

# 2019

## ANNUAL REPORT

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# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AMG Packaging & Paper Company Limited will be held at the offices of AMG Packaging & Paper Company Limited at 10 Retirement Crescent, Kingston 5 on Thursday, February 20, 2020 at 10:00 a.m. for the purpose of transacting the following business:

1. To receive the Audited Financial Statements for the Year Ended August 31, 2019 together with the Reports of the Directors and Auditors thereon.

The Shareholders are asked to consider, and if thought fit, approve the following Resolution:

## **ORDINARY RESOLUTION NO. 1**

"That the Audited Financial Statements for the Year Ended August 31, 2019 together with the Reports of the Directors and Auditors thereon, be and are hereby adopted."

2. To elect Directors.

The Directors retiring by rotation in accordance with Regulation 102 of the Company's Articles of Incorporation are Mr. Bevon Francis and Mr. Duke Holness, who being eligible for re-election, offer themselves for re-election.

The Shareholders are asked to consider, and if thought fit, approve the following Resolutions:

## **ORDINARY RESOLUTION NO. 2**

"That the Directors retiring by rotation be re-elected by a single resolution."

## **ORDINARY RESOLUTION NO. 3**

"That Mr. Bevon Francis and Mr. Duke Holness, who are retiring by rotation in accordance with Regulation 102 of the Articles of Incorporation be and are hereby re-elected as Directors of the Company."

3. To approve the remuneration of the Non-Executive Directors.

The Shareholders are asked to consider, and if thought fit, approve the following Resolution:

# NOTICE OF ANNUAL GENERAL MEETING

## **ORDINARY RESOLUTION NO. 4**

"That the amount shown in the Audited Financial Statements for the Year Ended August 31, 2019 as fees paid to the Non-Executive Directors for their services as Directors, be and is hereby approved."

4. To appoint Auditors and to authorise the Directors to fix the remuneration of the Auditors.

The Shareholders are asked to consider, and if thought fit, approve the following Resolution:

## **ORDINARY RESOLUTION NO. 5**

"That the remuneration of the Auditors, Bogle and Company, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors."

5. Final dividend.

To approve and ratify the final dividend paid with respect to the financial year ended August 31, 2019.

The Shareholders are asked to consider, and if thought fit, approve the following Resolution:

## **ORDINARY RESOLUTION NO. 6**

"That the final dividend of \$0.02 per share paid to the shareholders on January 15, 2020 be and is hereby declared and approved as the final dividend for the financial year ended August 31, 2019."

Dated the 10th of December, 2019

By Order of the Board



**CRISTINA MATALON**  
Company Secretary

# MISSION

To manufacture packaging materials at the highest standard and to sell at the lowest price and maintain a reputation of being a viable alternative for imported packaging.



# QUALITY POLICY

AMG Packaging & Paper Company Ltd. is committed to implementing and continually improving the effectiveness of our Quality Management System through providing products that satisfy our customers' needs and expectations. We are committed to satisfying all applicable statutory and regulatory requirements. We achieve this through our cadre of competent staff, effective communication and team work.

# VISION

To be the best manufacturing company of corrugated cardboard boxes who understands and satisfies the product quality and expectations of our valued clientele.



# CHAIRMAN'S STATEMENT

The financial year 2018-19 was a recovery year for AMG Packaging & Paper Co. Ltd. In the previous financial year, the Company exited the unprofitable toilet paper manufacturing business which resulted in us moving from a total Comprehensive Loss of \$29.9 million to a total Comprehensive Income of \$59.1 million. In essence, AMG has gone back to its core business, the manufacturing of corrugated boxes. The Company completed the acquisition on the property at 12 Retirement Crescent which will allow us to expand our operations and to better serve our customers.

During the year, we invited two additional Independent Directors to the Board as the Company continues to strive to improve its corporate governance. Mr. Metry Seaga, immediate Past President of the Jamaica Manufacturers and Exporters Association and experienced and seasoned manufacturer, joined the Board on January 10, 2019. Mr. Duke Holness, who has vast international and local marketing and management experience joined the Board on April 2, 2019.

On behalf of the Board of Directors, I wish to thank our customers for giving us the privilege to serve them and to express our gratitude to the management and staff for their significant contributions to the Company's success. As we go into the 2019-2020 financial year, AMG will strive to serve its customers better, increase its productivity and very importantly, increase its shareholders' value.

Sincerely,



**PETER D. CHIN**  
Chairman



# MANAGING DIRECTOR'S STATEMENT

AMG Packaging & Paper Company Limited (AMG) presents its Audited Financial Statements for the 12 month period ending August 31, 2019.

- Revenues for the period to August 31, 2019 increased 6.03%, moving from \$718.91 million (2018) to \$762.30 million (2019).
- Manufacturing Costs increased 7.18% moving from \$555.62 million (2018) to \$595.50 million (2019).
- Administrative Expenses increased by 5.18% when compared to the previous year.
- Total Comprehensive Income increased by 298.13%, moving from a total Comprehensive Loss of \$29.9 million (2018) to a total Comprehensive Income of \$59.1 million in 2019.

	12 months ending Aug. 31, 2019	12 months ending Aug. 31, 2018
<b>Total Revenues</b>	<b>762,295,299</b>	<b>718,914,950</b>
<b>Gross Profit</b>	<b>156,010,414</b>	<b>150,982,085</b>
<b>Total CI/(Loss)</b>	<b>59,137,184</b>	<b>(29,847,288)*</b>
<b>Total Assets</b>	<b>716,076,257</b>	<b>747,006,346</b>

## **\*INCLUDES DISCONTINUED OPERATIONS**

The Company has obtained funding from Proven Wealth Limited to assist with the development of 12 Retirement Crescent. The KSAC is in the process of reviewing the architectural drawings for 12 Retirement Crescent.

The Company has begun the investigation on new equipment that will assist with production speeds and efficiency. AMG has joined The Independent Packaging Association to help with this investigation and future projects.



**GEORGE HUGH**  
Managing Director

# MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion provides an analysis of the operating results and financial position of AMG Packaging & Paper Company Limited ("the Company") for the year ended August 31, 2019.

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the Company's audited financial statements for the years ended August 31, 2018 and 2019.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Jamaican Companies Act.

The significant accounting policies upon which these consolidated financial statements have been prepared are detailed in Note 4 of the Company's audited consolidated financial statements.

## **PERFORMANCE SUMMARY**

### Operations

The results for the financial year ending August 31, 2019, shows a 6.03% increase in revenues moving from \$718.9 million (2018) to \$762.3 million (2019).

