

AMG PACKAGING & PAPER
COMPANY LIMITED
FINANCIAL STATEMENTS
AUGUST 31, 2015

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 AMG PACKAGING & PAPER COMPANY LIMITED
 AUGUST 31, 2015

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**Bogle and Company**

Chartered Accountants

Worrick Bogle FCCA, FCA, CPA

AUDITORS' REPORT
TO THE MEMBERS
AMG PACKAGING & PAPER COMPANY LIMITED

We have audited the financial statements for AMG Packaging & Paper Company Limited set out on the following pages 3-22 which comprise the statement of financial position as of August 31, 2015 and the statement of comprehensive income, and statement of cashflows for the period 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 on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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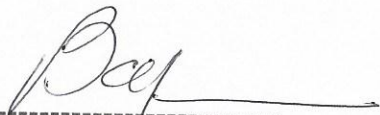
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of August 31, 2015 and the financial performance and cash flows of the company for the period then ended accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal Regulatory Requirements

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

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



BOGLE & COMPANY
Chartered Accountants
October 27, 2015

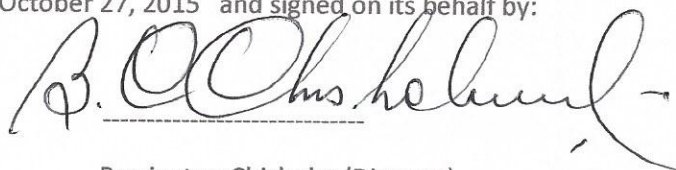
AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2015

<u>Assets</u>	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
<u>Non-current assets</u>			
Property, plant & equipment	3	232,455,910	239,599,772
Total non-current liabilities		<u>232,455,910</u>	<u>239,599,772</u>
<u>Current assets</u>			
Inventories	4	122,640,713	117,598,639
Accounts receivable net of allowances	5	89,538,525	80,999,913
Deposits	6	59,112,881	-
Cash & cash equivalents	7	63,863,562	21,866,726
Total current assets		<u>335,155,681</u>	<u>220,465,278</u>
Total assets		<u>567,611,591</u>	<u>460,065,050</u>
<u>Equity & liabilities</u>			
<u>Equity</u>			
Share capital	8	63,250,028	63,250,028
Revaluation reserve	9	48,928,537	48,928,537
Retained earnings		264,929,699	203,857,498
Total equity		<u>377,108,264</u>	<u>316,036,063</u>
<u>Non-current liabilities</u>			
Long-term loans	10	130,897,876	51,619,545
Related parties	11	-	3,421,358
Total non-current liabilities		<u>130,897,876</u>	<u>55,040,903</u>
<u>Current liabilities</u>			
Current portion of long-term loan	10	20,722,070	17,681,880
Accounts payable & accruals	12	38,883,381	71,306,205
Total current liabilities		<u>59,605,451</u>	<u>88,988,085</u>
Total equity & liabilities		<u>567,611,591</u>	<u>460,065,050</u>

Approved by the Board of Directors on October 27, 2015 and signed on its behalf by:



Mark Chin (Chairman)



Barrington Chisholm (Director)

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF PROFIT OR LOSS
YEAR ENDED AUGUST 31, 2015

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	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
Revenue		633,192,733	607,016,670
Cost of sales	13	483,838,764	490,884,746
Gross profit		149,353,969	116,131,924
Other income		2,604,963	2,191,686
		151,958,932	118,323,610
Selling and distribution expenses		(7,015,261)	(14,200,165)
Administrative expenses		(51,423,264)	(48,495,892)
Finance cost		(8,788,883)	(10,030,658)
Preliminary expenses - toilet paper operations		(5,231,129)	-
		(72,458,537)	(72,726,715)
Profit for the year		79,500,395	45,596,895
Earnings per share		\$0.78	\$0.45

Average number of shares in issue for the year of 102,378,857 (2014 - 102,378,857 shares)

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED AUGUST 31, 2015

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	Share capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance as at September 1, 2013	63,250,028	48,928,537	178,736,374	290,914,939
Dividend paid			(20,475,771)	(20,475,771)
Profit for the year	-	-	45,596,895	45,596,895
Balance as at August 31, 2014	<u>63,250,028</u>	<u>48,928,537</u>	<u>203,857,498</u>	<u>316,036,063</u>
Balance as at September 1, 2014	63,250,028	48,928,537	203,857,498	316,036,063
Dividend paid			(18,428,194)	(18,428,194)
Profit for the year	-	-	79,500,395	79,500,395
Balance as at August 31, 2015	<u>63,250,028</u>	<u>48,928,537</u>	<u>264,929,699</u>	<u>377,108,264</u>

