

AMG Packaging Paper Company Limited  
Unaudited  
Statement of Financial Position  
May 31, 2013

		May 2013	May 2012	<u>Audited</u> August 2012
<b>ASSETS EMPLOYED</b>	<u>Notes</u>	\$	\$	\$
Property, Plant & Equipment	2(e) & 9	229,852,783	129,406,988	128,116,037
Investments	2(g) & 4	612,859	6,739,082	7,320,588
Deposit on Property & Equipment	5	4,520,505	43,729,793	53,622,892
<b>Current Assets</b>				
Inventories	2(d) & 6	93,499,595	60,967,541	74,887,770
Accts Receivable Net Allowance	2(j) & 7	54,568,210	48,796,130	34,799,805
Related Parties	8	1,080,749	2,559,797	-
Taxation Recoverable	10	-	-	947,591
Cash & Bank	2(l) & 11	49,481,613	10,644,694	10,108,140
Total Current Assets		198,630,167	122,968,162	120,743,306
Total Assets		<b>433,616,313</b>	<b>302,844,025</b>	<b>309,802,823</b>

**EQUITY & LIABILITIES**

**Capital & Reserves:**

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

Share Capital	2(m) & 12	63,250,028	63,250,028	63,250,028
Revaluation Reserve	13	48,928,537	48,928,537	48,928,537
Retained Earnings		166,042,223	114,195,509	129,304,644
Total Capital		278,220,788	226,374,074	241,483,209


**Long-Term Liabilities**


Loans	14	68,471,895	8,364,035	15,233,019
Total Long-Term Liabilities		68,471,895	8,364,035	15,233,019

**Current Liabilities**

Current Portion of Long Term Loan	14	22,892,140	21,759,810	14,149,670
Accounts Payable & Accruals	15	64,031,490	42,267,926	38,936,925
Corporate Tax		-	4,078,180	-
Total Current Liabilities		86,923,630	68,105,916	53,086,595
Total Liabilities & Capital		<b>433,616,313</b>	<b>302,844,025</b>	<b>309,802,823</b>

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 CO. LTD.  
10 Retirement Crescent  
Kingston 5

AMG Packaging Paper Company Limited  
 Unaudited Statement of Comprehensive Income  
**9 months**  
**to May 31, 2013**

	3 months to May 31, 2013	9 months to May 31, 2013	3 months to May 31, 2012	9 months to May 31, 2012
	\$	\$	\$	\$
<b>Turnover</b>	111,366,825	315,773,522	105,246,262	268,101,084
Cost of Sales	(67,063,597)	(179,510,952)	(66,733,034)	(165,281,978)
Direct Expenses	(17,249,108)	(54,014,474)	(13,552,247)	(40,446,571)
<b>Total Manufacturing Costs</b>	<b>(84,312,705)</b>	<b>(233,525,426)</b>	<b>(80,285,281)</b>	<b>(205,728,549)</b>
<b>Gross Profit</b>	27,054,120	82,248,095	24,960,981	62,372,535
<b>Expenses:</b>				
Administrative	(11,956,736)	(31,676,808)	(6,470,794)	(20,661,465)
Financial	(1,994,354)	(3,558,653)	(861,737)	(3,558,547)
Directors Fees	(470,000)	(1,200,000)	(210,000)	(1,530,000)
Depreciation	(2,459,554)	(6,360,391)	(1,815,277)	(4,832,026)
Borrowing Costs	(2,851,660)	(2,851,660)	-	-
<b>Profit Before Tax</b>	<b>7,321,816</b>	<b>36,600,583</b>	<b>15,603,173</b>	<b>31,790,497</b>
Other Income	15,328	136,996	111,403	766,457
Taxation	-	-	-	-
<b>(Loss) Profit, Total Comprehensive Income for the period</b>	<b>7,337,144</b>	<b>36,737,579</b>	<b>15,714,576</b>	<b>32,556,954</b>
No. of Shares Issued	102,378,857	102,378,857	102,378,857	102,378,857
EPS	0.07	0.36	0.15	0.32

**AMG Packaging Paper Company Limited**  
**Statement of Changes in Stockholders' Equity**  
**May 31, 2013**

2013

	Share Capital	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Balance at September 01, 2012	63,250,028	48,928,537	129,304,644	<b>241,483,209</b>
Profit, being total Comprehensive Income for the period	-	-	36,737,579	<b>36,737,579</b>
Balance at May 2013	<u>63,250,028</u>	<u>48,928,537</u>	<u>166,042,223</u>	<b><u>278,220,788</u></b>

