

# ANNUAL REPORT

# 2020



WWW.AMGPACKAGING.COM  
INFO@AMGPACKAGING.COM  
876-968-6672

---

# TABLE OF CONTENTS

---

2

Notice of  
Annual General  
Meeting

4

Mission,  
Quality Policy,  
Vision

5

Chairman's  
Statement

6

Managing  
Director's  
Statement

8

Management  
Discussion and  
Analysis

11

Human  
Resources

14

Board of  
Directors

17

Corporate  
Governance

20

Senior  
Management

21

Shareholdings

24

Auditor's Report/  
Financial  
Statements

# 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 9 Retirement Crescent, Kingston 5 and by video conference call on Thursday, February 25, 2021 at 10:00 a.m. for the purposes of transacting the following business:**

**1.** To receive the Audited Financial Statements for the Year Ended August 31, 2020 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, 2020 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. Peter Chin and Mr. Michael Fraser, who being eligible for re-election, offer themselves for re-election.

The shareholders are being 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. Peter Chin and Mr. Michael Fraser, 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

# NOTICE OF ANNUAL GENERAL MEETING

---

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

## Ordinary Resolution No. 4

“That the amount shown in the Audited Financial Statements for the Year Ended August 31, 2020 as fees paid to the non-executive Directors for their services as Directors, be and is hereby approved.”

**4.** To appoint Auditors and to authorize 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.”

Dated the 2nd of December, 2020



**Cristina Matalon**  
**Company Secretary**

### **IMPORTANT NOTICE TO THE SHAREHOLDERS UNABLE TO ATTEND THE ANNUAL GENERAL MEETING**

*A shareholder entitled to attend the meeting and to vote may appoint a proxy to attend on his/her behalf, and to vote (on a poll) on his/her behalf. A proxy need not be a shareholder of the Company. A suitable Form of Proxy is enclosed. Forms of Proxy must be lodged at the Registrar of the Company, KPMG Regulatory & Compliance Services, 6 Duke Street, Kingston not less than 48 hours before the time of the meeting. Proxy Forms submitted by Corporate Shareholders must be duly executed under the Common Seal of the company.*





## 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

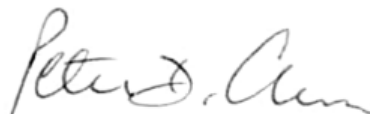
---

The advent of COVID-19 has had a negative effect on Jamaica's economy and the world economy in general. The Jamaican economy contracted significantly as curfews were imposed by the Government in an attempt to slow the spread of the virus. The country's international borders were also closed which lead to a massive fall off in tourism arrivals and to date, arrivals, although increasing, remain very low relative to last year. These two factors have significantly contributed to the country's economic decline and the expectation is the economy will be in doldrums for the medium term.

The Company, like most businesses, was affected negatively by the effects of the COVID-19 pandemic. Since we are providers of packaging, our business is highly dependent on the success of our customers in their respective markets. Sales were severely affected in the third quarter but recovered somewhat in the fourth quarter. Sales for the year fell by just under 10% from the prior year moving from \$762 million in 2019 to \$720 million in 2020. Net profit after tax also fell by just under 10%, moving from \$59 million in 2019 to \$56 million in 2020.

Our future expectation is that the business environment will gradually normalize as vaccines become available to combat the virus. This will also lead to the return of normalcy in our business. In the meantime, the Company continues to look for ways to control costs and seek new customers to diversify its customer base. The planned expansion of our factory will commence in early 2021 as we prepare for the future.

On behalf of the Board, I wish thank our customers for their support through these trying times as we continue to strive to satisfy their needs. We wish to express our gratitude to the management and staff for their effort and resilience during these times of economic and health uncertainty. The Company looks forward to 2021 with renewed hope and improved expectations that Jamaica's economic and social recovery should begin and gain some momentum.



**Peter D. Chin**  
Chairman

# MANAGING DIRECTOR'S STATEMENT

AMG Packaging & Paper Company Limited (AMG) presents its Audited Financial Statements for the year ending August 31, 2020 and Q4 ending August 31, 2020.

## Sept 1, 2019 – August 31, 2020 compared to Sept 1, 2018 – August 31, 2019

- Revenues for the year ending August 31, 2020, decreased by 5.49%, moving from \$762.29 million to \$720.45 million.
- Gross Profit for the year ending August 31, 2020, increased by 7.80%, moving from \$175.77 million to \$189.50 million, both net of depreciation.
- Total Manufacturing Costs for the year ending August 31, 2020, decreased by 9.48%, moving from \$594.32 million to \$538.00 million.
- Total Expenses for the year ending August 31, 2020, increased by 6.18%, moving from \$117.83 million to \$125.12 million.
- Profit Before Income Tax for the year ending August 31, 2020, showed a decrease of 4.41%, moving from \$64.23 million, which includes a \$12 million reversal of an impairment, to \$61.40 million.

	12 months ending Aug. 31, 2020	12 months ending Aug. 31, 2019
<b>Total Revenue</b>	720,453,240	762,295,300
<b>Gross Profit</b>	189,499,664	175,769,779
<b>Profit Before Income Tax</b>	61,395,620	64,229,658
<b>Total Assets</b>	821,309,544	712,321,744

# MANAGING DIRECTOR'S STATEMENT

**June 1, 2020 – August 31, 2020 compared to June 1, 2019 – August 31, 2019**

- Revenues for Q4 2020 increased by 7.02%, moving from \$174.68 million to \$186.95 million.
- Gross Profit for Q4 2020 increased by 12.81%, moving from \$42.62 million to \$48.08 million.
- Total Manufacturing Costs for Q4 2020 increased by 5.15%, moving from \$132.06 million to \$138.87 million.
- Total Expenses for Q4 2020 decreased by 1.46%, moving from \$32.19 million to \$31.72 million.
- Profit before Tax for Q4 2020 increased by 56.89%, moving from \$10.43 million to \$16.36 million.

