GENERAL MANAGER'S STATEMENT

AMG Packaging & Paper Company Limited (AMG) presents our Audited Financial Statements for the 12 month period ending August 31, 2017.

- Revenues for the period to August 31, 2017 increased 5.02%, moving from $628.67 million (2016) to $660.25 million (2017).
- Manufacturing Costs increased 12.90% moving from $431.60 million 2016 to $487.28 million 2017.
- Administrative Expenses increased 4.93% when compared to the previous year.
- Net Income before Tax for the 12 month period showed a decline of 39.48% when compared to the previous year.

	12 months ending Aug. 31, 2017	12 months ending Aug. 31, 2016
Total Revenues	**660,250,612**	**628,667,865**
Gross Profit	**172,971,358**	**197,072,147**
Net Income Before Tax	**51,100,456**	**84,430,384**
Total Assets	**688,941,589**	**588,949,228**

It was another challenging year for AMG mainly due to the underperformance of our Toilet Paper division and the decision has been taken to discontinue the production of Toilet Paper by the end of the Second Quarter.

The Board has engaged the services of a consultant to do an evaluation of our entire operations which should be completed by mid-December, at which time we will be guided accordingly.

We are currently transitioning from our ISO 9001:2008 to the new standard ISO 9001:2015. This is scheduled to be completed by September 2018.

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Michael P. Chin
General Manager

AMG PACKAGING & PAPER COMPANY LTD
FINANCIAL STATEMENTS
AUGUST 31, 2017

RECEIVED NOVEMBER 7, 2017

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AUGUST 31, 2017

Bogle and Company
Chartered Accountants
Worrick Bogle FCCA, FCA, CPA

Independent Auditor's Report

To the Members of AMG Packaging and Paper Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AMG Packaging and Paper Company Limited ("the Company") set out on pages 4 to 41, which comprise the statements of financial position as at August 31,2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at August 31,2017 and of financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the Jamaican Companies Act.

Going Concern

Due to the significant increase in loss during the 2017 fiscal period for the toilet segment, we have been informed that the Board of Directors has decided to discontinue operations in the segment by the end of the second quarter of the 2018 fiscal period. See Note 4.p for details.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<u>Trade Receivables</u>

During the current fiscal period outstanding receivables over sixty (60) days increased by over fifteen (15) million. Due to this increase we deemed this area as a significant key audit matter.

The procedures undertaken are as follows:

- Inquiring with management regarding the allowance procedures and the process of determining impairment and assessed reasonableness of provision.
- Review subsequent period for collectability
- Review credit status of delinquent accounts

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.

BOGLE & COMPANY

Chartered Accountants

November 2, 2017

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2017

	Notes	2017	2016
Assets		$	$
Non-current assets			
Property, plant & equipment	6	388,869,038	281,573,603
Total non-current liabilities		388,869,038	281,573,603
Current assets			
Cash & cash equivalents	7	17,671,530	31,616,635
Trade and other receivables	8	110,443,675	100,162,800
Inventories	9	171,957,346	171,480,549
Related Party	10	-	4,115,641
Total current assets		300,072,551	307,375,625
Total assets		688,941,589	588,949,228
Equity			
Share capital	11	63,250,028	63,250,028
Revaluation reserve	12	118,808,899	48,928,537
Retained earnings		302,616,844	308,997,122
Total equity		484,675,772	421,175,687
Non- current liabilities			
Deferred Taxation	13	33,949,097	-
Long-term loans	14	72,179,963	99,615,834
Total non-current liabilities		106,129,060	99,615,834
Current liabilities			
Current portion of long-term loan	14	39,148,169	25,916,923
Trade payable & accruals	15	57,203,252	40,841,786
Income Tax payable	16	1,785,336	1,398,998
Total current liabilities		98,136,758	68,157,707
Total equity & liabilities		688,941,589	588,949,229

Approved by the Board of Directors on November 2nd ,2017 and signed on its behalf by:

Barrington Chisholm (Chairman) Peter Chin (Director)

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF PROFIT OR LOSS
YEAR ENDED AUGUST 31, 2017

	Notes	2017 $	2016 $
Revenue	17	660,250,612	628,667,865
Cost of sales	18	(506,255,656)	(458,424,716)
Gross profit		153,994,956	170,243,149
Other income		7,227,509	6,664,312
		161,222,465	176,907,461
Selling and distribution expenses		(10,118,801)	(9,308,505)
Administrative expenses		(87,639,501)	(71,052,784)
Finance cost		(12,363,706)	(12,115,788)
Preliminary expenses - toilet paper operations		-	-
	22	(110,122,008)	(92,477,077)
Net Income before taxes		51,100,457	84,430,384
Income tax	19	(14,481,615)	(1,458,998)
Net Income after taxes		36,618,842	82,971,386
Other Comprehensive Income			
Those that cannot be reclassified into profit or loss			
Surplus arising from revaluation of property, plant and equipment		93,173,816	-
Deferred taxation of revaluation surplus	19	(23,293,454)	-
Total Other Comprehensive Income		69,880,362	-
Total Comprehensive Income		106,499,204	82,971,386
Earnings per share		$0.12	$0.27

Average number of shares in issue for the year of 307,136,571.

