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AMG Packaging & Paper Company Limited (AMG or the Company) is pleased to present its un-audited financial statements for the 6 months ended February 29, 2012. The Company had a credible performance when compared with the similar period for 2011. During the period under review the factory was closed for three weeks for equipment maintenance which did not occur in the prior period. The Company also had a fire at its factory on February 13<sup>th</sup> which caused damage to some the front of the building and destroyed some inventory. The source of the fire was deemed inconclusive and the insurance company is processing the claim for damages to the front of the factory and inventory.

In spite of the events above, Sales for the first six months increased by 10.8% to \$162.8 million over the prior year period (\$146.9 million). The number of units produced increased by 32.1% in 2012 to 7.0 million up from 5.3 million produced in the 6 months to February 2011.

|                            | 6 months<br>Feb 29, 2012 | 6 months<br>Feb 28, 2011 | Change |
|----------------------------|--------------------------|--------------------------|--------|
| Total Revenues             | 162,854,821              | 146,927,649              | 10.84% |
| Net Profit                 | 16,068,983               | 13,733,128               | 17.01% |
| Total Assets               | 288,708,560              | 202,019,403              | 42.91% |
| Total Shareholder's Equity | 209,886,102              | 128,907,306              | 62.82% |

Manufacturing costs increased by 7.9% as a result of increases in the cost of electricity and equipment repairs and maintenance. As mentioned, the factory did not undertake its annual machinery maintenance at the end of 2010 which resulted in an increase in maintenance expenses. Employee wages also increased during the period under review as our factory team grew from 35 employees to 61 employees at February 29, 2012. In spite of these increases in expenses, AMG reported a Gross Profit of \$37.4 million, up 22.2% from the corresponding prior year period (\$30.6 million).

Administrative expenses for the period also increased for the period when compared to February 2011. The revaluation of AMG's assets in 2011 resulted in an adjustment to depreciation which had a positive effect on Administrative expenses in the prior period of \$4.3 million. In addition to the costs of being a listed company, AMG also increased its loan facilities as a part of its expansion plans, the costs of which would not have been included in the prior year. Profit after Tax for the six month period increased by 17.0% to \$16.1 million when compared to the prior year (13.7 million).

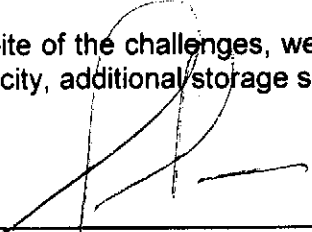
The growth in Total Assets during the period under review reflects the purchase of additional machinery, the down payment made for new premises and the increase in raw materials (predominately paper). The new warehouse is expected to be completed by July 2012. These activities were financed from the remaining proceeds of the IPO and through a new loan facility.



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The final piece of new machinery has arrived and is expected to be operational next month. AMG's management remains focused on managing the increasing costs of operation and expect to improve efficiency with the addition of the new equipment

In spite of the challenges, we remain optimistic about the next 6 months given our increased production capacity, additional storage space and broader product line, which should lead to improved profitability.



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Michael P. Chin  
General Manager

AMG Packaging Paper Company Limited  
Unaudited  
Statement of Financial Position  
February 29, 2012

| ASSETS EMPLOYED                 | Notes   | Audited             |                     |                    |
|---------------------------------|---------|---------------------|---------------------|--------------------|
|                                 |         | February 2012<br>\$ | February 2011<br>\$ | August 2011<br>\$  |
| Property, Plant & Equipment     | 2e & 8  | 123,748,615         | 109,576,140         | 109,222,843        |
| Investments                     | 2h & 4  | 7,324,939           | -                   | 51,576,032         |
| Deposit on Property & Equipment | 9       | 45,526,954          | -                   | -                  |
| <b>Current Assets</b>           |         |                     |                     |                    |
| Inventories                     | 2d & 5  | 60,070,247          | 46,441,958          | 57,506,910         |
| Accts Receivable Net Allowance  | 2j & 6  | 43,621,537          | 42,832,776          | 56,482,260         |
| Related Parties                 | 7       | 587,939             | -                   | 287,069            |
| Taxation Recoverable            | 10      | 670,635             | -                   | 629,063            |
| Cash & Bank                     | 2k & 11 | 7,157,694           | 3,168,529           | 8,002,501          |
| Total Current Assets            |         | 112,108,052         | 92,443,263          | 122,907,803        |
| Total Assets                    |         | <u>288,708,560</u>  | <u>202,019,403</u>  | <u>283,706,678</u> |

