

AMG Packaging Paper Company Limited
Unaudited
Statement of Financial Position
February 28, 2017

		February 2017	February 2016	<u>Audited</u> August 2016
ASSETS EMPLOYED	<u>Notes</u>	\$	\$	\$
Property, Plant & Equipment	4	308,190,115	286,505,638	281,573,603
Current Assets				
Inventories	5	272,252,005	123,378,023	171,480,549
Accts Receivable Net Allowance	6	86,772,897	86,052,841	100,162,800
Cash & Cash Equivalents	7	52,605,258	98,106,406	31,616,635
Related Parties	11	-	6,115,637	4,115,641
Total Current Assets		411,630,161	313,652,907	307,375,625
Total Assets		719,820,276	600,158,545	588,949,228

EQUITY & LIABILITIES

Capital & Reserves:

Authorised Share Capital - JMD140,000,000

Share Capital	8	63,250,028	63,250,028	63,250,028
Revaluation Reserve	9	48,928,537	48,928,537	48,928,537
Retained Earnings		292,378,236	278,194,008	308,997,122
Total Capital		404,556,801	390,372,573	421,175,687

Long-Term Liabilities

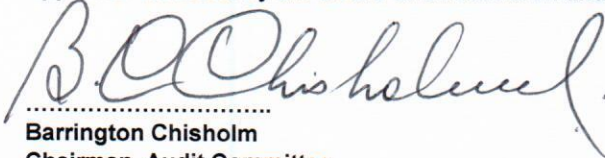
Loans	10	85,256,867	111,410,699	99,615,834
Total Long-Term Liabilities		85,256,867	111,410,699	99,615,834

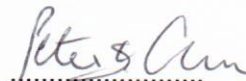
Current Liabilities

Current Portion of Long Term Loan	10	41,153,832	27,058,052	24,871,781
Accounts Payable & Accruals	12	182,761,477	71,317,221	41,886,928
Income Tax		6,091,299	-	1,398,998
Total Current Liabilities		230,006,608	98,375,273	68,157,707
Total Liabilities & Capital		719,820,276	600,158,545	588,949,228

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


Barrington Chisholm
Chairman, Audit Committee


Peter Chin
Director

AMG Packaging Paper Company Limited
 Unaudited Statement of Comprehensive Income
 6 months
 to February 28, 2017

	3 months to February 28, 2017	6 months to February 28, 2017	3 months to February 28, 2016	6 months to February 28, 2016
	\$	\$	\$	\$
Turnover	157,105,046	312,487,010	155,725,039	304,992,640
Cost of Inventories	(83,613,513)	(161,367,311)	(75,717,003)	(149,638,154)
Direct Expenses	(32,360,345)	(63,697,566)	(24,745,515)	(47,392,802)
Total Manufacturing Costs	(115,973,858)	(225,064,877)	(100,462,518)	(197,030,956)
Gross Profit	41,131,188	87,422,132	55,262,521	107,961,684
Expenses:				
Administrative	(20,415,906)	(37,882,659)	(15,261,379)	(28,117,904)
Financial	(2,853,626)	(5,809,615)	(2,172,359)	(4,296,577)
Directors Fees	(2,534,444)	(3,837,777)	(1,570,000)	(3,566,666)
Depreciation	(6,373,861)	(11,997,552)	(3,353,389)	(6,631,952)
Preliminary Expenses- Toilet Paper	-	-	(10,522,494)	(16,359,414)
Profit Before Tax	8,953,351	27,894,529	22,382,900	48,989,171
Other Income	831,883	2,595,615	1,110,657	3,179,102
Profit, Total Comprehensive Income for the period	9,785,235	30,490,144	23,493,557	52,168,273
Income Tax	(1,572,884)	(4,109,910)	-	-
Profit After Tax	8,212,351	26,380,234	23,493,557	52,168,273
No. of Shares Issued	102,378,857	102,378,857	102,378,857	102,378,857
EPS	\$ 0.08	\$ 0.26	\$ 0.23	\$ 0.51