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED AUGUST 31, 2017

	Share capital	Revaluation reserve	Retained earnings	Total equity
	$	$	$	$
Balance as at September 1, 2015	63,250,028	48,928,537	264,929,699	377,108,264
Dividend declared			(38,903,963)	(38,903,963)
Profit for the year	-	-	82,971,386	82,971,386
Balance as at August 31, 2016	63,250,028	48,928,537	308,997,122	421,175,687
Balance as at September 1, 2016	63,250,028	48,928,537	308,997,122	421,175,687
Dividend declared			(42,999,120)	(42,999,120)
Profit for the year	-	-	36,618,842	36,618,842
Revaluation Movement (net of deferred tax)		69,880,362		69,880,362
Balance as at August 31, 2017	63,250,028	118,808,899	302,616,844	484,675,722

AMG PACKAGING & PAPER COMPANY LTD
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2017

	2017	2016
	$	$
Cash flows from operating activities		
Profit for the year	36,618,842	82,971,386
Adjustment to reconcile income for year to net cash provided by operating activities		
Tax Provision	14,491,615	1,398,998
Net financing cost	12,363,706	12,115,788
Loss/(Gain) of sale of equipment	332,333	(59,488)
Depreciation	24,747,919	19,628,996
	88,554,415	116,055,680
Increase in inventories	(476,797)	(48,839,836)
Increase in related parties	4,115,641	(4,115,641)
Decrease/(increase) in receivables	(24,623,633)	23,098,535
Decrease/(increase) in payables & accruals	16,361,467	3,003,547
	(4,623,323)	(26,853,395)
Interest paid	(12,414,499)	(12,115,788)
Taxes Paid	(3,449,634)	-
Net cash flows provided by operating activities	(20,487,456)	(38,969,183)
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,281,870)	(68,909,455)
Proceeds from sale of Property, plant and equipment	80,000	222,250
Deposits on purchase of equipment	14,342,759	25,390,071
Net cash flows used in investing activities	(24,859,112)	(43,297,134)
Cash flows from financing activities		
Loans received	82,000,000	-
Loans repaid	(96,153,831)	(27,132,331)
Dividends paid	(42,999,120)	(38,903,963)
Net cash flows used/generated in financing activities	(57,152,951)	(66,036,294)
Net (decrease) cash & cash equivalents	(13,945,102)	(32,246,932)
Cash & cash equivalents at beginning of year	31,616,630	63,863,562
Cash & cash equivalents at end of year	17,671,530	31,616,630

1. Reporting entity

AMG Packaging & Paper Company Limited was incorporated on the 26th of September 2005, under the Jamaica Companies Act and is a wholly owned Jamaican private company.

Its registered office is located at 9 Retirement Crescent, Kingston 5. The Company was re-registered in July 2011 under the Companies Act 2004 as a public company. During the 2015 reporting period the company added an additional location for their toilet paper factory at 186 Orange Street, Kingston

For main activities see note 23.a under segment reporting.

2. New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and the company has not opted for early adoption

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 9	Financial Instruments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
IFRS 16	Leases

[1]Effective for annual periods beginning on or after 1 January 2017.

[2]Effective for annual periods beginning on or after 1 January 2018.

[3]Effective for annual periods beginning on or after 1 January 2019.

3. Application of new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016

a. Amendments to IAS 16 and 38: Clarification of acceptable methods of depreciation and amortisation

The International Accounting Standards Board (IASB) today published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

b. Disclosure Initiative (Amendments to IAS 1)

With an emphasis on materiality. Specific single disclosures that are not material do not have to be presented.

The order of notes to the financial statements is not prescribed. Instead, companies can choose their own order, and can also combine, for example, accounting policies with notes on related subjects.
It has been made explicit that companies:

- should disaggregate line items on the balance sheet and in the statement of profit or loss and other comprehensive income (OCI) if this provides helpful information to users; and
- can aggregate line items on the balance sheet if the line items specified by IAS 1 are immaterial.

Specific criteria are provided for presenting subtotals on the balance sheet and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.

The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1's approach of splitting items that may, or that will never, be reclassified to profit or loss.

3 Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016 (cont'd)

c. **Annual Improvements to IFRSs 2012–2014 Cycle – various standards**

a. **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:**

IFRS 5 is amended to clarify that

i. If an entity changes the method of disposal of an asset (or disposal group) – i.e. reclassifies an asset (or disposal group) from held for distribution to owners to held for sale (or vice versa) without any time lag – then the change in classification is considered a continuation of the original plan or disposal and the entity continues to apply held for distribution or held for sale accounting. At the time of change in method, the entity measures the carrying amount of the asset (or disposal group) and recognised any write-down (impairment loss) or subsequent increase in the fair value less cost to sell/ distribute of the asset (or disposal group);

ii. If an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution account in the same way as it would cease held-for-sale accounting.