**EQUITY & LIABILITIES**

**Capital & Reserves:**

**Authorised Share Capital - JMD140,000,000**

|                     |    |             |             |             |
|---------------------|----|-------------|-------------|-------------|
| Share Capital       | 12 | 63,250,028  | 11,554,086  | 63,250,028  |
| Revaluation Reserve | 13 | 48,928,537  | 53,246,931  | 48,928,537  |
| Retained Earnings   |    | 97,707,537  | 64,106,289  | 81,638,555  |
| Total Capital       |    | 209,886,102 | 128,907,306 | 193,817,120 |


**Long-Term Liabilities**

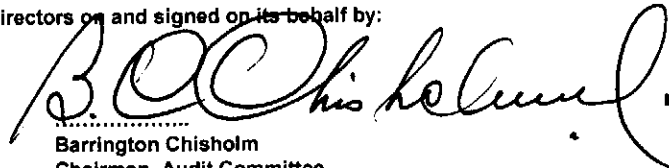
|                             |    |           |           |            |
|-----------------------------|----|-----------|-----------|------------|
| Loans                       | 14 | 9,042,200 | 2,112,444 | 10,549,235 |
| Total Long-Term Liabilities |    | 9,042,200 | 2,112,444 | 10,549,235 |

**Current Liabilities**

|                                   |    |                    |                    |                    |
|-----------------------------------|----|--------------------|--------------------|--------------------|
| Current Portion of Long Term Loan | 14 | 21,259,810         | 8,879,150          | 16,933,635         |
| Accounts Payable & Accruals       | 16 | 44,442,268         | 45,995,496         | 57,087,296         |
| Corporate Taxes                   |    | 4,078,180          | 12,115,496         | 5,319,392          |
| Country Park Ltd                  | 17 | -                  | 3,995,515          | -                  |
| Bank Overdraft                    |    | -                  | 13,996             | -                  |
| Total Current Liabilities         |    | 69,780,258         | 70,999,653         | 79,340,323         |
| Total Liabilities & Capital       |    | <u>288,708,560</u> | <u>202,019,403</u> | <u>283,706,678</u> |

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

  
.....  
Mark Chin  
Chairman

  
.....  
Barrington Chisholm  
Chairman, Audit Committee

AMG Packaging Paper Company Limited  
 Unaudited Statement of Comprehensive Income  
 6 months to February 29, 2012

|   | 3 months to<br>February 29, 2012 | 6 months to<br>February 29, 2012 | 3 months to<br>February 28, 2011 | 6 months to<br>February 28, 2011 |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Turnover</b>   | 73,482,409                       | 162,854,821                      | 72,769,912                       | 146,927,649                      |
| Cost of Sales   | (43,673,453)                     | (95,754,144)                     | (51,288,155)                     | (97,469,579)                     |
| Direct Expenses   | (14,313,895)                     | (29,681,703)                     | (11,864,109)                     | (18,827,686)                     |
| <b>Total Manufacturing Costs</b>                                    | <b>(57,987,348)</b>              | <b>(125,435,847)</b>             | <b>(63,152,263)</b>              | <b>(116,297,265)</b>             |
| <b>Gross Profit</b>   | <b>15,495,061</b>                | <b>37,418,975</b>                | <b>9,617,648</b>                 | <b>30,630,383</b>                |
| <b>Expenses:</b>  |                                  |                                  |                                  |                                  |
| Administrative  | (10,331,665)                     | (18,043,374)                     | (4,899,079)                      | (10,666,814)                     |
| Financial   | (1,003,949)                      | (2,641,671)                      | (318,232)                        | (1,274,285)                      |
| Directors Fees  | (260,000)                        | (1,320,000)                      | 0                                | 0                                |
| <b>Profit Before Tax</b>  | <b>3,899,447</b>                 | <b>15,413,930</b>                | <b>4,400,337</b>                 | <b>18,689,284</b>                |
| Other Income  | 108,620                          | 655,053                          | 143,843                          | 143,843                          |
| Taxation  | -                                | -                                | (914,095)                        | (5,100,000)                      |
| <b>(Loss) Profit, Total Comprehensive<br/>Income for the period</b> | <b>4,008,067</b>                 | <b>16,068,983</b>                | <b>3,630,085</b>                 | <b>13,733,127</b>                |
| Number of Shares issued   | 102,378,857                      | 102,378,857                      | 11,554,086                       | 11,554,086                       |
| Earnings per Share during period                                    | \$ 0.04                          | \$ 0.16                          | \$ 0.31                          | \$ 1.19                          |