	3 months ending Aug. 31, 2020	3 months ending Aug. 31, 2019
<b>Total Revenue</b>	<b>186,946,590</b>	<b>174,682,623</b>
<b>Gross Profit</b>	<b>48,078,079</b>	<b>42,617,383</b>
<b>Profit Before Income Tax</b>	<b>16,359,857</b>	<b>10,427,863</b>
<b>Total Assets</b>	<b>821,309,544</b>	<b>712,321,744</b>

For both the 2020 year-end we have seen sales falling in comparison to the previous year. The downturn is mainly because of the slowdown in the economy due to the COVID-19 pandemic. We were able to improve drastically on our manufacturing costs, which helped to increase our bottom line. We were able to achieve higher profit before tax compared to the prior year even with lower sales. Again, this was because of the improvement on the manufacturing costs.



**George Hugh**  
**Managing Director**



# MANAGING 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, 2020.*

*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's audited financial statements for the years ended August 31, 2019 and 2020.*

*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, 2020, shows a 5.49% decrease in revenues moving from \$762.3 million (2019) to \$720.5 million (2020). Total Manufacturing Costs decreased 9.47%, moving from \$594.32 million to \$538.00 million. Gross Profit increased from \$175.8 million in 2019 to \$189.5 million in 2020. Net Income before taxes decreased by 4.41%, moving from \$64.23 million (2019) to \$61.40 million (2020).

## CASH FLOW AND BALANCE SHEET

AMG's Balance Sheet shows a cash and cash equivalents increase of 186.61% closing at \$259.3 million as compared to \$90.5 million 2019. This increase is mainly due to the \$100,000,000 bond dated September 2019. Accounts Receivables for the period has increased by 8.19%. This increase was expected as COVID-19 pandemic has caused everyone to tighten up on their cash flow.

# MANAGING DISCUSSION AND ANALYSIS

---

The Balance Sheet shows an increase in the Company's Non-Current Assets from \$363.4 million to \$368.6 million.

Non-Current Liabilities shows a reduction from \$31.8 million in 2019 to \$147.4 million in 2020, which is mainly due to the \$100,000,000 bond. Also, this increase is due to the new IFRS standard causing our leases to be shown on the Balance Sheet. The Current Liabilities amount has reduced from \$177.8 million in 2019 to 125.1 million in 2020 which is mainly due to the decrease in short term debt as it has been paid off during the year.

## AWARDS 2020

AMG has completed its ISO 9001:2015 re-certification and we were recommended for continued international certification for another three (3) years.

## CORPORATE GOVERNANCE

As our Quality Policy states, AMG is committed to continually improving the effectiveness of our Quality Management System. This also reflects 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 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 strategic objectives
- legal regulatory and liability issues
- operating environment
- health and safety of employees and other stakeholders on our premises
- perception of interested parties.

# MANAGING 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 – Redundancy Backup System was introduced
- Customer Service – Employment of a Customer Service/Sales Representative to improve client relationships
- Company Rules – Revision of Employee's Handbook
- Safety – Identify and mark Evacuation Assembly Point
- Safety – Changed our metal LPG cylinders to composite cylinders which gives benefits such as: lighter weight, translucent, rust-free and safer to handle
- Health & Safety – Sensitization of the staff complement on COVID-19 virus by representative from the Ministry of Health
- Health & Safety – Distribution of PPE (mask & face shields) and sanitizing apparatus to mitigate the spread of COVID-19 virus
- Health & Safety – Installation of Safety & COVID-19 Safety Signs at entrance and throughout the compound
- Health & Safety – Developed and instituted COVID-19 Response Plan

## FUTURE PLANS

The Company plans on utilizing the strong cash and cash equivalents position into developing 12 Retirement Crescent. The pandemic had caused the development of 12 Retirement Crescent to delay from 2020 to 2021. A contractor has been chosen and the building of an additional 11,370 square feet is set to begin in February 2021.



# 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,

# HUMAN RESOURCES

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.

## 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





# HUMAN RESOURCES

training. These trainings consist of both theoretical and practical elements. Areas of training include:

**IN-HOUSE TRAINING** Calibration Sticker Sensitization; Packer Sensitization; Corrugator – Job Function Training; Quality Awareness – Flute Crushing; Glue Mixing; Machine Operation Training – Corrugator, Stacker, Cut & Crease, Gluer, Flexo Printing, Die Cutter, Printing Machine, Forklift Driving

**TRAINING** ISO 9001:2015 Awareness; Management Systems Auditing; ISO 9001:2015 Lead Auditing; Business Continuity (Webinar); Health & Safety – COVID-19 Awareness, Fire Extinguisher Training



# BOARD OF DIRECTORS

---

## PETER D. CHIN

### Non-Executive Chairman

Peter Chin holds an MBA in Finance and Investments from The 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

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

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.

# BOARD OF DIRECTORS

---

**BEVON FRANCIS**  
**Non-Executive Director**

Bevon Francis has held senior management positions throughout the years in a number of manufacturing companies in Jamaica. Bevon brings to the Board a wealth of knowledge and experience in business.