AMG Packaging Paper Company Limited
Statement of Changes in Stockholders' Equity
February 28, 2017

2017

	Share Capital	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$	\$
<u>Notes</u>				
Balance at September 01, 2016	63,250,028	48,928,537	308,997,122	421,175,687
Dividend			(42,999,120)	(42,999,120)
Profit, being total Comprehensive Income for the period	-	-	26,380,234	26,380,234
Balance at February 28, 2017	<u>63,250,028</u>	<u>48,928,537</u>	<u>292,378,236</u>	<u>404,556,801</u>

2016

	Share Capital	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Balance at September 01, 2015	63,250,028	48,928,537	264,929,699	377,108,264
Dividend			(38,903,963)	(38,903,963)
Profit, being total Comprehensive Income for the period	-	-	52,168,273	52,168,273
Balance at February 29, 2016	<u>63,250,028</u>	<u>48,928,537</u>	<u>278,194,008</u>	<u>390,372,573</u>

AMG Packaging Paper Company Limited
Unaudited Statement of Cash Flow
6 months ending
February 28, 2017

	6 months to February 28, 2017	6 months to February 28, 2016
	\$	\$
Profit for the Year	26,380,234	52,168,273
Adjustments for:		
Interest Expense	5,809,615	4,296,577
Depreciation	11,997,552	9,109,408
Income Tax	4,109,910	-
	<u>48,297,311</u>	<u>65,574,257</u>
Changes in operating Assets and Liabilities:		
Increase in inventories	(100,771,457)	(737,310)
(Increase) Decrease Related parties	4,115,641	(6,115,637)
Decrease in Receivables	13,389,903	3,485,682
Increase in Payables & Accruals	141,486,940	32,454,719
Cash flows provided by operating activities	106,518,338	94,661,711
Taxation Paid	(30,000)	(30,000)
Net cash flows provided by operating activities	<u>106,488,338</u>	<u>94,631,711</u>
 <u>Cash Flow from Investing activities</u>		
Purchase of Property, Plant & Equipment	(38,614,064)	(4,037,135)
Net cash flow used in Investing activities	<u>(38,614,064)</u>	<u>(4,037,135)</u>
 <u>Cash Flow from Financing Activities</u>		
Loan Receipts	15,000,000	-
Loan Payments	(13,076,916)	(13,151,195)
Interest Paid	(5,809,615)	(4,296,577)
Dividends Paid	(42,999,120)	(38,903,963)
Net cash flow used in Financing activities	<u>(46,885,651)</u>	<u>(56,351,735)</u>
Net increase(decrease) in cash & cash equivalents	20,988,623	34,242,841
Cash & Cash equivalents at beginning of the year	31,616,635	63,863,562
Cash & Cash equivalents at end of the year (note 8)	<u><u>52,605,258</u></u>	<u><u>98,106,403</u></u>

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
February 28, 2017

1 Identification and principal activities

AMG Packaging & 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) The company is engaged primarily in the manufacturing, distribution and retailing of cartons of various 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 which it 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, and have been prepared under the historical convention.

(b) **Basis of Preparation and Significant Accounting Policies**

These statements have been prepared using 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 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 marketing 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 follow:

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.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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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
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRS 7	Amendments resulting from September 2014 Annual Improvements to IFRSs'

Effective for annual periods beginning on or after 1 January 2016

Application of the 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 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 exemption), paragraph 52 of IFRS 13 includes a scope of 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 Measurements* 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 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 disclosure are required in relation to transferred financial assets and a number of other matters.

The Accounting Policies of the Company have remained unchanged from those set out in the annual Financial Statement as at August 31, 2016

AMG PACKAGING & PAPER COMPANY LTD
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Financial Risk Management

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 faces significant interest rate risk in respect to loans and investments

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 is exposed to credit risk at February 28, 2017 in respect to receivables from other companies

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 United States dollar denominated savings account and foreign payables.

