Bogle and Company
Chartered Accountants

AMG PACKAGING AND PAPER COMPANY LIMITED
FINANCIAL STATEMENTS
AUGUST 31, 2018

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FINANCIAL STATEMENTS
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Chartered Accountants
Worrick Bogle FCCA, FCA, OPA

Independent Auditor's Report

To the Members of AMG Packaging and Paper Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AMG Packaging and Paper Company Limited ("the Company") set out on pages 4 to 32, which comprise the statements of financial position as at August 31,2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at August 31,2018 and of financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. There were no key audit matters during this reporting period.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.

BOGLE & COMPANY

Chartered Accountants

October 24, 2018

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2018

	Notes	2018	2017
Assets		$	$
Non-current assets			
Property, plant & equipment	6	328,658,316	388,869,038
Total non-current liabilities		328,658,316	388,869,038
Current assets			
Cash & cash equivalents	7	46,671,777	17,671,530
Trade and other receivables	8	104,994,993	110,443,675
Inventories	10	259,796,651	171,957,346
Tax recoverable	9	6,884,609	-
Total current assets		418,348,030	300,072,551
Total assets		747,006,347	688,941,589
Equity			
Share capital	11	63,250,028	63,250,028
Revaluation reserve	12	112,310,635	118,808,899
Retained earnings		279,267,820	302,616,844
Total equity		454,828,484	484,675,771
Non- current liabilities			
Deferred Taxation	13	33,769,334	33,949,097
Long-term loans	14	52,982,262	72,179,963
Total non-current liabilities		86,751,596	106,129,060
Current liabilities			
Current portion of long-term loan	14	19,720,916	39,148,169
Trade payable & accruals	15	185,705,352	57,203,252
Income Tax payable	9	-	1,785,336
Total current liabilities		205,426,267	98,136,758
Total equity & liabilities		747,006,347	688,941,589

Approved by the Board of Directors on ____________,2018 and signed on its behalf by:

B.C. Chisholm Peter D. Chin

Barrington Chisholm (Chairman) Peter Chin (Director)

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF PROFIT OR LOSS
YEAR ENDED AUGUST 31, 2018

	Notes	2018 $	2017 $
Revenue		718,914,950	660,250,612
Cost of sales	16	(567,932,865)	(506,255,656)
Gross profit		150,982,085	153,994,956
(Loss)/Gain on Foreign Exchange		(4,808,621)	2,664,260
Other income		1,337,498	4,563,249
		147,510,962	161,222,465
Selling and distribution expenses		(7,876,578)	(10,118,801)
Administrative expenses		(89,594,170)	(87,639,501)
Finance cost		(5,604,051)	(12,363,706)
	20	(103,074,798)	(110,122,008)
Net Income from continuing operations before taxes		44,436,164	51,100,457
Income tax	17	(6,225,747)	(14,481,615)
Net Income from continuing operations after taxes		38,210,417	36,618,842
Discontinued Operations			
Loss from discontinued operations		(70,353,646)	-
Deferred Tax benefit on discontinued operations	17	8,794,206	-
Total Net loss from discontinuing operations		(61,559,441)	-
Total Net operating (loss)/income		(23,349,024)	36,618,842
Other Comprehensive Income			
Those that cannot be reclassified into profit or loss			
Adjustment to revaluation due to disposal on toilet paper net of taxes		(4,109,568)	
Surplus arising from revaluation of property, plant and equipment		-	93,173,816
Deferred taxation of revaluation surplus	13	(2,388,696)	(23,293,454)
Total Other Comprehensive Income		(6,498,264)	69,880,362
Total Comprehensive Income		(29,847,288)	106,499,204
Earnings per share on continuing operations		$0.07	$0.07
Earnings per share on discontinued operations		($0.12)	-

Average number of shares in issue for the year of 511,894,285 (2017: 511,894,285).