---

**MICHAEL FRASER, O.D.**  
**Non-Executive Director  
 and Mentor**

Michael Fraser is a Chartered Life Underwriter (CLU), Justice of the Peace of the Island and an active alumnus of Jamaica College. He is Chairman of The Jamaica Medical Foundation, Vice Chairman of Jamaica Cancer Society and in his second career is now a licensed realtor. 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**

Duke Holness holds an 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.

# BOARD OF DIRECTORS

---

## ANTONIA HUGH

### Non-Executive Director

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.

---

## METRY SEAGA

### Non-Executive Director

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.

---

## CRISTINA MATALON

### Company Secretary

Cristina Matalon holds both an 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 AMG's Board of Directors 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.

# 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.

Four Directors, representing 50% of the Board, are Independent Directors. The Independent Directors are Mr. Peter Chin (Chairman), 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.



# CORPORATE GOVERNANCE

In January 2020 the Board of Directors reviewed the following Corporate Governance documents and restated their commitment to operating in accordance with the principles established therein:

- Code of Conduct and Ethics
- Audit Committee Charter
- Corporate Governance Committee Charter
- Compensation Committee Charter

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 participated in an evaluation exercise in 2020; a list of action items has been developed from the responses received, and a plan has been developed to address the areas of weakness.



# CORPORATE GOVERNANCE

---

## ATTENDANCE: BOARD AND COMMITTEE MEETINGS 2019-2020

	Annual General Meeting	Board of Directors' Meetings	Audit Committee Meetings	Compensation Committee Meetings	Corporate Governance Committee Meetings
<b># of Meetings For Year</b>	1	5	5	1	1
<b>PETER CHIN</b>	1	5	5	1	1
<b>GEORGE HUGH</b>	1	5	n/a	n/a	n/a
<b>ANTONIA HUGH</b>			n/a	n/a	n/a
<b>MICHELLE CHIN</b>	1	4	4	0	1
<b>MICHAEL FRASER</b>	1	4	4	1	1
<b>BEVON FRANCIS</b>	1	5	5	n/a	1
<b>METRY SEAGA</b>	1	5	5	n/a	n/a
<b>DUKE HOLNESS</b>	1	4	4	n/a	1
<b>BRANDON HUGH (*1)</b>	1	5	n/a	n/a	n/a

(\*1) 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

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

Charles Lane has over 40 years experience in the Corrugated Cardboard 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

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 2020

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
SAGICOR SELECT FUND LTD. - (CLASS C SHARES) MFG & DISTB	4,029,679	0.787
AUSTIN BROWN	4,000,100	0.781
MICHELLE CHIN	3,908,566	0.764
GUARDIAN LIFE LTD. - GUARDIAN EQUITY FUND	3,219,480	0.629
JAMAICA STOCK EXCHANGE PENSION FUND	3,007,200	0.587
	<b>439,731,989</b>	<b>85.903</b>
NO. OF SHAREHOLDERS AT 31/08/2020	JCS D MAIN REGISTER	1,119 1
	<b>TOTAL</b>	<b>1,120</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 DAWN HUGH SHANNON SASSO ADAM GEORGE HUGH BRANDON MICHAEL HUGH TOBY HUGH	121,318,960 345,550 413,550 1,516,811 1,147,547 NIL
MICHELLE CHIN	3,908,566	HEISS HOLDINGS LIMITED MARKHAM BETTING COMPANY LTD KATHRYN CHIN GABRIELLE CHIN KAYLA CHIN (JOINT TO MICHELLE) LUKE CHIN (JOINT TO MICHELLE)	60,659,480 NIL 320,895 320,895 NIL NIL
PETER D. CHIN	1,661,850		
MICHAEL A. FRASER	1,914,565		
METRY SEAGA	NIL		
DUKE HOLNESS	NIL		
BEVON FRANCIS	NIL		
	7,484,981		186,043,688



# SHAREHOLDINGS

---

## SENIOR MANAGERS' SHAREHOLDINGS

NAME	SHAREHOLDING
------	--------------

---

MICHAEL P. CHIN	1,441,990
--------------------	-----------

---

LESLIE MCPHERSON	191,455
---------------------	---------

---

	1,633,445
--	-----------

# AUDITOR'S REPORT/ FINANCIAL STATEMENTS

---



**AMG PACKAGING AND PAPER  
COMPANY LIMITED  
FINANCIAL STATEMENTS  
AUGUST 31, 2020**

Independent Auditor's Report

To the Members of AMG Packaging & Paper Company Limited  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of AMG Packaging & Paper Company Limited ("the Company") set out on pages 6 to 37, which comprise the statements of financial position as at August 31 2020, 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 2020 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the current year audit there were two areas which we consider to be a key audit matter.

## Independent Auditor's Report

To the Members of AMG Packaging & Paper Company Limited

### Impact of the Corona virus

The Company has assessed the impact of the recent Corona virus and its ability to continue as a going concern.

In this evaluation, the company assessed its industry, including its customer base in determining the potential future impacts.

Our responsibility was to assess these factors and determine if management's conclusions as to its ability to continue as a going concern is reasonable.

Management has concluded that based on the industry which it currently is, there will not be significant negative impact on its ability to continue as a going concern.

We have assessed the factors and based on the type of industry found no significant exceptions to their conclusion.

### Leases

During the current year, a new IFRS 16 became effective, which had potential impact on the Company's accounting for its operating leases.