Any change in method of disposal or distribution does not extend the period in which a sale must be completed.

b. **IFRS 7 Financial Instrument: Disclosures**

IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvements in transferred financial assets in cases when they are derecognised in their entirety. A servicer is deemed to have continued involvement if it has an interest in the future performance of the transferred asset.

This standard is also amended to clarify that the addition disclosures required by disclosures: offsetting financial asset and financial liabilities (amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirement of IAS 34 Interim financial reporting require their inclusion.

3. Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016 (cont'd)

c. Annual Improvements to IFRSs 2012–2014 Cycle – various standards (cont'd)

a. IAS 19 Employee Benefits

IAS 19 has been amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at the currency level and not at the country level.

b. IAS 34 Interim Financial Reporting

IAS 34 clarifies that certain, if they are not included in the notes, to interim financial statement, may be disclosure "elsewhere in the interim financial report." The interim financial report is incomplete if the interim financial statement and any disclosure incorporated by cross reference are not made available to users of the interim financial statement on the same terms and at the same time.

b. IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. An entity that already present IFRS financial statement is not eligible to apple this standard.

c. Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. Thus, this places pressure on the judgement applied in making this determination.

3. Application new and revised International Financial Reporting Standards (IFRSs) effective January 1, 2016 (cont'd)

d. Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

e. Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

a. Intermediate investment entities

Because of the amendment, intermediate investment entities are not permitted to be consolidated

b. Intermediate parents owned by investment entities

The amendments also make this exemption available to an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.

c. Interests in investment entities

The amendment gives a non-investing entity and accounting policy choices as whether or not to pick up the investment entity's fair value accounting or pick up figures as if the investment entity had consolidated all of its subsidiaries.

4. Summary of significant accounting policies

a. Statement of compliance

These financial statements have been prepared using the historical cost convention which is in accordance with the International Financial Reporting Standards (IFRS).

b. Reporting currency

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

4. Summary of significant accounting policies

c. Basis of preparation

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

d. Property, Plant and Equipment (IAS 16)

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

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

(a) It is probable that future economic benefits associated with the item will flow to the entity; and

(b) The cost of the item can be measured reliably

Items of property, plant and equipment may be acquired for safety or environmental reasons. The acquisition of such property, plant and equipment, although not directly increasing the future economic benefits of any existing item of property, plant and equipment, may be necessary for an entity to obtain the future economic benefits from its other assets. Such items of property, plant and equipment qualify for recognition as assets because they enable an entity to derive

4. Summary of significant accounting policies (cont'd)

d. Property, Plant and Equipment (cont'd)

future economic benefits from related assets in excess of what could be derived had those items not been acquired.

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

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

This company uses the revaluation model for land and buildings and Equipment and the cost model for the other classifications as its measurement of recognition.

Revaluation

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after considering accumulated impairment losses; or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

4. Summary of significant accounting policies (cont'd)

d. Property, Plant and Equipment (cont'd)

This Company recognises depreciation under the expense heading of "depreciation."

The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

The depreciation method used by the company is the straight-line basis and is designed to write off the assets over its useful live.

Computer	20%
Furniture & fixtures	10%
Machinery and equipment	10%
Buildings	2.5%
Motor vehicle	12.5%

Repairs and maintenance expenditures are charged to the profit or loss in the statement of comprehensive income during the financial period in which they are incurred.

e. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

f. Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

g. Cash and cash equivalents

Cash and cash equivalents are held for the purposes of meeting short term commitments rather than for investments or other purposes. For an investment to qualify it must be convertible to a known amount of cash and be subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a short maturity of 3 months or less from the date of acquisition.

4. Summary of significant accounting policies (cont'd)

h. Share capital

Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *(Taxation)*.

i. Loans

Loans are initially recognised at the fair value of the proceeds, net of related transaction costs. These transaction costs, and any discount or premium on issue, are subsequently amortised under the effective interest rate method through the income statement as interest over the life of the loan.

j. Related Party Disclosures

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

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

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

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

4. Summary of significant accounting policies (cont'd)

j. Related party disclosures (cont'd)

If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

k. Trade Payables

Trade payables are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

l. Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date

Exchange differences arising on transactions are recognised in the income statement under "Other Income".

4. Summary of significant accounting policies (cont'd)

m. Revenue Recognition

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

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest Income

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

n. Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

4. Summary of significant accounting policies (cont'd)

Taxation (cont'd)

Deferred tax (cont'd)

– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Company has not rebutted this presumption.