Total Manufacturing Costs increased 6.76%, moving from \$567.9 million to \$606.3 million.

Gross Profit increased from \$151.0 million in 2018 to \$156.0 million in 2019.

Net Income from continuing operations before taxes increased by 44.59%, moving from \$44.4 million (2018) to \$64.2 million (2019). Total Comprehensive Income has increased by 297.7 %, moving from negative \$29.9 million (2018) to \$59.1 million (2019).

Paper prices on the world market had finally stabilized towards the end of the financial year and should continue throughout the new year.

## **CASH FLOW AND BALANCE SHEET**

AMG's Balance Sheet shows a cash and cash equivalents increase of 93.84% closing at \$90.5 million as compared to \$46.7 million (2018). Accounts Receivables for the period has reduced by 28.13%. This reduction has impacted positively on the Company's cash flow.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Balance Sheet shows an increase in the Company's Non-Current Assets from \$328.7 million to \$363.4 million due to the acquisition of the property at 12 Retirement Crescent.

Non-Current Liabilities shows a reduction from \$86.75 million in 2018 to \$31.8 million in 2019, which is due to a transfer of all long-term loans to Current Liabilities. The Current Liabilities amount has reduced from \$205.4 million (2018) to \$177.8 million (2019) due to a decrease in trade payables and accruals.

## **AWARDS 2019**

AMG completed its ISO 9001:2015 Surveillance Audit and maintained its International Certification within the period.

Quality Recognition Certificate - Jamaica Bureau of Standards Quality Awards Programme.

## **CORPORATE GOVERNANCE**

As our Quality Policy states, AMG is committed to continually improving the effectiveness of our Quality Management System.

This is also reflected in our Corporate Governance Policies as we continually seek ways to improve the trust and relationships we share with our stakeholders.

Our Corporate Governance Policies can be viewed on our website.

## **RISK MANAGEMENT**

Principles for inspiring confidence in our customers and other stakeholders include a risk-based approach to management which take into account the risks associated with providing products that satisfy our customers' needs and expectations. Risks may include, but are not limited to, those associated with:

- the Company's objectives
- legal regulatory and liability issues
- operating environment
- health and safety of employees and other stakeholders on our premises
- perception of interested parties

# MANAGEMENT DISCUSSION AND ANALYSIS

Top management reviews any residual risk to determine if it is within the level of acceptable risk. The risk assessment process includes identification of and consultation with interested parties.

## **RISKS ASSESSED WITHIN THIS PERIOD**

- Electronic File Protection – Encrypted Cloud Storage was introduced
- Product Preservation – Procurement of a Pallet Wrapping machine
- Space Constraint – Approval and procurement of pre-fabricated warehouse to be constructed on newly acquired land at 12 Retirement Crescent
- Safety – Uneven floor surface (front of the factory). Repaved area to allow smooth movement of pallets and lift equipment between corrugation and conversion sections
- Improve Productivity and Efficiency – The procurement of a Flexo Folder Gluer (a single machine to convert a sheet into a finished product in one pass)

## **FUTURE PLANS**

The Company has obtained funding from Proven Wealth Limited to assist with the development of 12 Retirement Crescent. The KSAC is in the process of reviewing the architectural drawings for 12 Retirement.

The Company has begun the investigation on new equipment that will assist with production speeds and efficiency. AMG has joined The Independent Packaging Association to help with this investigation and future projects.



# HUMAN RESOURCES

**At AMG we believe that our employees are our most valuable resource and we do our best to help them achieve their full potential through continual education and training.**

## **COMPETENCY, TRAINING AND AWARENESS**

The competency of people assigned responsibilities defined in the Quality Manager System (QMS) is determined on the basis of documented criteria for appropriate education, training, skills and experience for each required competency or work assignment. We determine competency needs, including employee training and awareness needs, through the following actions:

- Top Management identifies emerging competency needs during management reviews. Emergent competency needs are converted into job descriptions for the type and number of positions that need to be filled through external recruitment, internal reassignment/promotion, and/or outsourcing actions.
- The HR Personnel, with input from responsible managers, evaluate and qualify applicants for specific job openings on the basis of documented or demonstrated competencies. Where possible, we help existing employees qualify for new/changed jobs through the provision of appropriate education and training, including on-the-job-training (OJT). The HR Personnel, with input from responsible managers, establishes and maintains job descriptions for each position held at AMG, to document the specific competencies needed to ensure the quality of AMG's products and services.

## **PROVISION**

Training needs identified as a result of the need determination activities discussed above are passed on to the HR Personnel for appropriate planning and timely provision.

## **EFFECTIVENESS**

We evaluate the effectiveness of all actions taken to meet competency needs. Training provided is evaluated through immediate feedback from the employee and the manager, officer or supervisor who identified the training requirement. Training effectiveness is collected and documented by the responsible manager for each training event. The HR Personnel, with input from other responsible managers, monitors and measures the overall effectiveness of training and other actions taken to meet competency needs and provides related recommendations to Top Management for review and action.

# HUMAN RESOURCES

## EMPLOYEE AWARENESS

We ensure that our employees are aware of customer requirements, of the relevance and importance of their activities and how they contribute to the achievement of our Quality Policy and Objectives. This is accomplished through awareness training, employee performance reviews and employee participation in our internal audit and improvement processes.

## RECORDS

We maintain appropriate records of education, training, skills and experience in accordance. Employee qualification/competency review records and annual performance review results are maintained by the HR Personnel. The HR Personnel maintains records of all training completed.

## TRAINING

As a part of our drive for continual improvement, selected staff members were given various training. These trainings consist of both theoretical and practical elements. Areas of training include:

- Die Cutting Operation
- Gluer Operation
- Corrugator Operation
- Stacker Operation
- Risk Management
- Labour Law
- Occupational Safety & Health

The purpose of these trainings is to ensure the achievement of AMG's objective to have well-trained and highly-motivated staff capable of meeting the current and future needs of the organization.



# BOARD OF DIRECTORS

## **PETER D. CHIN**

### **Non-Executive Chairman**

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Peter Chin holds a MBA in Finance and Investments from George Washington University and a B.Sc. (Hons) in Management Studies from the University of the West Indies. As the Non-Executive Chairman of AMG, Peter brings to the Board his financial services and management experience for our strategic direction and corporate governance. He is also Chairman of the Audit and Finance Committee of AMG.

## **GEORGE HUGH**

### **Managing Director**

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George Hugh spearheaded the formation of AMG in 2005 after doing research and surveying the local market. He became Managing Director in 2009 and is responsible for our strategic direction and overseeing daily operations with support from our management team.