Management has entered into long term leases on two (2) motor vehicles, with a right to purchase at the end of the lease term. Management has determined that these motor vehicles do qualify for the treatment of Right of Use assets and have accounted for both the asset and the lease liability.

We evaluated the lease contracts and had discussions with management.

Based on the evaluation of the lease contracts we found no exception to this management assertion.

### **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 or 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 with 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



## **Independent Auditor's Report**

To the Members of AMG Packaging & Paper Company Limited

### **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.

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 on page 5, 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.

Independent Auditor's Report

To the Members of AMG Packaging & Paper Company Limited

*Bogle*

-----  
BOGLE & COMPANY  
Chartered Accountants  
Kingston, Jamaica  
November 20, 2020

#### **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 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 Limited  
**Statement of Financial Position**  
As at August 31 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	6	368,594,606	363,383,365
<b>TOTAL NON-CURRENT ASSETS</b>		<u>368,594,606</u>	<u>363,383,365</u>
<b>CURRENT ASSETS</b>			
Inventories	7	107,427,832	179,011,859
Trade and other receivables	8	85,967,333	79,458,412
Cash & cash equivalents	9	259,289,773	90,468,108
<b>TOTAL CURRENT ASSETS</b>		<u>452,684,938</u>	<u>348,938,379</u>
<b>TOTAL ASSETS</b>		<u>821,279,544</u>	<u>712,321,744</u>
<b>EQUITY</b>			
Share Capital	10	63,250,029	63,250,029
Revaluation Reserve	11	112,310,636	112,310,636
Retained Earnings		373,163,961	327,188,398
<b>TOTAL EQUITY</b>		<u>548,724,626</u>	<u>502,749,063</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	12	30,781,326	31,785,379
Long-term loans	13	103,782,445	-
Lease Liabilities		12,877,646	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>147,441,417</u>	<u>31,785,379</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term loan	13	13,390,988	74,521,446
Lease Liabilities		3,055,965	-
Trade Payables and accruals	14	105,201,067	103,104,037
Current Tax Liability		3,465,481	161,819
<b>TOTAL CURRENT LIABILITIES</b>		<u>125,113,501</u>	<u>177,787,302</u>
<b>TOTAL LIABILITIES</b>		<u>272,554,918</u>	<u>209,572,681</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>821,279,544</u>	<u>712,321,744</u>

Approved by the Board of Directors on November 20, 2020 and signed on its behalf by:

 Peter D. Chin

 Michelle Chin

*The accompanying notes form part of these financial statements.*

AMG Packaging & Paper Company Limited  
**Statement of Profit or Loss and Comprehensive Income**  
For year ended August 31 2020

	Note	2020 \$	2019 \$
Revenue		720,453,240	762,295,300
Cost of Sales	15	(530,953,576)	(586,525,521)
<b>Gross Profit</b>		<u>189,499,664</u>	<u>175,769,779</u>
Administration Expenses	16	(95,043,964)	(94,293,816)
Selling and distribution		(8,262,113)	(8,973,691)
Impairment (Loss)/Gain		(2,012,815)	12,193,820
Depreciation	6	(23,427,669)	(19,759,365)
		<u>(128,746,561)</u>	<u>(110,833,052)</u>
<b>(Loss)/Profit from operations</b>		<u>60,753,103</u>	<u>64,936,727</u>
Finance Cost	17	(9,069,387)	(5,271,823)
Other Revenue	18	9,711,904	4,564,754
		<u>642,517</u>	<u>(707,069)</u>
<b>Profit before income tax</b>		61,395,620	64,229,658
Income tax expense	19(a)	(5,182,170)	(5,092,473)
<b>Profit after income tax</b>		<u>56,213,450</u>	<u>59,137,185</u>
Earnings per share based on average number of shares			
511,894,285 (2019 - 511,894,285 shares)		\$0.11	\$0.12

*The accompanying notes form part of these financial statements.*

**AMG Packaging & Paper Company Limited**  
**Statement of Changes in Equity**  
For the Year Ended August 31 2020

	Share Capital	Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance as at 1 September 2018	63,250,029	112,310,636	268,051,213	443,611,878
Profit for the year			59,137,185	59,137,185
<b>Balance as at August 31 2019</b>	<u>63,250,029</u>	<u>112,310,636</u>	<u>327,188,398</u>	<u>502,749,063</u>
Balance as at 1 September 2019	63,250,029	112,310,636	327,188,398	502,749,063
Profit for the year			56,213,450	56,213,450
<b>Transactions with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	-	-	(10,237,887)	(10,237,887)
<b>Balance as at August 31 2020</b>	<u>63,250,029</u>	<u>112,310,636</u>	<u>373,163,961</u>	<u>548,724,626</u>