**AMG Packaging Paper Company Limited**  
**Unaudited Statement of Cash Flow**  
**For the Six Months Ended February 29, 2012**

|   | February 29, 2012   | February 28, 2011  |
|---|---------------------|--------------------|
| Cash Flows from operating activities                        |                     |                    |
| Net Income  | 16,068,983          | 13,733,127         |
| Items not affecting cash                                    | 3,016,749           | 2,471,526          |
| Total Adjustments   | <u>19,085,732</u>   | <u>16,204,653</u>  |
| Changes in non cash working capital components              | (1,112,157)         | (13,433,299)       |
| Net Cash provided(used) by Operations                       | <u>17,973,575</u>   | <u>2,771,354</u>   |
| Cash Flows used in investing activities                     | <u>(18,818,382)</u> | <u>(4,364,784)</u> |
| Cash Provided by/(used)- Operating and Investing Activities | <u>(844,807)</u>    | <u>(1,593,430)</u> |
| Cash Flows (used)/ Provided by financing activities         | -                   | -                  |
| Net (Decrease)/IncreaseCash and Cash Equivalents            | (844,807)           | (1,593,430)        |
| Cash and Cash Equivalents at beginning of year              | <u>8,002,501</u>    | <u>4,747,963</u>   |
| Cash and Cash Equivalents at end of period                  | <u>7,157,694</u>    | <u>3,154,533</u>   |

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**AMG Packaging Paper Company Limited**  
**Statement of Changes in Stockholders' Equity**  
**February 29, 2012**

2011

|  | Share<br>Capital  | Revaluation<br>Reserves | Retained<br>Earnings | Total              |
|--|-------------------|-------------------------|----------------------|--------------------|
|  | \$                | \$                      | \$                   | \$                 |
| Balance at September 01, 2011                              | 63,250,028        | 48,928,537              | 81,638,554           | <b>193,817,119</b> |
| Added  |                   |                         |                      | -                  |
| Profit, being total Comprehensive<br>Income for the period | -                 | -                       | 16,068,983           | <b>16,068,983</b>  |
| Balance as at February 29, 2012                            | <b>63,250,028</b> | <b>48,928,537</b>       | <b>97,707,537</b>    | <b>209,886,102</b> |

2010

|  | Share<br>Capital  | Revaluation<br>Reserves | Retained<br>Earnings | Total              |
|--|-------------------|-------------------------|----------------------|--------------------|
|  | \$                | \$                      | \$                   | \$                 |
| Balance at September 01, 2010                              | 11,554,086        | -                       | 50,373,162           | <b>61,927,248</b>  |
|  |                   | 53,246,931              |                      | <b>53,246,931</b>  |
| Profit, being total Comprehensive<br>Income for the period | -                 | -                       | 13,733,127           | <b>13,733,127</b>  |
| Balance as at February 28, 2011                            | <b>11,554,086</b> | <b>53,246,931</b>       | <b>64,106,289</b>    | <b>128,907,306</b> |

AMG Packaging Paper Company Ltd  
Notes to Financial Statements  
for the Six Months Ended  
February 29, 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 VARIOUS SIZES.
- (c) STOCK EXCHANGE LISTING

THE COMPANY HAD ITS APPLICATION TO THE JUNIOR STOCK EXCHANGE APPROVED AFTER IT'S SUCCESSFUL PUBLIC SHARE OFFERING OF ORDINARY SHARES ON JULY 14, 2011.

2 STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(i) STATEMENT OF COMPLIANCE

THE FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH INTERNATIONAL REPORTING STANDARDS (IFRS) AND THEIR INTERPRETATIONS ADOPTED BY INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS BOARD (IASB)

A NEW IFRS AND INTERPRETATIONS OF AMENDMENTS TO EXISTING STANDARDS WHICH WERE IN ISSUE CAME INTO EFFECT FOR THE CURRENT YEAR AS FOLLOWS:

IAS 24, RELATED PARTY DISCLOSURES REVISED (EFFECTIVE JANUARY 1, 2011) INTRODUCES CHANGES TO RELATED PARTY DISCLOSURE REQUIREMENTS FOR GOVERNMENT ENTITIES AND AMENDS THE DEFINITION OF A RELATED PARTY. THE STANDARDS ALSO EXPANDS THE LIST OF TRANSACTIONS THAT REQUIRE DISCLOSURE.