## **MICHELLE CHIN**

### **Non-Executive Director**

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Michelle Chin is a Jamaican businesswoman who has contributed to many local ventures and philanthropic causes. She was appointed to the Board in 2016. As a Non-Executive Director of AMG, Michelle brings to the Board over 20 years managerial experience for our strategic direction and corporate governance. She is also Chairman of the Compensation Committee of AMG.

## **BEVON FRANCIS**

### **Non-Executive Director**

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Bevon Francis has held senior Management Positions over time in a number of manufacturing companies in Jamaica. He brings to the Board a wealth of knowledge and experience in business.

# BOARD OF DIRECTORS

## **MICHAEL FRASER, O.D.**

### **Non-Executive Director and Mentor**

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Michael Fraser is a Chartered Life Underwriter (CLU), Justice of the Peace of the Island and an active alumnus of Jamaica College. As a Non-Executive Director and Mentor of AMG, Michael is responsible for ensuring that AMG has adequate procedures, systems and controls for financial reporting, as well as compliance with Junior Market Rules and general corporate governance.

## **DUKE HOLNESS**

### **Non-Executive Director**

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Duke Holness holds a MBA from Nova Southeastern University and a BSc Management Studies from the University of the West Indies. Duke brings to the Board extensive experience gained from successful tenures of employment in senior leadership positions with a number of multinational companies - most notably - GlaxoSmithKline Pharmaceuticals where he was the Vice President and Regional General Manager for the Central America, Caribbean, Peruvian and Ecuadorean Markets. Duke is a board member of the National Health Fund (NHF) and is Chairman of the Medical Review and Research sub-committee of the board.



## **ANTONIA HUGH**

### **Non-Executive Director**

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Antonia Hugh is a Director of Rayton Group and is in the business over 20 years. He also serves as a Consultant of Dollars to Dollars Limited. He is an art collector and a keen golf player.

# BOARD OF DIRECTORS

## **CRISTINA MATALON**

### **Company Secretary**

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Cristina Matalon holds both a MBA in Finance and a Bachelor's degree in Business Administration from The University of Miami. Cristina has considerable experience with a range of commercial transactions, including mergers, acquisitions, partnerships and dissolutions in Jamaica and St. Lucia. Cristina supports the Board of Directors of AMG through her corporate governance experience gained during her career as Company Secretary to public and private companies, and her knowledge of the Companies Act 2004 - Jamaica; the Pensions Act and Insurance Regulations.

## **METRY SEAGA**

### **Non-Executive Director**

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Metry Seaga is the first President of the Jamaica Manufacturers and Exporters Association (JMEA). Prior to the formation of the JMEA, Metry was the President of the Jamaica Manufacturers' Association (JMA) since 2015 and served on their board of directors since 2008. Metry has been an entrepreneur for over thirty years and holds a Bachelor's Degree in Business from Florida International University (FIU). He is the Managing Director of Jamaica Fibreglass Products Ltd., a contract fabricating company, the Vice Chairman of the Jamaica Promotions Corporation (JAMPRO), Chairman of the Jamaica Special Economic Zone Authority (JSEZA) and was the youngest elected President of the Jamaica U-Drive Association. In his spare time he takes pleasure in travelling and playing golf.



# CORPORATE GOVERNANCE

**The Board of Directors of AMG Packaging & Paper Company Limited ('the Company') is comprised of 8 Directors, 7 of whom are Non-Executive Directors.**

**Five Directors, representing 62% of the Board, are Independent Directors. The Independent Directors are Mr. Peter Chin (Chairman), Mr. Michael Fraser (Mentor), Mr. Bevon Francis, Mr. Metry Seaga and Mr. Duke Holness.**

**The Board of Directors defines 'independence', as it refers to Board Members, as follows:**

An Independent Director is one who:

- Is not, and has not been employed by the Company at any time during the past two years;
- Is not, and has not been affiliated with a Company that acts as an advisor or consultant to the Company or its related parties, and has not acted in such capacity at any time during the past two years;
- Is not, and has not been affiliated with any significant customer or supplier of the Company or its related parties at any time during the past two years;
- Does not currently have, nor has had any personal service contracts with the Company, its related parties or its senior management at any time during the past two years;
- Does not receive and has not received any additional remuneration from the Company apart from a director's remuneration, nor participates in the Company's performance-related payment plans, nor is a participant of the Company's pension plan;
- The director's remuneration does not constitute a significant portion of the his or her annual income;
- Is not a member of the immediate family of any individual who is, or has been at any time during the past two years, employed by the Company or its related parties as an executive officer;
- Is not, nor has been at any time during the past two years, affiliated with or employed by a present or former auditor of the Company; and
- Is not a controlling shareholder of the Company or such person's adult brother, adult sister, parent, child, aunt, uncle, or a spouse, widow, in-law of any of the foregoing.

In January 2019 the Board of Directors approved The Code of Conduct and Ethics, and reviewed the following Corporate Governance documents:

- Board Corporate Governance Charter;
- Audit Committee Charter;
- Compensation Committee Charter;
- Corporate Governance Committee Charter.

# CORPORATE GOVERNANCE

The Members of the Board of Directors have significant experience in Corporate Governance matters, however the Board as a whole recognises the need for the continuous training of Directors. The Company Secretary provides guidance in Corporate Governance matters on an on-going basis.

The Board of Directors is scheduled to undergo a self-evaluation exercise in early 2020. A list of action points will be developed to address areas of concern arising from the Board Evaluation.



# CORPORATE GOVERNANCE

## ATTENDANCE: BOARD AND COMMITTEE MEETINGS 2018-2019

	Annual General Meeting	Board of Directors' Meetings	Audit Committee Meetings	Compensation Committee Meetings	Corporate Governance Committee Meetings
<b># of Meetings For Year</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>1</b>
<b>Peter D. Chin</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>1</b>
<b>George Hugh</b>	<b>1</b>	<b>7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Antonia Hugh</b>	<b>-</b>	<b>-</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Michelle Chin</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>1</b>
<b>Michael Fraser</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>1</b>
<b>Bevon Francis</b>	<b>-</b>	<b>6</b>	<b>5</b>	<b>n/a</b>	<b>n/a</b>
<b>Metry Seaga (*3)</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>n/a</b>	<b>n/a</b>
<b>Duke Holness (*4)</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>n/a</b>	<b>n/a</b>
<b>Barrington Chisholm (*2)</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>n/a</b>	<b>n/a</b>
<b>Paul Chin (*1)</b>	<b>-</b>	<b>1</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Brandon Hugh (*5)</b>	<b>1</b>	<b>5</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