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

4. Summary of significant accounting policies (cont'd)

o. Segment reporting

Identification of the Chief Operating Decision Maker (CODM)

In accordance with the provisions of IFRS 8 – Operating Segments, the operating segments used to present segment information were identified on the basis of internal reports used by the Company's Board of Directors to allocate resources to the segments and assess their performance. The Board of Directors is the Company's "chief operating decision maker (CODM)" within the meaning of IFRS 8

Identification of reportable segments

Product Manufactured

The figures in the segment reporting presentation have been prepared in accordance with the general accounting method used at AMG (see note 4.c) and, therefore, comply with the International Financial Reporting Standards. AMG Packaging & Paper Company Limited has identified its operating segments on the basis of internal management reporting; the segmentation of divisions is based on the products manufactured.

p. Going Concern

During the current fiscal period the toilet paper segment reported a net loss of (39,720,298) 2016: (40,659,034). The company has decided based on the current economic outlook and the nonrealization of expectations of brand substitution and customer loyalty that they will cease operations of this segment in the 2nd quarter of the upcoming fiscal period.

5. Financial Instruments: Disclosures

This standard requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

a. Financial risk management

i. Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments.

At the reporting date, the interest rate profile of the company's interest bearing financial instruments was:

2017

	Wiithin 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
Assets					
Cash	-	-	-	7,771,402	7,771,402
Repurchase agreements	9,900,128	-	-	-	9,900,128
Trade Receivables net	97,239,882				97,239,882
Fixed Assets	-	-	-	388,869,038	388,869,038
Other Assets	12,665,317	172,495,822	-		185,161,139
Total Assets	119,805,327	172,495,822	-	396,640,440	688,941,589
Liabilities					
Bank Loans	-	72,179,963	39,148,169	-	111,328,132
Trade Payables	42,333,027	-	-	-	42,333,027
Other Liabilities		16,655,561	-	33,949,097	50,604,658
Total Liabilities	42,333,027	88,835,524	39,148,169	33,949,097	204,265,818
Total Equity				487,816,291	487,816,291
Total Liabilities & Equity	42,333,027	88,835,524	39,148,169	521,765,388	688,941,589
					-
Asset Liability Gap	77,472,300	83,660,298	(39,148,169)	(121,984,428)	-
					-
Cumulative Asset-Liability Gap	77,472,300	161,132,597	121,984,428	-	360,589,324

5. Financial Instrument disclosures (cont'd)

a. Financial risk management (cont'd)

(i) Interest rate risk (cont'd)

2016

	Within 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
Assets					
Cash	-	-	-	26,615,895	26,615,895
Repurchase agreements	5,000,740	-	-	-	5,000,740
Trade Receivables net	75,382,419				75,382,419
Fixed Assets	-	-	-	281,573,603	281,573,603
Other Assets	9,899,146	190,477,425	-		200,376,571
Total Assets	90,282,305	190,477,425	-	308,189,498	588,949,228
Liabilities					
Bank Loans	-	99,615,834	24,871,781	-	124,487,615
Trade Payables	27,229,368	-	-	-	27,229,368
Other Liabilities		16,056,558	-		16,056,558
Total Liabilities	27,229,368	115,672,392	24,871,781	-	167,773,541
Total Equity				421,175,687	421,175,687
Total Liabilities & Equity	27,229,368	115,672,392	24,871,781	421,175,687	588,949,228
Asset Liability Gap	63,052,937	74,805,033	(24,871,781)	(112,986,189)	-
Cumulative Asset-Liability Gap	63,052,937	137,857,970	112,986,189	-	313,897,096

SENSITIVITY ANALYSIS	Wiithin 3 Months	3 to 12 months	1 to 5 years	No Maturity	Total
Impact of 1% increase in interest rate per tenor bucket	774,723	836,603	(391,482)	(1,251,249)	-
Impact of 1% decrease in interest rate per tenor bucket	(774,723)	(836,603)	391,482	1,251,249	-
Impact of 1% increase in interest on cumulative gap	774,723	1,611,326	1,219,844	-	3,605,893
Impact of 1% decrease in interest rate on cumulative gap	(774,723)	(1,611,326)	(1,219,844)	-	(3,605,893)

5. Financial Instrument disclosures (cont'd)

a. Financial risk management (cont'd)

ii. Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the company's investment securities, loans receivable, receivables from customers, and from resale agreements. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Company to similar risks as loans and are managed in similar manner

	2017 $	2016 $
Financial assets		
Cash and bank balances	7,771,402	26,615,895
Loans and receivables (including trade receivables balance)	110,443,675	104,278,441
Available-for-sale financial assets	9,900,128	5,000,740
Financial liabilities		
Amortized cost (including trade payables balance)	204,265,818	167,773,541

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the company's maximum exposure to credit risk for such loans and receivables.

iii. Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations for its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management which the company uses includes maintaining sufficient cash and marketable securities.

For this purpose, liquid assets include cash and bank balances, and resale agreements which are readily converted into cash within three months.

