



## **AMG PACKAGING & PAPER COMPANY LTD**

AMG Packaging & Paper Company Limited (AMG) is pleased to present its audited financial statements for the 12 months ended August 31, 2012.

2011 was another exciting year for AMG. Our new warehouse facility is currently here and the Chinese technician arrives in September to start the much anticipated development. The approximately 10,000 square feet new warehouse will allow us additional space to stock both raw materials and finished products as well as expand our production capacity. The facility boasts two loading bays which will enable us to load and unload containers minimizing damage to the rolls. We can now store our raw materials in a secure proper environment as is the standard. We made a deposit on a paper clamp forklift. This should arrive in Jamaica before the end of the first quarter. This will enable us to move our paper rolls in a more efficient manner.

The new Two Color Printing and Rotary Die Cut Machine is currently installed and producing. This acquisition has increased our production as well as widens our product base. A Partition machine was also acquired where we can now offer our services to companies that package glass products.

We are currently sourcing additional machines which will increase quality and production. One is a multi functional machine that will replace the older manual ones. The other is an additional Rotary Die Cut machine.

From an operational standpoint we have decided to rearrange our shift system to accommodate a third shift in the near future. Currently the shifts are 8am to 5pm and 7pm to 7am. The new hours will be 6am to 2pm and 2pm to 10pm. This will eliminate the down time we have as well as minimize the overtime which is a negative factor on our bottom line.

Our performance for the year was satisfactory in a number of areas in spite of a challenging operating environment. Sales for the year ended August 31, 2011 increased by 15.71% to \$357.46 million as a result of an increase of 27.19% in the number of units produced. This increase in sales resulted in a 27.23% increase in Gross Profit of \$81.31 million (2011- \$63.91 million).

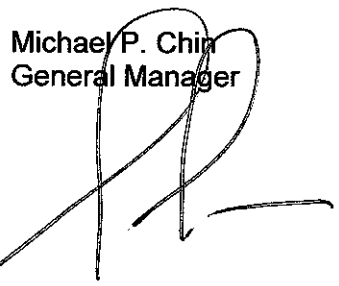
Management remains extremely focused on managing manufacturing expenses as this performance was achieved in spite of a 21.27% increase in Electricity charges and much needed Maintenance Expenses \$6.2 million 2012 up from \$2.8 million in 2011. This focus on cost management included administrative expenses which increased from \$21.92 million(2011) to \$39.51 million(2012) during the year resulting in Profits of \$47.66 million for the 12 month period, up 52.45% over the prior year (2011 - \$31.27 million).

	<u>12 months to</u> <u>August 31, 2012</u>	<u>12 months to</u> <u>August 31, 2011</u>
Total Revenues	357,461,714	308,921,086
Gross Profit	81,316,904	63,911,205
Profit	47,666,087	31,265,395
Total Assets	309,802,822	283,706,678
Total Shareholder's Equity	241,483,209	193,817,120

Total Assets grew from \$283.71 million to \$309.80 million, primarily as a result of our new machinery and expansion. In addition Inventories grew, consistent with our strategy, to increase the stock of paper help for production as well as finished products available for specific customer orders.

The new financial year has begun on a positive note given the sound foundation we continue to build on. The next 12 months will continue to see many positive changes at AMG with our increased production capacity, additional storage space and broader product line. On behalf of the AMG team we would like to wish our shareholders a peaceful holiday season and all the very best for the New Year.

Michael P. Chia  
General Manager



**AMG PACKAGING & PAPER**  
**COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**AUGUST 31 2012**

**AMG PACKAGING & PAPER COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

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**BOGLE & COMPANY**  
CHARTERED ACCOUNTANTS

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**AUDITORS' REPORT**  
**TO THE MEMBERS**  
**OF**  
**AMG PACKAGING & PAPER COMPANY LIMITED**

We have audited the financial statements for AMG Packaging & Paper Company Limited set out on the following pages 3-18 which comprise the statement of financial position as of August 31, 2012 and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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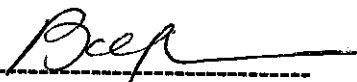
**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of August 31, 2012 and of the financial performance and cash flows of the company for the period then ended accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal Regulatory Requirements**

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

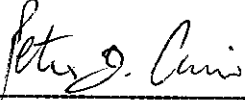
In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