(\*1) Mr. Paul Chin resigned from the Board on October 1, 2018

(\*2) Mr. Barrington Chisholm resigned from the Board on December 31, 2018

(\*3) Mr. Metry Seaga was appointed to the Board on January 10, 2019

(\*4) Mr. Duke Holness was appointed to the Board on April 2, 2019

(\*5) Mr. Brandon Hugh was appointed alternate for Director Antonia Hugh on January 10, 2019

n/a denominates persons who are not members of the committee

# SENIOR MANAGEMENT

## **MICHAEL CHIN**

### **General Manager**

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Michael Chin holds a BSc. Degree in Business Management from Lynn University and has over 20 years management experience. As General Manager of AMG, he is responsible for supporting George Hugh (Managing Director) in our day-to-day operations. Michael joined AMG in 2009 and his leadership was instrumental in the winning of a "Bold Ones" award from AMG's client National, the Continental Baking Company, which is given to outstanding local manufacturers.

## **CHARLES LANE**

### **Production Manager**

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Charles Lane has over 40 years experience in the corrugated card board industry. During this time, he has worked across 3 sectors: the Production department, Maintenance department and the Quality & Inventory department. Charles has developed skills in troubleshooting and has knowledge in purchasing, especially in the area of machine parts and raw materials. Charles has extensive experience in quality checks and inventory control during his time in the Quality & Inventory Department. In his previous job, he was assigned the role of Production Manager subsequently to serving in the roles of Scheduler and Planner in the Production Department and Supervisor in the Maintenance department. Charles joined AMG in 2016.

## **LESLIE MCPHERSON**

### **Financial Controller**

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Leslie McPherson has more than 20 years experience in accounting and audit. He is a Certified Public Accountant (CPA) and a Fellow of the Association of Chartered Certified Accountants (ACCA) and the Institute of Chartered Accountants of Jamaica (CAJ). As the Group Accountant, he is charged with managing our Finance and Accounting functions. He has been with AMG since our inception.

# SHAREHOLDINGS

## TOP 10 SHAREHOLDERS AT 31 AUGUST 2019

**Issued Ordinary Shares  
511,894,285**

SHAREHOLDERS	SHAREHOLDINGS	%
RANKINSTON LIMITED	161,758,590	31.600
GEORGE HUGH HOLDINGS LIMITED	121,318,960	23.700
HEISS HOLDINGS LIMITED	60,659,480	11.850
PANKAJ ASHOK BHATIA	60,081,144	11.737
SAGICOR POOLED EQUITY FUND	10,000,000	1.954
HAROLD SOLTAU	7,748,790	1.514
AUSTIN BROWN	4,000,100	0.781
MICHELLE CHIN	3,908,566	0.764
PAM - POOLED EQUITY FUND	3,636,465	0.710
GUARDIAN LIFE LTD. - GUARDIAN EQUITY FUND	3,219,480	0.629
JCSD TRUSTEE SERVICES LIMITED - SIGMA GLOBAL VENTURE	3,029,679	0.592
	<b>439,361,254</b>	<b>85.830</b>

## NO. OF SHAREHOLDERS AT 31/08/2019

JCSD	1,027
MAIN REGISTER	2
<b>TOTAL</b>	<b>1,029</b>

# SHAREHOLDINGS

## Directors' Shareholdings

NAME	SHAREHOLDING	CONNECTED PARTY	SHAREHOLDING
ANTONIA HUGH	NIL	RANKINSTON LIMITED	161,758,590
GEORGE HUGH	NIL	GEORGE HUGH HOLDINGS LTD MICHELLE HUGH SHANNON HUGH ADAM HUGH BRANDON HUGH	121,318,960 345,550 413,550 1,189,331 706,990
MICHELLE CHIN	3,908,566	HEISS HOLDINGS LIMITED COMPANY LTD KATHRYN CHIN GABRIELLE CHIN	60,659,480 320,895 320,895
PETER D. CHIN	1,661,850		
MICHAEL FRASER	1,914,565		
BARRINGTON CHISHOLM	382,915		
	7,867,896		347,034,241

# SHAREHOLDINGS

## Senior Managers' Shareholdings

NAME	SHAREHOLDING
MICHAEL CHIN	1,441,990
LESLIE MCPHERSON	191,455
	1,633,445

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# AUDITOR'S REPORT / FINANCIAL STATEMENTS

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**AMG PACKAGING AND PAPER  
COMPANY LIMITED  
FINANCIAL STATEMENTS  
AUGUST 31, 2019**

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**AUGUST 31, 2019**

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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 5 to 36, which comprise the Statement of Financial Position as at August 31, 2019, the Statement 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, 2019 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 which, in our professional judgment, were of most significance in our audit of the financial statements of the current period. During the current reporting period the following matter was deemed to be considered a key audit matter

*Measurement of financial assets (Accounts Receivables) under IFRS 9*

As at September 1, 2018 the Company implemented IFRS 9. This standard requires the Company to recognize expected credit losses (ECLs) on all financial assets measured at amortized cost. The determination of ECL is highly subjective and requires management to make significant judgements and the application of forward – looking information.

The area, which is significantly impacted by this standard, as it relates to the Company, is its “Trade Receivables,” which was traditionally measured using the balance sheet method.

In response to this matter,

- We evaluated the ECL calculation method used to determine that the appropriate application is being applied.
- We reviewed the assumptions made in determining the probability of default (PD) both as it relates to prior year and forward - looking information.
- We tested the completeness of the underlying information used to generate the financial model
- Assessed the adequacy of the disclosures to ensure proper classification and understandability in accordance with IFRS.

In respect to the items listed above no exceptions were found.

### **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 on 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix of this auditor's report. This description, which is located at page 4, forms part of our auditor's report.

**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.

A handwritten signature in dark ink, appearing to read 'Worrick Bogle', is written over a horizontal dashed line. The signature is fluid and cursive.