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2015

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	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Profit for the year	79,500,395	45,596,895
Adjustment to reconcile income for year to net cash provided by operating activities		
Depreciation	12,941,970	11,976,896
	92,442,365	57,573,791
Increase in inventories	(5,042,073)	(24,851,199)
Decrease in related parties	(3,421,358)	(3,559,612)
Increase in receivables	(8,538,612)	(19,562,873)
Increase in payables & accruals	(32,422,823)	9,385,964
Net cash flows provided by operating activities	43,017,498	18,986,071
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(5,798,108)	(23,292,158)
Deposits on purchase of equipment	(59,112,881)	20,902,241
Net cash flows used in investing activities	(64,910,989)	(2,389,917)
<u>Cash flows from financing activities</u>		
Loan acquisition / (payments)	82,318,521	(8,384,445)
Dividends paid	(18,428,194)	(20,475,771)
Net cash flows used in financing activities	63,890,327	(28,860,216)
Net increase cash & cash equivalents	41,996,836	(12,264,065)
Cash & cash equivalents at beginning of year	21,866,726	34,130,791
Cash & cash equivalents at end of year(note 7)	63,863,562	21,866,726

1. Reporting entity

AMG Packaging & Paper Company Limited was incorporated on the 26th of September 2005, under the Jamaica Companies Act and is a wholly owned Jamaican company. Its registered office is located at 9 Retirement Crescent, Kingston 5. The Company was re-registered in July 2011 under the Companies Act 2004 as a public company. The Company is engaged primarily in the manufacturing, distribution and retailing of cartons of varying sizes.

2. Summary of significant accounting policies

a. Statement of compliance

These financial statements have been prepared using the historical cost convention which is in accordance with the International Financial Reporting Standards (IFRS).

b. Reporting currency

These financial statements are presented in the Jamaican dollars, which is the functional currency of the Company.

c. Basis of preparation

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	Disclosure Initiative ¹
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to IFRS 7	Amendments resulting from September 2014 Annual Improvements to IFRSs ¹

¹Effective for annual periods beginning on or after 1 January 2016.

Application of new and revised International Financial Reporting Standards (IFRSs)

IFRS 13 Fair Value Measurement	Short-term receivables and payables and clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property
IAS 16 Property, Plant and Equipment	Revaluation method – proportionate restatement of accumulated depreciation
IAS 38 Intangible Assets	Revaluation method -proportionate restatement of accumulated depreciation

IFRS 13 Fair Value Measurement: Scope of paragraph 52 (portfolio exception) Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a company of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of this amendment is to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

IAS 16 Property, Plant and Equipment: Revaluation method - proportionate restatement of accumulated depreciation clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 38 Intangible Assets: Revaluation method - proportionate restatement of accumulated amortisation clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IFRS 7: Financial Instruments: Disclosures

This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

Financial risk management

Interest rate risk

Interest rate risk arises when the value of financial instruments fluctuates during a specified period due to changes in market interest rates.

The company faces significant interest rate risk in respect to loans and investments.

Credit risk

Credit risk is the risk of exposure occasioned by one party to financial instrument when the other party fails to discharge an obligation thus causing the other party to suffer a financial loss.

The company faces significant credit risks at year end in respect to receivables from other companies.

Foreign currency risk

A foreign currency risk is that the value of a financial instrument will fluctuate due to changes in the foreign currency exchange rates.

The Company faces significant foreign currency risk in respect to payables and investments denominated in foreign currency.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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Liquidity risk

Liquidity risk is that which the Company faces when it encounters difficulties in raising funds to meet commitments associated with its financial instruments.

At August 31, 2015, the company did not face any significant liquidity risks.

<u>Assets</u>	<u>2015</u>			Total
	Within 3 months	3 to 12 months	1 to 5 years	
Cash resources	63,863,562			63,863,562
Other	190,121,487	26,381,142	-	216,502,630
Total	253,985,050	26,381,142	-	280,366,192
<u>Liabilities</u>				
Loans	-	20,722,070	130,897,876	151,619,946
Payables	38,883,381	-	-	38,883,381
Total	38,883,381	20,722,070	130,897,876	190,503,326
Total liquidity gap	215,101,670	5,659,072	(130,897,876)	89,862,866
Cumulative gap	215,101,670	220,760,742	89,862,866	-
<u>2014</u>				
Total liquidity gap	13,291,608	(14,149,670)	(15,233,019)	(16,091,081)
Cumulative gap	13,291,608	(858,062)	(16,091,081)	-

d. IAS 16 Property, Plant and Equipment

This standard shall be applied in accounting for property, plant and equipment except when another standard requires or permits a different accounting treatment.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) It is probable that future economic benefits associated with the item will flow to the entity; and
- (b) The cost of the item can be measured reliably

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

An entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

This company uses the revaluation model for land and buildings and the cost model for the other classifications as its measurement of recognition.