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 February 28, 2017 the company faced liquidity risks as indicated below:

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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Liquidity Risk cont'd

	<u>2017</u>			
	Within 3 months	3 to 12 months	1 to 5 years	Total
Assets				
Cash Resources	\$ 52,605,258			\$ 52,605,258
Other	59,846,366	31,249,923		91,096,289
Total	112,451,624	31,249,923	-	143,701,547
Liabilities				
Loans	21,538,458	19,615,374	85,256,867	126,410,699
Payables	188,852,776	-	-	188,852,776
Total	210,391,234	19,615,374	85,256,867	315,263,474
Total Liquidity GAP	(97,939,609)	11,634,549	(85,256,867)	(171,561,927)
Cumulative GAP	(97,939,609)	(86,305,060)	(171,561,927)	-
 <u>2016</u>				
Total Liquidity GAP	223,792,233	(10,306,842)	(111,410,699)	102,074,692
Cumulative GAP	223,792,233	213,485,391	102,074,692	

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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c. **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 or 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.

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 fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations shall be made sufficiently regularly 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.

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 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 that carrying amount of the asset after taking into account accumulated impairment losses; or

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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IAS 16 Property, Plant and Equipment (cont'd)

(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.

The 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 life.

Rates are as follows:

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

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 progress) and materials and supplies that are consumed in production (raw materials), [IAS 2.6]

d. **Inventory**

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

Cost should include all: [IAS 2.10]

- (i) costs of purchase (including taxes, transport, and handling) net of trade discounts received
- (ii) costs of conversion (including fixed and variable manufacturing overheads) and
- (iii) 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.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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e. Cash & Cash Equivalents

Cash and cash equivalents are held for the purpose 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 change in value, An investment normally qualifies as a cash equivalent when it has a short maturity of three months or less from date of acquisition

f. 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 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 is manufactured and printed boxes which is recognised on the Sales -basis method. Under this method revenue is recognised at the time of sale, which is defined as the moment when title of the goods is transferred to the buyer. The company recognises other income when rights and obligations have been transferred to the entity.

g. 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 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 exchange amount the spot exchange rate between the functional currency and 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.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
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h. 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 the 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 condition apply:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, 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 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 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
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4 Property, Plant & Equipment

<u>At cost</u>	Land, Buildings & Leasehold Improvement	Equipment	Motor Cycle/Motor Vehicle	Computer & Equipment	Furniture & Fixtures	Total
	\$	\$	\$	\$	\$	\$
Balance as at September 1, 2016	198,060,419	131,791,447	1,937,758	2,463,069	13,062,735	347,315,428
Additions	4,311,151	34,107,384	114,376	81,152	81,152	38,614,063
Balance as at February 28, 2017	202,371,570	165,898,831	1,937,758	2,577,445	13,143,887	385,929,491
<u>Accumulated depreciation</u>						
Balance as at September 1, 2016	19,774,073	41,054,451	145,050	1,339,473	3,428,779	65,741,826
Current year charges	3,325,684	7,705,524	121,111	191,079	654,152	11,997,550
Balance as at February 28, 2017	23,099,757	48,759,975	266,161	1,530,552	4,082,931	77,739,376
<u>Net Book Value</u>						
February 28, 2017	179,271,814	117,138,855	1,671,597	1,046,893	9,060,956	308,190,115
February 29, 2016	178,240,202	96,909,350	101,395	1,297,437	9,957,254	286,505,638

AMG PACKAGING & PAPER COMPANY LTD
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February 28, 2017

5 Inventories	2017	2016
	\$	\$
Raw Materials	258,751,727	118,650,987
Finished Goods	13,329,280	3,742,522
Goods in transit	170,998	984,514
	<u>272,252,005</u>	<u>123,378,023</u>
6 Accounts Receivable		
	\$	\$
Trade Receivables	79,352,416	79,658,552
Provision for bad debts	(4,323,392)	(4,323,392)
	<u>75,029,025</u>	<u>75,335,160</u>
Other Receivables	11,743,872	10,717,681
	<u>86,772,897</u>	<u>86,052,841</u>