2012

	Share Capital	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Balance at September 01, 2011	63,250,028	48,928,537	81,638,555	<b>193,817,120</b>
Profit, being total Comprehensive Income for the period	-	-	32,556,954	<b>32,556,954</b>
Balance at May 2012	<u>63,250,028</u>	<u>48,928,537</u>	<u>114,195,509</u>	<b><u>226,374,074</u></b>

**AMG Packaging Paper Company Limited**  
**Unaudited Statement of Cash Flow**  
**9 months ending**  
**May 31 2013**

	<b>9 months to May 31, 2013</b>	<b>9 months to May 31, 2012</b>
Cash Flows from operating activities		
Net Income	36,737,579	32,556,954
Items not affecting cash	6,360,389	4,832,026
Total Adjustments	43,097,968	37,388,980
Changes in non cash working capital components	(38,513,387)	(10,837,775)
Net Cash provided(used) by Operations	4,584,581	26,551,205
Cash Flows used in investing activities	(58,994,748)	(23,909,011)
Cash Provided by/(used)- Operating and Investing Activities	(54,410,167)	2,642,194
Cash Flows (used)/ Provided by financing activities	93,783,640	-
Net (Decrease)/IncreaseCash and Cash Equivalents	39,373,473	2,642,194
Cash and Cash Equivalents at beginning of year	10,108,140	8,002,501
Cash and Cash Equivalents at end of period	49,481,613	10,644,695

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2013**

**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**  
**May 31, 2013**

(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 standard 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.

The Accounting Policies of the Company have remained unchanged from those set out in the annual Financial Statement as at August 31, 2012

(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**  
**May 31, 2013**

**(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**  
**May 31, 2013**

(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**  
**May 31, 2013**

**(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 May 31, 2013

**(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>2013</u>	<u>2012</u>
	\$	\$
Cash equivalents	49,481,613	10,644,694
Receivables	54,568,210	48,796,130
Due from related parties	1,080,749	2,559,797
	<u>105,130,571</u>	<u>62,000,621</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 May 31, 2013 the company did not face any liquidity risks as indicated below:

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2013**

(e) Liquidity Risk cont'd

		<u>2013</u>			
<u>Assets</u>	<u>Within 3</u>	<u>3 to 12</u>	<u>1 to 5</u>	<u>Total</u>	
	<u>months</u>	<u>months</u>	<u>years</u>		
	\$	\$	\$	\$	
Cash Resources	49,481,613			49,481,613	
Investments	612,859			612,859	
Other	54,568,210			54,568,210	
<b>Total</b>	<b>104,662,681</b>	-	-	<b>104,662,681</b>	
<u>Liabilities</u>					
Loans	13,678,165	9,213,975	68,471,895	91,364,035	
Payables	64,031,490	-	-	64,031,490	
Taxation		-		-	
<b>Total</b>	<b>77,709,655</b>	<b>9,213,975</b>	<b>68,471,895</b>	<b>155,395,524</b>	
 <b>Total Liquidity GAP</b>	 <b>26,953,027</b>	 <b>(9,213,975)</b>	 <b>(68,471,895)</b>	 <b>(50,732,843)</b>	
 <b>Cumulative GAP</b>	 <b>26,953,027</b>	 <b>17,739,052</b>	 <b>(50,732,843)</b>	 <b>-</b>	
		<u>2012</u>			
 <b>Total Liquidity GAP</b>	 <b>16,364,831</b>	 <b>(14,212,660)</b>	 <b>(8,364,035)</b>	 <b>(6,211,864)</b>	
<b>Cumulative GAP</b>	<b>16,364,831</b>	<b>2,152,171</b>	<b>(6,211,864)</b>		

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2013**

<b>4 <u>Investment</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Stocks and Securities Limited		
BOJ Fixed Certificate of Deposit (8%), 2011 (6%)	<u>612,859</u>	<u>6,739,082</u>

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

<b>5 <u>Deposit on Property &amp; Equipment</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Land & Building - 9 Retirement Crescent	-	40,000,000
Equipment	<u>4,520,505</u>	<u>3,729,793</u>
	<u>4,520,505</u>	<u>43,729,793</u>