BOGLE & COMPANY

Chartered Accountants

Kingston, Jamaica

November 27, 2019

**Appendix to the Independent Auditor's report**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

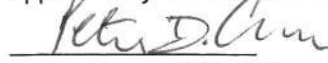
From the matters communicated with the Board of Directors we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

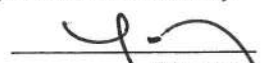
**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2019**

PAGE 5

	<u>Notes</u>	<u>2019</u> \$	<u>2018</u> \$
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant & equipment	6	363,383,364	328,658,316
Total non-current assets		<u>363,383,364</u>	<u>328,658,316</u>
<u>Current assets</u>			
Cash & cash equivalents	7	90,468,108	46,671,777
Trade and other receivables	8	79,458,412	104,994,993
Inventories	10	179,011,859	259,796,651
Tax recoverable	9	-	6,884,609
Total current assets		<u>348,938,379</u>	<u>418,348,030</u>
Total assets		<u>712,321,743</u>	<u>747,006,347</u>
<u>Equity</u>			
Share capital	11	63,250,028	63,250,028
Revaluation reserve	12	112,310,635	112,310,635
Retained earnings		327,188,399	279,267,820
Total equity		<u>502,749,062</u>	<u>454,828,484</u>
<u>Non-current liabilities</u>			
Deferred Taxation	13	31,785,379	33,769,334
Long-term loans	14	-	52,982,262
Total non-current liabilities		<u>31,785,379</u>	<u>86,751,596</u>
<u>Current liabilities</u>			
Current portion of long-term loan	14	74,521,446	19,720,916
Trade payables & accruals	15	103,104,037	185,705,351
Income Tax payable	9	161,819	-
Total current liabilities		<u>177,787,302</u>	<u>205,426,267</u>
Total equity & liabilities		<u>712,321,743</u>	<u>747,006,347</u>

Approved by the Board of Directors on November 27, 2019 and signed on its behalf by

  
- Director

  
- Director

The accompanying notes form an integral part of these Financial Statements.

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**  
**YEAR ENDED AUGUST 31, 2019**

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	<u>Notes</u>	<u>2019</u> \$	<u>2018</u> \$
Revenue		762,295,300	718,914,950
Cost of sales	<b>16</b>	(606,284,886)	(567,932,865)
Gross profit		156,010,414	150,982,085
Gain/(Loss) on Foreign Exchange		2,661,169	(4,808,621)
Other income		1,903,585	1,337,498
Reversal of bad debt	<b>8.a</b>	12,193,820	-
		172,768,988	147,510,962
Selling and distribution expenses		(8,973,691)	(7,876,577)
Administrative expenses		(94,293,817)	(89,594,170)
Finance cost		(5,271,823)	(5,604,051)
	<b>20</b>	(108,539,331)	(103,074,798)
Net Income from continuing operations before taxes		64,229,657	44,436,164
Income tax	<b>17</b>	(5,092,473)	(6,225,747)
Net Income from continuing operations after taxes		59,137,184	38,210,417
<b>Discontinued Operations</b>			
Loss from discontinued operations		-	(70,353,647)
Deferred Tax benefit on discontinued operations	<b>17</b>	-	8,794,206
Total Net loss from discontinuing operations		-	(61,559,441)
Total Net operating (loss)		-	(23,349,024)
<b>Other Comprehensive Income</b>			
<i>Those that cannot be reclassified into profit or loss</i>		-	(4,109,568)
Adjustment to revaluation due to disposal on toilet paper			
Surplus arising from revaluation of property, plant and equipment			-
Deferred taxation of revaluation surplus	<b>13</b>	-	(2,388,696)
Total Other Comprehensive loss		-	(6,498,264)
Total Comprehensive Income/(loss)		59,137,184	(29,847,288)
Earnings per share on continuing operations		\$0.12	\$0.07
Earnings per share on discontinued operations		\$0.00	(\$0.12)

Average number of shares in issue for the year of 511,894,285 (2018: 511,894,285).

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED AUGUST 31, 2019**

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	Share capital	Revaluation reserve	Retained earnings	Total equity
	\$	\$	\$	\$
Balance as at September 1, 2017	63,250,028	118,808,899	302,616,844	484,675,771
Loss for the year	-	-	(23,349,023)	(23,349,023)
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	279,267,821	454,828,484
Adjustment due to application of IFRS 9 (Note 8.a)			(11,216,606)	(11,216,606)
Adjusted balance as at August 31, 2018	63,250,028	112,310,635	268,051,215	443,611,878
Balance as at September 1, 2018	63,250,028	112,310,635	268,051,215	443,611,878
Profit for the year	-	-	59,137,184	59,137,184
Balance as at August 31, 2019	63,250,028	112,310,635	327,188,399	502,749,062

**STATEMENT OF CASH FLOWS****YEAR ENDED AUGUST 31, 2019**

	<u>2019</u>	<u>2018</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Profit/(loss) for the year	59,137,184	(23,349,024)
Adjustment to reconcile income for year to net cash provided by operating activities		
Tax Provision	5,092,473	(2,568,459)
Interest expense	5,271,823	3,269,242
Loss of disposal equipment	-	28,822,810
Depreciation	19,759,365	25,753,063
	<u>89,260,845</u>	<u>31,927,632</u>
Decrease/(increase) in inventories	80,784,791	(87,839,305)
Decrease in receivables	14,319,975	5,448,682
(Decrease)/ increase in payables & accruals	(82,601,315)	128,502,099
	<u>101,764,296</u>	<u>78,039,108</u>
Interest paid	(5,376,628)	(3,740,365)
Taxes Paid	(30,000)	(8,669,946)
Net cash flows provided by operating activities	<u>96,357,668</u>	<u>65,628,798</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(54,484,413)	(14,264,719)
Proceeds from sale of Property, plant and equipment	-	15,790,000
Net cash flows used in investing activities	<u>(54,484,413)</u>	<u>1,525,281</u>
<u>Cash flows from financing activities</u>		
Loans received	80,000,000	-
Loans repaid	(78,076,923)	(38,153,829)
Dividends paid	-	-
Net cash flows used/generated in financing activities	<u>1,923,077</u>	<u>(38,153,829)</u>
Net increase cash & cash equivalents	43,796,331	29,000,250
Cash & cash equivalents at beginning of year	<u>46,671,777</u>	<u>17,671,527</u>
Cash & cash equivalents at end of year	<u><u>90,468,108</u></u>	<u><u>46,671,777</u></u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2019**

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**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 are the manufacturing and wholesale of printed and plain cardboard boxes.

**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.

Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts <sup>1</sup>
IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>2</sup>

<sup>1</sup>Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup>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, 2018**

**a. IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability – weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and the contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12- month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the report date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; The company has chosen to apply this policy also for the receivables.

**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.

**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.

**Summary of significant accounting policies (cont'd)**

**d. 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 existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive future economic benefits from related assets in excess of what could be derived had those items not been acquired.

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

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

**This company uses the revaluation model for land and buildings and 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.

**Summary of significant accounting policies (cont'd)**

**Property, Plant and Equipment**

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.

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 estimated 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.