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED AUGUST 31, 2018

	Share capital	Revaluation reserve	Retained earnings	Total equity
	$	$	$	$
Balance as at September 1, 2016	63,250,028	48,928,537	308,997,122	421,175,687
Dividend declared			(42,999,120)	(42,999,120)
Profit for the year	-	-	36,618,842	36,618,842
Revaluation Movement (net of deferred tax)		69,880,362		69,880,362
Balance as at August 31, 2017	63,250,028	118,808,899	302,616,844	484,675,721
Balance as at September 1, 2017	63,250,028	118,808,899	302,616,844	484,675,721
Dividend declared			-	-
Profit for the year	-	-	(23,349,024)	(23,349,024)
Reversal of revaluation due to discontinued operations		(6,498,264)		(6,498,264)
Balance as at August 31, 2018	63,250,028	112,310,635	279,267,820	454,828,484

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018

	2018 $	2017 $
Cash flows from operating activities		
Profit for the year	(23,349,024)	36,618,842
Adjustment to reconcile income for year to net cash provided by operating activities		
Tax Provision	(2,568,459)	14,491,615
Net financing cost	3,269,242	12,363,706
Loss of disposal equipment	28,822,810	332,333
Depreciation	25,753,063	24,747,919
	31,927,632	88,554,415
Increase in inventories	(87,839,305)	(476,797)
Increase in related parties	-	4,115,641
Decrease/(increase) in receivables	5,448,682	(24,623,633)
Decrease/(increase) in payables & accruals	128,502,099	16,361,467
	46,111,476	(4,623,323)
Interest paid	(3,740,365)	(12,414,499)
Taxes Paid	(8,669,945)	(3,449,634)
Net cash flows provided by operating activities	33,701,165	(20,487,456)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,264,719)	(39,281,870)
Proceeds from sale of Property, plant and equipment	15,790,000	80,000
Deposits on purchase of equipment	-	14,342,759
Net cash flows used in investing activities	1,525,281	(24,859,112)
Cash flows from financing activities		
Loans received	-	82,000,000
Loans repaid	(38,153,832)	(96,153,831)
Dividends paid	-	(42,999,120)
Net cash flows used/generated in financing activities	(38,153,832)	(57,152,951)
Net (decrease) cash & cash equivalents	29,000,248	(13,945,102)
Cash & cash equivalents at beginning of year	17,671,528	31,616,630
Cash & cash equivalents at end of year	46,671,778	17,671,530

1. Reporting entity

AMG Packaging & Paper Company Limited was incorporated on the 26th of September 2005, under the Jamaica Companies Act and is a wholly owned Jamaican private company.

Its registered office is located at 9 Retirement Crescent, Kingston 5. The Company was re-registered in July 2011 under the Companies Act 2004 as a public company. During the 2015 reporting period the company added an additional location for their toilet paper factory at 186 Orange Street, Kingston

For main activities see note 23.a under segment reporting.

2. 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 and the company has not opted for early adoption

IFRS 17	Insurance Contracts[3]
Amendments to IFRS 1 and IAS 28	Annual Improvements to IFRSs 2014-2016 Cycle-various standards. [1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
IFRS 16	Leases[2]
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts[3]
Amendments to IAS 40	Transfers of Investment Property[1]

[1]Effective for annual periods beginning on or after 1 January 2018.

[2]Effective for annual periods beginning on or after 1 January 2019.

[3]Effective for annual periods beginning on or after 1 January 2021.

3. Application of new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016

a. IAS 12 – Income Taxes

This amendment implements a comprehensive balance sheet method of accounting for income taxes which recognises both the current tax consequences of transactions and the future consequences of future recovery or settlement of the carrying amount to the company's assets and liabilities.

Differences between the carrying amount and the tax base of assets and liabilities, and carried forward tax losses and credits, are recognised, with limited expectations, as deferred tax liabilities or deferred tax assets, with the latter as also being subject to a probable profits test.

b. IAS 7 – Statement of Cash Flows

This amendment clarifies that as of January 2017, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

The company has assessed that the amendment does not impact it, as all movement within the financing activities are all cash transactions and are broken out appropriately on the Statement of Cashflows

4. Summary of significant accounting policies

a. Statement of compliance

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

b. Reporting currency

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

4. Summary of significant accounting policies

c. Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

d. Property, Plant and Equipment (IAS 16)

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 existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive

4. Summary of significant accounting policies (cont'd)

d. Property, Plant and Equipment (cont'd)

future economic benefits from related assets in excess of what could be derived had those items not been acquired.