5. Financial Instrument disclosures (cont'd)

a. Financial risk management (cont'd)

iii Liquidity risk (cont'd)

	2017	2016
	$	$
Current assets	300,072,551	307,375,625
current liabilities	98,136,758	68,157,707
Current ratio	3.06	4.51

The liquid asset ratio at the end of the year was 1:3.06 (2015: 1:4.51). There has been no change to the company's exposure to liquidity risk or the manner in which it manages and measures the risk.

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

	2017				
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Accounts Payable	57,203,252	57,203,252	57,203,252	-	-
Bank Loan	111,328,132	109,051,355	38,153,820	70,897,535	-
	168,531,385	166,254,607	95,357,072	70,897,535	-

	2016				
	Carrying amount	Contractual cash flows	0-12 months	1-2 years	2-5 years
Accounts Payable	41,886,928	41,886,928	41,886,928	-	-
Bank Loan	124,487,615	124,487,615	26,153,832	26,153,832	72,179,951
	166,374,543	166,374,543	68,040,760	26,153,832	72,179,951

6. Property, plant & equipment

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

	Land, Building & Leasehold Improvement	Equipment	Motor Cycle & Motor Vehicle	Computer	Furniture & Fixtures	Total
	$	$	$	$	$	$
At cost/valuation						
Balance at August 31, 2015	188,410,403	81,727,298	180,258	2,194,041	6,288,913	278,800,913
Acquisitions	9,650,016	50,459,089	1,757,500	269,028	6,773,822	68,909,455
Disposals	-	(394,940)	-	-	-	(394,940)
Balance at August 31 2016	198,060,419	131,791,447	1,937,758	2,463,069	13,062,735	347,315,428
Balance at September 1, 2016	198,060,419	131,791,447	1,937,758	2,463,069	13,062,735	347,315,428
Acquisitions	4,311,151	34,144,382	-	661,837	164,501	39,281,870
Disposals		(1,237,000)	-	-	-	(1,237,000)
Revaluation	35,558,861	(700,857)	-	-	-	34,858,004
Balance at August 31 2017	237,930,431	163,997,973	1,937,758	3,124,906	13,227,236	420,218,303
Depreciation						
Balance at August 31, 2015	14,155,037	29,058,997	67,596	950,804	2,112,571	46,345,005
Charge for the year	5,619,036	12,227,631	77,452	388,669	1,316,208	19,628,996
Disposals	-	(232,178)	-	-	-	(232,178)
Balance at August 31 2016	19,774,073	41,054,451	145,048	1,339,473	3,428,779	65,741,823
Balance at September 1, 2016	19,774,073	41,054,451	145,048	1,339,473	3,428,779	65,741,823
Charge for the year	6,791,742	15,984,846	242,220	414,925	1,314,186	24,747,919
Disposals		(824,667)	-	-	-	(824,667)
Revaluation	(18,086,028)	(40,229,784)	-	-	-	(58,315,811)
Balance at August 31 2017	8,479,787	15,984,847	387,268	1,754,398	4,742,965	31,349,265
Net book values						
Balance at August 31 2017	229,450,643	148,013,126	1,550,490	1,370,507	8,484,271	388,869,038
Balance at August 31 2016	178,286,346	90,736,997	1,792,710	1,123,596	9,633,956	281,573,605

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

i. Included in Land, Building and Leasehold Improvement is Land with a carrying value of $44,600,000 (2016: $29,600,000) which is not depreciated

b. *Segment*

The total Net book value of assets associated with the toilet paper segment is $61,532,943 (2015: $4,065,812)

c. *Security*

At August 31, 2016, property, plant and equipment, were used as security for bank loans note 14.b

d. *Revaluation*

Land, Building and plant equipment have been revalued effective August 31st, 2017. These items were independently valued by well-respected valuation companies.

For each revalued class of property, plant and equipment the carrying amount, that would have been recognized had the assets been carried under the cost model are as follows:

	Land, Building & Leasehold Improvement	Equipment	Total
Carrying Value	175,805,755	108,484,199	284,289,954

A total value of revaluation reserve is $142,102,353 of which $93,173,816 is as of a result of the current period change. The balances are restricted against distribution to shareholders

7. Cash and cash equivalents

See accounting policy in note 4.g

	2017	2016
	$	$
Petty cash	70,000	70,000
Bank accounts denominated in United States currency		
Bank of Nova Scotia Jamaica Limited - Savings Account	911,550	5,783,846
Bank accounts denominated in Jamaican Dollar		
National Commercial Bank Jamaica Limited - Current Account	279,816	733,244
Bank of Nova Scotia Jamaica Limited - Current Account	5,864,798	19,383,567
JN Fund Managers Limited - Saving Account	645,238	645,238
Repurchase agreements		
Alliance Investment - denominated in United States Currency	8,852,202	3,976,215
Alliance Investment - denominated in Jamaican Currency	1,047,926	1,024,525
	17,671,530	31,616,635

i. The translation of foreign currency accounts has been accounted for using the methods prescribed by IAS 21 (see policy note 4.l)

ii. Included in the Bank of Nova Scotia Jamaica Limited current account is a balance of $456,366 (2015: $376,816) which represents the account designated for dividend payments. These payments are the only payments authorised to be taken from this account.