IAS 1 (AMENDED)

IAS 1, PRESENTATION OF FINANCIAL STATEMENT-(effective January 1 2011) IS AMENDED TO STATE THAT FOR EACH COMPONENT OF EQUITY A RECONCILIATION FROM THE OPENING TO THE CLOSING BALANCES IS REQUIRED TO BE PRESENTED IN THE STATEMENT OF CHANGES IN EQUITY, SHOWING SEPARATELY CHANGES ARISING FROM ITEMS RECOGNISED IN PROFIT OR LOSS IN OTHER COMPREHENSIVE INCOME AND FROM TRANSACTIONS WITH OWNERS ACTING IN THEIR CAPACITY AS OWNERS.

AMG Packaging Paper Company Ltd  
Notes to Financial Statements  
for the Six Months Ended  
February 29, 2012

STATEMENT OF COMPLIANCE

CONT'D

AT THE DATE OF THE FINANCIAL STATEMENT THERE IS A STANDARD WHICH IS IN ISSUE BUT NOT YET EFFECTIVE. IT IS CONSIDERED RELEVANT TO THE COMPANY. IT IS 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.

(ii) BASIS OF PREPARATION

(a) THE ACCOUNTING POLICIES OF THE COMPANY HAVE REMAINED UNCHANGED FROM THOSE SET OUT IN THE ANNUAL FINANCIAL STATEMENTS AS AT AUGUST 31, 2011

(b) REPORTING CURRENCY

THE AMOUNT IN THESE FINANCIAL STATEMENTS ARE EXPRESSED IN JAMAICAN DOLLARS WHICH IS THE PRIMARY CURRENCY IN THE COUNTRY WHICH IT OPERATES.

(c) THE STATEMENTS HAVE BEEN PREPARED UNDER THE HISTORICAL COST CONVENTION

(d) USE OF ESTIMATES

THE PREPARATION OF THE FINANCIAL STATEMENTS TO CONFORM TO IFRS REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT THE REPORTED AMOUNT OF ASSETS AND LIABILITIES CONTINGENT ASSETS AND CONTINGENT LIABILITIES AT THE DATE OF THE STATEMENT OF FINANCIAL POSITION, AND THE INCOME AND EXPENSE FOR THE YEAR ENDED. ACTUAL AMOUNTS MAY VARY FROM THE ESTIMATES. THE ESTIMATES AND UNDERLYING ASSUMPTIONS ARE REVIEWED ON AN ONGOING BASIS. REVISIONS TO ACCOUNTING ESTIMATES ARE RECOGNISED IN THE PERIOD IN WHICH THE ESTIMATE IS REVISED IF THE REVISION AFFECTS ONLY THAT PERIOD OR IN THE PERIOD OF THE REVISION AND FUTURE PERIODS IF THE REVISION AFFECTS BOTH CURRENT AND FUTURE PERIODS.

(e) INVENTORIES

INVENTORIES ARE STATED AT THE LOWER OF COST AND NET REALISABLE VALUE AND HAVE BEEN CALCULATED ON THE FIRST-IN-FIRST-OUT BASIS

(f) DEPRECIATION

DEPRECIATION IS CHARGED ON THE STRAIGHT LINE BASIS AT THE RATES DESIGNED TO WRITE OFF THE COST OR VALUATION OF ASSETS OVER THEIR EXPECTED USEFUL LIVES. THE FIRST YEAR IS PRORATED BASED ON DATE OF ACQUISITION.

RATES ARE AS FOLLOWS:

|                      |       |
|----------------------|-------|
| BUILDING             | 2.50% |
| EQUIPMENT            | 10%   |
| COMPUTER             | 20%   |
| FURNITURE & FIXTURES | 10%   |



AMG Packaging Paper Company Ltd  
Notes to Financial Statements  
for the Six Months Ended  
February 29, 2012

(g) FOREIGN CURRENCY TRANSACTIONS

FOREIGN CURRENCY TRANSACTIONS ARE COVERED AND INCLUDED IN THE FINANCIAL STATEMENT AT THE PREVAILING RATE OF EXCHANGE AT THE TRANSACTION DATES. DEPOSITS HELD AND LIABILITIES IN FOREIGN CURRENCY AT THE DATE OF THE STATEMENT OF FINANCIAL POSITION ARE THEREFORE ADJUSTED TO REFLECT THE JAMAICAN EQUIVALENT AS AT THAT DATE. EXCHANGE DIFFERENCES ARISING FROM SETTLEING TRANSACTION ARE REFLECTED IN THE STATEMENT OF COMPREHENSIVE INCOME.