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

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

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

Revaluation

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

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

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

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

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

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

4. Summary of significant accounting policies (cont'd)

d. Property, Plant and Equipment (cont'd)

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

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

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

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

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

e. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

f. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

g. Cash and cash equivalents

Cash and cash equivalents are held for the purposes of meeting short term commitments rather than for investments or other purposes. For an investment to qualify it must be convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of 3 months or less from the date of acquisition.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

4. Summary of significant accounting policies (cont'd)

h. Share capital

Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *(Taxation)*.

i. Loans

Loans are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan.

j. Related Party Disclosures

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

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

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

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

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

4. Summary of significant accounting policies (cont'd)

j. Related party disclosures (cont'd)

If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

k. Trade Payables

Trade payables are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

l. Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date

Exchange differences arising on transactions are recognised in the income statement under "Other Income".

4. Summary of significant accounting policies (cont'd)

m. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for allowances.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered, and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

n. Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

4. Summary of significant accounting policies (cont'd)

Taxation (cont'd)

Deferred tax (cont'd)

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

5. Financial Instruments: Disclosures

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

a. Financial risk management

i. Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments.

At the reporting date, the interest rate profile of the company's interest bearing financial instruments was:

2018

	Wiithin 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
Assets					
Cash	-	-	-	35,316,144	35,316,144
Repurchase agreements	11,355,633	-	-	-	11,355,633
Trade Receivables net	78,948,338				78,948,338
Fixed Assets	-	-	-	328,658,316	328,658,316
Other Assets	25,508,179	266,681,260	-	538,476	292,727,915
Total Assets	115,812,151	266,681,260	-	364,512,936	747,006,347
Liabilities					
Bank Loans	-	19,720,916	52,982,262	-	72,703,177
Trade Payables	171,301,947	-	-	-	171,301,947
Other Liabilities		14,403,405	-	33,769,334	48,172,739
Total Liabilities	171,301,947	34,124,321	52,982,262	33,769,334	292,177,863
Total Equity				454,828,484	454,828,484
Total Liabilities & Equity	171,301,947	34,124,321	52,982,262	488,597,818	743,976,599
					-
Asset Liability Gap	(55,489,796)	232,556,939	(52,982,262)	(124,084,882)	-
					-
Cumulative Asset-Liability Gap	(55,489,796)	177,067,143	124,084,882	-	245,662,229

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

5. Financial Instrument disclosures (cont'd)

a. Financial risk management (cont'd)

(i) Interest rate risk (cont'd)

2017

	Wiithin 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
Assets					
Cash	-	- -	-	7,771,402	7,771,402
Repurchase agreements	9,900,128	-	-	-	9,900,128
Trade Receivables net	97,239,882				97,239,882
Fixed Assets	-	-	-	388,869,038	388,869,038
Other Assets	12,665,317	172,495,822	-		185,161,139
Total Assets	119,805,327	172,495,822	-	396,640,440	688,941,589
Liabilities					
Bank Loans	-	72,179,963	39,148,169	-	111,328,132
Trade Payables	42,333,027	-	-	-	42,333,027
Other Liabilities		16,655,561	-	33,949,097	50,604,658
Total Liabilities	42,333,027	88,835,524	39,148,169	33,949,097	204,265,818
Total Equity				487,816,291	487,816,291
Total Liabilities & Equity	42,333,027	88,835,524	39,148,169	521,765,388	688,941,589
					-
Asset Liability Gap	77,472,300	83,660,298	(39,148,169)	(121,984,428)	-
					-
Cumulative Asset-Liability Gap	77,472,300	161,132,597	121,984,428	-	360,589,324