8. Trade and Other receivables

See accounting policy in note 4.f

	2017	2016
	$	$
Trade receivables	106,120,024	79,705,811
Less provision for bad debts	(8,880,142)	(4,323,392)
	97,239,882	75,382,419
Prepayments	1,258,747	1,466,569
Deposits	538,476	14,881,235
Other receivables	11,406,570	8,432,577
Total Trade and Other receivables	110,443,675	100,162,800

Trade and Other receivables (cont'd)

I. Deposits are inclusive of deposits on equipment of $Nil (2016:$8,685,269), which represents deposits on equipment purchased for the toilet paper business segment.

a. Aging of trade receivables

At August 31st, 2017, the ageing of trade receivables that were not impaired was as follows:

	2017	2016
	$	$
Past due and impaired	7,055,947	-
Neither past due nor impaired	66,107,132	54,326,327
Past due 31-60 days	8,714,094	9,730,792
Past due Over 60 days	24,242,850	15,648,692
	106,120,024	79,705,811

i. Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour.

ii. Management has assessed impairment of trade receivables based on the individual collectability of each customer

b. Movement in Provision for Doubtful accounts

	2017	2016
	$	$
Beginning Balance	4,323,392	4,323,392
Addition Provision	4,556,751	-
Ending Balance	8,880,143	4,323,392

9. Inventories

See accounting policy in note 4.e

	2017 $	2016 $
Raw materials	159,467,363	157,927,495
Goods in transit	636,246	4,283,360
Finished goods	11,853,738	9,269,693
	171,957,346	171,480,548

I. The cost of inventories recognized as an expense during the year in respect of continuing operations was $349,931,776 (2016: $319,609,861).

II. The cost of inventories recognized as an expense includes $25,579,519 (2016: $33,204,759) in respects of write -downs of inventories to net realisable value.

10. Related parties

See accounting policy in note 4.j

	2017 $	2016 $
Director loans (net of repayment)	-	4,115,637
	-	4,115,637

a. Loans to directors

During 2016, unsecured loans advanced to directors were $6 million. No interest is payable by the directors, and the loans are repayable in cash, in full in 12 months

b. Key Management personnel compensation

Key management personnel compensation comprised the following:

	2017 $	2016 $
Director Fees	8,300,464	6,706,666
Director Remuneration	8,451,161	6,579,537
	16,751,625	13,286,203

10. Related parties (cont'd)

c. Key management personnel transactions

Directors of the Company control 80% of the issued ordinary shares of the Company.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

When any of these companies transact with the company. The terms and conditions of these transactions are no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

11. Share capital

See accounting policy in note 4.h

A. Share capital and share premium

	2017	2016
	$	$
In issue at September 1, 2015	63,250,028	63,250,028
Issue for cash	-	-
In issue at August 31, 2016 - Fully paid	63,250,028	63,250,028
Authorised at no par	140,000,000	140,000,000

I. All ordinary shares rank equally with regard to the Company's residual assets.

II. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

III. Effective March 10th, 2017, the company has authorized a five (5) times stock split increasing the issued ordinary shares to 511,894,285 (2016: 102,378,857)

11. Share capital (cont'd)

B. Dividends

The following dividends were declared and paid by the Company for the year.

	2017	2016
	$	$
Dividends paid	42,999,120	38,903,963

I. During the reporting year (2017) the company declared and paid dividends of $42,999,120

12. Revaluation reserve

See accounting policy in note 4.d

Revaluation reserve results from the difference between the revaluation of land, building and equipment and their carrying value at August 31, 2017. The valuation was carried out by professional appraisers Valerie Levy & Associates Limited and Stellar Caribbean (Ja.) Limited which are a reputable company in Jamaica. See note 6.d for addition details

13. Deferred Taxation

	Property, plant and equipment	Other provisions	Total
Balance at August 31, 2016	-	-	-
Prior year adjustment	963,778		963,778
Charged to surplus or deficit	10,831,054	(1,139,188)	9,691,866
Charged to other comprehensive income	23,293,454	-	23,293,454
Balance at August 31, 2017	35,088,285	(1,139,188)	33,949,097

14. Bank loans

See accounting policy in note 4.i

	2017 $	2016 $
Non-current liabilities		
Secured bank loans	72,179,963	99,615,834
Current liabilities		
Secured bank loans	38,153,820	24,871,781
Accrued Interest	994,349	1,045,142
	39,148,169	25,916,923

a. Terms and repayment schedule

	Interest rate	Year of maturity	Carrying value 2017 $	Carrying value 2016 $
Bank of Nova Scotia Jamaica Limited				
Secured Loan	10.00%	2017	12,000,000	-
Secured Loan	9.50%	2020	27,820,555	38,589,775
Secured Loan	10%	2020	49,359,373	60,128,605
Secured Loan	10.59%	2020	21,153,855	25,769,235
Total interest-bearing loans			110,333,783	124,487,615