Revaluation

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

IAS 16 Property, Plant and Equipment (cont'd)

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

This Company recognises depreciation under the expense heading of "depreciation."

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The depreciation method used by the company is the straight line basis and is designed to write off the assets over its useful live.

Computer	20%
Furniture & fixtures	10%
Machinery and equipment	10%
Buildings	2.5%
Motor vehicle	12.5%

Repairs and maintenance expenditures are charged to the profit or loss in the statement of comprehensive income during the financial period in which they are incurred.

IAS 16 Property, Plant and Equipment (cont'd)

Inventories include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials). [IAS 2.6]

e. Inventory

Inventories are required to be stated at the lower of cost and net realisable value (NRV). [IAS 2.9]

Cost should include all: [IAS 2.10]

- costs of purchase (including taxes, transport, and handling) net of trade discounts received
- costs of conversion (including fixed and variable manufacturing overheads) and
- other costs incurred in bringing the inventories to their present location and condition

IAS 2 allows the FIFO or weighted average cost formulas. [IAS 2.25] The LIFO formula, which had been allowed prior to the 2003 revision of IAS 2, is no longer allowed.

NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. [IAS 2.6] Any write-down to NRV should be recognised as an expense in the period in which the write-down occurs. Any reversal should be recognised in the income statement in the period in which the reversal occurs.

f. Cash and cash equivalents

Cash and cash equivalents are held for the purposes of meeting short term commitments rather than for investments for other purposes. For an investment to qualify it must be convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of months or less from the date of acquisition

g. IAS 18 — Revenue

This standard outlines the accounting requirements as to when to recognise revenue from the sale of goods, rendering of services, and for interest, royalties and dividends. Revenue is measured at the fair value of the consideration received or receivable and recognised when prescribed conditions are met, which depend on the nature of the revenue.

The company's main revenue source which is sale of manufactured and printing bag is recognised on the Sales-basis method. Under this method revenue is recognised at the time of the sale, which is defined as the moment when the title of the goods is transferred to the buyer.

The company recognises other income when rights and obligations have been transferred to the entity.

h. IAS 21- Effects of changes in foreign exchange rates

An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations.

This Standard shall be applied:

(a) In accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of IFRS 9 Financial Instruments;

(b) In translating the results and financial position of foreign operations that are included in the financial statements of the entity by consolidation or the equity method; and

(c) In translating an entity's results and financial position into a presentation currency.

This company owns a foreign currency savings account which is subject to changes in exchange rate.

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period foreign currency monetary items shall be translated using the closing rate

i. IAS 24 Related Party Disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

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

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or

(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 a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A **related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

3. Property, plant & equipment

	Land, Building & Leasehold Improvement \$	Equipment \$	Motor Cycle \$	Computer & Equipment \$	Furniture & Fixtures \$	Total \$
<u>At cost/valuation</u>						
Balance as at August 31, 2013	185,636,704	58,769,908	180,258	928,452	4,195,325	249,710,647
Additions		21,403,069		1,051,000	838,088	23,292,158
Balance as at August 31, 2014	185,636,704	80,172,977	180,258	1,979,452	5,033,414	273,002,805
Balance as at August 31, 2014	185,636,704	80,172,977	-	1,979,452	5,033,414	272,822,547
Additions	2,773,699	1,554,320		214,589	1,255,499	5,798,108
Balance as at August 31, 2015	188,410,403	81,727,298	180,258	2,194,041	6,288,913	278,800,913
<u>Accumulated depreciation</u>						
Balance as at August 31, 2013	6,353,201	13,552,137	22,532	417,769	1,080,500	21,426,139
Charge for year	3,900,918	7,421,929	22,532	200,639	430,877	11,976,896
Balance as at August 31, 2014	10,254,118.56	20,974,066	45,064	618,408	1,511,377	33,403,035
Balance as at August 31, 2014	10,254,119	20,974,066	45,064	618,408	1,511,377	33,403,035
Current year charges	3,900,918	8,084,931	22,532	332,396	601,194	12,941,970
Balance as at August 31, 2015	14,155,036	29,058,997	67,597	950,804	2,112,571	46,345,005
<u>Carrying value</u>						
August 31, 2015	174,255,367	52,668,302	112,661	1,243,237	4,176,342	232,455,910
August 31, 2014	175,382,585	59,198,911	135,194	1,361,044	3,522,037	239,599,772