	Wiithin 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
SENSITIVITY ANALYSIS					
Impact of 1% increase in interest rate per tenor bucket	(554,898)	2,325,569	(529,823)	(1,240,849)	-
Impact of 1% decrease in interest rate per tenor bucket	554,898	(2,325,569)	529,823	1,240,849	-
Impact of 1% increase in interest on cumulative gap	(554,898)	1,770,671	1,240,849	-	2,456,622
Impact of 1% decrease in interest rate on cumulative gap	554,898	(1,770,671)	(1,240,849)	-	(2,456,622)

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

5. Financial Instrument disclosures (cont'd)

a. Financial risk management (cont'd)

ii. Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the company's investment securities, loans receivable, receivables from customers, and from resale agreements. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Company to similar risks as loans and are managed in similar manner

	2018 $	2017 $
Financial assets		
Cash and bank balances	35,316,144	7,771,402
Loans and receivables (including trade receivables balance)	111,879,602	110,443,675
Available-for-sale financial assets	11,355,633	9,900,128
Financial liabilities		
Amortized cost (including trade payables balance)	292,177,863	204,265,818

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables.

iii. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations for its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management which the company uses includes maintaining sufficient cash and marketable securities.

For this purpose, liquid assets include cash and bank balances, and resale agreements which are readily converted into cash within three months.

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

5. Financial Instrument disclosures (cont'd)

a. Financial risk management (cont'd)

iii Liquidity risk (cont'd)

	2018	2017
	$	$
Current assets	418,348,030	300,072,551
current liabilities	205,426,267	98,136,758
Current ratio	2.04	3.06

The liquid asset ratio at the end of the year was 1:2.04 (2017: 1: 3.06). There has been no change to the company's exposure to liquidity risk or the manner in which it manages and measures the risk.

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	2018				
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Accounts Payable	185,705,352	185,705,352	185,705,352	-	-
Bank Loan	72,703,177	72,179,585	26,538,435	45,641,150	-
	258,408,529	257,884,937	212,243,787	45,641,150	-

	2017				
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Accounts Payable	57,203,252	57,203,252	57,203,252	-	-
Bank Loan	111,328,132	109,051,355	38,153,820	70,897,535	-
	168,531,385	166,254,607	95,357,072	70,897,535	-

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

6. Property, plant & equipment

a. Reconciliation of Carrying amounts (see accounting policy note 4.d)

	Land, Building & Leasehold Improvement	Equipment	Motor Cycle & Motor Vehicle	Computer	Furniture & Fixtures	Total
	$	$	$	$	$	$
At cost/valuation						
Balance at August 31, 2016	198,060,419	131,791,447	1,937,758	2,463,069	13,062,735	347,315,428
Acquisitions	4,311,151	34,144,382	-	661,837	164,501	39,281,870
Disposals		(1,237,000)	-	-	-	(1,237,000)
	35,558,861	(700,857)	-	-	-	34,858,004
Balance at August 31 2017	237,930,431	163,997,973	1,937,758	3,124,906	13,227,236	420,218,303
Balance at September 1, 2017	237,930,431	163,997,973	1,937,758	3,124,906	13,227,236	420,218,303
Acquisitions	-	10,952,217	-	2,988,670	323,832	14,264,719
Disposals	(14,960,431)	(47,554,078)	(1,757,500)	-	(1,062,685)	(65,304,694)
Balance at August 31 2018	223,000,000	127,396,112	180,258	6,113,576	12,488,382	369,178,328
Depreciation						
Balance at August 31, 2016	19,774,073	41,054,451	145,048	1,339,473	3,428,779	65,741,823
Charge for the year	6,791,742	15,984,846	242,220	414,925	1,314,186	24,747,919
Disposals		(824,667)	-	-	-	(824,667)
	(18,086,028)	(40,229,784)	-	-	-	(58,315,811)
Balance at August 31 2017	8,479,787	15,984,847	387,268	1,754,398	4,742,965	31,349,265
Balance at September 1, 2017	8,479,787	15,984,847	387,268	1,754,398	4,742,965	31,349,265
Charge for the year	7,892,233	14,957,454	269,312	953,937	1,680,127	25,753,063
Disposals	(7,896,742)	(7,896,568)	(483,836)	-	(305,169)	(16,582,315)
Balance at August 31 2018	8,479,787	23,045,732	172,744	2,708,335	6,117,922	40,520,012
Net book values						
Balance at August 31 2018	214,524,722	104,350,380	7,514	3,405,241	6,370,460	328,658,316
Balance at August 31 2017	229,450,643	148,013,126	1,550,490	1,370,507	8,484,271	388,869,038

