



## GENERAL MANAGER'S STATEMENT

AMG Packaging & Paper Company Limited (AMG) is pleased to present its audited financial statements for the 12 months ended August 31, 2013.

2012/2013 was another exciting year for us at AMG. Our new warehouse located at 9 Retirement Crescent is up and our raw materials now being securely stored. The clamp forklift we purchased has already shown us the savings we expected with less damaging of the rolls while being transported. Accounts Department has moved into the new building along with our receptionist. AMG Packaging & Paper Co. Ltd. is pleased with the outlook of the future in the corrugated cardboard industry.

We are excited with the acquisition of the two new additional machines. We expect them to be here within the first quarter of the new financial year. The larger Rotary Die Cut Machine and the Multi Functional Machine will enhance our quality as well as enable us to increase production.

We are currently putting things in place to accommodate the increase in production we anticipate. We have started the process of becoming ISO 9001:2005 certified. This is a quality management based certification which will take AMG to the level where we will be recognized on a global basis. This will enable us to continue to improve the quality of the products we produce as well as improve the operations within the organization.

Our performance for the year was satisfactory in a number of areas in spite of a challenging operating environment. Sales for the year ended August 31, 2013 increased 24.3% to \$444.5 million as a result of an increase of 16% in the number of units produced 17.7 million. The increase in sales resulted in a 17.1% increase in Net Profit of \$48.9 million.

Management continues to focus on managing the manufacturing expenses as this result was achieved in spite of a challenging year. Manufacturing Costs increased by 21% to \$337.78 million compared to \$275.3(2012). The Compensation Committee met and elected to revise the pay packages for employees. All employees were given an adjustment to their pay package within the financial year 2013; prior to this an increase was given in 2009. A Corrugator specialist was brought in to retrain our Corrugator personnel as well as evaluate and made adjustments to the Corrugator. Major roof repairs as well as installing a new pit all contributed heavily to the increase in our Manufacturing Costs. Fuel costs should register a reduction this financial year as we are moving to LPG. Interesting to note that 2011/2012 our electricity costs were up 21.3% and for 2012/2013 they were up by only 13.6%, keeping in mind we showed a 16% increase in the number of units produced. This result shows that some of the energy saving tactics employed are paying off,

With the purchase of the Rotary Die Cut machine in the latter part of 2012, we had to purchase new Dies and Printing Plates for all our Die Cut customers. We don't expect this to happen at that level this year.

Administrative Expense rose 50% compared to 2012. There was an increase of 17% in Salaried Expenses again stemming from the recommendations of the Compensation Committee. We strengthened our team with the acquisition of a Quality Manager who will oversee the ISO 9001 process. A consultant was obtained to guide us on the process of becoming ISO 9001 certified. Our Accounting team has also been strengthened with the acquisition of a new Accounting Clerk as well as Filing personnel. We are in the process of acquiring a Human Resource Manager. These key acquisitions are steps in strengthening our team to accommodate the production and expansion growth we have in our plans for the future. Our security team was increased to monitor both locations on a 24 hour basis.

The cost and charges of the loan proceeds all contributed to the high increase we experienced, (loan interest increased 38% to \$5.1 million, bank charges moved by over 200%). The loan was used to assist with the financing of the new building and equipment. Depreciation was also up (13.5% or \$2.8mm), understandably so, because of the new building and equipment.

The devaluation of the Jamaican dollar created sharp increases to our raw materials which weighed heavily on our bottom line.

Based on the environment we are operating in, AMG was still able to increase profits (3.7%) and while net margin declined close to 16.5%, this in the context of higher inflation and a significant devaluation.

	12 months to August 31,2013	12 months to August 31,2012
Total Revenues	444,467,965	357,461,714
Gross Profit	110,714,678	82,168,592
NetProfit	48,931,535	41,802,566
Total Assets	437,502,020	309,802,823
Total Shareholder's Equity	290,914,939	241,483,210

The new financial year has again begun on a positive note given the sound foundation we continue to build on. The next 12 months will continue to see many positive changes at AMG with our increased production capacity. On behalf of the AMG team we would like to wish our shareholders a peaceful holiday season and all the very best for the New Year.