<b>6 <u>Inventories</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Raw Materials	91,933,374	60,183,418
Finished Goods	<u>1,566,221</u>	<u>784,123</u>
	<u>93,499,595</u>	<u>60,967,541</u>

<b>7 <u>Accounts Receivable</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Trade Receivables	53,947,133	44,448,687
Provision for bad debts	<u>(1,798,211)</u>	<u>(1,483,811)</u>
	52,148,922	42,964,876
Other Receivables	<u>2,419,288</u>	<u>5,831,254</u>
	<u>54,568,210</u>	<u>48,796,130</u>

	Aged Trade Receivables			
	Within 1	31 to 60	Over 60	Carrying
	Months	Days	Days	Value
	\$	\$	\$	\$
<b><u>Balance at</u></b>				
May 31, 2013	<u>37,481,069</u>	<u>2,629,027</u>	<u>13,837,036</u>	<u>53,947,133</u>
May 31, 2012	<u>34,827,902</u>	<u>4,744,785</u>	<u>4,876,000</u>	<u>44,448,687</u>

<b>8 <u>Related Parties</u></b>	<b>2013</b>	<b>2012</b>
	\$	\$
Directors' Current Account	<u>1,080,749</u>	<u>2,559,797</u>
	<u>1,080,749</u>	<u>2,559,797</u>

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2013**

**9 Property, Plant & Equipment**

<u>At cost</u>	Land	Building	Warehouse	Equipment	Motor Cycle	Computer & Equipment	Furniture & Fixtures	Total
	\$	\$	\$	\$	\$	\$	\$	\$
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
Additions	11,600,000	46,400,000	44,550,000	4,887,455	-	319,072	340,608	108,097,135
Balance as at May 31, 2013	29,600,000	111,486,704	44,550,000	58,435,582	180,258	904,852	2,987,261	248,144,657
<u>Accumulated depreciation</u>								
Balance as at August 31, 2012	-	3,161,867	-	7,797,634	-	291,493	680,491	11,931,485
Current year charges	-	1,607,042	185,625	4,247,121	16,899	96,977	206,724	6,360,389
Balance as at May 31, 2013	-	4,768,909	185,625	12,044,755	16,899	388,470	887,215	18,291,874
<u>Net Book Value</u>								
May 31, 2013	29,600,000	106,717,795	44,364,375	46,390,826	163,359	516,382	2,100,046	229,852,783
May 31, 2012	18,000,000	61,564,460	-	47,628,542	-	234,478	1,979,508	129,406,988

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2013**

**10 Tax Recoverable**

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

<b>11 Cash &amp; Cash equivalent</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Bank of Nova Scotia Ja Ltd		
- Current account	15,882,808	7,598,086
- Savings account (US dollar denominated)	323,171	310,566
National Commercial Bank Limited		
- Current account	206,834	206,834
- Payroll account	1,046,171	845,954
Petty Cash	30,200	30,200
	<u>17,489,185</u>	<u>8,991,640</u>
 Deposit:		
Alliance Financial Services Limited - General accounts	31,992,428	1,653,054
	<u>49,481,613</u>	<u>10,644,694</u>

<b>12 Share Capital</b>	<b>2013</b>	<b>2012</b>
	\$	\$
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**  
May 31, 2013

<b>14 Loans</b>	<u>2013</u>	<u>2012</u>
	\$	\$
<b>Bank of Nova Scotia Jamaica Limited</b>		
Loan 1	13,000,000	11,500,000
Loan 2	8,364,035	11,076,695
Loan 3	<u>70,000,000</u>	<u>-</u>
	91,364,035	22,576,695
<b>Alliance Financial Services Limited</b>	<u>-</u>	<u>7,547,150</u>
<b>Total loans</b>	91,364,035	30,123,845
<b>Current portion of long -term loan</b>	<u>22,892,140</u>	<u>21,759,810</u>
<b>Long-term portion of loan</b>	<u>68,471,895</u>	<u>8,364,035</u>

- (i) Loan 3 has a duration of 7 years with a six (6) months moratorium on the principal repayments. This Loan has a Fixed Interest rate of 9.25% for five (5) years, thereafter the Weighted Average (180 days) Treasury Bill Yield (WATBY), plus 3.25% per annum.
- (ii) 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.
- (iii) Loan 1 is a revolving loan and is expected to be repaid within 90 days, the interest rate is based on the Weighted Average (180 days) Treasury Bill Yield (WATBY), plus 3.5% 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 stocker 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