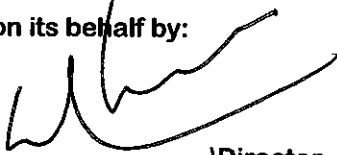
  
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**BOGLE & COMPANY**  
*26 October 2012*

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2012**

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
<b>Assets</b>			
<b><u>Non-Current Assets</u></b>			
Property, Plant & Equipment	2(e) & 9	128,116,037	109,222,843
Investments	2(g) & 4	7,320,588	51,576,032
Deposit on Property & Equipment	5	53,622,892	15,191,845
<b><u>Current Assets:</u></b>			
Inventories	2(d) & 6	74,887,770	57,506,910
Accounts Receivable net of allowances	2(j) & 7	34,799,805	41,290,414
Related Parties	8	-	287,069
Taxation Recoverable	10	947,591	629,064
Cash & Cash Equivalents	2(l) & 11	10,108,140	8,002,501
		<u>120,743,306</u>	<u>107,715,958</u>
<b>Total Assets</b>		<u><u>309,802,823</u></u>	<u><u>283,706,678</u></u>
<b><u>Equity &amp; Liabilities</u></b>			
<b>Equity:</b>			
Share Capital	2(m) & 12	63,250,028	63,250,028
Revaluation Reserve	13	48,928,537	48,928,537
Retained Earnings		<u>129,304,644</u>	<u>81,638,557</u>
		<u>241,483,209</u>	<u>193,817,122</u>
<b><u>Non- Current Liabilities</u></b>			
Long-Term Loans	14	15,233,019	10,549,235
<b><u>Current Liabilities:</u></b>			
Current Portion of Long-Term Loan	14	14,149,670	16,933,635
Accounts Payable & Accruals	15	38,936,925	57,087,296
Taxation	16	-	5,319,392
		<u>53,086,595</u>	<u>79,340,322</u>
<b>Total Equity &amp; Liabilities</b>		<u><u>309,802,823</u></u>	<u><u>283,706,678</u></u>

Approved by the Board of Directors on October 26, 2012 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Peter Chin

  
 \_\_\_\_\_ Director  
 Mark Chin

The accompanying notes form an integral part of these Financial Statements and should be read in conjunction therewith.

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**AUGUST 31, 2012**

	<u>Notes</u>	<u>2012</u> \$	<u>2011</u> \$
<u>Turnover</u>	17	357,461,714	308,921,086
Manufacturing Costs		276,144,810	245,009,881
Administrative Expenses		<u>39,514,339</u>	<u>21,927,020</u>
Profit from operations		41,802,565	41,984,185
Other Income	18	<u>5,863,523</u>	<u>602,783</u>
Profit before Taxation		47,666,088	42,586,968
Taxation	2g & 16	<u>-</u>	<u>11,321,573</u>
Profit after taxation		47,666,088	31,265,395
<u>Other Comprehensive Income</u>			
Gain on Revaluation	13	<u>-</u>	<u>48,928,537</u>
Total Comprehensive Income		<u>47,666,088</u>	<u>80,193,932</u>
Earnings per share		\$0.47	\$0.38

average number of shares in issue for the year of 102,387,857 ( 2011 - 82,670,290 shares)



**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**AUGUST 31, 2012**

	Share Capital	Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$
Balance as at September 1, 2010	11,554,086	-	50,373,162	61,927,248
Public Issue of ordinary shares	51,695,942			51,695,942
Revaluation Surplus	-	48,928,537	-	48,928,537
Net profit for the year	-	-	31,265,395	31,265,395
Balance as at August 31, 2011	63,250,027	48,928,537	81,638,557	193,817,121
Balance as at September 1, 2011	63,250,027	48,928,537	81,638,557	193,817,121
Net profit for the year	-	-	47,666,088	47,666,088
Balance as at August 31, 2012	63,250,028	48,928,537	129,304,644	241,483,209