14. Bank Loans (cont'd)

b. Securities

i. The Bank of Nova Scotia Jamaica Limited

1. First Demand Debenture, creating a first charge over fixed assets, and a floating charge over the other assets of the company stamped an aggregate of $202,000,000.00 and collateral to:
    a. 1st Legal Mortgage stamped $102,000,000 over commercial premises at 9 Retirement Crescent, Kingston 5, registered at Volume 1469 Folios 446-7 in name of AMG Packaging & Paper Company Limited.
    b. 2nd Legal Mortgage stamped $102,000,000 over commercial premises at 10 Retirement Crescent, Kingston 5, registered at Volume 1094 & 1402 Folio 743 & 431 in the name of AMG Packaging & Paper Company Limited.
    c. 2nd Legal Mortgage stamped $100,000,000 over commercial premises at 9 Retirement Crescent, Kingston 5, registered at Volume 1469 Folios 446-7 in name of AMG Packaging & Paper Company Limited.
    d. 3rd Legal Mortgage stamped $100,000,000 over commercial premises at 10 Retirement Crescent, Kingston 5, registered at Volume 1094 & 1402 Folio 743 & 431 in the name of AMG Packaging & Paper Company Limited.
    e. Bill of Sale stamped $100,000,000 over a) Toilet Paper/Hand Towel Machines b) Clamp Forklift and c) Pallet Stacker
2. 1st Legal Mortgage stamped $25,600,000 over commercial premises at 10 Retirement Crescent, Kingston 5, registered at Volume 1094 & 1402 Folio 743 & 431.
3. Bill of Sale stamped $25,600,000 collateral to Mortgage at #2 above over (i) Model 2003 Dockstocker DSX40. (ii) SG-3 Semi-automatic Gluing Machine and (iii) 2 Colour Printer and Rotary Die Cutting Machines
4. Assignment of Peril Insurance proving full replacement value cover for the asset of the Borrower and the assets pledged to support the credit facilities (i.e. including all owned Real Estate, Fixtures, Equipment and inventory) with loss payable to the bank.

15. Trade payables and accruals

See accounting policy in note 4.k

	2017	2016
	$	$
Trade payables	42,333,027	27,229,368
Accrued expenses	14,870,225	13,612,418
	57,203,252	40,841,786

d. Aging of trade payables

At August 31st, 2017, the ageing of trade payables was as follows:

	2017	2016
	$	$
Within 1 month	40,588,949	22,188,251
Past due 31-60 days	285,183	4,229,974
Past due Over 60 days	1,458,895	811,143
	42,333,027	27,229,368

16. Income tax payable

	Tax receivable (payable)
Balance as at August 31, 2016	(1,398,998)
Prior year adjustment	351,387
Tax Payments	3,389,634
Current year tax liability	(4,187,359)
Minimum Business tax	60,000
Balance as at August 31, 2017	(1,785,336)

17. Revenue

See accounting policy in note 4.m

Below is a breakdown of revenue by segment

	Box		TP	
	2017	2016	2017	2016
	$	$	$	$
Revenue from external customer	633,805,659	626,393,327	26,444,953	2,274,539
Revenue from internal sales	-	-	-	-
Total Revenue	633,805,659	626,393,327	2,274,539	2,274,539

I. All sales were made to customers within Jamaica. Over 90% of the sales in the toilet paper segment was from a single external customer.

18. Cost of sales

	2017	2016
	$	$
Cost of materials used	349,927,821	319,575,795
Salaries, wages & related costs	78,303,520	68,992,909
Insurance	6,052,256	5,757,865
Maintenance expenses	14,756,352	16,842,443
Fuel	12,381,960	11,287,086
Water	1,705,722	1,231,853
Depreciation	24,747,919	19,628,998
Electricity	10,053,079	7,387,674
Loose tools	139,173	334,794
Equipment lease & hireage	987,854	185,300
Rent	7,200,000	7,200,000
Uniforms	202,189	628,355
	506,255,656	458,424,716

19. Taxation

See accounting policy in note 4.n

The Company having been listed on the Junior Stock Exchange in 2011 became eligible for remission of Income tax for 10 years, as below, provided the shares remain listed for at least 15 years.

Years 1 to 5	100%
years 6 to 10	50%

Company completed its 5-year tax-free period on May 2016.