*The accompanying notes form part of these financial statements.*



**AMG Packaging & Paper Company Limited**

**Statement of Cash Flows**

For the Year Ended August 31 2020

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>			
Profit for the year		56,213,450	59,137,185
Items not affecting cash resources:			
Finance Cost		10,257,322	5,271,823
Income Tax Expense		5,182,170	5,092,473
Accounting gain on disposal of Fixed Assets		(30,001)	-
Depreciation		20,056,102	19,759,365
Depreciation -Right of Use Assets		3,371,567	
		<u>95,050,610</u>	<u>89,260,846</u>
 Decrease in inventories		71,584,027	80,784,793
(Increase)/Decrease in trade and other receivables		(6,508,921)	14,319,975
Increase/(Decrease) in trade payables and accruals		1,441,620	(82,601,315)
Interest Paid on Lease Liabilities		(1,192,977)	-
Principal Paid on Lease Liabilities		(2,863,966)	-
Taxes Paid		(2,227,149)	(30,000)
<b>Net cash inflow from operating activities</b>		<u>155,283,244</u>	<u>101,734,299</u>
 <b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(9,841,333)	(54,484,413)
Proceeds from sale of fixed assets		30,001	-
<b>Net cash (outflow) from investing activities</b>		<u>(9,811,332)</u>	<u>(54,484,413)</u>
 <b>Cash flow from financing activities</b>			
Loans received		100,000,000	80,000,000
Loan Repayment		(57,051,347)	(78,076,927)
Interest paid on Loans		(9,361,013)	(5,376,628)
Dividends paid		(10,237,887)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<u>23,349,753</u>	<u>(3,453,555)</u>
 Net increase in cash held		168,821,665	43,796,331
Cash and cash equivalents at beginning of financial year		90,468,108	46,671,777
<b>Cash and cash equivalents at end of financial year</b>	<b>9</b>	<u><u>259,289,773</u></u>	<u><u>90,468,108</u></u>

*The accompanying notes form part of these financial statements.*

## **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.

The company is engaged primarily in the manufacturing, distribution and retailing of cartons of various sizes

## **2 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.

## **3 Functional and presentation currency**

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

#### 4 Summary of Significant Accounting Policies

##### (a) New Accounting Standards for Application in Future Periods

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 IAS 1 and IAS 6	Definition of Material <sup>1</sup>
IFRS 17	Insurance Contracts <sup>2</sup>

<sup>1</sup>Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup>Effective for annual periods beginning on or after 1 January 2021.

##### (b) New and Amended Accounting Policies Adopted

###### IFRS 16 Leases

The Company has not applied IFRS 16 due to the timing at which the current leases are expected to expire.

###### ***Policy applicable from 1 January 2019 if the company had applied***

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of the accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(b) New and Amended Accounting Policies Adopted (cont'd)**

###### **IFRS 16 Leases (cont'd)**

This policy is applied to contracts entered into, on or after 1 January 2019.

###### **i. As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the leases payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(b) New and Amended Accounting Policies Adopted (cont'd)**

###### **IFRS 16 Leases (cont'd)**

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, included in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### 4 Summary of Significant Accounting Policies (cont'd)

##### (c) Property, Plant and Equipment

This Standard shall be applied in accounting for property, plant and equipment except when another Standard requires or permits a different accounting treatment.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) It is probable that future economic benefits associated with the item will flow to the entity; and
- (b) The cost of the item can be measured reliably

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any particular existing item 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.

**The company uses the cost model as its measurement of recognition for its categories apart from Land and Building, which it uses the revaluation model.**

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 business 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%



#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(c) Property, Plant and Equipment (cont'd)**

**Land is not depreciated**

**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.**

##### **(d) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a moving average basis for its motor vehicles and the weighted average basis for its parts. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

##### **(e) 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.

###### **(i) 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.

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(e) Trade and Other Receivables (cont'd)**

###### **(i) Impairment (cont'd)**

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).

###### *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.

##### **(f) 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.

#### 4 Summary of Significant Accounting Policies (cont'd)

##### (g) Borrowing Costs

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 reduced by the principal payment. The company does not recognise the interest expense as the loans presented on the Statement of Financial Position is repaid to the company by the related party.

##### (h) 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

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(i) Trade and Other 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.

##### **(j) Foreign Currency Transactions and Balances**

The company is subject to changes in foreign currency rates as it relates to the United States dollar. It is recorded initially in the functional currency using the spot exchange rate of the Jamaican dollar to the United States dollar at the date of the transaction. At the end of the period, the foreign currency is converted to the functional currency using the closing rate for the period. Exchange differences arising from the conversion of the rates used for initial recording and at the end of the period are recognised in the profit and loss statement.

##### **(k) Revenue and Other Income**

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

###### **i. Sale of goods**

Revenue from the sale of goods is recognised 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.

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(k) Revenue and Other Income (cont'd)**

###### **ii. Interest Income**

The Company recognises interest earned on its cash and cash equivalents held at financial institutions in qualifying accounts.

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

##### **(l) Leases**

The Company has elected to recognize right-of-use assets and lease liabilities for leases of its motor vehicles, using the modified retrospective approach, whereby the comparative periods are not restated. The asset will be depreciated over the term of the lease. This depreciation is charged to depreciation expense, while the payments made to the lease are charged against the lease liability and any interest charges, charged to administrative expense. See note 4 (b).

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(m) Fair value measurement**

Fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In addition, for financial reporting purposes, fair value measurement is 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.

##### **(n) Taxation**

###### **(i) Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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



#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(n) Taxation (cont'd)**

###### **(ii) 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.

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.

##### **(o) Share Capital**

Share capital consists of funds raised by issuing shares in return for cash or other considerations. The amount of share capital a company has can change over time because each time a business sells new shares to the public in exchange for cash, the amount of share capital will increase.

#### **4 Summary of Significant Accounting Policies (cont'd)**

##### **(p) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

## 5 Financial Instruments: Disclosures

### (a) Interest rate risk

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.