(h) RELATED PARTIES

A PARTY IS RELATED TO THE COMPANY, IF:

- (i) DIRECTLY OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES, THE PARTY:
  - (a) IS CONTROLLED, OR IS UNDER COMMON CONTROL WITH THE COMPANY
  - (b) HAS AN INTEREST IN THE COMPANY THAT GIVES IT SIGNIFICANT INFLUENCE OVER THE ENTITYOR
  - (c) HAS JOINT CONTROL OVER THE COMPANY
- (ii) THE PARTY IS AN ASSOCIATE OF THE COMPANY
- (iii) THE PARTY IS A JOINT VENTURE OF WHICH THE COMPANY IS A PARTY
- (iv) THE PARTY IS A MEMBER OF THE KEY MANAGEMENT PERSONNEL OF THE COMPANY
- (v) THE PARTY IS A CLOSE MEMBER OF THE FAMILY OF ANY INDIVIDUAL REFERED TO IN (i) OR (iv)
- (vi) THE PARTY IS AN ENTITY THAT IS CONTROLLED, JOINTLY CONTROLLED OR SIGNIFICANTLY INFLUENCED BY, OR FOR WHICH SIGNIFICANT VOTING POWER IN SUCH ENTITY RESIDES WITH, DIRECTLY OR INDIRECTLY, ANY INDIVIDUAL REFERED TO IN (iv) OR (v)

THE COMPANY HAS RELATED PARTY RELATIONSHIPS WITH ITS DIRECTORS AND KEY MANAGEMENT PERSONNEL REPRESENTING CERTAIN SENIOR OFFICERS OF THE COMPANY. A RELATED PARY TRANSACTION IS A TRANSFER OF RESOURCES, SERVICES OR OBLIGATIONS BETWEEN RELATED PARTIES REGARDLESS OF WHETHER A PRICE IS CHARGED.

(i) INVESTMENT

INVESTMENT IS CARRIED IN THE FINANCIAL STATEMENT 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.

AMG Packaging Paper Company Ltd  
Notes to Financial Statements  
for the Six Months Ended  
February 29, 2012

(j) TAXATION EXEMPTION STATUS

THE COMPANY WAS ACCEPTED ON THE JUNIOR STOCK EXCHANGE IN JULY 2011, THUS THE COMPANY BECAME ENTITLED TO TAX EXEMPTION ON ITS PROFITS FOR THE NEXT 5 YEARS FROM AUGUST 2011, PROVIDED THE COMPANY MAINTAINS ITS PRESENCE ON THE STOCK EXCHANGE.

(k) TRADE RECEIVABLES

A TRADE RECEIVABLE IS CARRIED AT INVOICED AMOUNTS LESS PROVISIONS MADE FOR IMPAIRMENT LOSSES. PROVISIONS FRO IMPAIRMENT OF TRADE RECEIVABLES 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.

(l) CASH AND CASH EQUIVALENT

CASH AND CASH EQUIVALENTS ARE CARRIED IN THE STATEMENTS OF FINANCIAL POSITION AT COST, FOR THE PURPOSE OF THE STATEMENT OF CASHFLOW, THIS IS COMPRISED OF THE DEPOSITS, CASH AT BANK AND CASH IN HAND.

(m) REVENUE RECOGNITION

REVENUE RECOGNISED IN THE INCOME STATEMENT WHEN IT IS PROBABLE THAT FUTURE ECONOMIC BENEFITS ASSOCIATED WITH THE ITEMS OF REVENUE WILL FLOW TO THE COMPANY AND IS ABLE TO BE RELIABLE MEASURED.  
REVENUE FROM THE SALE OF GOODS ARE MEASURED AT FAIR VALUE OF THE CONSIDERATION RECEIVED OR RECEIVABLE NET OF DISCOUNTS AND ALLOWANCES.

(n) INTEREST INCOME

INTREST INCOME IS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME FOR ALL INTREST BEARING INSTRUMENTS ON AN ACCRUAL 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 ON THE STATEMENT OF FINANCIAL POSITION INCLUDE ACCOUNT RECEIVABLES AND CASH. BANK OVERDRAFT AND ACCOUNTS PAYABLE ARE DEEMED FINANCIAL LIABILITIES.

AMG Packaging Paper Company Ltd  
Notes to Financial Statements  
for the Six Months Ended  
February 29, 2012

(a) CREDIT RISK

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 FINANCIAL LOSS.

THE COMPANY IS EXPOSED TO CREDIT RISK IN RESPECT OF ITS RECEIVABLES FROM OTHER COMPANIES AND INDIVIDUALS.