The tax charge that would arise on profit using applicable tax rate is:

	2017	2016
	$	$
Components of tax expense		
Current tax expense	4,187,359	1,458,998
Adjustments to current tax in prior years	602,391	-
Deferred tax expense	32,985,320	-
Tax expense	37,775,070	1,458,998

	2017	2016
Relationship between tax expense and accounting profit	$	$
Net surplus before tax	51,100,458	84,430,384
Tax at 25% (2015: 25%)	12,775,115	21,107,596
Plus (less) tax effect of:		
Non-deductible expenditure	293,649	141,226
JSE Remission	8,374,718	(10,976,109)
Prior year adjustment	602,391	-
Deferred tax adjustment	15,729,197	(9,175,103)
Tax expense	37,775,070	1,458,998

20. Staff cost

Staff costs for the year totalled $87,820,345 while the total number of employees during the year was 130 (2016: 107 employees)

	2017	2016
	$	$
I. Staff compensation	92,516,290	86,124,303
II. Staff welfare	5,279,482	4,096,041
	97,795,771	90,220,345

21. Statutory disclosures

	2017	2016
	$	$
Directors' remuneration	8,451,161	6,579,537
Directors' fees	8,300,464	6,706,666
Interest on loans	12,363,706	12,115,788
Depreciation	24,747,919	19,619,879
Auditors' remuneration	1,760,000	1,700,000
	55,623,250	46,721,870

22. Expenses by nature

	2017	2016
	$	$
Administrative and management remuneration	27,737,358	27,876,818
Other staff related costs	11,002,270	9,309,739
Selling and distribution expenses	10,118,801	9,308,505
Motor vehicle expenses	6,749,187	1,171,684
Utilities	2,384,024	1,925,063
Travel Costs	1,625,495	2,939,188
Incentive	4,395,499	3,000,000
Other	46,109,375	36,946,080
	110,122,008	92,477,077

23. Segment information

See accounting policy in note 4.o

a. Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of product provided, and in respect of the 'Box' and 'Toilet paper/hand towel' operations. The directors of the Company have chosen to organize the Company around differences in products. No operating segments have been aggregated in arriving the reportable segments of the Company.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

Box Manufacturing (Box)

The Box division is engaged primarily in the manufacturing, distribution and retailing of cartons of various sizes.

Toilet paper and Hand Towel (TP)

The toilet paper division was started during the reporting year of 2015, and based on its total representation within the consolidated financial statements is considered by the CODM as a reportable segment. Its primary engagement the manufacturing of various types of toilet paper and hand towels.

The company has no unreported segments.

21. **Segment information (cont'd)**

b. Segment revenues and results

	Box	TP	Unallocated	Total
	$	$	$	$
Revenue	633,805,659	26,444,953		660,250,612
Cost of sales	(453,537,893)	(52,717,763)		(506,255,656)
Gross profit	180,267,766	(26,272,810)		153,994,956
Other income	4,563,269	-	2,664,240	7,227,509
	184,831,035	(26,272,810)	2,664,240	161,222,465
Selling and distribution expenses	(5,631,117)	(3,168,092)	(1,319,592)	(10,118,801)
Administrative expenses	(4,710,086)	(4,766,189)	(78,163,226)	(87,639,501)
Finance cost	(6,850,499)	(5,513,207)	-	(12,363,706)
	(17,191,702)	(13,447,488)	(79,482,818)	(110,122,008)
Net Income before taxes	167,639,333	(39,720,298)	(76,818,578)	51,100,457
Income tax			(14,481,615)	(14,481,615)
Net Income after taxes	167,639,333	(39,720,298)	(91,300,193)	36,618,842

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year

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21. Segment information (cont'd)

c. Segment assets and liabilities

	2017	2016
	$	$
Segment assets		
TP	103,888,016	102,808,536
Box	585,053,573	482,025,053
Total segment assets	688,941,589	584,833,589
Segment liabilities		
TP	70,513,228	85,931,894
Box	153,871,472	80,442,649
Total segment liabilities	224,384,700	166,374,543
unallocated	12,440,979	1,398,998
consolidated total liabilities	236,825,679	167,773,541

d. Other segment information

	Box		TP	
	2017	2016	2017	2016
	$	$	$	$
Non-current assets				
Additions	28,763,496	5,138,089	10,518,375	63,771,366
Depreciation	11,107,207	13,324,763	13,640,713	6,304,235

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24. Fair value hierarchy

See accounting policy in note 4.c

	Fair value hierarchy as at 31/8/17			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- loans to related parties	-	-	-	-
- trade and other receivables	-	110,443,675	-	110,443,675
	-	110,443,675	-	110,443,675
Financial liabilities				
Financial liabilities held at amortised cost:				
- bank loans	-	-	111,328,132	111,328,132
- trade and other payables	-	58,988,588	-	58,988,588
Total	-	58,988,588	111,328,132	170,316,721

	Fair value hierarchy as at 31/8/16			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables:				
- loans to related parties	-	-	4,115,641	4,115,641
- trade and other receivables	-	100,162,800	-	100,162,800
Total	-	100,162,800	-	104,278,441
Financial liabilities				
Financial liabilities held at amortised cost:				
- bank loans	-	-	124,487,615	124,4877,615
- trade and other payables	-	43,285,926	-	43,285,926
Total	-	43,285,926	124,487,615	167,773,541