 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 \$11,733,883 (2011- \$17,673,782) 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.

Paramount Trading (Jamaica) Limited
Notes to the Financial Statements
Year Ended 31 May 2012

22. RELATED COMPANY (CONTINUED)

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|-------------------|
| | \$ | \$ |
| Stamina Trucking Limited: | | |
| Opening balance: 1 June 2011 | 17,673,782 | 17,897,449 |
| Transportation services invoiced during the year | (10,747,702) | - |
| Additional funding provided | 5,000,000 | - |
| Payment on account | (192,197) | (223,667) |
| Closing balance: 31 May 2012 | <u>11,733,883</u> | <u>17,673,782</u> |

The net amount due to related party is interest free and has no fixed terms of repayment. The Directors are of the opinion that no useful purpose would be served by preparing consolidated accounts at the year end.

23. COMMITMENTS AND CONTINGENCIES

The Company had no capital commitments as at 31 May 2012 (2011– NIL) and as far as the Directors are aware, there were no claims, disputes and legal proceedings against the Company.

24. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

- i. The Directors decided to offer the public, in November 2012, approximately 20% of the shares of the Company through an Initial Public Offering on the Junior Stock Exchange. As a consequence, the necessary resolutions will be proposed at the next general meeting to increase the authorized share capital to accommodate the issue of shares to the public.
- ii. The Directors' of the Company passed a resolution to amalgamate the operations of a related entity, Stamina Trucking Limited, effective 31 October 2012. Stamina Trucking Limited provides island-wide transportation services, using heavy duty trailer trucks to transport the Company's products to customers.

Unaudited Financial Information

PARAMOUNT TRADING (JAMAICA) LIMITED
Unaudited Income Statement
For the 5 Month Period Ended 31 October 2012

| | 2012 \$ | 2011 \$ |
|-------------------------------|-------------|-------------|
| Sales | 242,436,929 | 237,867,961 |
| Cost of Sales | 169,817,981 | 167,325,589 |
| Gross Profit | 72,618,948 | 70,542,372 |
| Other Income | 1,258,946 | 344,420 |
| Profit before expenses | 73,877,894 | 70,886,792 |
| Expenses | | |
| Administration | 43,177,988 | 40,737,371 |
| Sales & Distribution | 2,492,665 | 2,460,595 |
| Financial | 7,905,593 | 6,535,939 |
| Depreciation | 5,832,330 | 5,669,920 |
| Total expenses | 59,408,576 | 55,403,825 |
| Profit before taxation | 14,469,318 | 15,482,967 |
| Taxation | 0 | 2,562,672 |
| Net profit after tax | 14,469,318 | 12,920,295 |
| Number of Shares in issue | 10,282,959 | 10,282,959 |
| Earnings per Share | 1.41 | 1.26 |

Unaudited Financial Information

PARAMOUNT TRADING (JAMAICA) LIMITED
 Unaudited Statement of Financial Position
 For the 5 Month Period Ended 31 October 2012

| | Unaudited Oct. 2012 \$ | Unaudited Oct. 2011 \$ | |
|--------------------------------|------------------------------|------------------------------|--------------------------------|
| Non-Current Assets | | | Non-Current Assets |
| Fixed Assets | 88,053,838 | 90,325,743 | Fixed Assets |
| Investment | 763,480 | 10,366,609 | Investment |
| Total Non-Current Assets | 88,817,318 | 100,692,352 | Total Non-Current Assets |
| Current Assets | | | Current Assets |
| Inventory | 163,104,517 | 189,206,096 | Inventory |
| Accounts Receivable | 81,704,166 | 90,132,754 | Accounts Receivable |
| Cash and Cash equivalent | 12,940,282 | 8,944,114 | Cash and Cash equivalent |
| Total Current Assets | 257,748,965 | 288,282,964 | Total Current Assets |
| Current Liabilities | | | Current Liabilities |
| Accounts Payable | 59,504,927 | 134,367,667 | Accounts Payable |
| Other Current Liabilities | 28,773,296 | 15,305,954 | Other Current Liabilities |
| Total Current Liabilities | 88,278,223 | 149,673,621 | Total Current Liabilities |
| Net Current Assets | 169,470,742 | 138,609,343 | Net Current Assets |
| | 258,288,060 | 239,301,695 | |
| Capital & Reserves | | | Capital & Reserves |
| Issued Share Capital | 10,283,059 | 10,283,059 | Issued Share Capital |
| Retained Earnings | 136,223,727 | 83,674,864 | Retained Earnings |
| | 146,506,786 | 93,957,923 | |
| Non-Current Liabilities | | | Non-Current Liabilities |
| Shareholders Loans | 4,235,527 | 23,429,862 | Shareholders Loans |
| Deferred Tax Liabilities | 1,697,969 | 0 | Deferred Tax Liabilities |
| Long Term Borrowings | 105,847,778 | 121,913,910 | Long Term Borrowings |
| | 258,288,060 | 239,301,695 | |

Macro economic policies

Changes in fiscal and monetary policies introduced by the Government of Jamaica may affect the behaviour of capital markets including the Junior Market of the JSE. Such changes in policies may create opportunities as well as challenges for the Company. This is a risk that is not faced by the Company alone but also, by any trading business although the risk could have particular impact on its particular business model.