	<u>Aged Trade Receivables</u>			
	<u>Within 1</u>	<u>31 to 60</u>	<u>Over 60</u>	<u>Carrying</u>
	<u>Month</u>	<u>Days</u>	<u>Days</u>	<u>Value</u>
	\$	\$	\$	\$
<u>Balance at</u>				
28-Feb-17	<u>59,846,366</u>	<u>4,124,091</u>	<u>15,381,960</u>	<u>79,352,416</u>
29-Feb-16	<u>65,532,777</u>	<u>4,591,188</u>	<u>9,534,587</u>	<u>79,658,552</u>

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7 Cash & Cash equivalents	2017	2016
	\$	\$
Bank of Nova Scotia Ja Ltd		
- Current accounts	28,674,131	28,863,761
- Savings account (US dollar denominated)	5,783,846	4,859,261
National Commercial Bank Limited		
- Current accounts	865,355	3,177,550
Alliance Financial Services Limited		
- Cash Securities(denominated in United States Dollars)	15,530,615	59,497,490
- Repurchase Agreement	1,036,073	1,013,106
JN Fund Managers		
- Repurchase Agreement	645,238	645,238
Petty Cash	70,000	50,000
	<u>52,605,258</u>	<u>98,106,406</u>

8 Share Capital	2017	2016
	\$	\$
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 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

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10 <u>Long-term Loans</u>	<u>2017</u>	<u>2016</u>
	\$	\$
Bank of Nova Scotia Jamaica Limited		
Loan 1	-	904,220
Loan 2	33,205,165	43,974,385
Loan3	54,743,989	65,513,221
Loan 4	23,461,545	28,076,925
Loan 5	<u>15,000,000</u>	<u>-</u>
Total loans	126,410,699	138,468,751
Current portion of loans	<u>41,153,832</u>	<u>27,058,052</u>
Long-term portion of loans	<u><u>85,256,867</u></u>	<u><u>111,410,699</u></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) Loan 2 has a duration of 7 years with a six (6) months moratorium on the principal repayments This Loan has a Fixed Interest rate of 9.25% for five (5) years, thereafter the Weighted Average (180 days)Treasury Bill Yield (WATBY), plus 3.25% per annum.
- (iii) Loan 3- has a duration of 5 years, inclusive of a 6 months moratorium on principal repayments (to be funded by the Development Bank of Jamaica (DBJ) with the Bank of Nova Scotia Jamaica Limited as the approved Financial Institution).
Interest rate: The DBJ authorised lending rate, present effective all in rate -10% per annum
- (iv) Loan 4 has a duration of 5 years, inclusive of a 6 months moratorium on principal repayments This Loan has a Fixed Interest rate of 11% for Three (3) years, thereafter the bank Base Lending Rate (currently 15.75% per annum) in effect from time to time minus 3.5% per annum.
Current effective rate 12.25% per annum.
- (v) Revolving Loan expected to be repaid within 90 days

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 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 1 March 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 stocker 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

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
February 28, 2017

10 cont'd

(4) Joint and several Demand Debenture to be stamped \$202,000,000 from AMG Packaging and Paper Company Limited, creating a first Charge over fixed assets, and a floating charge over other assets of the company supported by:-

- First, Second and Third Legal Mortgages to be stamped \$202,000,000 jointly over Commercial Premises located at (a) 9B Retirement Crescent registered in the name AMG Packaging and Paper Company Limited. (b) 10 Retirement Crescent registered in the name of AMG Packaging and Paper Company Limited and collateral to the aforementioned Demand Debenture

(5) Assignment of "All Risk" insurance coverage over 9B Retirement Crescent for the full replacement (covers over building, inventory, furniture, fixtures and equipment owned by the company)