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:

	Within 3 Months \$	3 to 12 Months \$	1 to 5 years \$	No Maturity \$	Total \$
<b>Balance as at August 31 2020</b>					
<b>Assets</b>					
Cash	-	-	-	121,002,587	121,002,587
Repurchase agreements	138,287,186	-	-	-	138,287,186
Trade Receivables net	71,308,718	-	-	-	71,308,718
Fixed Assets	-	-	-	368,594,606	368,594,606
Other Assets	12,613,267	108,927,832	-	545,348	122,086,447
<b>Total Assets</b>	<b>222,209,171</b>	<b>108,927,832</b>	<b>-</b>	<b>490,142,541</b>	<b>821,279,544</b>
<b>Liabilities</b>					
Loans	-	13,390,988	103,782,445	-	117,173,433
Trade Payables	85,452,581	-	-	-	85,452,581
Lease Liability	-	3,055,965	12,877,646	-	15,933,611
Other Liabilities	-	23,213,967	-	30,781,326	53,995,293
<b>Total Liabilities</b>	<b>85,452,581</b>	<b>39,660,920</b>	<b>116,660,091</b>	<b>30,781,326</b>	<b>272,554,918</b>
<b>Total Equity</b>				<b>548,724,626</b>	<b>548,724,626</b>
<b>Total Liabilities and Equity</b>	<b>85,452,581</b>	<b>39,660,920</b>	<b>116,660,091</b>	<b>579,505,952</b>	<b>821,279,544</b>
<b>Asset Liability Gap</b>	<b>136,756,590</b>	<b>69,266,912</b>	<b>(116,660,091)</b>	<b>(89,363,411)</b>	<b>-</b>
<b>Cumulative Asset-Liability Gap</b>	<b>136,756,590</b>	<b>206,023,502</b>	<b>89,363,411</b>	<b>-</b>	<b>521,506,914</b>

## 5 Financial Instruments: Disclosures (cont'd)

### (a) Interest rate risk (cont'd)

	Within 3 Months \$	3 to 12 months \$	1 to 5 years \$	No Maturity \$	Total \$
<b>Balance as at August 31 2019</b>					
<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>					
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

	Within 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
<b>SENSITIVITY ANALYSIS</b>					
Impact of 1% increase in interest rate per tenor bucket	1,367,566	695,152	(1,167,818)	(894,900)	-
Impact of 1% decrease in interest rate per tenor bucket	(1,367,566)	(695,152)	1,167,818	894,900	-
Impact of 1% increase in interest on cumulative gap	1,367,566	2,062,718	894,900	-	4,325,184
Impact of 1% decrease in interest rate on cumulative gap	(1,367,566)	(2,062,718)	(894,900)	-	(4,325,184)

## 5 Financial Instruments: Disclosures (cont'd)

### (b) 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 a similar manner

	2020	2019
	\$	\$
<b>Financial Assets</b>		
Cash & cash equivalents	259,289,773	90,468,108
Trade and other receivables	85,967,333	79,458,412
<b>Financial Liabilities</b>		
Amortized cost (including trade payables balance)	272,554,918	209,572,681

At the end of the reporting period, there are no concentrations of credit risk for loans and receivables designated at Fair Value Through Profit or Loss(FVTPL). The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables.

#### Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country which the customers operate.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date.

#### **As at 31/08/2020**

	<b>Aging of trade receivables</b>	<b>Weighted Average</b>	<b>Impairment Required</b>
Current	37,894,281	-0.5%	(172,953)
1-30 Days	20,127,916	-0.6%	(126,022)
31-60 Days	12,205,394	-1.7%	(203,284)
61-90 Days	555,234	-4.2%	(23,422)
91-120 Days	212	-9.1%	(20)
Over 120 days	4,619,311	100%	4,619,311
<b>Total</b>	<b>75,402,348</b>		<b>4,093,610</b>

## 5 Financial Instruments: Disclosures (cont'd)

### (b) Credit risk (cont'd)

As at 31/08/2019

	Aging of trade receivables	Weighted Average	Impairment Required
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
<b>Total</b>	<b>66,004,312</b>		<b>2,080,794</b>

### (c) 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, which are readily converted into cash within three months.

	2020	2019
	\$	\$
Current Assets	452,684,938	348,938,379
Current Liabilities	125,113,501	177,787,302
	3.62	1.96

The liquid asset ratio at the end of the year was 1: 3.62 (2019: 1: 1.96). There has been no change to the company's exposure to liquidity risk or the manner in which it manages and measures the risk.



## 5 Financial Instruments: Disclosures (cont'd)

### (c) Liquidity risk (cont'd)

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

		2020			
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Accounts Payable	105,201,067	105,201,067	105,201,067	-	-
Loans	117,173,433	136,374,964	22,239,571	22,910,393	91,225,000
	<u>222,374,500</u>	<u>241,576,031</u>	<u>127,440,638</u>	<u>22,910,393</u>	<u>91,225,000</u>

		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	-	-
Loans	74,521,446	76,547,374	76,547,374	-	-
	<u>177,625,483</u>	<u>179,651,411</u>	<u>179,651,411</u>	<u>-</u>	<u>-</u>