**AMG PACKAGING & PAPER COMPANY LTD**  
**STATEMENT OF CASHFLOWS**  
**AUGUST 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
<b><u>Cash flows from Operating Activities</u></b>		
Net Profit	47,666,088	31,265,395
Adjustment to reconcile income for year to net cash provided by operating activities		
Depreciation	6,664,562	(3,745,325)
	<u>54,330,650</u>	<u>27,520,069</u>
<b><u>(Increase)/decrease in Current Assets</u></b>		
Taxation Recoverable	(318,527)	(629,063)
Inventories	(17,380,860)	(30,809,849)
Related Parties	287,069	(287,069)
Receivables	6,490,609	(4,571,846)
<b><u>(Increase)/decrease in current liabilities</u></b>		
Taxation	(5,319,392)	(4,127,875)
Payables & Accruals	(18,150,370)	26,429,623
Long-Term Payable	-	(13,020,205)
Net cash flows from Operating Activities	<u>19,939,179</u>	<u>503,786</u>
<b><u>Cash flows from Investing Activities</u></b>		
Purchase of property, plant and equipment	(25,557,756)	(2,113,031)
Deposits	(38,431,047)	(15,191,845)
Investments	44,255,444	(51,576,032)
Net cash used in Investing Activities	<u>(19,733,359)</u>	<u>(68,880,908)</u>
<b><u>Cash flows from Financing Activities</u></b>		
Loan acquisition / (payments)	1,899,819	19,935,720
Proceeds from share issue	-	51,695,942
Net Cash flows from Financing Activities	<u>1,899,819</u>	<u>71,631,662</u>
Net increase cash & cash equivalents	2,105,639	3,254,538
Cash & cash equivalents at beginning of year	<u>8,002,501</u>	<u>4,747,963</u>
Cash & cash equivalents at end of year	<u><u>10,108,140</u></u>	<u><u>8,002,501</u></u>
<b><u>Represented by:</u></b>		
Cash and cash equivalent (note 11)	<u><u>10,108,140</u></u>	<u><u>8,002,501</u></u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**1 Identification and principal activities**

- (a) The company was incorporated on the 26th of September 2005, under the Jamaica Companies Act and is a wholly owned Jamaican company. It's registered office is located at 9 Retirement Crescent, Kingston 5.  
Under the Companies Act 2004 the company was re-registered as a public company in July 2011.

- (b) The company is engaged primarily in the manufacturing, distribution and retailing of cartons of varying sizes

(c) **Stock Exchange Listing**

The company has been listed on the Jamaica Junior Stock Exchange since July 14, 2011

**2 Statement of Compliance, Basis of Preparation and Significant Accounting Policies**

(i) **Statement of compliance**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretation adopted by the International Accounting Standards Board, and have been prepared under the historical convention.

*IFRS 7, Financial Instructions: Disclosures* led to some changes in the qualitative and quantitative disclosures relating to credit risk. In particular, disclosure of the amount of the company's 'maximum exposure to credit risk without considering any collateral held' is now made only if the carrying amount of the financial assets does not already reflect such exposure.

*Revised IAS 24, Related Party Disclosures* introduced changes to related party disclosure requirements for government-related entities and amends the definitions of a related party. Aside from the change of the definition of a related party in note 2(ii) (f), this revision did not have any impact on the financial statements.

At the date of the financial statements there were standards which are in issue, but not yet effective. Those considered relevant to the company are as follows:

*IFRS 9, Financial instruments* (effective January 1, 2013). It introduces new requirements for classifying and measuring financial instruments. The standard also amends some of the requirements of *IFRS 7* financial instruments: disclosures

- Including added disclosures about investments in equity instruments through other comprehensive income.

*IFRS 12, Disclosure of Interest on Other Entities* is effective for annual reporting periods beginning on or after January 1, 2013. It contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and /or unconsolidated structured entities. These require disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and effects of those interests on the entities' financial position, financial performance and cash flows.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

(ii) **Basis of preparation**

***IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*** is effective for annual periods beginning on or after July 1, 2012. It has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be classified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between the sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.

***IFRS 13, 'Fair Value Measurement'*** (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires value measurements. This standards applies to those standards that require or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

(a) **Reporting Currency**

The amounts in these financial statements are expressed in Jamaican dollars, which is the primary currency in the country which it operates.

(b) **Use of estimates**

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities at the date of the statement of Financial Position, and the income and expenses for the year then ended. Actual amounts may vary from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

(c) **Judgement in evaluation of contingencies**

For a contingent liability to qualify for recognition there must be a present obligation and the probability of an outflow of economic benefits to settle that obligation. In recognising contingent liabilities of the company, management determines the possibility of an outflow of resources and makes estimates of expenditure required to settle the present obligation at the reporting date.

No provision is made if management considers the possibility of any outflow in settlement to be remote.