Operational risk

The Company is subject to the risk of loss resulting from disruptions to its business, inadequate or failed internal processes, people and systems, or from external events. 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. The Company currently insures itself against some or all of these risks. However, sufficient proceeds of such insurance may not be available to cover losses arising from some or all of the risks described and this, in turn, may have a negative impact on the Company's financial position, cash flows, and profits.

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 not faced by the Company alone but also, by any trading business.

Admission of the shares to the Junior Market of the JSE

After the Closing Date, and assuming that the Company is able to raise \$74,848,990.68 million as a result of the Invitation by the Closing Date, the Company will make application to the JSE to admit the Shares to the Junior Market. However, the Company is not able to guarantee the full subscription of the Shares in the Invitation or the admission of the Shares to the Junior Market.

Volatility in price of Shares

Following their proposed admission to trading on the Junior Market the Shares may experience volatility in their market price 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.

Revocation of tax concessions risk

If the Invitation is successful in raising \$74,848,990.68 million by the Closing Date, and the Company is admitted to the Junior Market, it must remain listed on the JSE trading platforms for a period of 15 years in order to be eligible for the concessionary tax regime described in Section 14.2.

The instrument governing the concessionary tax regime is the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remittance) Notice dated 13 August 2009, which was made by the Minister of Finance under section 86 of the Income Tax Act. The instrument provides that if the Company is de-listed at any time during the 15 year period, 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.

There is also a risk that the instrument governing the concessionary tax regime is withdrawn, or the criteria for eligibility of the concessionary tax regime amended. The Directors of the Company consider it unlikely that any withdrawal or amendment of the concession would have retrospective effect on companies that are already listed on the Junior Market in the absence of any breach by those companies of the Junior Market Rules leading to suspension or de-listing from the Junior Market.

Product liability risk

The Company supplies industrial chemicals, 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 13

Professional Advisers to the Company

Principal Stockbrokers and Financial Advisers

Mayberry Investments Limited
1½ Oxford Road
Kingston

Auditors

McKenley & Company
Chartered Accountants
12 Kingslyn Avenue
Kingston 10

Attorneys

Patterson Mair Hamilton
7th Floor
63-67 Knutsford Boulevard
Kingston 5

Registrars and Transfer Agents

Jamaica Central Securities Depository
40 Harbour Street
Kingston

14.1 Statutory Information required to be set out in this Prospectus by section 41 and the Third Schedule to the Companies Act

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. (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 dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance. (Article 94)
 - (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 descriptions of the Directors of the Company appear in Section 8 of this Prospectus. The addresses of the Directors are as follows:

Hugh Graham, 9 Durie Drive, Kingston 8, Saint Andrew
Daryl Fong Kong, 15 Carmel Avenue, Unit #1, Kingston 8, Saint 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 J\$74,848,990.68 million.
6. The Invitation will open for subscription at 9:00 a.m. on Wednesday 19th December 2012 and will close at 4:30 pm on the Closing Date, Monday 24th December 2012 subject to the Company’s right to close the application list at any time after 9:00 a.m. on the Opening Date if Applications have been received for an amount equal to or greater than the Shares in the Invitation, or to extend the Closing Date for any reason whatsoever.
7. All Applicants including Company Applicants will be required to pay in full the applicable price per Share as specified in this Prospectus. No further sum will be payable on allotment.
8. No previous offer of shares in the Company has been made to the public.
9. Save as set out in paragraph 17 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 31st October 2012, the date to which the most recent management accounts out in the Unaudited Financial Information in Section 11 are made up, the Company held investments amounting to \$13,703,762 consisting of \$12,940,282 in cash and cash equivalents and \$763,480 in collateralised reverse repurchase agreements.
11. The amount for goodwill, patent, or trade marks shown in the Financial Information of the Company is nil.
12. As at 31st October 2012, the date to which the most recent management accounts out in the Unaudited Financial Information in Section 11 are made up, the aggregate amount of indebtedness of the Company was \$200,059,597 consisting of \$88,278,223 in current liabilities, \$4,235,627 in shareholders’ loans, \$1,697,969 in deferred tax liabilities and \$105,847,778 in long term borrowings.
13. No amount is currently recommended for distribution by way of dividend. The Company has not paid any dividends in the period represented by the Financial Information, having re-invested any profits. The Company’s dividend policy following admission to the Junior Market of the Jamaica Stock Exchange, is described in Section 7.11 of this Prospectus.
14. No real property is currently proposed to be purchased or acquired by the Company and 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.
15. Save as set out in paragraph 17 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.