Michael P. Chin  
General Manager

AMG Packaging Paper Company Limited  
Statement of Comprehensive Income  
for the year ended  
August 31, 2013

	3 months to August 31, 2013	Audited August 31, 2013	3 months to August 31, 2012	Audited August 31, 2012
	\$	\$	\$	\$
<b>Turnover</b>	128,694,443	444,467,965	89,360,630	357,461,714
Cost of Sales	(67,431,550)	(248,082,067)	(45,286,587)	(210,982,202)
Direct Expenses	(30,513,694)	(85,671,220)	(21,530,569)	(64,310,920)
<b>Total Manufacturing Costs</b>	<b>(97,945,244)</b>	<b>(333,753,287)</b>	<b>(66,817,156)</b>	<b>(275,293,122)</b>
<b>Gross Profit</b>	30,749,199	110,714,678	22,543,474	82,168,592
<b>Expenses:</b>				
Administrative	(11,788,612)	(44,225,560)	(8,670,672)	(27,946,286)
Finance Cost	(2,127,127)	(6,232,927)	(716,077)	(3,805,178)
Directors Fees	(210,000)	(1,830,000)	(210,000)	(1,950,000)
Depreciation	(3,134,265)	(9,494,656)	(1,832,536)	(6,664,562)
<b>Profit Before Tax</b>	<b>13,489,195</b>	<b>48,931,535</b>	<b>11,114,189</b>	<b>41,802,566</b>
Other Income	363,196	500,192	5,101,579	5,863,523
<b>(Loss) Profit, Total Comprehensive Income for the period</b>	<b>13,852,391</b>	<b>49,431,727</b>	<b>16,215,768</b>	<b>47,666,089</b>
No. of Shares Issued	102,378,857	102,378,857	102,378,857	102,378,857
EPS	0.14	0.48	0.16	0.47



**AMG PACKAGING & PAPER**  
**COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**AMG PACKAGING & PAPER COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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**BOGLE & COMPANY**  
CHARTERED ACCOUNTANTS

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

We have audited the financial statements for AMG Packaging & Paper Company Limited set out on the following pages 3-19 which comprise statement of financial position as of August 31, 2013 and the statement of comprehensive income, the statement of changes in Equity 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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WORRICK BOGLE, FCCA FCA CPA

Email: [info@bogleandcompany.com](mailto:info@bogleandcompany.com)

**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, 2013 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.

  
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**BOGLE & COMPANY**

October 28, 2013

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**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2013**

<u>Assets</u>	<u>Notes</u>	<u>2013</u> \$	<u>2012</u> \$
<u>Non-current assets</u>			
Property, plant & equipment	5	228,284,508	128,116,038
Deposit on property	6	-	49,818,706
<u>Current Assets</u>			
Inventories	7	92,747,440	74,887,769
Accounts receivable net of allowances	8	61,437,040	34,799,805
Deposit on equipment	9	20,902,241	3,804,186
Taxation recoverable	10	-	947,591
Cash & cash equivalents	11	34,130,791	17,428,727
<b>Total Assets</b>		<u>209,217,512</u>	<u>131,868,078</u>
		<u>437,502,020</u>	<u>309,802,823</u>
<u>Equity &amp; Liabilities</u>			
<u>Equity</u>			
Share capital	12	63,250,028	63,250,028
Revaluation reserve	13	48,928,537	48,928,537
Retained earnings		178,736,374	129,304,645
		<u>290,914,939</u>	<u>241,483,210</u>
<u>Non-current liabilities</u>			
Long-term loans	14	68,221,098	15,233,019
Related parties	15	6,980,970	-
		<u>75,202,068</u>	<u>15,233,019</u>
<u>Current liabilities</u>			
Current portion of long-term loan	14	9,464,772	14,149,670
Accounts payable & accruals	16	61,920,241	38,936,923
		<u>71,385,013</u>	<u>53,086,593</u>
<b>Total Equity &amp; Liabilities</b>		<u>437,502,020</u>	<u>309,802,823</u>

Approved by the Board of Directors on October 28, 2013 and signed on its behalf by:

  
 Barrington Chisholm

Director

  
 Mark Chin

Director

The accompanying notes form an integral part of these Financial Statements and should be read in conjunction therewith.



**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**AUGUST 31, 2013**

	<u>Notes</u>	<u>2013</u> \$	<u>2012</u> \$
Revenue	17	444,467,965	357,461,714
Cost of sales	18	334,296,077	273,904,345
Gross profit		<u>110,171,888</u>	<u>83,557,369</u>
Other Income	19	<u>500,193</u>	<u>5,863,522</u>
		<u>110,672,081</u>	<u>89,420,892</u>
Selling and distribution expenses		(8,951,866)	(8,053,339)
Administrative expenses		(46,055,559)	(29,896,286)
Finance cost		(6,232,927)	(3,805,178)
		<u>(61,240,352)</u>	<u>(41,754,804)</u>
Profit before taxation		49,431,729	47,666,088
Taxation	20	-	-
Profit for the year		49,431,729	47,666,088
		<u>49,431,729</u>	<u>47,666,088</u>
Total comprehensive Income		<u>49,431,729</u>	<u>47,666,088</u>
Earnings per share		\$0.48	\$0.47

Average number of shares in issue for the year of 102,378,857 ( 2012 - 102,378,857 shares)

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**AUGUST 31, 2013**

	Share capital	Revaluation reserve	Retained earnings	Total equity
	\$	\$	\$	\$
Balance as at September 1, 2011	63,250,028	48,928,537	81,638,557	193,817,122
Profit for the year	-	-	47,666,088	47,666,088
Balance as at August 31, 2012	<u>63,250,028</u>	<u>48,928,537</u>	<u>129,304,645</u>	<u>241,483,210</u>
Balance as at September 1, 2012	63,250,028	48,928,537	129,304,645	241,483,210
Profit for the year	-	-	49,431,729	49,431,729
Balance as at August 31, 2013	<u>63,250,028</u>	<u>48,928,537</u>	<u>178,736,374</u>	<u>290,914,939</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF CASHFLOWS**  
**AUGUST 31, 2013**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b><u>Cash flows from operating activities</u></b>		
Net Profit	49,431,729	47,666,088
Adjustment to reconcile income for year to net cash provided by operating activities		
Depreciation	9,494,658	6,664,562
	<u>58,926,387</u>	<u>54,330,649</u>
Decrease in taxation recoverable	947,591	(318,527)
Increase in inventories	(17,859,671)	(17,380,860)
Decrease in related parties	6,980,970	287,069
Increase in receivables	(26,637,235)	6,490,609
Decrease in taxation	-	(5,319,392)
Increase in payables & accruals	22,983,319	(18,150,370)
Net cash flows from operating activities	<u>45,341,362</u>	<u>19,939,178</u>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(109,663,126)	(25,557,756)
Deposits	32,720,651	(38,431,047)
Investments	-	51,576,032
Net cash used in investing activities	<u>(76,942,475)</u>	<u>(12,412,771)</u>
<b><u>Cash flows from financing activities</u></b>		
Loan acquisition / (payments)	48,303,181	1,899,819
Net cash flows from financing activities	<u>48,303,181</u>	<u>1,899,819</u>
Net increase cash & cash equivalents	16,702,066	9,426,225
Cash & cash equivalents at beginning of year	<u>17,428,727</u>	<u>8,002,501</u>
Cash & cash equivalents at end of year(note 11)	<u><u>34,130,791</u></u>	<u><u>17,428,727</u></u>



**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**1 Identification and principal activities**

AMG Packaging and Paper Company Limited "the Company"

- (a) The Company was incorporated on the 26th of September 2005, under the Jamaica Companies Act and is a wholly owned Jamaican company. It's 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 .

- (b) Activities

The Company is engaged primarily in the manufacturing, distribution and retailing of cartons of varying sizes.

- (c) Stock Exchange Listing

The Company has been listed on the Jamaica Junior Stock Exchange since July 14, 2011

**2 Reporting Currency**

The amounts in these financial statements are expressed in Jamaican dollars, which is the primary currency in the country in which the Company operates.

**3 Statement of Compliance , Basis of Preparation and Significant Accounting Policies**

- (a) Statement of Compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretation adopted by the International Accounting Standards Board (IAS) and have been prepared under the historical cost convention.

- (b) Basis of Preparation and Significant Accounting Policies

*IFRS 7, Financial Instruments: Disclosures* led to some changes in the qualitative and quantitative disclosures relating to credit risk. In particular, disclosure of the amount of the Company's maximum exposure to credit risk 'without considering any collateral held 'is now made only if the carrying amount of the financial assets does not already reflect such exposure.

*Revised IAS 24, Related Party Disclosures, introduced changes to related party disclosure* requirements for government -related entities and amends the definitions of a related party. Aside from the change of the definition of a related party in note 3(g), this revision did not have any impact on the financial statements.

*IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* is effective for annual periods beginning on or after July 1, 2012. It has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be classified 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 the 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.



**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**Basis of Preparation and Significant Accounting Policies continued**

*IFRS 9, Financial instruments* (effective January 1, 2013). It introduces new requirements for classifying and measuring financial instruments. The standard also amends some of the requirements of *IFRS 7* financial instruments: disclosures

- Including added disclosures about investments in equity instruments through other comprehensive income.

*IFRS 12, Disclosure of Interest on Other Entities* is effective for annual reporting periods beginning on or after January 1, 2013. It contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and /or unconsolidated structured entities. These requirements aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and effects of those interests on the entities' financial position, financial performance and cash flows.

*IFRS 13, 'Fair Value Measurement'* (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires value measurements. This standard applies to those standards that require or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

**(c) Use of estimates**

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities at the date of the statement of financial position, and the income and expenses for the year then ended. Actual amounts may vary from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

**(d) Judgement in evaluation of contingencies**

For a contingent liability to qualify for recognition there must be a present obligation and the probability of an outflow of economic benefits to settle that obligation. In recognising contingent liabilities of the company, management determines the possibility of an outflow of resources and makes estimates of expenditure required to settle the present obligation at the reporting date.

No provision is made if management considers the possibility of any outflow in settlement to be remote.

**(e) Inventories**

Inventories are stated at the lower of cost and net realisable value and have been calculated on the First-In First-Out basis.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**Basis of Preparation and Significant Accounting Policies continued**

**(f) Depreciation**

Depreciation is charged on the straight line basis at rates designed to write off the cost or valuation of assets over their useful lives. The first year is pro-rated based on date of acquisition. Rates are as follows:

Buildings	2.5%
Equipment	10%
Computer & Equipment	20%
Furniture & Fixtures	10%

**(g) Related Parties**

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

A party is related to the company, if:

- (i) directly or indirectly through one or more intermediaries, the party :
  - (a) is controlled by, or is under common control with, the company (this includes parties, subsidiaries and fellow subsidiaries)
  - (b) has an interest in the company that gives it significant influence over the entity; or
  - (c) has joint control over the company;
- (ii) the party is an associate of the company
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

The company has related party relationship with it's directors and key management personnel.

**(h) Investments**

Investment is carried in the financial statements at fair value. Gains and losses arising in changes in the market value of the investment is recorded in the statement of profit or loss and other comprehensive income in the period in which they arise.

**(i) Tax Exemption Status**

The company is currently listed on the Jamaica Junior Stock Exchange. This listing renders the company exempt from Income Tax for five years from the original listing in July 2011, with the proviso that the company remains on the Stock Exchange for at least fifteen years.



**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**Basis of Preparation and Significant Accounting Policies continued**

**(j) Foreign Currency Transaction**

Foreign currency transactions are converted and included in the financial statements at the prevailing rate of exchange at the transaction date. Deposits held and liabilities in foreign currency at the date of the statement of financial position are adjusted to reflect the Jamaican equivalent as at that date. Exchange differences arising from settling income transactions are reflected in the statement of profit or loss and other comprehensive income.

**(h) Trade Receivables**

A trade receivable is carried at invoiced amounts less provision made for impairment losses. Provision for impairment of trade receivable is established when there is sufficient evidence that the company will not be able to recover the full amounts in accordance with the original terms of the transaction.

**(i) Borrowing & Borrowing costs**

Borrowings are recognised initially as the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings. Borrowing costs are recognised in the period in which they are incurred.

**(j) Cash & Cash Equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the statement of cash flows, this is comprised of deposits, cash at bank and cash in hand.

**(k) Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

**(l) Revenue Recognition**

Revenue is recognised in the statement of profit or loss and other comprehensive income when it is probable that future economic benefit associated with the items of revenue will flow to the company and is able to be reliably measured. Revenue from the sale of goods are measured at fair value of the consideration received or receivable net of discounts and allowances.

**(m) Interest Income**

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest bearing instruments on the accruals basis.

**4 Financial Instruments and Risk management**

A Financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another. Financial assets carried in the statement of financial position include accounts receivable and cash. Bank overdraft and accounts payable are deemed financial liabilities.

**4 Financial Instruments and Risk management continued**

**(a) Interest Rate Risk**

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

The company is exposed to interest rate risk regarding loans and its bank balances as at August 31, 2013.

**(b) Credit Risks**

Credit risk is the risk of exposure occasioned by one party to financial instruments when the other party fails to discharge an obligation thus causing the other party to suffer a financial loss. The company has policies in place to ensure that sale of products and services are made to customers with an appropriate credit history. The company is exposed to credit risks in respect of its receivables from other companies and individuals.

The maximum exposure to credit risk at the reporting date is represented by the carrying value amount of each financial asset as follows:

	<u>Carrying value</u> <u>2012</u>	<u>Carrying value</u> <u>2011</u>
Cash equivalents	\$ 34,130,791	\$ 17,428,727
Receivables	61,437,040	34,799,805
	95,567,830	52,228,532

**(c) Foreign Currency Risk**

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

The company has direct exposure to foreign currency risk regarding savings account and payables which are denominated in United States Dollars.

**(d) Cash Flow Risk**

Monetary financial instrument will fluctuate in amount. The Company manages this risk by budgetary measure, ensuring that fluctuations in cash flows relating to the monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

**(e) Liquidity Risk**

Liquidity risk is that risk which a company faces when it encounters difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities.

At 31 August 2013, the Company did not face any liquidity risks as indicated below:



## AMG PACKAGING &amp; PAPER COMPANY LTD

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

(e) Liquidity Risk continued.

	2013			
	Within 3 months	3 to 12 months	1 to 5 years	Total
<b>Assets</b>				
Cash resources	34,130,791			34,130,791
Other	138,135,766	17,846,925	-	155,982,691
Total	172,266,557	17,846,925	-	190,113,482
<b>Liabilities</b>				
Loans	-	9,464,772	68,221,098	77,685,870
Payables	61,920,241	-	-	61,920,241
Total	61,920,241	9,464,772	68,221,098	139,606,110
Total liquidity gap	110,346,317	8,382,152	(68,221,098)	50,507,372
Cumulative gap	110,346,317	118,728,470	50,507,372	-
<b>2012</b>				
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)	-



AMG PACKAGING & PAPER COMPANY LTD  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2013

5 Property, Plant & Equipment

	Land	Building	Equipment	Motor Cycle	Computer	Furniture &	Total
	\$	\$	\$	\$	\$	\$	\$
<u>At cost/valuation</u>							
September 1, 2011	18,000,000	63,033,953	31,120,575	-	350,533	1,984,705	114,489,766
Additions	-	2,052,751	22,427,552	180,258	235,247	661,948	25,557,756
Balance as at August 31, 2012	18,000,000	65,086,704	53,548,127	180,258	585,780	2,646,653	140,047,521
Balance as at September 1, 2012	18,000,000	65,086,704	53,548,127	-	585,780	2,646,653	139,867,264
Additions	11,600,000	90,950,000	5,221,781	-	342,672	1,548,672	109,663,126
Balance as at August 31, 2013	29,600,000	156,036,704	58,769,908	180,258	928,452	4,195,325	249,710,648
<u>Accumulated depreciation</u>							
September 1, 2011	-	2,317,171	2,319,375	-	185,333	445,044	5,266,923
Charge for year	-	844,696	5,478,259	-	106,160	235,447	6,664,561
Balance as at August 31, 2012	-	3,161,867	7,797,633	-	291,493	680,490	11,931,483
Balance as at 1 September 2012	-	3,161,867	7,797,633	-	291,493	680,490	11,931,483
Current year charges	-	3,191,334	5,754,503	22,532	126,277	400,010	9,494,658
Balance as at August 31, 2013	-	6,353,201	13,552,137	22,532	417,769	1,080,500	21,426,139
<u>Net Book Value</u>							
August 31, 2013	29,600,000	149,683,503	45,217,773	157,725	510,683	3,114,825	228,284,508
August 31, 2012	18,000,000	61,924,837	45,750,493	180,258	294,287	1,966,163	128,116,038

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

<b>6 <u>Deposit on Property</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Land & Building - 9 Retirement Crescent	-	40,000,000
Building structure/ frames	-	9,818,706
	<u>-</u>	<u>49,818,706</u>

<b>7 <u>Inventories</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Raw materials	90,773,133	71,401,606
Finished goods	1,974,307	3,486,164
	<u>92,747,440</u>	<u>74,887,769</u>

<b>8 <u>Accounts Receivable</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Trade receivables	59,637,732	34,996,725
Provision for bad debts	(1,798,211)	(1,798,211)
	<u>57,839,521</u>	<u>33,198,514</u>
Other receivables	3,597,519	1,601,291
	<u>61,437,040</u>	<u>34,799,805</u>

	Aged Trade Receivables			Carrying Value
	Within 1 Months	31 to 60 Days	Over 60 Days	
<b>Balance at</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
August 31, 2013	45,388,326	4,341,447	9,907,959	59,637,732
August 31, 2012	26,900,088	2,712,494	5,384,143	34,996,725

<b>9 <u>Deposit on Equipment</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
	<u>20,902,241</u>	<u>3,804,186</u>

**10 Tax Recoverable**

Amount represents General Consumption Tax (GCT) recoverable from the collectorate based on the Company's input tax being in excess of it's output tax.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
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<b>11 Cash &amp; Cash Equivalent</b>	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Bank of Nova Scotia Ja Ltd</b>		
- Current account	17,427,540	8,010,180
- Savings account (denominated in United States Dollars)	308,634	323,172
<b>National Commercial Bank Limited</b>		
- Current accounts	1,760,655	1,052,313
<b>Alliance Investments Management limited</b>		
Cash securities (denominated in United States Dollars)	13,828,541	-
Repurchase Agreement	158,918	692,274
<b>Stocks and Securities Limited</b>		
Repurchase Agreement	616,303	7,320,588
Petty Cash	30,200	30,200
	<u>34,130,791</u>	<u>17,428,727</u>

<b>12 Share Capital</b>	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Authorised:</b>		
140,000,000 (2010 - 15,000,000) ordinary shares no par value		
<b>Capital issued and fully paid-</b>		
102,387,857 ordinary shares at no par value	63,250,028	69,354,803
Less: Transaction costs of issued shares	-	(6,104,775)
	<u>63,250,028</u>	<u>63,250,028</u>

- (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.

**13 Revaluation Reserves**

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 &amp; PAPER COMPANY LTD

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2013

14 Long-term loans

	<u>2013</u>	<u>2012</u>
	\$	\$
Bank of Nova Scotia Jamaica Limited		
Loan 1	7,685,870	10,398,530
Loan 2	-	4,028,634
Loan 3	-	7,408,375
Loan 4	70,000,000	-
	<u>77,685,870</u>	<u>21,835,539</u>
Alliance Investment Management Limited	-	7,547,150
Total loans	<u>77,685,870</u>	<u>29,382,689</u>
Current portion of long -term loan	9,464,772	14,149,670
Long-term portion of loan	<u>68,221,098</u>	<u>15,233,019</u>

- (i) Loan 1 has a duration of 5 years and a moratorium period of four (4) months on the principal payments. This loan is at an interest rate of 8.95% per annum.
- (ii) Loans 2 & 3 were revolving loans and which have been fully repaid.
- (iii) Loan 4 has a duration of 7 years and a moratorium period of (6) months on the principal payments. This loan is at an interest rate of 9.25% per annum.

Securities:Bank of Nova Scotia Jamaica Limited

- (1) Assignment of Commercial All Risks policy in favour of the bank to cover replacement value of the machinery and equipment
- (2) Second legal mortgage stamped an aggregate of \$25,600,000 and registered over commercial property located at lot # 30,10 Retirement Crescent, Kingston 5 and Lot B Collins Green, 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.
- (3) Bill of sale stamped \$25,600,000, collateral to 2nd legal mortgage over the above property, and over the following machinery & equipments:
- i) Model: 2003 Dock stoker DSX40
  - ii) SG-3 Semi-auto gluing machine L1400x W2800mm; MS Strapping machine; Pallet jacks
  - iii) Two colors printer and rotary die cutting machine chain feeding.
  - iv) Machine spare parts
- (4) 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.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

<b>15 Related Parties</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Director's Loan	6,980,970	-
	<u>6,980,970</u>	<u>-</u>

This is a vendor's mortgage for the balance of amount owing to a director for land sold to the company.

<b>16 Accounts Payable &amp; Accruals</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Trade payables	53,042,633	35,312,752
Accruals	8,877,608	3,624,170
	<u>61,920,241</u>	<u>38,936,923</u>

	Aged Trade Payables			
	Within 1 Months	31 to 60 Days	Over 60 Days	Amount Due
Balance at	\$	\$	\$	\$
August 31, 2013	44,829,369	8,039,372	173,893	53,042,633
August 31, 2012	30,705,721	4,233,564	373,467	35,312,752

**17 Revenue**

Revenue represents total sales net of discounts and General Consumption Tax (GCT)

<b>18 Cost of Sales</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Cost of materials used	248,082,067	210,982,202
Salaries, wages & related costs	39,942,599	27,141,112
Insurance	3,658,057	2,913,831
Maintenance expenses	10,473,469	6,905,108
Travelling	546,126	120,000
Fuel	14,758,038	12,346,834
Depreciation	9,494,656	6,664,562
Electricity	6,976,442	6,138,576
Loose tools	193,121	177,434
Equipment lease & hireage	171,500	514,685
	<u>334,296,077</u>	<u>273,904,345</u>

<b>19 Other Income</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Interest income	170,193	889,989
Property rental	330,000	-
Insurance claim	-	4,714,264
Bad debt recovered	-	259,270
	<u>500,193</u>	<u>5,863,522</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

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

	2013	2012
	\$	\$
Profit before Tax	49,431,729	47,666,088
Net adjustments	3,169,453	805,005
	<u>52,601,182</u>	<u>46,861,083</u>
Calculated tax @ 33 1/3%	17,531,974	15,618,799
Tax exempt	<u>17,531,974</u>	<u>15,618,799</u>

**21 Staff Costs**

Staff costs for the year totalled \$64,269,485 while the total number of employees during the year was eighty two (82). 2012-( 61 employees)

	2013	2012
	\$	\$
I. Staff compensation	64,269,485	45,413,701
II. Staff welfare & training	2,577,381	1,872,897
	<u>66,846,865</u>	<u>47,286,598</u>

**22 Statutory Disclosures**

	2013	2012
	\$	\$
Directors' remuneration	7,111,692	6,175,356
Interest on loans	5,103,251	3,805,178
Depreciation	9,494,656	6,664,562
Auditors' remuneration	1,012,500	900,000
	<u>22,722,098</u>	<u>17,545,096</u>

**23 Contingent Liabilities**

Emanating from two accidents in the company's plant, the company received two separate claims for compensation arising from injuries sustained on the job. The company is now in dialogue with the insurance company, but no assessment of the likely outcome of the claims has been carried out. Thus, the adequacy of the insurance coverage to satisfy the claims cannot be assessed.



**AMG PACKAGING & PAPER COMPANY LTD**  
**SCHEDULE OF EXPENSES**  
**AUGUST 31, 2013**

**Selling and disdtribution**

	2013	2012
Advertising & promotion	\$	\$
Delivery charges	1,228,557	1,290,023
Collectors fee	7,426,290	5,910,000
Provision for bad debt	110,658	-
Entertainment	-	586,291
	<u>186,361</u>	<u>267,025</u>
	<u><u>8,951,866</u></u>	<u><u>8,053,339</u></u>

**Administrative**

	2013	2012
	\$	\$
Asset tax	185,208	104,500
Audit fees	1,012,500	900,000
Audit fees under/(over) provision prior year	-	92,305
Bank charges	1,872,796	623,338
Cash shortage/(overage)	(775)	4,929
Courier expenses	12,650	355,132
Directors' remuneration	7,111,692	6,175,356
Donations	193,783	627,882
Dues & subscriptions	827,642	516,720
Loss/(gain) on foreign exchange	3,822,384	(1,251,266)
Legal & professional fees	1,878,494	309,854
Motor vehicle expenses	819,691	593,358
Motor vehicle lease	1,385,642	1,411,714
Office expenses	457,177	168,868
Sanitation	2,288,340	2,099,382
Electricity	217,009	-
Salaries, wages & related costs	19,045,193	13,615,871
Security expenses	652,380	149,923
Staff welfare	2,577,381	2,249,469
Stationery & printing	918,264	678,596
Telephone & internet	501,725	255,772
Water	276,384	214,584
	<u><u>46,055,559</u></u>	<u><u>29,896,286</u></u>

**Finance cost**

Loan interest	5,103,251	3,705,590
Finance charges	1,129,676	99,589
	<u><u>6,232,927</u></u>	<u><u>3,805,178</u></u>