(b) INTEREST RATE RISK

INTEREST RATE RISK ARISES WHEN THE VALUE OF A FINANCIAL INSTRUMENT FLUCTUATES DURING A SPECIFIED PERIOD DUE TO CHANGES IN THE MARKET INTEREST RATES.

THE COMPANY IS EXPOSED TO INTEREST RATE RISK REGARDING LOANS AND BANK BALANCES AT February 29, 2012

(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 CURRENCY EXCHANGE RATES

THE COMPANY HAS DIRECT EXPOSURE TO FOREIGN CURRENCY RISK REGARDING UNITED STATES DENOMINATED SAVING ACCOUNT AND FOREIGN PAYABLES.

(d) LIQUIDITY RISK

LIQUIDITY RISK IS THAT RISK WHICH THE COMPANY FACES WHEN IT ENCOUNTERS DIFFICULTIES IN RAISING FUNDS TO MEET COMMITMENTS ASSOCIATED WITH ITS FINANCIAL INSTRUMENTS.

At February 29, 2012, THE COMPANY DID NOT FACE ANY LIQUIDITY RISKS.

4 INVESTMENT

STOCKS AND SECURITIES LIMITED

BOJ FIXED RATE CERTIFICATE OF DEPOSIT

THIS REPRESENTS NET PROCEEDS FROM PUBLIC ISSUE OF SHARES ON JULY 14, 2011

AMG Packaging Paper Company Ltd  
Notes to Financial Statements  
for the Six Months Ended  
February 29, 2012

**5 INVENTORY**

|                | <u>2012</u>       | <u>2011</u>       |
|----------------|-------------------|-------------------|
|                | \$                | \$                |
| RAW MATERIAL   | 59,419,917        | 45,325,455        |
| FINISHED GOODS | 650,330           | 1,116,503         |
|                | <u>60,070,247</u> | <u>46,441,958</u> |

**6 ACCOUNTS RECEIVABLE**

|                   | <u>2012</u>        | <u>2011</u>        |
|-------------------|--------------------|--------------------|
|                   | \$                 | \$                 |
| TRADE RECEIVABLES | 37,660,754         | 43,080,537         |
| OTHER RECEIVABLES | <u>7,444,594</u>   | <u>1,236,050</u>   |
|                   | 45,105,348         | 44,316,587         |
|                   | <u>(1,483,811)</u> | <u>(1,483,811)</u> |
|                   | <u>43,621,537</u>  | <u>42,832,776</u>  |

| <u>BALANCE AT</u> | Aged Trade Receivables |                  |                  |                   |
|-------------------|------------------------|------------------|------------------|-------------------|
|                   | WITHIN 1<br>MONTH      | 31 TO 60<br>DAYS | OVER 60<br>DAYS  | CARRING<br>VALUE  |
|                   | \$                     | \$               | \$               | \$                |
| 28-Feb-11         | <u>39,433,334</u>      | <u>960,038</u>   | <u>2,687,165</u> | <u>43,080,537</u> |
| 29-Feb-12         | <u>31,832,523</u>      | <u>379,702</u>   | <u>5,448,529</u> | <u>37,660,754</u> |

**7 RELATED PARTIES**

|                    | <u>2012</u> | <u>2011</u> |
|--------------------|-------------|-------------|
|                    | \$          | \$          |
| DIRECTOR'S ACCOUNT | 587,939     | <u>0</u>    |

**8 PROPERTY, PLANT & EQUIPMENT**

|                       | Land              | Building          | Equipment         | Computer &<br>Equipment | Furniture<br>& Fixtures | TOTAL              |
|-----------------------|-------------------|-------------------|-------------------|-------------------------|-------------------------|--------------------|
| AT COST               | \$                | \$                | \$                | \$                      | \$                      | \$                 |
| 1-Sep-11              | 18,000,000        | 63,033,952        | 31,120,575        | 350,533                 | 1,984,705               | 114,489,765        |
| ADDITIONS             | -                 | 1,408,751         | 15,484,111        | 150,391                 | 499,266                 | 17,542,519         |
| 29-Feb-12             | <u>18,000,000</u> | <u>64,442,703</u> | <u>46,604,686</u> | <u>500,924</u>          | <u>2,483,971</u>        | <u>132,032,284</u> |
| DEPRECIATION          |                   |                   |                   |                         |                         |                    |
| 1-Sep-11              | -                 | 2,317,171         | 2,319,375         | 185,333                 | 445,044                 | 5,266,923          |
| CHARGE FOR THE PERIOD | -                 | 798,468           | 2,056,361         | 56,067                  | 105,850                 | 3,016,746          |
| 29-Feb-12             | <u>-</u>          | <u>3,115,639</u>  | <u>4,375,736</u>  | <u>241,400</u>          | <u>550,894</u>          | <u>8,283,669</u>   |
| NET BOOK VALUE        |                   |                   |                   |                         |                         |                    |
| 29-Feb-12             | <u>18,000,000</u> | <u>61,327,063</u> | <u>42,228,951</u> | <u>259,524</u>          | <u>1,933,077</u>        | <u>123,748,615</u> |
| 28-Feb-11             | <u>18,000,000</u> | <u>61,225,000</u> | <u>29,301,209</u> | <u>16,337</u>           | <u>1,033,593</u>        | <u>109,576,140</u> |