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

4. Inventories

	<u>2015</u>	<u>2014</u>
	\$	\$
Raw materials	119,408,000	114,659,162
Finished goods	3,232,712	2,939,477
	122,640,713	117,598,639

5. Accounts receivable

	<u>2015</u>	<u>2014</u>
	\$	\$
Trade receivables	82,384,267	79,639,563
Provision for bad debts	(4,323,392)	(2,765,241)
	78,060,874	76,874,323
Other receivables	11,477,651	4,125,590
	89,538,525	80,999,913

	Aged Trade Receivables			-
	Within 1 Months	31 to 60 Days	Over 60 Days	
<u>Balance at</u>	\$	\$	\$	\$
August 31, 2015	67,480,775	3,314,510	11,588,981	82,384,267
August 31, 2014	57,281,036	9,009,035	13,349,492	79,639,563

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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6. Deposits

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Deposits</u>	59,112,880.92	

This represents deposits made on machinery and equipment for new business segment to being established.

7. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
	\$	\$
Bank of Nova Scotia Jamaica Ltd		
- Current accounts	38,463,298	13,056,291
- Savings account (denominated in United States Dollars)	4,859,261	340,913
National Commercial Bank Limited		
-Current Account	2,802,183	1,807,594
Alliance Investments Management limited		
-Cash securities(denominated in United States Dollars) Repurchase Agreement	16,062,718	5,010,439
Stocks and Securities Limited		
-Repurchase agreement	1,001,896	990,935
Jamaica National Building Society Ltd.		
-Certificate of Deposit	644,007	630,352
Petty cash	30,200	30,200
	63,863,562	21,866,726

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

8. Share capital

	<u>2015</u>	<u>2014</u>
	\$	\$
Authorised: 140,000,000 (2010 - 15,000,000) ordinary shares no par value		
Capital issued and fully paid-		
102,387,857 ordinary shares at no par value	63,250,028	63,250,028

- i. The Company's authorised share capital was increased by five million dollars to 20 million dollars by the creation of 5 million ordinary shares of \$1.00 each. The new shares are to rank pari-passu with the existing shares.
- ii. By resolution on May 31, 2011, each ordinary share has been sub-divided into 7 ordinary shares such that the total issued shares of 20 million is now multiplied by 7 making a total of 140 million shares.

9. Revaluation reserve

Revaluation reserve results from the difference between the revaluation of land, building and equipment and their carrying value at February 12, 2011. The valuation was carried out by professional appraisers Valerie Levy & Associates limited and Stellar Caribbean (Ja.) Limited

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

10. Long-term loans

	<u>2015</u>	<u>2014</u>
	\$	\$
Bank of Nova Scotia Jamaica Limited		
Loan 1	2,260,550	4,973,210
Loan 2	49,358,995	60,128,215
Loan 3		4,200,000
Loan 4	70,000,401	
Loan 5	30,000,000	
Total loans	151,619,946	69,301,425
Current portion of long -term loans	20,722,070	17,681,880
Long-term portion of loans	130,897,876	51,619,545

Securities:

The Bank of Nova Scotia Jamaica Limited

- 1) First legal mortgage stamped \$102,000,000 over commercial premises located at 10 Retirement Crescent, registered in the name of AMG Packaging and Paper Company Limited. Kingston 5. Volume 1094 Folio 743 and Volume 1402 Folio 431 respectively. Appraised value of real estate pledged \$80,000,000 as at March 1, 2011.
- 2) Bill of sale stamped \$25,600,000, collateral to first legal mortgage over the above property, and over the following machinery & equipment:
 - i. Model: 2003 Dock stocker DSX40
 - ii. SG-3 Semi-auto gluing machine
 - iii. Two colour printer and rotary die cutting machines
- 3) Demand Debenture stamped to cover \$102,000,000 creating a first charge over fixed assets, and a floating charge over the other assets of the company.
- 4) Assignment of "All Risks" insurance coverage over 9B Retirement Crescent for the full replacement of building, inventory, furniture fixture and equipment owned by the company.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