**AMG PACKAGING & PAPER COMPANY LTD**  
**NOTES TO FINANCIAL STATEMENTS**  
May 31, 2013

14 cont'd

(4) Joint and several Demand Debenture to be stamped \$102,000,000 from AMG Packaging and Paper Company Limited, creating a first Charge over fixed assets, and a floating charge over other assets of the company supported by:—

- First and Third Legal Mortgages to be stamped \$102,000,000 jointly over Commercial Premises located at (a) 9B Retirement Crescent registered in the name AMG Packaging and Paper Company Limited. (b) 10 Retirement Crescent registered in the name of AMG Packaging and Paper Company Limited and collateral to the aforementioned Demand Debenture

(5) Assignment of "All Risk" insurance coverage over 9B Retirement Crescent for the full replacement (covers over building, inventory, furniture, fixtures and equipment owned by the company)

Alliance Financial Services Limited  
(formerly Alliance Investment Management Limited)

Loan from Alliance Financial Services 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.

15 Accounts Payable & Accruals

	<u>2013</u>	<u>2012</u>
Trade Payables	\$ 50,780,540	\$ 38,819,625
Accruals	3,439,867	2,313,188
Other Payables	1,152,364	321,365
Statutorious Payable	1,063,272	813,748
Vendor - Purchased Property	7,595,447	-
	64,031,490	42,267,926

	Aged Trade Payables			
	Within 1 Months	31 to 60 Days	Over 60 Days	Amount Due
Balance at	\$	\$	\$	\$
May 31, 2013	45,682,675	4,951,186	146,678	50,780,540
May 31, 2012	35,141,607	-	3,678,018	38,819,625

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>2013</u>	<u>2012</u>
Interest income	\$ 15,328	\$ 766,457
	15,328	766,457



## GENERAL MANAGER'S REPORT

AMG Packaging & Paper Company Limited (AMG) has continued its positive performance with an increase in key financial matrices for the nine month ended May 31, 2013. Revenues for the nine month period to May 31, 2013 increased by 17.78% to \$315.77 million over the prior year period, as a result of an increase in units sold to 12,717,548 up 13.56%. This improvement in revenues allowed Gross Profit to grow by 31.86%, to \$82.24 million, in spite of an increase in total manufacturing costs (13.51%). The increase in administrative expenses for the 9 month period resulted in AMG producing Net income of \$36.74 million, an increase of 13%.

	9 months May 31, 2013	9 months May 31, 2012	
Total Revenues	315,773,522	268,101,084	17.78%
Gross Profit	82,248,095	62,372,535	31.86%
Profit	36,600,583	31,790,497	15.13%
Total Assets	433,616,313	302,844,025	43.18%

The management team remains focused on limiting increases in costs, however most of them were unavoidable as they relate directly with the expansion and upgrades to our existing building and equipments. A much needed repair to our roof resulted in repair costs increasing by approximately \$2.9million. Fuel costs continue to rise, showing an increase of \$1.3million. We are currently negotiating with Gas Pro to convert our operations from Diesel to LPG. Investigations have shown that using LPG would save us 20% to 30% on our fuel expense. Other increases relates to the increase in production.



Revenues for the three-month period to May 31, 2013 increased 10.54% to \$111.36million. Administrative costs increased dramatically. The charges on a current loan proceed as well as the cost we incur due to the devaluation of the US dollar weighed heavily on our Admin costs. The charges on the loan proceed is a onetime charge and will not reflect in our next quarters financials.

The deposit on the multi functional machine as well as the rotary die cut machine that was sourced has been made. They are currently being manufactured and will be shipped as soon as they are completed. These two additional machines will increase our production as well as enhance the quality of our products.

I am happy to announce that AMG has begun the process of becoming ISO 9001:2008 certified. The first step, which is the gap audit, has been completed. We are eager to show in another capacity how proud and confident we are in our products and the excellent team we have at AMG. We want to continue the drive to show our existing and potential clients, that they can have full confidence in AMG being a recognized and trusted name.

A handwritten signature in blue ink, consisting of a stylized 'M' and 'C' followed by a horizontal line.

.....  
Michael Chin  
General Manager