(d) **Inventories**

Inventories are stated at the lower of cost and net realisable value and have been calculated on the First- In First -Out basis

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**(ii) Basis of Preparation Continued**

**(e) Depreciation**

Depreciation is charged on the straight line basis at rates designed to write off the cost or valuation of assets over their useful lives. The first year is pro-rated based on date of acquisition. Rates are as follows:

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

**(f) Related Parties**

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A party is related to the company, if:

- (i) directly or indirectly through one or more intermediaries, the party :
  - (a) is controlled by, or is under common control with, the company (this includes parties, subsidiaries and fellow subsidiaries)
  - (b) has an interest in the company that gives it significant influence over the entity: or
  - (c) has joint control over the company;
- (ii) the party is an associate of the company
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post -employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

The company has related party relationship with it's directors and key management personnel.

**(g) Investments**

Investment is carried in the financial statements at fair value. Gains and losses arising in changes in the market value of the investment is recorded in the Statement of Comprehensive Income in the period in which they arise.

**(h) Tax Exemption Status**

The company is currently listed on the Jamaica Junior Stock Exchange. This listing renders the company exempt from Income Tax for five years from the original listing in July 2011, with the proviso that the company remains on the Stock Exchange for at least fifteen years.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

(ii) **Basis of Preparation cont'd**

(i) **Foreign Currency Transaction**

Foreign currency transactions are converted and included in the financial statements at the prevailing rate of exchange at the transaction date. Deposits held and liabilities in foreign currency at the date of the statement of financial position are adjusted to reflect the Jamaican equivalent as at that date. Exchange differences arising from settling income transactions are reflected in the statement of comprehensive income.

(j) **Trade Receivables**

A trade receivable is carried at invoiced amounts less provision made for impairment losses. Provision for impairment of trade receivable is established when there is sufficient evidence that the company will not be able to recover the full amounts in accordance with the original terms of the transaction.

(k) **Borrowings & Borrowing costs**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and redemption value is recognised in the Statement of Comprehensive income over the period of the borrowings. Borrowing costs are recognised in the period in which they are incurred.

(l) **Cash & Cash Equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the Statement of Cash flows, this is comprised of deposits, cash at bank and cash in hand.

(m) **Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(n) **Revenue Recognition**

Revenue is recognised in the income statement when it is probable that future economic benefit associated with the items of revenue will flow to the company and is able to be reliably measured. Revenue from the sale of goods are measured at fair value of the consideration received or receivable net of discounts and allowances.

(o) **Interest Income**

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on the accruals basis.

**3 Financial Instruments**

A Financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another. Financial assets carried in the Statement of Financial Position include accounts receivable and cash. Bank overdraft and accounts payable are deemed financial liabilities.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**(a) Interest Rate Risk**

Interest rate risk arises when the value of a financial instrument fluctuates during a specified period due to changes in market interest rates.

The company is exposed to interest rate risk regarding loans and its bank balances as at August 31, 2012.

**(b) Credit Risks**

Credit risk is the risk of exposure occasioned by one party to financial instruments when the other party fails to discharge an obligation thus causing the other party to suffer a financial loss. The company has policies in place to ensure that sale of products and services are made to customers with an appropriate credit history. The company is exposed to credit risks in respect of its receivables from other companies and individuals.

The maximum exposure to credit risk at the reporting date is represented by the carrying value amount of each financial asset as follows:

	<u>Carrying Amount</u>	
	<u>2012</u>	<u>2011</u>
	\$	\$
Cash equivalents	10,108,140	8,002,501
Receivables	34,799,805	41,290,414
Due from related parties	-	287,069
	<u>44,907,945</u>	<u>49,579,983</u>

**(c) Foreign Currency Risk**

A foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates.

The company has direct exposure to foreign currency risk regarding United States dollar denominated savings account and foreign payables.

**(d) Cash Flow Risk**

Monetary financial instrument will fluctuate in amount. The company manages this risk by budgetary measure, ensuring that fluctuations in cash flows relating to the monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

**(e) Liquidity Risk**

Liquidity risk is that risk which a company faces when it encounters difficulty in raising funds to meet commitments associated with its financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities.