11. Related parties

	<u>2015</u>	<u>2014</u>
Director's Loan	\$	\$
	-	3,421,358
	-	3,421,358

12. Accounts payable and accruals

	<u>2015</u>	<u>2014</u>
Trade payables	\$	\$
Accruals	25,418,055	59,232,353
	13,465,326	12,073,852
	38,883,381	71,306,205

	Aged Trade Payables			
<u>Balance at</u>	Within 1 Months	31 to 60 Days	Over 60 Days	Amount Due
	\$	\$	\$	\$
August 31, 2015	23,175,174	1,683,459	559,422	25,418,055
August 31, 2014	36,818,861	3,736,445	18,677,047	59,232,353
	36,818,861	3,736,445	18,677,047	59,232,353

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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13. Cost of sales

	<u>2015</u>	<u>2014</u>
	\$	\$
Cost of materials used	380,418,092	377,611,244
Salaries, wages & related costs	53,584,448	55,775,903
Insurance	6,067,380	5,348,123
Maintenance expenses	7,430,998	12,016,487
Travelling	1,391,830	1,185,890
Fuel	12,737,017	17,250,371
Water	1,195,353	
Depreciation	12,947,658	11,976,895
Electricity	8,065,988	9,556,531
Loose tools	-	151,301
Equipment lease & hireage	-	12,000
	<u>483,838,764</u>	<u>490,884,746</u>

14. Taxation

The Company having been listed on the Junior Stock Exchange in 2011 became eligible for remission of Income tax for 10 years, as below, provided the shares remain listed for at least 15 years.

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

The company will complete the first five (5) years, August 31, 2015

The theoretical tax charge that would arise on profit using applicable tax rate is:

	<u>2015</u>	<u>2014</u>
	\$	\$
Profit before Tax	79,500,395	45,596,895
Net adjustments	6,382,609	850,399
	<u>85,883,004</u>	<u>46,447,294</u>
Calculated tax @ 25%	21,470,751	11,611,824
Tax exempt	<u>21,470,751</u>	<u>11,611,824</u>

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

15. Staff cost

Staff costs for the year totalled \$67,178,625 while the total number of employees during the year was (95). 2014-(101employees)

	<u>2015</u>	<u>2014</u>
	\$	\$
I. Staff compensation	73,957,447	67,178,625
II. Staff welfare	4,231,357	3,282,017
	<u>78,188,805</u>	<u>70,460,642</u>

16. Statutory disclosures

	<u>2015</u>	<u>2014</u>
	\$	\$
Directors' remuneration	7,066,767	5,963,646
Directors' fees	3,080,000	3,486,666
Interest on loans	8,788,883	9,689,388
Depreciation	12,941,970	11,976,895
Auditors' remuneration	1,375,000	1,050,000
	<u>33,252,619</u>	<u>32,166,596</u>

17. Expenses by nature

	<u>2015</u>	<u>2014</u>
	\$	\$
Administrative and management remuneration	24,851,357	20,888,524
Selling and distribution expenses	7,015,261	14,200,165
Motor vehicle expenses	647,180	1,061,280
Utilities	1,423,972	1,670,721
Loan interest and finance charges	8,788,883	10,030,658
Other	29,731,884	24,875,366
	<u>72,458,537</u>	<u>72,726,715</u>

AMG Packaging and Paper Company Limited
Statement of Comprehensive Income
for the year ended
August 31, 2015

	3 months to August 31, 2015	Audited August 31, 2015	3 months to August 31, 2014	Audited August 31, 2014
Turnover	\$ 170,932,756	\$ 633,463,371	\$ 164,663,305	\$ 607,016,670
Cost of Inventories	(98,458,576)	(384,146,470)	(104,814,017)	(377,611,244)
Direct Expenses	(23,785,485)	(90,466,985)	(28,409,642)	(113,273,502)
Total Manufacturing Costs	(122,244,061)	(474,613,455)	(133,223,659)	(490,884,746)
Gross Profit	48,688,695	158,849,916	31,439,646	116,131,924
Expenses:				
Administrative	(16,198,971)	(55,447,098)	(16,405,780)	(46,632,496)
Finance Costs	(2,327,734)	(10,209,090)	(3,438,238)	(10,630,658)
Directors Fees	(626,667)	(3,080,000)	(626,667)	(3,486,666)
Depreciation	(3,245,465)	(12,947,658)	(3,166,034)	(11,976,895)
Profit Before Tax	26,289,857	77,166,070	7,802,927	43,405,209
Other Income	765,014	2,334,324	1,014,016	2,191,686
(Loss) Profit, Total Comprehensive Income for the period	27,054,871	79,500,395	8,816,943	45,596,895
No. of Shares Issued	102,378,857	102,378,857	102,378,857	102,378,857
EPS	\$ 0.26	\$ 0.78	\$ 0.09	\$ 0.45



GENERAL MANAGER'S STATEMENT

AMG Packaging & Paper Company Limited (AMG) is pleased to present our audited financial statements for the 12 months ended August 31, 2015.