**Summary of significant accounting policies (cont'd)**

**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. Impairment**

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The Company recognize loss allowances for ECLs and considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without Recourse by the Company to action such as realizing security if any is held; or
- The financial assets are more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expect to receive).

**Summary of significant accounting policies (cont'd)**

**Impairment (cont'd)**

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- It is becoming probable that the borrower will enter bankruptcy or other financial Reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

**h. 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.

**i. 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*).

**j. 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.

**Summary of significant accounting policies (cont'd)**

**k. Related Party Disclosures**

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

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

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.  
If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

**Summary of significant accounting policies (cont'd)**

**I. 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.

**m. 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".

**n. 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.

**Summary of significant accounting policies (cont'd)**

**o. 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;
- 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.

**Summary of significant accounting policies (cont'd)**

**Taxation (cont'd)**

Deferred Tax (cont'd)

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, 2019**

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**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:

	<b>2019</b>				
	<u>Within 3 Months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>No Maturity</u>	<u>Total</u>
<b>Assets</b>					
Cash	-	-	-	58,464,698	58,464,698
Repurchase agreements	32,003,410	-	-	-	32,003,410
Trade Receivables net	63,923,518				63,923,518
Fixed Assets	-	-	-	363,383,364	363,383,364
Other Assets	14,996,418	179,011,859	-	538,476	194,546,753
<b>Total Assets</b>	<b>110,923,346</b>	<b>179,011,859</b>	<b>-</b>	<b>422,386,538</b>	<b>712,321,743</b>
<b>Liabilities</b>					
Bank Loans	-	74,521,446	-	-	74,521,446
Trade Payables	84,404,466	-	-	-	84,404,466
Other Liabilities		18,861,390	-	31,785,379	50,646,769
<b>Total Liabilities</b>	<b>84,404,466</b>	<b>93,382,836</b>	<b>-</b>	<b>31,785,379</b>	<b>209,572,681</b>
<b>Total Equity</b>				<b>502,749,062</b>	<b>502,749,062</b>
<b>Total Liabilities &amp; Equity</b>	<b>84,404,466</b>	<b>93,382,836</b>	<b>-</b>	<b>534,534,441</b>	<b>712,321,743</b>
					-
Asset Liability Gap	26,518,880	85,629,023	-	(112,147,903)	-
					-
Cumulative Asset-Liability Gap	26,518,880	112,147,903	112,147,903	-	263,379,259

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**5. Financial Instrument disclosures (cont'd)**

**a. Financial risk management (cont'd)**

**(i) Interest rate risk (cont'd)**

	2018				
	<u>Within 3 Months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>No Maturity</u>	<u>Total</u>
<b>Assets</b>					
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
<b>Total Assets</b>	<b>115,812,151</b>	<b>266,681,260</b>	<b>-</b>	<b>364,512,936</b>	<b>747,006,347</b>
<b>Liabilities</b>					
Bank Loans	-	19,720,916	52,982,262	-	72,703,178
Trade Payables	171,301,947	-	-	-	171,301,947
Other Liabilities		14,403,404	-	33,769,334	48,172,738
<b>Total Liabilities</b>	<b>171,301,947</b>	<b>34,124,321</b>	<b>52,982,262</b>	<b>33,769,334</b>	<b>292,177,863</b>
<b>Total Equity</b>				<b>454,828,484</b>	<b>454,828,484</b>
<b>Total Liabilities &amp; Equity</b>	<b>171,301,947</b>	<b>34,124,321</b>	<b>52,982,262</b>	<b>488,597,818</b>	<b>747,006,347</b>
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

	<u>Within 3 Months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>No Maturity</u>	<u>Total</u>
<b>SENSITIVITY ANALYSIS</b>					
Impact of 1% increase in interest rate per tenor bucket	(265,189)	856,290	-	(1,121,479)	-
Impact of 1% decrease in interest rate per tenor bucket	265,189	(856,290)	-	1,121,479	-
Impact of 1% increase in interest on cumulative gap	265,189	1,121,479	1,121,479	-	2,633,793
Impact of 1% decrease in interest rate on cumulative gap	(265,189)	(1,121,479)	(1,121,479)	-	(2,633,793)

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**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

	<u>2019</u>	<u>2018</u>
	\$	\$
<b><i>Financial assets</i></b>		
Cash and bank balances	58,464,698	35,316,144
Loans and receivables (including trade receivables balance)	79,458,412	111,879,602
Available-for-sale financial assets	32,003,410	11,355,633
<b><i>Financial liabilities</i></b>		
Amortized cost (including trade payables balance)	209,572,681	292,177,863

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.

**a. Aging of trade receivables**

At August 31<sup>st</sup>, 2019, the ageing of trade receivables as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Neither past due nor impaired	52,472,565	57,181,115
Past due 31-60 days	7,763,918	5,983,995
Past due Over 60 days	4,500,974	6,153,047
Past due and impaired	1,266,855	18,510,323
	<u>66,004,312</u>	<u>87,828,480</u>

**Financial Instrument disclosures (cont'd)**

**Financial risk management (cont'd)**

**Credit risk (cont'd)**

b. Application of IFRS 9

During the current period, the company implemented IFRS 9, which resulted in a reassessment of its financial assets and liabilities. The Company incorporated the matrix method for evaluating its accounts receivables and have provided a reassessment for its position as at August 31, 2018 which resulted in an adjustment of \$11,216,606 to its beginning retained earnings and provision account.

The Company assumed all receivables over 120 days to have a probability of default (PD) of 100% and therefore, a full provision is done.

The company also evaluates both the current and future impacts on its environment in determining its PD.

Below is its assessment revised as at August 31, 2018

	<b>As at 31/08/2018</b>	<b>Weighted Average</b>	<b>Impairment Required</b>
Current	37,861,446	0.8%	312,044
1-30 Days	19,319,670	1.2%	228,421
31-60 Days	5,983,994	4.2%	253,115
61-90 Days	3,841,865	10.3%	396,995
91-120 Days	2,311,182	17.1%	395,851
Over 120 days	18,510,323	100.0%	18,510,323
Total	<b><u>87,828,480</u></b>		<b><u>20,096,749</u></b>

**Financial Instrument disclosures (cont'd)**

**Financial risk management (cont'd)**

**Credit risk (cont'd)**

**Application of IFRS 9 (cont'd)**

Below is its assessment as at August 31, 2019

	<b>As at 31/08/2019</b>	<b>Weighted Average</b>	<b>Impairment Required</b>
Current	26,535,176	0.5%	121,840
1-30 Days	25,937,390	0.7%	185,440
31-60 Days	7,763,917	2.5%	191,376
61-90 Days	3,234,172	5.5%	177,888
91-120 Days	1,266,802	10.8%	137,395
Over 120 days	1,266,855	100.0%	1,266,855
Total	<b><u>66,004,312</u></b>		<b><u>2,080,794</u></b>

**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.

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**Financial Instrument disclosures (cont'd)**

**Financial risk management (cont'd)**

**Liquidity risk (cont'd)**

	<u>2019</u>	<u>2018</u>
	\$	\$
Current assets	348,938,379	418,348,030
Current liabilities	177,787,302	205,426,267
Current ratio	1.96	2.04

The liquid asset ratio at the end of the year was 1:1.96 (2018: 1: 2.04). 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.