6. Property, plant & equipment (cont'd)

i. Included in Land, Building and Leasehold Improvement is Land with a carrying value of $44,600,000 (2017: $44,600,000) which is not depreciated

b. *Discontinued Operations*

A total of $31,218,350 has been recognised as loss on disposal of asset from discontinued operations

c. *Security*

At August 31, 2017, property, plant and equipment, were used as security for bank loans note 1.b

d. *Revaluation*

Land, Building and plant equipment have been revalued effective August 31st, 2017. These items were independently valued by well-respected valuation companies.

For each revalued class of property, plant and equipment the carrying amount, that would have been recognized had the assets been carried under the cost model are as follows:

	Land, Building & Leasehold Improvement	Equipment	Total
Carrying Value	175,805,755	108,484,199	284,289,954

A total value of revaluation reserve is $142,102,353 of which $93,173,816 is as of a result of the current period change. The balances are restricted against distribution to shareholders

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

7. Cash and cash equivalents

See accounting policy in note 4.g

	2018 $	2017 $
Petty cash	70,000	70,000
Bank accounts denominated in United States currency		
Bank of Nova Scotia Jamaica Limited - Savings Account	8,544,966	911,550
Bank accounts denominated in Jamaican Dollar		
National Commercial Bank Jamaica Limited - Current Account	440,846	279,816
Bank of Nova Scotia Jamaica Limited - Current Account	25,635,093	5,864,798
JN Fund Managers Limited - Saving Account	645,238	645,238
Repurchase agreements		
Alliance Investment - denominated in United States Currency	10,307,707	8,852,202
Alliance Investment - denominated in Jamaican Currency	1,047,926	1,047,926
	46,671,777	17,671,530

i. The translation of foreign currency accounts has been accounted for using the methods prescribed by IAS 21 (see policy note 4.l)

ii. Included in the Bank of Nova Scotia Jamaica Limited current account is a balance of $357,836.36 (2017: $456,366) which represents the account designated for dividend payments. These payments are the only payments authorised to be taken from this account.

8. Trade and Other receivables

See accounting policy in note 4.f

	2018 $	2017 $
Trade receivables	87,828,480	106,120,024
Less provision for bad debts	(8,880,142)	(8,880,142)
	78,948,338	97,239,882
Prepayments	3,089,366	1,258,747
Deposits	538,476	538,476
Other receivables	22,418,813	11,406,570
Total Trade and Other receivables	104,994,993	110,443,675

AMG PACKAGING & PAPER COMPANY LTD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Trade and Other receivables (cont'd)

a. Aging of trade receivables

At August 31st, 2018, the ageing of trade receivables that were not impaired was as follows:

	2018	2017
	$	$
Past due and impaired	18,510,323	7,055,947
Neither past due nor impaired	57,181,115	66,107,132
Past due 31-60 days	5,983,994	8,714,094
Past due Over 60 days	6,153,047	24,242,850
	87,828,480	106,120,024

i. Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour.

ii. Management has assessed impairment of trade receivables based on the individual collectability of each customer

b. Movement in Provision for Doubtful accounts

	2018	2017
	$	$
Beginning Balance	8,880,143	4,323,392
Addition Provision	-	4,556,751
Ending Balance	8,880,143	8,880,143

9. Tax recoverable

	Tax receivable (payable)
	$
Opening balance	(1,785,336)
Tax Payments	8,669,945
Current year tax liability	-
Closing balance	6,884,609

10. Inventories

See accounting policy in note 4.e

	2018	2017
	$	$
Raw materials	253,877,423	159,467,363
Goods in transit	229,791	636,246
Finished goods	5,689,437	11,853,738
	259,796,651	171,957,346

I. The cost of inventories recognized as an expense during the year in respect of continuing operations was $400,859,996 (2017: $349,931,776).