At 31 August 2012, the company did not face any liquidity risks as indicated below:

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**(e) Liquidity Risk cont'd**

	<u>2012</u>			<u>Total</u>
	<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	
<b><u>Assets</u></b>				
Cash Resources	10,108,140			10,108,140
Investments	7,320,588			7,320,588
Other	34,799,805			34,799,805
<b>Total</b>	<b>52,228,533</b>	-	-	<b>52,228,533</b>
<b><u>Liabilities</u></b>				
Loans	-	14,149,670	15,233,019	29,382,689
Payables	38,936,925	-	-	38,936,925
Taxation		-		-
<b>Total</b>	<b>38,936,925</b>	<b>14,149,670</b>	<b>15,233,019</b>	<b>68,319,614</b>
<b>Total Liquidity GAP</b>	<b>13,291,608</b>	<b>(14,149,670)</b>	<b>(15,233,019)</b>	<b>(16,091,081)</b>
<b>Cumulative GAP</b>	<b>13,291,608</b>	<b>(858,062)</b>	<b>(16,091,081)</b>	-
<b><u>2011</u></b>				
<b>Total Liquidity GAP</b>	<b>59,260,566</b>	<b>(22,253,027)</b>	<b>(10,549,235)</b>	<b>26,458,304</b>
<b>Cumulative GAP</b>	<b>59,260,566</b>	<b>37,007,539</b>	<b>26,458,304</b>	



**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

<b>4 Investment</b>	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Stocks and Securities Limited</b>		
BOJ Fixed Certificate of Deposit (5.75%), 2011 (6%)	<u>7,320,588</u>	<u>51,576,032</u>

This represents net proceeds from public issue of shares on July 14, 2011

<b>5 Deposit on Property &amp; Equipment</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Land & Building - 9 Retirement Crescent	40,000,000	-
Building structure/ frames	9,818,706	-
Equipment	<u>3,804,186</u>	<u>15,191,845</u>
	<u>53,622,892</u>	<u>15,191,845</u>

<b>6 Inventories</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Raw Materials	71,401,606	57,051,756
Finished Goods	<u>3,486,164</u>	<u>455,154</u>
	<u>74,887,770</u>	<u>57,506,910</u>

<b>7 Accounts Receivable</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Trade Receivables	34,996,725	41,316,373
Provision for bad debts	<u>(1,798,211)</u>	<u>(1,483,811)</u>
	33,198,514	39,832,561
Other Receivables	<u>1,601,291</u>	<u>1,457,853</u>
	<u>34,799,805</u>	<u>41,290,414</u>

	Aged Trade Receivables			Carrying Value
	Within 1 Months	31 to 60 Days	Over 60 Days	
<b>Balance at</b>	\$	\$	\$	\$
<b>August 31, 2012</b>	<u>26,900,088</u>	<u>2,712,494</u>	<u>5,384,143</u>	<u>34,996,725</u>
<b>August 31, 2011</b>	<u>36,548,727</u>	<u>1,728,316</u>	<u>3,039,330</u>	<u>41,316,373</u>

<b>8 Related Parties</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Directors' Current Account	<u>-</u>	<u>287,069</u>
	<u>-</u>	<u>287,069</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**9 Property, Plant & Equipment**

	Land \$	Building \$	Equipment \$	Motor Cycle \$	Computer & Equipment \$	Furniture & Fixtures \$	Total \$
<b>At cost</b>							
September 1, 2010	5,545,000	37,612,777	18,757,064	-	182,396	1,350,960	63,448,197
Revaluation	12,455,000	24,387,223	12,086,315	-	-	-	48,928,538
Additions	-	1,033,953	277,196	-	168,137	633,745	2,113,031
Balance as at August 31, 2011	18,000,000	63,033,953	31,120,575	-	350,533	1,984,705	114,489,766
Balance as at September 1, 2011	18,000,000	63,033,953	31,120,575	-	350,533	1,984,705	114,489,766
Additions	-	2,052,751	22,427,552	180,258	235,247	661,948	25,557,756
Balance as at August 31, 2012	18,000,000	65,086,704	53,548,127	180,258	585,780	2,646,653	140,047,522
<b>Accumulated depreciation</b>							
September 1, 2010	-	3,188,400	5,448,387	-	147,819	227,640	9,012,246
Transfer to reserve	-	(3,188,400)	(5,448,387)	-	-	-	(8,636,787)
Current year charges	-	2,317,171	2,319,375	-	37,514	217,404	4,891,464
Balance as at August 31, 2011	-	2,317,171	2,319,375	-	185,333	445,044	5,266,923
Balance as at 1 September 2011	-	2,317,171	2,319,375	-	185,333	445,044	5,266,923
Current year charges	-	844,696	5,478,259	-	106,160	235,447	6,664,562
Balance as at August 31, 2012	-	3,161,867	7,797,634	-	291,493	680,491	11,931,485
<b>Net Book Value</b>							
August 31, 2012	18,000,000	61,924,837	45,750,493	180,258	294,287	1,966,162	128,116,037
August 31, 2011	18,000,000	60,716,782	28,801,200	-	165,200	1,539,662	109,222,843