16. 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 J\$7.5 million (inclusive of brokerage and financial advisory fees, legal fees, auditors' fees, marketing expenses Companies Registrar's fees, initial fees and GCT).
17. 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 save for Mayberry Investments Limited, who by virtue of a mandate letter dated 1st November are entitled to the following remuneration:

- 3.5% of the value of the funds raised in the Invitation

The fees described above are calculated exclusive of General Consumption Tax and disbursements.

18. The issue is not underwritten.
19. The material contracts of the Company are set out in Section 7.9.
20. The name and address of the auditors to the Company is: McKenley & Company, Chartered Accountants of 12 Kingslyn Avenue, Kingston 10.
21. McKenley & Company have given and have not withdrawn their consent to the issue of this Prospectus with the inclusion of the Financial Information, and their name in the form and context in which it is included.
22. The Company was incorporated on 25th February 1991 and it has carried on business since then. As at the date of this Prospectus the Company has no subsidiaries.

14.2 Taxation of Junior Market Companies: Concessionary Regime

Companies that successfully apply for admission to the Junior Market of the JSE will benefit from a concessionary tax regime, details of which are set out below.

- On 13th August 2009 the Minister of Finance issued the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice 2009 under section 86 of the Income Tax Act. The Remission Notice provides that Jamaican Junior Market companies are not liable to pay corporate income tax in the first 5 years after listing (e.g. they will benefit from a full income tax exemption). The Remission Notice also provides that in years 6 to 10 of listing, Jamaican Junior Market companies are liable to pay corporate income tax at half of the normal rate (e.g. they will benefit from a 50% income tax exemption). The tax concessions require Jamaican Junior Market companies to maintain their listing on the JSE (on either or both of the Main or Junior Markets) for a period of 15 years. If such a Company is de-listed at any time during the 15 year period, 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.
- Section 17(1)(d) of the Transfer Tax Act provides that transfers of shares made in the ordinary course of business on the Jamaica Stock Exchange will not attract transfer tax.
- The Schedule to the Stamp Duty Act provides that transfer documents in respect of share transfers made in the ordinary course of business on the Jamaica Stock Exchange will not attract Stamp Duty.

- Section 30(1)(c) of The Income Tax Act provides that the rate of income tax payable on dividend income received by holders of shares of companies listed on the Jamaica Stock Exchange is nil. The recent Budget announcement by the Government indicated that withholding will be re-introduced as of 1st June 2012 at the rate of 5% for Jamaican residents.

Prospective investors should seek advice on the taxation of Junior Market companies and their prospective investment in the Company from a professional adviser, and should not rely on the summary set out above.

Photo: Stamina Trucking division



Section 15

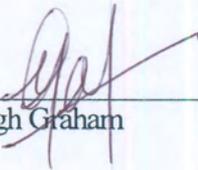
Documents available for Inspection

Copies of the following documents may be inspected at the law offices of Patterson Mair Hamilton 7th Floor Citigroup Building 63 – 67 Knutsford Boulevard, Kingston 5 between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date (or the extended Closing Date as the case may be):

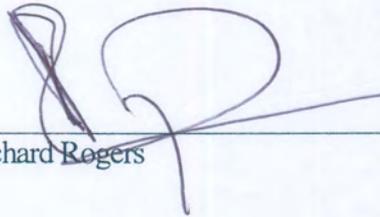
1. The Certificate of Incorporation of the Company dated 25th February 1991.
2. The Articles of Incorporation of the Company adopted by the Shareholders of the Company on 15th November 2012.
3. The audited accounts of the Company for the financial years ending 31st May 2007 to 2012 inclusive and the consent of McKenley & Company, to the inclusion of their name in the form and context in which it appears in this Prospectus.
4. The material contracts described in section 7.9 of this Prospectus.

Section 16

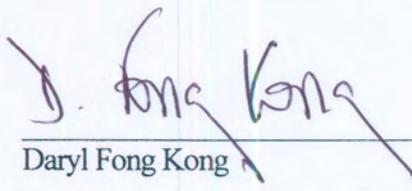
Directors' Signatures



Hugh Graham



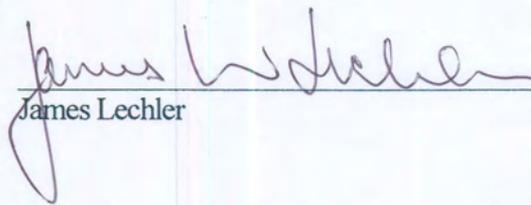
Richard Rogers



Daryl Fong Kong



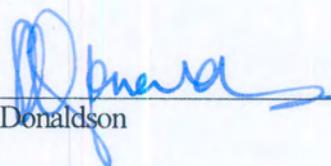
Radcliff Knibbs



James Lechler



Jukie Chin



Sharon Donaldson

Appendix 1

Application Form

 COMPANY RESERVED SHARE APPLICANT
 KEY PARTNER SHARE APPLICANT

PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

TO: PARAMOUNT TRADING JAMAICA LIMITED (“PARAMOUNT TRADING” or the “Company”)