11 Related Parties	<u>2017</u>	<u>2016</u>
Director's Loan	-	6,115,637

12 Accounts Payable & Accruals	<u>2017</u>	<u>2016</u>
	\$	\$
Trade Payables	127,397,254	16,825,623
Accruals	5,405,591	6,690,199
Other Payables	4,901,169	6,774,375
Statutorious Payable	1,823,923	1,952,416
Dividends	43,233,541	39,074,609
	182,761,477	71,317,221

<u>Balance at</u>	Aged Trade Payables			Amount Due
	Within 1 Months	31 to 60 Days	Over 60 Days	
	\$	\$	\$	\$
Feb 28, 2017	71,805,481	47,734,079	7,857,694	127,397,254
Feb 29, 2016	14,988,945	195,071	1,641,607	16,825,623

13 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 completed its 5 year tax free period on May 2016

Tax is charged at the at the rate of 12.5% (50% of applicable tax rate of 25%)

14 Dividend

On January 17, 2017 the Company declared a Dividend of \$0.42 per share equivalent to \$42,999,119.94, payable March 14, 2017.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
February 28, 2017

16 Segment Information

a. **Products and services from which reportable segments derive their revenues**

Information reported to the chief decision maker for the purposes of resource allocation and assessment of segment performance focuses on types provided, and in respect of the 'Box' and 'Toilet Paper/ Hand Towel' operations. The directors of the Company have chosen to organise the company around differences in products. No operating segments have been aggregated in arriving at the reportable segments of the Company.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

Box Manufacturing (Box)

The Box Division is engaged primarily in the manufacturing, distribution and selling of cartons of various sizes.

Toilet Paper and Hand Towel (TP)

The Toilet Paper Division was started in reported year of 2015, and based on its total representation within the consolidated Financial Statements is considered by the CODM as a reportable segment. Its primary engagement is the manufacture of various types of toilet paper and hand towels.

The Company has no unreported segments.

AMG PACKAGING & PAPER COMPANY LTD
 NOTES TO FINANCIAL STATEMENTS
 February 28, 2017

Segment Information cont'd

b Segment Revenue and Results

	2017			2016			
	\$	\$	\$	\$	\$	\$	
	Box	TP	Unallocated	Box	TP	Unallocated	
	Total	Total	Total	Total	Total	Total	
Turnover	306,312,116	6,174,893	-	304,992,643	-	-	304,992,643
Cost of Inventories	(157,050,183)	(4,317,128)	-	(149,638,154)	(1,381,912)	-	(151,020,066)
Direct Expenses	(54,538,349)	(9,159,217)	-	(47,392,802)	(7,594,632)	-	(54,987,434)
Total Manufacturing Costs	(211,588,532)	(13,476,345)	-	(197,030,957)	(8,976,543)	-	(206,007,500)
Gross Profit	94,723,584	(7,301,452)	-	107,961,686	(8,976,543)	-	98,985,143
Expenses:							
Administrative	(6,638,525)	(3,957,880)	(27,286,254)	(5,735,499)	(3,228,316)	(22,382,404)	(31,346,219)
Financial	(2,940,034)	(2,869,582)	-	(4,296,577)	(1,677,099)	-	(5,973,676)
Directors Fees	-	-	(3,837,777)	-	-	(3,566,666)	(3,566,666)
Depreciation	(7,590,032)	(4,407,520)	-	(6,631,952)	(2,477,456)	-	(9,109,408)
Profit Before Tax	77,554,994	(18,536,434)	(31,124,032)	91,297,658	(16,359,414)	(25,949,071)	48,989,174
Other Income	-	-	2,595,615	-	-	3,179,102	3,179,102
Profit, Total Comprehensive Income for the period	77,554,994	(18,536,434)	(28,528,417)	91,297,658	(16,359,414)	(22,769,969)	52,168,275
Income Tax			(4,109,910)				-
Profit After Tax	77,554,994	(18,536,434)	(32,638,327)	91,297,658	(16,359,414)	(22,769,969)	52,168,275