## 6 Property, plant & equipment

	Land, Buildings & Leasehold Improvement \$	Equipment \$	Motor Cycle \$	Computer & Equipment \$	Furniture, Fixtures & Fittings \$	Right of Use Asset \$	Total \$
<b>Cost/Valuation</b>							
<b>Balance as at 1 September 2018</b>	223,000,000	127,396,113	180,258	6,113,576	12,488,382	-	369,178,329
Additions	53,236,424	978,120	-	181,270	88,599	-	54,484,413
<b>Balance as at August 31 2019</b>	<u>276,236,424</u>	<u>128,374,233</u>	<u>180,258</u>	<u>6,294,846</u>	<u>12,576,981</u>	<u>-</u>	<u>423,662,742</u>
Additions	2,399,311	5,963,517	-	549,554	928,951	18,797,577	28,638,910
Disposals	-	-	(180,258)	-	-	-	(180,258)
<b>Balance as at August 31 2020</b>	<u>278,635,735</u>	<u>134,337,750</u>	<u>-</u>	<u>6,844,400</u>	<u>13,505,932</u>	<u>18,797,577</u>	<u>452,121,394</u>
<b>Accumulated Depreciation</b>							
<b>Balance as at 1 September 2018</b>	<u>8,475,277</u>	<u>23,045,732</u>	<u>172,744</u>	<u>2,708,335</u>	<u>6,117,922</u>	<u>-</u>	<u>40,520,010</u>
Charge for the year	4,574,360	12,770,212	7,511	978,342	1,428,942	-	19,759,367
<b>Balance as at August 31 2019</b>	<u>13,049,637</u>	<u>35,815,944</u>	<u>180,255</u>	<u>3,686,677</u>	<u>7,546,864</u>	<u>-</u>	<u>60,279,377</u>
Charge for the year	4,574,358	13,234,686	3	952,482	1,294,573	3,371,567	23,427,669
Disposals	-	-	(180,258)	-	-	-	(180,258)
<b>Balance as at August 31 2020</b>	<u>17,623,995</u>	<u>49,050,630</u>	<u>-</u>	<u>4,639,159</u>	<u>8,841,437</u>	<u>3,371,567</u>	<u>83,526,788</u>
<b>Net Book Value August 31 2020</b>	<u>261,011,740</u>	<u>85,287,120</u>	<u>-</u>	<u>2,205,241</u>	<u>4,664,495</u>	<u>15,426,010</u>	<u>368,594,606</u>
<b>Net Book Value August 31 2019</b>	<u>263,186,787</u>	<u>92,558,289</u>	<u>3</u>	<u>2,608,169</u>	<u>5,030,117</u>	<u>-</u>	<u>363,383,365</u>

- i. Included in Land, Building and Leasehold Improvement is Land with a carrying value of \$96,685,588 (2019: \$96,685,588) which is not depreciated

### a. Security

On August 31, 2020, property, plant and equipment, were used as security for bank loans note 13.

## 7 Inventory

	2020 \$	2019 \$
<b>Current</b>		
<b>At net realisable value:</b>		
Raw materials	97,112,956	150,518,464
Goods in Transit	4,745,120	18,507,356
Finished goods	5,569,756	9,986,039
<b>Total current inventories</b>	<u>107,427,832</u>	<u>179,011,859</u>

**8 Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	75,402,328	66,004,312
Less: Provision for Doubtful Accounts	<u>(4,093,610)</u>	<u>(2,080,794)</u>
	71,308,718	63,923,518
Prepayments	2,569,929	2,717,924
Deposits	2,038,476	538,476
Staff Loans and Advances	2,079,855	1,187,622
Other receivables	<u>7,970,355</u>	<u>11,090,872</u>
<b>Total trade and other receivables</b>	<u><u>85,967,333</u></u>	<u><u>79,458,412</u></u>

(a) Movement in Provision for Doubtful accounts

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Balance as at 1 September	2,080,794	8,880,143
Opening balance adjustment IFRS 9	-	11,216,606
Additional provisions	2,012,816	-
Amounts used	-	(5,822,135)
Unused amounts reversed	<u>-</u>	<u>(12,193,820)</u>
<b>Balance as at August 31</b>	<u><u>4,093,610</u></u>	<u><u>2,080,794</u></u>

(b) Credit Risk and market risk, and impairment losses

Information about the company's exposure to credit and market risks and impairment losses for trade and other receivables is included in note 5(b)

## 9 Cash & cash equivalents

	2020	2019
	\$	\$
Cash on hand	50,000	50,000
<b>Bank accounts denominated in United States currency</b>		
Bank of Nova Scotia Jamaica Limited - Savings Account	107,908,699	18,552,191
<b>Bank accounts denominated in Jamaican Dollar</b>		
Bank of Nova Scotia Jamaica Limited - Current Accounts	8,923,527	37,611,891
National Commercial Bank Jamaica Limited - Current Account	3,419,219	1,594,072
JN Fund Managers Limited - Savings Account	701,142	656,544
<b>Repurchase agreements</b>		
Alliance Investment - denominated in United States Currency	73,828,488	30,915,420
Proven Wealth Limited - Cash Securities (denominated in United States Dollars)	63,351,843	-
Alliance Investment - denominated in Jamaican Currency	1,106,855	1,087,990
	<u>259,289,773</u>	<u>90,468,108</u>

- i. Included in the Bank of Nova Scotia Jamaica Limited current accounts is a balance of \$535,187 (2019: \$346,327) which represents dividends uncollected.

## 10 Share capital

### A. Share capital

	2020	2019
	\$	\$
In issue at September 1,	63,250,029	63,250,029
Issue for cash	-	-
In issue at August 31, - Fully paid	<u>63,250,029</u>	<u>63,250,029</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.

### B. Dividends

The Company declared and paid a dividend of \$0.02 per share to shareholders on January 15, 2020

## 11 Revaluation reserve

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.