			2019		
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Accounts Payable	103,104,037	103,104,037	103,104,037	-	-
Bank Loan	74,521,446	76,547,374	76,547,374	-	-
	<u>177,625,483</u>	<u>179,651,411</u>	<u>179,651,411</u>	-	-
			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	-
	<u>258,408,529</u>	<u>257,884,937</u>	<u>212,243,787</u>	<u>45,641,150</u>	-

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**6. Property, plant & equipment**

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

	Land, Building & Leasehold Improvement	Equipment	Motorcycle & Motor Vehicle	Computer	Furniture & Fixtures	Total
	\$	\$	\$	\$	\$	\$
At cost/valuation						
Balance at August 31, 2017	237,930,431	163,997,973	1,937,758	3,124,906	13,227,235	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)
<b>Balance at August 31 2018</b>	<b>223,000,000</b>	<b>127,396,112</b>	<b>180,258</b>	<b>6,113,576</b>	<b>12,488,382</b>	<b>369,178,328</b>
Balance at September 1, 2018	223,000,000	127,396,112	180,258	6,113,576	12,488,382	369,178,328
Acquisitions	53,236,424	978,120	-	181,270	88,599	54,484,413
Disposals	-	-	-	-	-	-
<b>Balance at August 31 2019</b>	<b>276,236,424</b>	<b>128,374,232</b>	<b>180,258</b>	<b>6,294,846</b>	<b>12,576,981</b>	<b>423,662,741</b>
<u>Depreciation</u>						
Balance at August 31, 2017	8,479,787	15,984,847	387,268	1,754,398	4,742,964	31,349,264
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)
<b>Balance at August 31 2018</b>	<b>8,475,278</b>	<b>23,045,733</b>	<b>172,744</b>	<b>2,708,335</b>	<b>6,117,922</b>	<b>40,520,012</b>
Balance at September 1, 2018	8,475,278	23,045,733	172,744	2,708,335	6,117,922	40,520,012
Charge for the year	4,574,359	12,770,211	7,511	978,342	1,428,942	19,759,365
Disposals	-	-	-	-	-	-
<b>Balance at August 31 2019</b>	<b>13,049,637</b>	<b>35,815,944</b>	<b>180,255</b>	<b>3,686,677</b>	<b>7,546,864</b>	<b>60,279,377</b>
<u>Net book values</u>						
Balance at August 31 2019	263,186,787	92,558,289	3	2,608,169	5,030,117	363,383,364
Balance at August 31 2018	214,524,722	104,350,380	7,514	3,405,241	6,370,460	328,658,316

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

- i. Included in Land, Building and Leasehold Improvement is Land with a carrying value of \$96,685,588 (2018: \$44,600,000) which is not depreciated

*b. Security*

At August 31, 2019, property, plant and equipment, were used as security for bank loans note 14.

**7. Cash and cash equivalents**

See accounting policy in note 4.h

	<u>2019</u>	<u>2018</u>
	\$	\$
Petty cash	50,000	50,000
Bank accounts denominated in United States currency		
Bank of Nova Scotia Jamaica Limited - Savings Account	18,552,191	8,544,967
Bank accounts denominated in Jamaican Dollar		
National Commercial Bank Jamaica Limited - Current Account	1,594,072	440,846
Bank of Nova Scotia Jamaica Limited - Current Account	37,611,891	25,635,093
JN Fund Managers Limited - Saving Account	656,544	645,238
Repurchase agreements		
Alliance Investment - denominated in United States Currency	30,915,420	10,307,707
Alliance Investment - denominated in Jamaican Currency	<u>1,087,990</u>	<u>1,047,926</u>
	<u>90,468,108</u>	<u>46,671,777</u>

- i. The translation of foreign currency accounts has been accounted for using the methods prescribed by IAS 21 (see policy note 4.m)
- ii. Included in the Bank of Nova Scotia Jamaica Limited current account is a balance of \$346,327 (2018: \$357,836) which represents dividends uncollected.

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**8. Trade and Other receivables**

See accounting policy in note 4.f

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade receivables	66,004,312	87,828,480
Less provision for bad debts	<u>(2,080,794)</u>	<u>(8,880,142)</u>
	63,923,518	78,948,338
 Prepayments	 2,717,924	 3,089,366
Deposits	538,476	538,476
Other receivables	<u>12,278,494</u>	<u>22,418,813</u>
Total Trade and Other receivables	<u><u>79,458,412</u></u>	<u><u>104,994,993</u></u>

a. Movement in Provision for Doubtful accounts

	<u>2019</u>	<u>2018</u>
	\$	\$
Beginning Balance	8,880,143	8,880,143
Opening balance adjustment IFRS 9	<u>11,216,606</u>	<u>-</u>
Adjusted opening balance	20,096,749	8,880,143
Write offs	(5,822,135)	-
Reversal of Provision	<u>(12,193,820)</u>	<u>-</u>
Ending Balance	<u><u>2,080,794</u></u>	<u><u>8,880,143</u></u>

For details on ageing information, see Credit Risk (5.a.ii)

**9. Tax recoverable/(Payable)**

	<b>Tax recoverable (payable)</b>
	\$
<b>Opening balance</b>	6,884,609
Tax Payments	30,000
Current year tax liability	<u>(7,076,428)</u>
<b>Closing balance</b>	<u><u>(161,819)</u></u>

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**10. Inventories**

See accounting policy in note 4.e

	<u>2019</u>	<u>2018</u>
	\$	\$
Raw materials	150,518,464	253,877,423
Goods in transit	18,507,356	229,791
Finished goods	9,986,039	5,689,437
	<u>179,011,859</u>	<u>259,796,651</u>

During the current fiscal period there was a decrease in raw materials of \$103,358,959, primarily due to a shipment which was received at the end of the last fiscal period (2018).