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
February 28, 2017

Segment Information cont'd

c Segment assets and Liabilities

	\$	<u>2017</u>	\$	<u>2016</u>
<u>Segment assets</u>				
TP		109,126,406		97,546,425
Box		610,693,869		496,496,483
Consolidated Total assets		<u>719,820,276</u>		<u>594,042,908</u>
 <u>Segment Liabilities</u>				
TP		78,658,740		93,590,146
Box		187,279,896		77,121,217
Consolidated Total liabilities		<u>265,938,636</u>		<u>170,711,363</u>
Unallocated		49,324,840		39,074,609
Consolidated Total Liabilities		<u><u>315,263,475</u></u>		<u><u>209,785,972</u></u>

Other Segment Information

	Box		TP	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$	\$	\$	\$
Non current assets				
Capital Expenditure	28,169,687	4,507,395	10,444,375	58,660,561
Depreciation	7,590,032	6,631,952	4,407,520	2,477,456



GENERAL MANAGER'S STATEMENT

AMG Packaging & Paper Company Limited (AMG) is pleased to present our unaudited financial statements for the 6 month period ending February 28, 2017.

Revenues for the period increased 2.45%, moving from \$304.99 million (2016) to \$312.49 million (2017).

Gross Profit decreased 23.49% to \$87.42 million (2017) from \$107.96 million (2016). Manufacturing Costs moved from \$197.03 million (2016) to \$225.06 million (2017), a 14.23% increase. Administrative expenses increased 34.73%, rising from \$28.12 million 2016 to \$37.88 million 2017.

Profit before tax decreased 75.62%, from \$48.98 million (2016) to \$27.89 million (2017).

	6 months ending February 28, 2017	6 months ending February 28, 2016
Total Revenues	312,487,010	304,992,640
Gross Profit	87,422,132	107,961,684
Profit	27,894,529	48,989,171
Total Assets	719,820,276	588,949,228

Sales of our toilet paper products have not materialized as we had projected. We have put strategies in place to address this, which we expect to yield positive results. These include finalizing supply to a major supermarket chain and vigorously expanding our sales outreach efforts. We anticipate an uplift in sales early within the third quarter

Our goal is to reach a breakeven point within this financial year.

Michael P. Chin
General Manager

AMG PACKAGING & PAPER COMPANY LIMITED

TOP 10 SHAREHOLDERS AT 28 FEBRUARY 2017

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	2,610,543	2.550
HAROLD SOLTAU	1,361,605	1.330
CHESTON JAMAICA LIMITED	1,072,687	1.048
SJLIC FOR SCOTIABRIDGE RETIREMENT SCHEME	860,371	0.840
PAM - POOLED EQUITY FUND	727,293	0.710
COLIN STEELE	687,465	0.671
KARL P. WRIGHT	650,000	0.635
	88,849,266	86.785
NO. OF SHAREHOLDERS AT 28/02/2017	JCSD	429
	MAIN REGISTER	2
	TOTAL	431

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

DIRECTORS' NAMES	SHAREHOLDING	CONNECTED PARTY	SHAREHOLDING
ANTONIA HUGH	NIL	RANKINSTON LIMITED	32,351,718
PAUL CHIN	NIL	HEISS HOLDINGS LIMITED ALEXA CHIN ZACHARY CHIN	24,263,792 49,779 NIL
GEORGE HUGH	NIL	GEORGE HUGH HOLDINGS LTD MICHELLE HUGH SHANNON HUGH ADAM HUGH BRANDON HUGH TOBY HUGH	24,263,792 69,110 82,710 115,420 141,398 NIL
MICHELLE CHIN	637,418	HEISS HOLDINGS LIMITED MARKHAM BETTING COMPANY LTD KATHRYN CHIN GABRIELLE CHIN KAYLA CHIN LUKE CHIN	24,263,792 280,185 64,179 64,719 NIL NIL
PETER D. CHIN	332,370		
MICHAEL FRASER	382,913		
BARRINGTON CHISHOLM	76,583	ANNA KAYE CHISHOLM PRICE	NIL
	1,429,284		106,010,594

SENIOR MANAGERS

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