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| <u>9 DEPOSIT ON PROPERTY &amp; EQUIPMENT</u> | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
| PROPERTY-LOCATED AT 9 RETIREMENT CRESCENT    | 40,509,475  | -           |
| PURCHASE OF MACHINERY                        | 5,017,479   | -           |
|  | 45,526,954  | -           |

10 TAX RECOVERABLE

THIS REPRESENTS TAX RECOVERABLE ON GENERAL CONSUMPTION TAX (GCT) FROM THE COLLECTORATE BASED ON THE COMPANY'S INPUT TAX IN EXCESS OF IT'S OUTPUT TAX

11 CASH AND CASH EQUIVALENT

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|  | \$          | \$          |
| BANK OF NOVA SCOTIA JA.LTD-CURRENT ACCOUNT         | 3,838,528   | 584,194     |
| NATIONAL COMMERCIAL BANK-CURRENT ACCOUNT           | 206,834     | -           |
| NATIONAL COMMERCIAL BANK-PAYROLL ACCOUNT           | 268,351     | 93,598      |
| US SAVINGS ACCOUNT                                 | 310,566     | 273,206     |
| PETTY CASH   | 30,200      | 32,100      |
|  | 4,654,478   | 983,098     |
| DEPOSIT:   |             |             |
| ALLIANCE INVESTMENT MANAGEMENT LTD-GENERAL ACCOUNT | 2,503,215   | 2,185,431   |
|  | 7,157,694   | 3,168,529   |

12 SHARE CAPITAL

- (i) THE COMPANY'S AUTHORISED SHARE CAPITAL WAS INCREASED BY 5 MILLION DOLLARS TO 20 MILLION DOLLARS BY THE CREATION OF 5 MILLION ORDINARY SHARES OF \$1.00. THE NEW SHARES ARE TO RANK PARRI PASSU WITH THE EXISTING SHARES.
- (ii) BY RESOLUTION PASSED, EACH ORDINARY SHARE HAS BEEN SUBDIVIDED INTO 7 ORDINARY SHARES SUCH THAT THE TOTAL ISSUED SHARES OF 20 MILLION IS NOW MULTIPLIED BY 7, MAKING A TOTAL OF 140 MILLION.

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|  | \$          | \$          |
| AUTHORISED   |             |             |
| 140,000,000 (2011-15,000,000) ORDINARY SHARES NO PAR VALUE |             |             |
| CAPITAL ISSUED & FULLY PAID                                |             |             |
| 11,554,086 SHARES AT \$1 EACH                              | -           | 11,554,086  |
| 102,378,857 ORDINARY SHARES AT NO PAR VALUE                | 69,354,803  | -           |
| LESS: TRANSACTION COSTS OF SHARE ISSUE                     | (6,104,775) | -           |
|  | 63,250,028  | 11,554,086  |

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**13 REVALUATION RESERVE**

REVALUATION RESERVE RESULTED FROM AN INCREASE IN THE VALUE OF LAND AND BUILDING AND EQUIPMENT BASED ON RECENT PROFESSIONAL VALUATIONS DONE BY VALERIE LEVY & ASSOCIATES LIMITED AND STELLER CARIBBEAN (JA.) LIMITED RESECTIVELY.

**14 LOANS**

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
|  | \$                | \$                |
| NATIONAL COMMERCIAL BANK               | -                 | 3,444,444         |
| BANK OF NOVA SCOTIA JAMAICA LIMITED    |                   |                   |
| LOAN 1                                 | 11,000,000        | -                 |
| LOAN 2                                 | <u>11,754,860</u> | -                 |
|  | 22,754,860        | <u>3,444,444</u>  |
| <br>                                   |                   |                   |
| ALLIANCE INVESTMENT MANAGEMENT LIMITED | <u>7,547,150</u>  | <u>7,547,150</u>  |
| TOTAL LOANS                            | <u>30,302,010</u> | <u>10,991,594</u> |
| <br>                                   |                   |                   |
| CURRENT PORTION OF LONG-TERM LOAN      | <u>21,259,810</u> | <u>8,879,150</u>  |
| LONG-TERM PORTION OF LOAN              | <u>9,042,200</u>  | <u>2,112,444</u>  |

LOAN 1 IS AT AN INTEREST RATE OF 17% AND IS EXPECTED TO BE REPAID WITHIN 90 DAYS. LOAN 2 HAS A DURATION OF 5 YEARS. THE LOAN HAS AN INTEREST RATE OF 8.95%

**SECURED BY:**

**BANK OF NOVA SCOTIA JAMAICA LIMITED**

- 1) SECOND LEGAL MORTGAGE STAMPED AN AGGREGATE OF \$25,600,00 AND REGISTERED OVER COMMERCIAL PROPERTY LOCATED AT 10 RETIREMENT CRESCENT, KINGSTON 5 AT VOLUME 1094 FOLIO 431. APPRAISAL VALUE \$80,000,000. APPRAISAL REPORT MARCH 2011.
- 2) BILL OF SALE STAMPED \$25,600,000. collateral to 2nd LEGAL MORTGAGE OVER THE ABOVE PROPERTY, AND OVER THE FOLLOWING MACHINERY AND EQUIPMENT:
  - (i) MODEL:2003 DOCKSTOCKER DSX40
  - (ii) SG-3 SEMI-AUTO GLUING MACHINE L 1400xW2800mm; MS STRAPPING MACHINE; PALLETT JACKS
  - (iii) TWO COLORS PRINTER AND ROTARY DIE CUTTING MACHINE CHAIN FEEDING
  - (iv) MACHINE SPARE PARTS
- 3) ASSIGNMENT OF ALL RISK PERIL INSURANCE POLICIES IN FAVOUR OF THE BANK TO COVER THE REPLACEMENT VALUES OF BUILDING, MACHINERY, EQUIPMENT AND INVENTORY.

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15 LOANS CONT'D

ALLIANCE INVESTMENT MANAGEMENT LIMITED

LOANS AT ALLIANCE INVESTMENT MANAGEMENT LIMITED AT 9% PER ANNUM, SECURED BY LETTER OF UNDERTAKING FROM M F & G TRUST & FINANCE LIMITED. (M F & G TRUST & FINANCE LIMITED HAS FIRST MORTGAGE ON PROPERTY AT 10 RETIREMENT CRESCENT, KINGSTON 5. TO SECURE THE LETTER OF UNDERTAKING.)

16 ACCOUNTS PAYABLE AND ACCURALS

|                   | <u>2012</u>       | <u>2011</u>       |
|-------------------|-------------------|-------------------|
|                   | \$                | \$                |
| TRADE PAYABLE     | 41,849,457        | 43,561,856        |
| ACCURALS          | 1,794,842         | 1,556,988         |
| OTHER PAYABLE     | 58,595            |                   |
| STATUTORY PAYABLE | 739,375           | 876,652           |
|                   | <u>44,442,268</u> | <u>45,995,496</u> |

AGED TRADE PAYABLE

| <u>BALANCE AT</u> | WITHIN 1<br>MONTHS | 31 TO 60<br>DAYS | OVER 60<br>DAYS   | AMOUNT<br>DUE     |
|-------------------|--------------------|------------------|-------------------|-------------------|
|                   | \$                 | \$               | \$                | \$                |
| 28-Feb-11         | <u>24,995,595</u>  | <u>2,206,348</u> | <u>16,359,913</u> | <u>43,561,856</u> |
| 29-Feb-12         | <u>19,359,695</u>  | <u>7,784,737</u> | <u>14,705,024</u> | <u>41,849,457</u> |

17 LONG TERM PAYABLE

THIS REPRESENTS OBLIGATION OWED TO COUNTRY PARK LIMITED FOR EQUIPMENT LEASED FOR PRODUCTION, THIS OBLIGATION BEARS NO INTREST

|                      | <u>2012</u> | <u>2011</u> |
|----------------------|-------------|-------------|
|                      | \$          | \$          |
| COUNTRY PARK LIMITED | -           | 3,995,515   |

18 TURNOVER

TURNOVER REPRESENTS TOTAL SALES, NET OF DISCOUNTS AND GENERAL CONSUMPTION TAX

19 OTHER INCOME

THIS IS COMPRISED OF INTEREST INCOME