**11. Share capital**

See accounting policy in note 4.i

A. Share capital and share premium

	<u>2019</u>	<u>2018</u>
	\$	\$
In issue at September 1,	63,250,028	63,250,028
Issue for cash	-	-
In issue at August 31, - Fully paid	<u>63,250,028</u>	<u>63,250,028</u>
Authorised at no par	<u>700,000,000</u>	<u>700,000,000</u>

- 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 10<sup>th</sup>, 2017, the company has authorized a five (5) for 1 stock split increasing the issued ordinary shares to 511,894,285 (2018: 511,894,285)

**Share capital (cont'd)**

B. Dividends

There were no declarations for dividends for the reporting period of 2018 and 2019

**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.

**13. Deferred Taxation**

See accounting policy in note 4.o

	<b>Property, plant and equipment</b>	<b>Other provisions</b>	<b>Tax losses</b>	<b>Total</b>
Balance at August 31, 2017	35,088,285	(1,139,188)	-	33,949,097
Charged to surplus or deficit	(4,886,946)	1,139,188	1,179,299	(2,568,459)
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
Charged to surplus or deficit	(1,983,955)	-	-	(1,983,955)
Charged to other comprehensive income	-	-	-	-
Balance at August 31, 2019	30,606,080	-	1,179,299	31,785,379

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**14. Bank loans**

See accounting policy in note 4.j

	<u>2019</u> \$	<u>2018</u> \$
<u>Non-current liabilities</u>		
Secured bank loans	-	52,982,262
<u>Current liabilities</u>		
Secured bank loans	74,103,024	19,197,690
Accrued Interest	418,422	523,226
	<u>74,521,446</u>	<u>19,720,916</u>

**Terms and repayment schedule**

	Interest rate	Year of maturity	Carrying value <u>2019</u> \$	Carrying value <u>2018</u> \$
Bank of Nova Scotia Jamaica Limited				
Secured Loan	5.62%	2019	40,000,000	-
Secured Loan	5.56%	2020	6,282,115	17,051,335
Secured Loan	8.00%	2020	27,820,909	38,590,141
Secured Loan	5.56%	2020	-	16,538,475
<b>Total interest-bearing loans</b>			<u>74,103,024</u>	<u>72,179,951</u>

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a. 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. 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.

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**15. Trade payables and accruals**

See accounting policy in note 4.I

	<u>2019</u>	<u>2018</u>
	\$	\$
Trade payables	84,404,466	171,301,947
Accrued expenses	18,699,571	14,403,404
	<u>103,104,037</u>	<u>185,705,351</u>

**a. Ageing of trade payables**

At August 31<sup>st</sup>, 2019, the ageing of trade payables was as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Within 1 month	44,381,270	109,719,050
Past due 31-60 days	10,340,233	51,750,996
Past due Over 60 days	29,682,963	9,831,901
	<u>84,404,466</u>	<u>171,301,947</u>

**16. Cost of sales**

	<u>2019</u>	<u>2018</u>
	\$	\$
Cost of materials used	440,848,836	419,349,384
Salaries, wages & related costs	89,243,421	83,995,618
Insurance	6,741,495	6,882,854
Maintenance expenses	19,264,432	9,340,849
Fuel	17,694,157	16,527,915
Water	1,725,337	2,329,906
Depreciation	19,759,365	25,753,063
Electricity	9,940,416	9,014,435
Loose tools	218,100	106,110
Equipment lease & hireage	78,000	910,371
Consultancy	390,865	-
Uniforms	380,462	940,571
	<u>606,284,886</u>	<u>575,151,076</u>

Cost of Sales for 2018 includes depreciation of \$7,218,211 which is part of the total loss from discontinued operations of (\$70,353,647)

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**17. Taxation**

See accounting policy in note 4.o

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:

	<b>2019</b>	<b>2018</b>
<b>INCOME TAX</b>	<b>\$</b>	<b>\$</b>
<b>Components of tax expense</b>		
Current tax expense	7,076,428	-
Adjustments to current tax in prior years	-	-
Deferred tax expense	(1,983,955)	(2,568,460)
Tax expense	<u>5,092,473</u>	<u>(2,568,460)</u>
	<u>2019</u>	<u>2018</u>
<b>Relationship between tax expense and accounting profit</b>	<b>\$</b>	<b>\$</b>
Net surplus before tax	64,229,657	(25,917,483)
Tax at 12.5% (2018: 12.5%)	8,028,707	(3,239,685)
<b>Plus (less) tax effect of:</b>		
Non-deductible expenditure	315,060	315,060
Deferred tax adjustment	(3,251,294)	356,165
Tax expense	<u>5,092,473</u>	<u>(2,568,460)</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**18. Staff cost**

Staff costs for the year totalled \$145,427,990 while the total number of employees during the year was 129 (2018: 129 employees)

	<u>2019</u>	<u>2018</u>
	\$	\$
I. Charged to Cost of Goods Sold	89,243,421	83,995,618
II. Charged to Administrative Expenses	56,184,569	51,859,767
	<u>145,427,990</u>	<u>135,855,385</u>

**19. Statutory disclosures**

	<u>2019</u>	<u>2018</u>
	\$	\$
Directors' remuneration	8,483,699	8,138,878
Directors' fees	11,413,333	12,403,331
Interest on loans	5,271,823	7,938,859
Depreciation	19,759,365	25,753,063
Auditors' remuneration	2,100,000	1,900,000
	<u>47,028,220</u>	<u>56,134,131</u>

**20. Expenses by nature**

	<u>2019</u>	<u>2018</u>
	\$	\$
Administrative and management remuneration	43,328,935	40,427,043
Other staff related costs	12,855,634	11,432,724
Selling and distribution expenses	8,973,691	7,876,578
Motor vehicle expenses	6,708,992	6,523,523
Utilities	2,718,496	2,808,770
Travel Costs	1,867,852	1,540,330
Incentive	2,400,000	3,146,551
Legal and professional expense	3,461,949	3,905,408
Loan interest	5,271,823	5,604,051
Security	3,315,958	1,792,191
Sanitation	3,973,737	3,791,844
Other	13,662,264	14,225,785
	<u>108,539,331</u>	<u>103,074,798</u>

**21. Subsequent events**

**Bond Issue**

On August 31, 2019 the Board executed a document for a Bond issue of 100 Million Jamaican Dollars.

No transaction took place however until September 3, 2019.

As at September 3, 2019 funds were made available to The Company based on a Board approve issue of unsecured Bonds bearing interest at a fixed rate of 7.20% per annum and maturing 84 months following the issue. Proven Wealth Limited is listed as “the Trustee”. The Bonds are valued at up to 100 million Jamaican Dollars.