11. Share capital

See accounting policy in note 4.h

A. Share capital and share premium

	2018	2017
	$	$
In issue at September 1,	63,250,028	63,250,028
Issue for cash	-	-
In issue at August 31, - Fully paid	63,250,028	63,250,028
Authorised at no par	140,000,000	140,000,000

I. All ordinary shares rank equally with regard to the Company's residual assets.

II. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

III. Effective March 10th, 2017, the company has authorized a five (5) times stock split increasing the issued ordinary shares to 511,894,285 (2017: 511,894,285)

11. Share capital (cont'd)

B. Dividends

The following dividends were declared and paid by the Company for the year.

	2018	2017
	$	$
Dividends paid	-	42,999,120

I. During the reporting year (2017) the company declared and paid dividends of $42,999,120

12. Revaluation reserve

See accounting policy in note 4.d

Revaluation reserve results from the difference between the revaluation of land, building and equipment and their carrying value at August 31, 2017. The valuation was carried out by professional appraisers Valerie Levy & Associates Limited and Stellar Caribbean (Ja.) Limited which are a reputable company in Jamaica. See note 6.d for addition details

13. Deferred Taxation

See accounting policy in note 4.n

	Property, plant and equipment	Other provisions	Tax losses	Total
Balance at August 31, 2016	-	-	-	-
Prior year adjustment	963,778			963,778
Charged to surplus or deficit	10,831,054	(1,139,188)	-	9,691,866
Charged to other comprehensive income	23,293,454	-	-	23,293,454
Balance at August 31, 2017	35,088,285	(1,139,188)	-	33,949,097
Charged to surplus or deficit	(4,886,947)	1,139,188	1,179,299	(2,568,460)
Charged to other comprehensive income	2,388,696	-	-	2,388,696
Balance at August 31, 2018	32,590,035	-	1,179,299	33,769,334

14. Bank loans

See accounting policy in note 4.i

	2018 $	2017 $
Non-current liabilities		
Secured bank loans	52,982,262	72,179,963
Current liabilities		
Secured bank loans	19,197,690	38,153,820
Accrued Interest	523,226	994,349
	19,720,916	39,148,169

14. Bank Loans (cont'd)

a. Terms and repayment schedule

	Interest rate	Year of maturity	Carrying value 2018 $	Carrying value 2017 $
Bank of Nova Scotia Jamaica Limited				
Secured Loan	10.00%	2017	-	12,000,000
Secured Loan	9.50%	2020	17,051,335	27,820,555
Secured Loan	10%	2020	38,590,141	49,359,373
Secured Loan	10.59%	2020	16,538,475	21,153,855
Total interest-bearing loans			72,179,951	110,333,783

b. Securities

i. The Bank of Nova Scotia Jamaica Limited

1. First Demand Debenture, creating a first charge over fixed assets, and a floating charge over the other assets of the company stamped an aggregate of $202,000,000.00 and collateral to:
   a. 1st Legal Mortgage stamped $102,000,000 over commercial premises at 9 Retirement Crescent, Kingston 5, registered at Volume 1469 Folios 446-7 in name of AMG Packaging & Paper Company Limited.
   b. 2nd Legal Mortgage stamped $102,000,000 over commercial premises at 10 Retirement Crescent, Kingston 5, registered at Volume 1094 & 1402 Folio 743 & 431 in the name of AMG Packaging & Paper Company Limited.
   c. 2nd Legal Mortgage stamped $100,000,000 over commercial premises at 9 Retirement Crescent, Kingston 5, registered at Volume 1469 Folios 446-7 in name of AMG Packaging & Paper Company Limited.
   d. 3rd Legal Mortgage stamped $100,000,000 over commercial premises at 10 Retirement Crescent, Kingston 5, registered at Volume 1094 & 1402 Folio 743 & 431 in the name of AMG Packaging & Paper Company Limited.
   e. Bill of Sale stamped $100,000,000 over a) Toilet Paper/Hand Towel Machines b) Clamp Forklift and c) Pallet Stacker
2. 1st Legal Mortgage stamped $25,600,000 over commercial premises at 10 Retirement Crescent, Kingston 5, registered at Volume 1094 & 1402 Folio 743 & 431.
3. Bill of Sale stamped $25,600,000 collateral to Mortgage at #2 above over (i) Model 2003 Dockstocker DSX40. (ii) SG-3 Semi-automatic Gluing Machine and (iii) 2 Colour Printer and Rotary Die Cutting Machines
4. Assignment of Peril Insurance proving full replacement value cover for the asset of the Borrower and the assets pledged to support the credit facilities (i.e. including all owned Real Estate, Fixtures, Equipment and inventory) with loss payable to the bank.

15. Trade payables and accruals

See accounting policy in note 4.k

	2018	2017
	$	$
Trade payables	171,301,947	42,333,027
Accrued expenses	14,403,405	14,870,225
	185,705,352	57,203,252

a. Aging of trade payables

At August 31st, 2018, the ageing of trade payables was as follows:

	2018	2017
	$	$
Within 1 month	109,719,050	40,588,949
Past due 31-60 days	51,750,996	285,183
Past due Over 60 days	9,831,901	1,458,895
	171,301,947	42,333,027

16. Cost of sales

	2018	2017
	$	$
Cost of materials used	419,349,384	349,927,821
Salaries, wages & related costs	83,995,618	78,101,331
Insurance	6,882,854	6,052,256
Maintenance expenses	9,340,849	14,756,352
Fuel	16,527,915	12,381,960
Water	2,329,906	1,705,722
Depreciation	25,753,063	24,747,919
Electricity	9,014,435	10,053,079
Loose tools	106,110	139,173
Equipment lease & hireage	910,371	987,854
Rent	-	7,200,000
Uniforms	940,571	202,189
	575,151,076	506,255,656

Cost of Sales includes depreciation of $7,218,211 which is attributable to the toilet paper discontinued segment.

17. Taxation

See accounting policy in note 4.n

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%

Company completed its 5-year tax-free period on May 2016.

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

INCOME TAX	2018 $	2017 $
Components of tax expense		
Current tax expense	-	4,187,359
Adjustments to current tax in prior years	-	602,391
Deferred tax expense	(2,568,460)	32,985,320
Tax expense	(2,568,460)	37,775,070

Relationship between tax expense and accounting profit	2018 $	2017 $
Net surplus before tax	(25,917,483)	51,100,458
Tax at 12.5% (2017: 12.5%)	(3,239,685)	6,132,055
Plus (less) tax effect of:		
Non-deductible expenditure	315,060	293,649
Prior year adjustment	-	602,391
Deferred tax adjustment	356,166	30,746,975
Tax expense	(2,568,460)	37,775,070

18. Staff cost

Staff costs for the year totalled $133,313,459 while the total number of employees during the year was 129 (2017: 130 employees)

	2018	2017
	$	$
I. Charged to Cost of Goods Sold	83,995,618	53,584,448
II. Charged to Administrative Expenses	49,317,841	37,186,557
	133,313,459	90,771,005

19. Statutory disclosures

	2018	2017
	$	$
Directors' remuneration	8,138,878	8,451,161
Directors' fees	12,403,331	8,300,464
Interest on loans	7,938,859	12,363,706
Depreciation	25,753,063	24,747,919
Auditors' remuneration	1,900,000	1,760,000
	56,134,131	55,623,250

20. Expenses by nature

	2018	2017
	$	$
Administrative and management remuneration	37,885,117	27,737,358
Other staff related costs	11,432,724	11,002,270
Selling and distribution expenses	7,876,578	10,118,801
Motor vehicle expenses	6,523,523	6,749,187
Utilities	2,808,770	2,384,024
Travel Costs	1,540,330	1,625,495
Incentive	3,146,551	4,395,499
Other	31,861,205	46,109,375
	103,074,798	110,122,008

Total administrative and selling expense charged for discontinued operations is $3,182,538