Re: Invitation for Subscription in respect of up to 30,840,000 Ordinary Shares at **\$2.43** each being offered made pursuant to the Prospectus dated and registered on or around Wednesday the 12th December 2012. 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 ordinary shares in Paramount Trading on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of **J\$2.43** each, and I/we attach my/our cheque for *inclusive* of processing fees of J\$110.00 payable to Mayberry Investments Limited (“Mayberry”) or JN Fund Managers Limited (“JNFM”), or I/we request Mayberry or JNFM to make payment on my behalf from cleared funds held by them in my name in account numbered I/We hereby instruct Mayberry or JNFM to debit my/our account with the sum of for the purposes of my/our subscription of ordinary 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 Paramount Trading, 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 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).

INSTRUCTIONS TO COMPLETING APPLICATION FORM: All fields are relevant and must be completed. Please indicate your JCSD account number here.

PRIMARY HOLDER DETAILS

 JCS D ACCOUNT NUMBER **BROKER CODE**

PRIMARY HOLDER (EITHER COMPANY OR INDIVIDUAL)

 TITLE **TAXPAYER REGISTRATION NUMBER** **CITIZENSHIP** **NATIONALITY** **CLIENT TYPE** **ACCOUNT TYPE**

OCCUPATION OR, IF EMPLOYED BY THE COMPANY PLEASE STATE YOUR POSITION, OR STATUS IF YOU ARE A PRIORITY SHARE APPLICANT

MAILING ADDRESS LINE 1

MAILING ADDRESS LINE 2

MAILING ADDRESS LINE 3

 CITY (E.G. KINGSTON) **POSTAL CODE (E.G. 6)** **COUNTRY CODE**
 TELEPHONE NUMBER (HOME) **TELEPHONE NUMBER (WORK)** **TELEPHONE NUMBER (CELL)**

SIGNATURES:

INDIVIDUAL: _____ **DATE SIGNATURE AFFIXED:** _____

COMPANIES (COMPANY SEAL OR STAMP REQUIRED):
DIRECTOR: _____ **DIRECTOR/SECRETARY:** _____ **DATE SIGNATURES AFFIXED:** _____

USE BY REGISTRAR ONLY

Form ID:
Batch #

PLEASE CONTINUE ON REVERSE TO COMPLETE JOINT HOLDER INFORMATION
ALL APPLICANTS MUST INDICATE THEIR TAXPAYER REGISTRATION NUMBER (TRN) OR OTHER EQUAL IDENTIFIER ON THE APPLICATION
ALL APPLICANTS ARE REQUIRED TO PAY A NON REFUNDABLE J\$110.00 PROCESSING FEE PER APPLICATION SUBMITTED
THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA

JOINT HOLDER INFORMATION

| |
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FIRST NAMED JOINT HOLDER

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OCCUPATION

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TAXPAYER REGISTRATION NUMBER

SIGNATURE

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SECOND NAMED JOINT HOLDER

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OCCUPATION

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TAXPAYER REGISTRATION NUMBER

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THIRD NAMED JOINT HOLDER

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OCCUPATION

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TAXPAYER REGISTRATION NUMBER

SIGNATURE

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

1. Applications that are not from the Reserved Share pool must be for a minimum of 1,000 shares with increments in multiples of 1,000 shares. Applications in other denominations will **not** be processed or accepted.
2. 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 “Mayberry Investments Limited” or “JN Fund Managers Limited”
 - B. Authorization on the Application Form from the Applicant instructing Mayberry or JNFM to make payment from cleared funds held in an investment account in the Applicant’s name at Mayberry or JNFM (as the case may be)

If you are an applicant for any of the Priority Reserved Share pools please clearly specify where indicated in the Application Form.

3. If you are applying jointly with any other person, you must complete the Joint Holder Information and each joint holder **must** sign the Application Form at the place indicated.
4. 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.
5. 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 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
6. 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.

THIS SECTION FOR USE BY BROKER ONLY

DATE APPLICATION RECEIVED: _____

TIME RECEIVED: _____

PAYMENT METHOD: CHEQUE / AUTHORISATION LETTER

CHEQUE NUMBER OR LETTER DATE: _____

PAYMENT VALUE: _____

POOL: _____

BROKER STAMP AND SIGNATURE: