

AMG PACKAGING & PAPER COMPANY LIMITED
FINANCIAL STATEMENTS
AUGUST 31, 2014

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FINANCIAL STATEMENTS
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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 3-18 which comprise the statement of financial position as of August 31, 2014 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.

WORRICK BOGLE, FCCA FCA CPA

Email: 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, 2014 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.

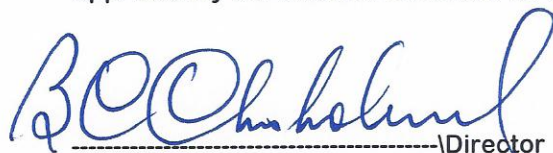



BOGLE & COMPANY
October 23, 2014

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
<u>Assets</u>			
Non-current assets			
Property, plant & equipment	5	239,599,772	228,284,508
Current assets			
Inventories	6	117,598,639	92,747,440
Accounts receivable net of allowances	7	80,999,913	61,437,040
Deposit on equipment	8	-	20,902,241
Cash & cash equivalents	9	21,866,726	34,130,791
		<u>220,465,278</u>	<u>209,217,512</u>
Total assets		<u>460,065,050</u>	<u>437,502,020</u>
<u>Equity & liabilities</u>			
Equity			
Share capital	10	63,250,028	63,250,028
Revaluation reserve	11	48,928,537	48,928,537
Retained earnings		203,857,498	178,736,374
		<u>316,036,063</u>	<u>290,914,939</u>
Non-current liabilities			
Long-term loans	12	51,619,545	68,221,098
Related parties	13	3,421,358	6,980,970
		<u>55,040,903</u>	<u>75,202,068</u>
Current liabilities			
Current portion of long-term loans	13	17,681,880	9,464,772
Accounts payable & accruals	14	71,306,204	61,920,241
		<u>88,988,084</u>	<u>71,385,013</u>
Total equity & liabilities		<u>460,065,050</u>	<u>437,502,020</u>

Approved by the Board of Directors on October 23, 2014 and signed on its behalf by:


 -----Director
 Barrington Chisholm


 -----Director
 Peter Chin

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AUGUST 31, 2014

	<u>Notes</u>	<u>2014</u> \$	<u>2013</u> \$
Revenue	15	607,016,670	444,467,965
Cost of sales	16	<u>490,884,746</u>	<u>334,296,077</u>
Gross profit		116,131,924	110,171,888
Other income	17	<u>2,191,686</u>	<u>500,193</u>
		<u>118,323,610</u>	<u>110,672,081</u>
Administrative and other expenses		(62,696,058)	(55,007,425)
Finance cost		<u>(10,030,658)</u>	<u>(6,232,927)</u>
		<u>(72,726,715)</u>	<u>(61,240,352)</u>
Profit before taxation		45,596,895	49,431,729
Taxation	18	-	-
Profit for the year		<u>45,596,895</u>	<u>49,431,729</u>
Total comprehensive Income		<u><u>45,596,895</u></u>	<u><u>49,431,729</u></u>
Earnings per share		\$0.45	\$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, 2014

	Share capital	Revaluation reserve	Retained earnings	Total equity
	\$	\$	\$	\$
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>
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>

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CASHFLOWS
AUGUST 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Net profit	45,596,895	49,431,729
Adjustment to reconcile income for year to net cash provided by operating activities		
Depreciation	<u>11,976,895</u>	<u>9,494,658</u>
	57,573,790	58,926,387
Decrease in taxation recoverable		947,591
Increase in inventories	(24,851,199)	(17,859,671)
Decrease in related parties	(3,559,612)	6,980,970
Increase in receivables	(19,562,873)	(26,637,235)
Increase in payables & accruals	<u>9,385,964</u>	<u>22,983,319</u>
Net cash flows from operating activities	<u>18,986,070</u>	<u>45,341,361</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(23,292,158)	(109,663,126)
Deposits	<u>20,902,241</u>	<u>32,720,651</u>
Net cash used in investing activities	<u>(2,389,918)</u>	<u>(76,942,475)</u>
<u>Cash flows from financing activities</u>		
Loan (payments)/acquisition	(8,384,445)	48,303,181
Dividends paid	<u>(20,475,771)</u>	-
Net cash flows from financing activities	<u>(28,860,216)</u>	<u>48,303,181</u>
Net increase cash & cash equivalents	(12,264,065)	16,702,064
Cash & cash equivalents at beginning of year	<u>34,130,791</u>	<u>17,428,727</u>
Cash & cash equivalents at end of year(note 9)	<u>21,866,726</u>	<u>34,130,791</u>

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

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**

Standards that became effective during the year or earlier

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, 2014

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 require disclosures 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 standards 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.

IAS 32 Financial Instruments: Presentation (Amendments) effective January 2014

The objective of this amendment to IAS 32 is to clarify certain aspects because of diversity in application of the requirements on offsetting, which is focused on four main areas: (i) the meaning currently has a legally enforceable right of set-off; (ii) the application of simultaneous realisation and settlement; (iii) the offsetting of collateral amounts and (iv) the unit of accounting for applying the offsetting requirements.

IAS 36 Impairment of assets (effective January 2014) - Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of the assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amounts (based on fair value less costs of disposal) are determined using a present value technique.

Standards, interpretations and amendments published that are not yet effective

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or before January 1 , 2015) This standard will replace IAS 39 'financial Instruments Recognition and Measurements'. IFRS 9 speaks to the classification and measurement of financial assets and replaces the multiple classification models in IAS 39 with a single model which has only two classification categories: amortized cost and fair value. Classification of debt instruments under IFRS 9 is driven by the entity's business model for managing the financial assets. Under IFRS 9 all equity instruments are measured at fair value. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. IFRS 9 retains most of IAS 39 regarding financial liabilities including amortised cost accounting for most financial liabilities. The Company has not fully assessed the impact this standard will have on its reporting and has not opted for early adoption.

(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.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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(d) Contingent liability

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 has been made as 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
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Basis of preparation and significant accounting policies continued

(f) Property, plant & equipment

Property, plant & equipment are depreciated under the straight line method at rates designed to write off their cost/ revaluation over their estimated useful lives. However depreciation is prorated on a monthly basis during the year of purchase. Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than the estimated recoverable amount it is written down immediately to its recoverable amount. The rates of depreciation are as follows:

Buildings	2.5%
Equipment	10%
Computer & equipment	20%
Furniture & fixtures	10%
Motor cycle	12.5%

(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 provision that the company remains on the Stock Exchange for at least fifteen years.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

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.

(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, 2014.

(b) Credit risks

Credit risk is the risk of exposure occasioned by one party to financial instruments when one 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>2014</u>	<u>Carrying value</u> <u>2013</u>
	\$	\$
Cash equivalents	21,866,726	34,130,791
Receivables	80,999,913	61,437,040
	<u>102,866,638</u>	<u>95,567,830</u>

(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 2014, the Company did not face any liquidity risks as indicated below:

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

(f) Liquidity risk continued.

	<u>2014</u>			<u>Total</u>
	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	
<u>Assets</u>				
Cash resources	21,866,726	-	-	21,866,726
Other	174,879,676	26,484,117	-	201,363,793
Total	196,746,402	26,484,117	-	223,230,519
<u>Liabilities</u>				
Loans	-	17,681,880	51,619,545	69,301,425
Payables	71,306,204	-	-	71,306,204
Total	71,306,204	17,681,880	51,619,545	140,607,628
Total liquidity gap	125,440,199	8,802,237	(51,619,545)	82,622,891
Cumulative gap	125,440,199	134,242,436	82,622,891	-
<u>2013</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)	-

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

5 Property, plant & equipment

<u>At cost/valuation</u>	Land \$	Building \$	Equipment \$	Motor Cycle \$	Computer & Equipment \$	Furniture & Fixtures \$	Total \$
Balance at September 30, 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	180,258	342,672	1,548,672	109,843,384
Balance as at August 31, 2013	29,600,000	156,036,704	58,769,908	180,258	928,452	4,195,325	249,710,647
Balance as at September 1, 2013	29,600,000	156,036,704	58,769,908	-	928,452	4,195,325	249,530,389
Additions	-	-	21,403,069	-	1,051,000	838,088	23,292,158
Balance as at August 31, 2014	29,600,000	156,036,704	80,172,977	180,258	1,979,452	5,033,414	273,002,806
<u>Accumulated depreciation</u>							
Balance at September 30, 2012	-	3,161,867	7,797,633	-	291,493	680,490	11,931,483
Charge for year	-	3,191,334	5,754,503	22,532	126,277	400,010	9,494,657
Balance as at August 31, 2013	-	6,353,200.94	13,552,137	22,532	417,769	1,080,500	21,426,139
Balance as at 1 September 2013	-	6,353,201	13,552,137	22,532	417,769	1,080,500	21,426,139
Current year charges	-	3,900,918	7,421,929	22,532	200,639	430,877	11,976,895
Balance as at August 31, 2014	-	10,254,119	20,974,066	45,064	618,408	1,511,377	33,403,034
<u>Net book value</u>							
August 31, 2014	29,600,000	145,782,585	59,198,912	135,194	1,361,044	3,522,037	239,599,772
August 31, 2013	29,600,000	149,683,503	45,217,772	157,726	510,683	3,114,825	228,284,508

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

6 Inventories	<u>2014</u>	<u>2013</u>
	\$	\$
Raw materials	114,659,162	90,773,133
Finished goods	2,939,477	1,974,307
	<u>117,598,639</u>	<u>92,747,440</u>

7 Accounts receivable	<u>2014</u>	<u>2013</u>
	\$	\$
Trade receivables	79,639,563	59,637,732
Provision for bad debts	(2,765,241)	(1,798,211)
	<u>76,874,323</u>	<u>57,839,521</u>
Other receivables	4,125,590	3,597,519
	<u>80,999,913</u>	<u>61,437,040</u>

	Aged Trade Receivables			
	Within 1 Months	31 to 60 Days	Over 60 Days	Carrying Value
<u>Balance at</u>	\$	\$	\$	\$
August 31, 2014	57,281,036	9,009,035	13,349,492	79,639,563
August 31, 2013	45,388,326	4,341,447	9,907,959	59,637,732

8 Deposit on equipment	<u>2014</u>	<u>2013</u>
	\$	\$
	-	20,902,241

9 Cash & cash equivalent	<u>2014</u>	<u>2013</u>
	\$	\$
Bank of Nova Scotia Ja Ltd		
- current accounts	13,056,291	17,427,540
- Savings account (denominated in United States Dollars)	340,913	308,634
National Commercial Bank Limited		
- Current accounts	1,807,594	1,760,655
Alliance Investments Management limited		
Cash securities(denominated in United States Dollars)	5,010,439	13,828,541
Repurchase Agreement	-	158,918
Stocks and Securities Limited		
Repurchase agreement	990,935	616,303
Jamaica National Building Society Limited	630,352	-
Petty cash	30,200	30,200
	<u>21,866,726</u>	<u>34,130,791</u>

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

10 Share capital	<u>2014</u>	<u>2013</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	<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.

11 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.

12 Long-term loans	<u>2014</u>	<u>2013</u>
	\$	\$
Bank of Nova Scotia Jamaica Limited		
Loan 1	4,973,210	7,685,870
Loan 2	60,128,215	70,000,000
Loan 3	4,200,000	-
Total loans	<u>69,301,425</u>	<u>77,685,870</u>
Current portion of long -term loan	<u>17,681,880</u>	<u>9,464,772</u>
Long-term portion of loan	<u>51,619,545</u>	<u>68,221,098</u>

Securities:

- (1) First legal mortgage stamped \$25,600,000 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 & equipments:
- i) Model: 2003 Dock stocker DSX40
 - ii) SG-3 Semi-auto gluing machine
 - iii) Two color 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
AUGUST 31, 2014

13 Related parties	<u>2014</u>	<u>2013</u>
	\$	\$
Director's loan	3,421,358	6,980,970
	<u>3,421,358</u>	<u>6,980,970</u>

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

14 Accounts payable & accruals	<u>2014</u>	<u>2013</u>
	\$	\$
Trade payables	59,232,352	53,042,633
Accruals	12,073,852	8,877,608
	<u>71,306,204</u>	<u>61,920,241</u>

<u>Balance at</u>	<u>Aged Trade Payables</u>			<u>Amount Due</u>
	<u>Within 1 Months</u>	<u>31 to 60 Days</u>	<u>Over 60 Days</u>	
	\$	\$	\$	\$
August 31, 2014	<u>36,818,861</u>	<u>3,736,445</u>	<u>18,677,047</u>	<u>59,232,352</u>
August 31, 2013	<u>44,829,369</u>	<u>8,039,372</u>	<u>173,893</u>	<u>53,042,633</u>

15 Revenue

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

16 Cost of sales	<u>2014</u>	<u>2013</u>
	\$	\$
Materials	377,611,244	248,082,067
Salaries, wages & related costs	55,775,903	39,942,599
Insurance	5,348,123	3,658,057
Maintenance expenses	12,016,487	10,473,469
Travelling	1,185,890	546,126
Fuel	17,250,371	14,758,038
Depreciation	11,976,895	9,494,656
Electricity	9,556,531	6,976,442
Loose tools	151,301	193,121
Equipment lease & hireage	12,000	171,500
	<u>490,884,746</u>	<u>334,296,077</u>

17 Other income	<u>2014</u>	<u>2013</u>
	\$	\$
Interest income	118,716	170,193
Property rental	1,440,000	330,000
Bad debt recovered	632,970	-
	<u>2,191,686</u>	<u>500,193</u>

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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18 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:

	<u>2014</u>	<u>2013</u>
Profit before Tax	\$ 45,596,895	\$ 49,431,729
Net adjustments	850,399	3,169,453
	<u>46,447,294</u>	<u>52,601,182</u>
Calculated tax @ 25%	11,611,824	17,531,974
Tax exempt	<u>11,611,824</u>	<u>17,531,974</u>

19 Staff costs

Staff costs for the year totalled \$67,178,625 while the total number of employees during the year was one hundred and one (101). 2013 - (82 employees)

	<u>2014</u>	<u>2013</u>
I. Staff compensation	\$ 67,178,625	\$ 64,269,485
II. Staff welfare	3,282,017	2,577,381
	<u>70,460,642</u>	<u>66,846,865</u>

20 Statutory disclosures

	<u>2014</u>	<u>2013</u>
Directors' remuneration	\$ 5,963,646	\$ 4,411,500
Directors' fees	3,486,666	2,700,192
Interest on loans	9,689,388	5,103,251
Depreciation	11,976,895	9,494,656
Auditors' remuneration	1,050,000	1,012,500
	<u>32,166,595</u>	<u>22,722,099</u>

21 Expenses by nature

	<u>2014</u>	<u>2013</u>
Administrative and management remuneration	\$ 20,888,524	\$ 19,045,193
Selling and distribution expenses	14,200,165	8,951,866
Motor vehicle expenses	1,061,280	2,205,332
Utilities	1,670,721	995,188
Loan interest and finance charges	10,030,658	6,232,927
Other	24,875,366	23,809,846
	<u>72,726,715</u>	<u>61,240,352</u>

AMG Packaging Paper Company Limited
Statement of Comprehensive Income
for the year ended
August 31, 2014

	3 months to August 31, 2014	Audited August 31, 2014	3 months to August 31, 2013	Audited August 31, 2013
	\$	\$	\$	\$
Turnover	164,663,305	607,016,670	128,694,443	444,467,965
Cost of Materials	(104,814,017)	(377,611,244)	(75,746,425)	(248,082,067)
Direct Expenses	(28,409,642)	(113,273,502)	(22,156,486)	(86,214,010)
Total Manufacturing Costs	(133,223,658)	(490,884,746)	(97,902,911)	(334,296,077)
Gross Profit	31,439,646	116,131,924	30,791,532	110,171,888
Expenses:				
Administrative & Other	(16,405,780)	(46,632,496)	(11,765,406)	(43,682,769)
Finance Cost	(3,438,238)	(10,630,658)	(2,246,030)	(6,232,927)
Directors Fees	(626,667)	(3,486,666)	(210,000)	(1,830,000)
Depreciation	(3,166,034)	(11,976,895)	(3,134,265)	(9,494,656)
Profit Before Tax	7,802,928	43,405,209	13,435,830	48,931,536
Other Income	1,014,016	2,191,686	458,893	500,193
(Loss) Profit, Total Comprehensive Income for the period	8,816,944	45,596,895	13,894,723	49,431,729
No. of Shares Issued	102,378,857	102,378,857	102,378,857	102,378,857
EPS	0.09	0.45	0.14	0.48



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, 2014.

2013/2014 was a challenging year for us at AMG. The volatility of the exchange rate, devaluation of the Jamaican Dollar and increases in raw material prices all contributed to our performance this year. Severe weather conditions in the United States earlier in the year had affected our supply of raw materials; shipments were continuously delayed creating havoc on our production.

The management of AMG Packaging will continue to find ways to realign our production costs. As challenging as this is, we have isolated areas that can be sharpened and have already put in the necessary actions to achieve the company's objectives.

FINANCIAL PERFORMANCE

Despite the challenges stated above, the company has still managed to achieve a creditable result. Sales for the year ended August 31, 2014 increased 36.5% to \$607.0 million as a result of an increase of 19.2% in the number of units produced (21.1 million) compared to 2013 (17.7 million). Profits for the period fell 8.9% to \$45.5 million as compared to \$49.4 million last year.

Manufacturing Costs increased by 46.6% to \$490.88 million compared to \$334.29 million (2013). Cost of sales was 63.7% of revenue as compared to 55.8% last year. Total manufacturing costs was 80.6 % (2014) as compared to 75.1 % (2013). Electricity costs were up 36.98%, repairs and maintenance, wages, plant maintenance and water were some of the areas that showed increases.

Administrative Expense rose 6.7% (\$46.63 million) compared to 2013 (\$43.68 million). A charge of \$2.56 million re: ISO Consulting Charges, depreciation expense, loan interest and staff welfare all contributed to the increases shown.

PROSPECTS FOR 2014-2015

For the financial year 2014-2015 we will source ways to combat the harsh and competitive environment we manufacture in.

We will continue to give excellent service to our customers as they are accustomed to.

This will continue to drive the increase in sales we show year over year.

The containing of costs is a priority with management.

Continued pursuit of better prices from our suppliers.

Increasing our sales while containing costs in this harsh economic environment, will prove to be beneficial, especially when the economy gains momentum.

Our ISO Audits are scheduled to begin within the first quarter of the new financial year and expected to be completed during the year.

	12 months to August 31,2014	12 months to August 31,2013
Total Revenues	607,016,670	444,467,965
Gross Profit	116,131,924	110,714,678
Profit	45,596,895	49,431,729
Total Assets	460,065,050	437,502,020
Total Shareholder's Equity	316,036,063	290,914,939

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