## 12 Deferred tax

	2020 \$	2019 \$
<b>Current</b>		
Current Tax Liability	(3,465,481)	(161,819)
	<u>(3,465,481)</u>	<u>(161,819)</u>
<b>Non-current</b>		
<b>Deferred tax liability</b>		
Property, plant and equipment - tax allowance	30,781,326	30,606,080
Future income tax benefits attributable to tax losses	-	1,179,299
	<u>30,781,326</u>	<u>31,785,379</u>

## 13 Loans

	2020 \$	2019 \$
<b>Current</b>		
<b>Secured liabilities:</b>		
Bank of Nova Scotia Jamaica Limited	13,269,232	74,103,024
Accrued Interest	121,756	418,422
<b>Total current borrowings</b>	<u>13,390,988</u>	<u>74,521,446</u>
<b>Non-current</b>		
<b>Unsecured liabilities:</b>		
Proven Wealth	100,000,000	-
<b>Secured liabilities:</b>		
Bank of Nova Scotia Jamaica Limited	3,782,445	-
<b>Total non-current Loans</b>	<u>103,782,445</u>	<u>-</u>
<b>Total Loans</b>	<u>117,173,433</u>	<u>74,521,446</u>

### 13 Loans (cont'd)

#### a) Terms and repayment schedule

	Interest rate	Year of Maturity	Carrying Value 2020 \$	Carrying Value 2019 \$
	%			
Bank of Nova Scotia Jamaica Limited				
-Secured Loan	5.62	2019	-	40,000,000
-Secured Loan	5.56	2020	-	6,282,115
-Secured Loan	8.50	2022	17,051,677	27,820,909
Proven Wealth Limited				
-Unsecured Loan	7.20	2026	100,000,000	-
			<u>117,051,677</u>	<u>74,103,024</u>

- 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 100 million Jamaican Dollars.

### 13 Loans (cont'd)

#### Security

- 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.
  - 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.



#### 14 Trade Payables

	2020 \$	2019 \$
<b>Current</b>		
<b>Unsecured liabilities:</b>		
Trade payables	85,452,581	84,404,466
Other payables & accruals	19,748,486	18,699,571
	<u>105,201,067</u>	<u>103,104,037</u>

a. Aging of trade payables

At August 31<sup>st</sup>, 2020, the ageing of trade payables was as follows:

	2020 \$	2019 \$
Within 1 Month	67,047,993	44,381,270
31 to 60 Days	12,130,724	10,340,233
Over 60 days	6,273,864	29,682,963
	<u>85,452,581</u>	<u>84,404,466</u>

#### 15 Cost of Sales

	2020 \$	2019 \$
Salaries and related expenses	88,291,406	89,243,421
Cost of materials used	387,456,635	440,848,836
Repairs and maintenance	15,268,227	19,264,432
Equipment rental	414,940	78,000
Insurance	6,426,428	6,741,495
Fuel	16,199,986	17,694,157
Water	2,873,989	1,725,337
Electricity	13,729,280	9,940,416
Loose tools	204,218	218,100
Uniforms	88,467	380,462
Consultancy	-	390,865
	<u>530,953,576</u>	<u>586,525,521</u>

## 16 Expense by Nature

	2020 \$	2019 \$
Administrative and management remuneration	45,189,985	43,328,935
Selling and distribution	8,262,113	8,973,691
Other staff related costs	13,706,364	12,855,634
Motor vehicle expenses	972,799	6,708,992
Incentive	2,887,005	2,400,000
Utilities	3,313,010	2,718,496
Traveling cost	2,462,148	1,867,852
Legal and Professional Expense	2,252,598	3,461,949
Security	4,588,229	3,315,958
Sanitation	3,754,155	3,973,737
Interest on ROU assets	1,192,977	-
Auditor's Remuneration	2,367,900	2,190,500
Other Expenses	12,356,794	11,471,763
	<u>103,306,077</u>	<u>103,267,507</u>

## 17 Finance Cost

	2020 \$	2019 \$
Loan Interest	1,964,345	5,127,871
Bond Interest	7,100,000	-
Other Finance Cost	5,042	143,952
	<u>9,069,387</u>	<u>5,271,823</u>

## 18 Other Revenue

	2020 \$	2019 \$
Interest	1,139,183	160,973
Realised gain/(loss) on foreign translation	5,615,275	2,661,169
Gain/loss on Disposal of Assets	30,001	-
Other Revenue	2,927,445	1,742,612
	<u>9,711,904</u>	<u>4,564,754</u>

## 19 Tax Expense

### (a) The components of tax (expense)/income comprises:

	Note	2020 \$	2019 \$
Current tax		(5,006,924)	(7,076,428)
Deferred tax	12	(175,246)	1,983,955
<b>Income tax expense for the year</b>		<u>(5,182,170)</u>	<u>(5,092,473)</u>

### (b) Tax reconciliation

	2020 \$	2019 \$
Tax on (loss)/profit at 12.5% (2019: 12.5%)	7,674,453	8,028,707
<b>Add tax effect of:</b>		
Non-allowable items	186,662	315,060
<b>Less tax effect of:</b>		
Deferred tax adjustment	2,678,945	3,251,294
<b>Income tax attributable to the entity</b>	<u>5,182,170</u>	<u>5,092,473</u>

The applicable weighted average effective tax rates are as follows:

8.44%      7.93%

#### Tax remission

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 June 2016.

## 20 Statutory Disclosure

	2020	2019
	\$	\$
Directors' remuneration	10,550,358	8,483,699
Directors' fees	10,880,000	11,413,333
Interest on loans	9,069,387	5,271,823
Depreciation	23,427,669	19,759,365
Auditors' remuneration	2,350,000	2,100,000
	<u>56,277,414</u>	<u>47,028,220</u>