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**10 Tax Recoverable**

Amount represents General Consumption Tax (GCT) recoverable from the collectorate based on the company's input tax in excess of its output tax.

**11 Cash & Cash equivalent**

	<u>2012</u>	<u>2011</u>
	\$	\$
Bank of Nova Scotia Ja Ltd		
- Current account	8,010,180	1,995,390
- Savings account (US dollar denominated)	323,172	310,566
National Commercial Bank Limited		
- Current account	206,834	279,953
- Payroll account	89,902	689,943
Deposit in transit	755,577	-
Petty Cash	30,200	30,200
	<u>9,415,865</u>	<u>3,306,052</u>
 Deposit:		
Alliance Investment Management Ltd - General accounts	692,275	4,696,449
	<u>10,108,140</u>	<u>8,002,501</u>

**12 Share Capital**

	<u>2012</u>	<u>2011</u>
	\$	\$
Authorised:		
140,000,000 (2010 - 15,000,000) ordinary shares no par value		
 Capital issued and fully paid-		
102,387,857 ordinary shares at no par value	63,250,028	69,354,803
Less: Transaction costs of issued shares	-	(6,104,775)
	<u>63,250,028</u>	<u>63,250,028</u>

(i) The company's authorised share capital was increased by five million dollars to 20 million dollars by the creation of 5 million ordinary shares of \$1.00 each. The new shares are to rank pari-passu with the existing shares.

(ii) By resolution on May 31, 2011, each ordinary share has been sub-divided into 7 ordinary shares such that the total issued shares of 20 million is now multiplied by 7 making a total of 140 million shares.

**13 Revaluation Reserves**

Revaluation reserve results from the difference between the revaluation of land, building and equipment and their carrying value at February 12, 2011. The valuation was carried out by professional appraisers Valerie Levy & Associates limited and Stellar Caribbean (Ja.) Limited

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

<b>14 Loans</b>	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Bank of Nova Scotia Jamaica Limited</b>		
Loan 1	-	7,276,638
Loan 2	10,398,530	12,659,082
Loan 3	4,028,634	-
Loan 4	7,408,375	-
	<u>21,835,539</u>	<u>19,935,720</u>
<b>Alliance Investment Management Limited</b>	<u>7,547,150</u>	<u>7,547,150</u>
<b>Total loans</b>	<u>29,382,689</u>	<u>27,482,870</u>
<b>Current portion of long -term loan</b>	<u>14,149,670</u>	<u>16,933,635</u>
<b>Long-term portion of loan</b>	<u>15,233,019</u>	<u>10,549,235</u>

- (i) Loan 2 has a duration of 5 years and a moratorium period of four (4) months on the principal payments. This loan is at an interest rate of 8.95% per annum.
- (ii) Loans 3 & 4 are revolving loans and are expected to be repaid within 90 days, at an interest rate of 15% per annum.

**Securities:**

**Bank of Nova Scotia Jamaica Limited**

- (1) Assignment of Commercial All Risks policy in favour of the bank to cover replacement value of the machinery equipment
- (2) Second legal mortgage stamped an aggregate of \$25,600,000 and registered over commercial property located at lot # 30,10 Retirement Crescent, Kingston 5 and Lot B Collins Green, Kingston 5. Volume 1094 Folio 743 and Volume 1402 Folio 431 respectively. Appraised value of Real Estate pledged \$80,000,000 as at 1 March 2011.
- (3) Bill of sale stamped \$25,600,000, collateral to 2nd legal mortgage over the above property, and over the following machinery & equipments:
- i) Model: 2003 Dock stoker DSX40
  - ii) SG-3 Semi-auto gluing machine L1400x W2800mm; MS Strapping machine; Pallet jacks
  - iii) Two colors printer and rotary die cutting machine chain feeding.
  - iv) Machine spare parts

**Alliance Investment Management Limited**

Loan from Alliance Investment Management Limited is renewable each year and carries an interest rate of 9% per annum, secured by:  
 Letter of undertaking from M F & G Trust & Finance Limited.

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**15 Accounts Payable & Accruals**

	<u>2012</u>	<u>2011</u>
	\$	\$
Trade Payables	35,312,752	54,117,725
Accruals	2,071,544	1,417,282
Other Payables	98,376	106,123
Statutorious Payable	984,753	877,971
Audit Fee Payable	469,500	568,195
	<u>38,936,925</u>	<u>57,087,296</u>

<u>Balance at</u>	<u>Aged Trade Payables</u>			<u>Amount Due</u>
	<u>Within 1 Months</u>	<u>31 to 60 Days</u>	<u>Over 60 Days</u>	
	\$	\$	\$	\$
August 31, 2012	<u>30,705,721</u>	<u>4,233,564</u>	<u>373,467</u>	<u>35,312,752</u>
August 31, 2011	<u>35,619,895</u>	<u>5,760,026</u>	<u>12,737,804</u>	<u>54,117,725</u>

**16 Taxation**

Taxation is comprised of company tax at 33 1/3% on the profit for the year after adjustments for tax purposes.

**17 Turnover**

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

**18 Other Income**

	<u>2012</u>	<u>2011</u>
	\$	\$
Interest income	889,989	458,940
Insurance claim	4,714,264	-
Bad debt recovered	259,270	143,843
	<u>5,863,523</u>	<u>602,783</u>

**19 Staff Costs**

Staff costs for the year totalled \$47,286,598 while the total number of employees during the year was sixty one (61). 2011-( 63 employees)

	<u>2012</u>	<u>2011</u>
	\$	\$
I. Staff compensation	45,413,701	38,634,805
II. Staff welfare & training	1,872,897	1,702,388
	<u>47,286,598</u>	<u>40,337,193</u>

**20 Statutory Disclosures**

	<u>2012</u>	<u>2011</u>
	\$	\$
Directors' Remuneration	6,175,356	4,825,356
Interest on loans	3,805,178	1,919,331
Depreciation	6,664,562	4,891,463
Auditors' Remuneration	900,000	952,100
	<u>17,545,096</u>	<u>12,588,250</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**21 Contingent Liabilities**

Emanating from two accidents in the company's plant, the company received two separate claims for compensation arising from injuries sustained on the job. The company is now in dialogue with the insurance company, but no assessment of the likely outcome of the claims has been carried out. Thus, the adequacy of the insurance coverage to satisfy the claims cannot be assessed.

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ACCOUNTANTS' REPORT  
ON THE ADDITIONAL INFORMATION  
TO THE DIRECTORS  
OF  
AMG PACKAGING & PAPER COMPANY LIMITED

THE ADDITIONAL INFORMATION SET OUT ON PAGES 20 AND 21 TAKEN FROM THE ACCOUNTING RECORDS OF THE COMPANY, HAVE BEEN SUBJECTED TO THE TESTS AND OTHER AUDIT PROCEDURES APPLIED IN OUR EXAMINATION OF THE COMPANY'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 31, 2012.

IN OUR OPINION, THIS INFORMATION ALTHOUGH NOT NECESSARY FOR A FAIR PRESENTATION OF THE COMPANY'S STATE OF AFFAIRS, RESULTS OF OPERATIONS OR CHANGES IN FINANCIAL POSITION IS FAIRLY PRESENTED IN ALL MATERIAL RESPECTS IN RELATION TO THE FINANCIAL STATEMENTS TAKEN HAS A WHOLE.

  
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BOGLE & COMPANY  
26 October 2012

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WORRICK BOGLE, FCCA FCA CPA

Email: [info@bogleandcompany.com](mailto:info@bogleandcompany.com)

**AMG PACKAGING & PAPER COMPANY LTD**  
**MANUFACTURING ACCOUNT**  
**AUGUST 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
Opening Inventories	57,506,910	26,697,061
Purchases	<u>234,273,063</u>	<u>228,366,662</u>
	291,779,973	255,063,723
Less Closing Inventories	<u>74,887,770</u>	<u>57,506,910</u>
	<u>216,892,203</u>	<u>197,556,813</u>
 <b><u>Direct Expenses</u></b>		
Salaries, Wages & Related Costs	26,192,040	22,964,343
Maintenance Expenses	6,269,404	2,622,512
Fuel	12,346,834	11,228,798
Depreciation	6,664,562	4,891,463
Casual Labour	949,072	442,882
Electricity	6,138,576	5,061,931
Loose Tools	177,434	82,075
Equipment Lease & Hirage	<u>514,685</u>	<u>159,064</u>
	<u>59,252,607</u>	<u>47,453,068</u>
<b>Total Manufacturing cost</b>	<u><u>276,144,810</u></u>	<u><u>245,009,881</u></u>



**AMG PACKAGING & PAPER COMPANY LTD**  
**ADMINISTRATIVE EXPENSES**  
**AUGUST 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
Directors' Emoluments	6,175,356	4,825,356
Salaries, Wages & Related Costs	13,046,305	10,845,106
HEART	569,566	471,572
Bank Charges	623,338	542,222
Interest	3,805,178	1,919,331
Stationery & Printing	678,596	427,487
Advertising & Promotion	1,290,023	725,669
Legal & Professional Fees	309,854	1,603,091
Courier Expenses	355,132	244,280
Entertainment	267,025	455,465
Audit & Accounting Fees	900,000	952,100
Audit Fees under/(over) provision prior year	92,305	(102,700)
Dues & Subscriptions	516,720	220,913
Telephone	255,772	346,988
General Insurance	2,079,251	1,028,576
Indemnity Insurance	-	333,313
Health Insurance	834,580	555,708
Staff Welfare	1,872,897	1,702,388
Water	214,584	225,720
Travelling	120,000	483,060
Motor Vehicle Expenses	593,358	108,802
Donations	627,882	121,177
Provision for bad debt	586,291	643,923
Assets Tax	35,000	35,000
Cleaning & Sanitation	2,268,251	1,665,769
Property Tax	32,500	35,208
Security Expenses	149,923	72,500
Cash shortage/(overage)	4,929	(173)
Annual Return	37,000	20,100
Gain on foreign exchange	(1,251,266)	(1,438,217)
Depreciation charged back	-	(8,636,788)
Uniforms	376,572	36,092
Motor Vehicle Lease	1,411,714	1,420,405
Repairs & Maintenance	635,704	37,579
	<u>39,514,339</u>	<u>21,927,020</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**COMPUTATION OF CAPITAL ALLOWANCES**  
**YEAR OF ASSESSMENT 2012**

	<b>COST</b>	<b>ADDITIONAL</b>	<b>ALLOWANCES INITIAL</b>	<b>ANNUAL</b>	<b>W.D.V C/FWD</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>BUILDING</b>	23,181,811	2,052,751	-	630,864	24,603,698
<b>EQUIPMENT</b>	11,031,000	22,427,552	4,485,510	2,509,391	26,463,651
<b>COMPUTER &amp; EQUIPMENT</b>	-COST \$ 42,330	5,721	-	5,721	-
	-COST \$ 8,105	4,863	-	810	4,052
	-COST \$164,087	96,679	235,247	47,049	52,931
<b>MOTOR BIKE</b>		180,258	22,532	22,532	135,193
<b>FURNITURE &amp; FIXTURES</b>	1,215,230	661,948	132,390	187,718	1,557,071
	<b>35,535,304</b>	<b>25,557,756</b>	<b>4,687,482</b>	<b>3,409,968</b>	<b>52,995,611</b>

**COMPUTATION OF INCOME TAX**  
**YEAR OF ASSESSMENT 2012**

<b>TRADING PROFIT AS PER ACCOUNTS</b>	\$	\$
		47,666,088
<b>ADD: DEPRECIATION</b>	6,664,562	
<b>DONATION</b>	<u>627,882</u>	<u>7,292,444</u>
		54,958,532
<b>LESS CAPITAL ALLOWANCES</b>		
<b>INITIAL</b>	4,687,482	
<b>ANNUAL</b>	<u>3,409,968</u>	
		<u>8,097,449</u>
<b>ADJUSTED PROFIT</b>		<u>46,861,083</u>
<b>TAXATION @ 33.33%</b>		15,618,799
<b>TOTAL TAX EXEMPT</b>		<u>(15,618,799)</u>
<b>TAX PAYABLE</b>		<u>-</u>