FINANCIAL PERFORMANCE

AMG has continued our positive performance with an increase in key financial matrices. Revenues for the period increased 4.36% to \$633.46 million as compared to \$607.01 million (2014). Gross Profit for the year increased 36.78%, moving from \$116.13 million (2014) to \$158.85 million (2015). There was a 74.35% or \$35.54 million increase in profit for the financial year. Total Profit increased from \$45.59 million (2014) to \$79.50 million (2015).

2014/2015 continued to prove challenging as we were still plagued by the volatility of the US dollar. There was a dramatic increase in our raw material prices mid-year. Despite these challenges, Total Manufacturing Costs decreased by 3.42% to \$474.61 million as compared to \$490.88 million (2014). The conversion to LPG as well as managing overtime has positively contributed to our bottom line. The purchasing of new machinery has also showed benefits by decreasing our repairs and maintenance costs.

Administrative Expense rose 18.90% (\$55.44 million) compared to 2014 (\$46.63 million). The hiring of key personnel contributed to the increase in this area.

	12 months to August 31, 2015	12 months to August 31, 2014
Total Revenues	633,463,371	607,016,670
Profit	79,500,395	45,596,895
Total Assets	567,611,591	460,065,050
Total Shareholder's Equity	377,108,264	316,036,063

Revenues for the quarter increased 3.81% to \$170.93 million (2015) as compared to \$164.66 million (2014). Total Manufacturing Costs decreased 8.98% as compared to the same time period last year (\$133.22 million 2014-\$122.24 million 2015). The improvement in Revenues and the decrease in Manufacturing Costs allowed Gross Profit to increase by 54.86%, moving from \$31.44 million (2014) to \$48.69 million (2015). Total Profit for the quarter increased by 206.85% or \$18.24 million, (\$8.82 million (2014) - \$27.05 million (2015)).



After 10 years in operation, it is pivotal that AMG continues to provide quality products as well as excellent customer service. This has been solidified with our ISO 9001:2008 certification, which we attained earlier this year. As we move forward into the 2015/2016 Financial Year, AMG is determined to manage our costs while increasing sales

Michael P. Chin
General Manager

AMG PACKAGING & PAPER COMPANY LIMITED

TOP 10 SHAREHOLDERS AT 31 AUGUST 2015

Issued Ordinary shares

102,378,857

SHAREHOLDERS	SHAREHOLDINGS	%
RANKINSTON LIMITED	32,351,718	31.600
GEORGE HUGH HOLDINGS LIMITED	24,263,792	23.700
HEISS HOLDINGS LIMITED	24,263,792	23.700
JCSD TRUSTEE SERVICES SIGMA VENTURE FUND	1,915,428	1.871
HAROLD SOLTAU	1,361,605	1.330
GERALD W. PURDY	1,072,687	1.048
COLIN STEELE	887,465	0.867
SJLIC FOR SCOTIABRIDGE RETIREMENT SCHEME	860,371	0.840
JCSD TRUSTEE SERVICES SIGMA OPTIMA	847,629	0.828
GUARDIAN LIFE LIMITED GUARDIAN EQUITY FUND	643,896	0.629
	88,468,383	86.413
NO. OF SHAREHOLDERS AT 31/08/2015	JCSD MAIN REGISTER	311 2
	TOTAL	313

**AMG PACKAGING & PAPER COMPANY LIMITED
DIRECTORS SHAREHOLDINGS**

DIRECTORS' NAMES	SHAREHOLDING	CONNECTED PARTY
ANTONIA HUGH	32,351,718	RANKINSTON LIMITED
MARK CHIN/PAUL CHIN	24,263,792	HEISS HOLDINGS LIMITED
GEORGE HUGH	24,263,792	GEORGE HUGH HOLDINGS LTD
PETER D. CHIN	332,370	
MICHAEL FRASER	382,913	
BARRINGTON CHISHOLM	76,583	
	81,671,168	

SENIOR MANAGERS

MICHAEL P. CHIN	394,487
LESLIE MCPHERSON	38,291
CHRISTOPHER HENDRIKS	1,249
	434,027