HONEY BUN (1982) LIMITED
Financial Statements
30 September 2016

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS
"Continuous Improvement and Innovation are our Duties......"

McKENLEY
& ASSOCIATES

E-MAIL:
mckenleyandassociates@gmail.com

WEB SITE:
www.wmckenley.com

12 KINGSLYN AVENUE,
KINGSTON 10, JAMAICA
PHONE: (876) 968-3117
(876) 968-3118
FAX: (876) 929-7041

CHARTERED ACCOUNTANTS

Independent Auditors' Report

To the Members of
Honey Bun (1982) Limited

Auditors' Report

We have audited the accompanying financial statements of Honey Bun (1982) Limited (the Company) which comprise the Company's statement of financial position as of 30 September 2016 and the statement of profit and loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

• WILFRED M. McKENLEY M.B.A., F.C.C.A., F.C.A. • JANICE E. McKENLEY, BSc., EMBA., F.C.C.A., F.C.A. (Partner on leave)

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To the Members of
Honey Bun (1982) Limited
Independent Auditors' Report

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 30 September 2016, and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Additional Requirements of 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 and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

McKenley + Associates

Chartered Accountants
22 November 2016
Kingston, Jamaica

HONEY BUN (1982) LIMITED
Statement of Profit and Loss and other Comprehensive Income.
Year ended 30 September 2016

	Note	2016 $	2015 $
Revenue	2 (r)	1,190,211,495	885,669,774
Cost of sales		659,088,501	506,315,931
Gross profit		531,122,994	379,353,843
Finance income – interest		1,072,684	146,030
Exchange gains and other income	5	8,682,058	1,619,680
		540,877,736	381,119,553
Expenses			
Administrative and other expenses		(244,855,938)	(187,884,046)
Selling & distribution costs		(141,143,589)	(118,893,008)
		(385,999,527)	(306,777,054)
Profit from operations		154,878,209	74,342,499
Finance costs		(5,134,254)	(6,177,165)
Profit before taxation		149,743,955	68,165,334
Taxation	8	(10,182,245)	-
Net profit		139,561,710	68,165,334
Other comprehensive income, net of taxes -			
Items that may be reclassified to profit or loss			
Unrealised gain on investments		5,552,627	1,810,563
Deferred tax written back in respect of property, plant and equipment	22	(17,939,596)	-
		(12,386,969)	1,810,563
Profit, being total comprehensive income for the year		127,174,741	69,975,897
Earnings per stock unit	9	0.29	0.14*

*restated for comparative purposes

The accompanying notes form an integral part of the financial statements.

HONEY BUN (1982) LIMITED
Statement of Financial Position
30 September 2016

	Note	2016 $	2015 $
NON-CURRENT ASSETS:			
Property, plant and equipment	10	343,924,732	278,775,252
Investments	11	39,494,528	28,291,806
Intangible assets	12	1,800,549	1,902,611
		385,219,809	308,969,669
CURRENT ASSETS			
Inventories	13	49,629,962	45,419,998
Receivables	14	77,412,216	68,880,502
Taxation recoverable		112,493	112,493
Cash & cash equivalents	15	73,263,386	64,017,625
		200,418,057	178,430,618
CURRENT LIABILITIES:			
Payables	16	71,172,561	68,398,911
Taxation		3,959,304	-
Bank overdraft	18	1,246,209	-
Current portion of long term loans	21	6,051,314	8,464,618
		82,429,388	76,863,529
Net current assets		117,988,669	101,567,089
		503,208,478	410,536,758
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	19	46,514,770	46,514,770
Capital reserves	20	60,372,566	72,759,535
Retained earnings		364,386,136	248,387,774
		471,273,472	367,662,079
NON-CURRENT LIABILITIES			
Long term loans	21	7,832,468	42,874,679
Deferred tax liability	22	24,102,538	-
		503,208,478	410,536,758

Approved for issue by the Board of Directors on November 22, 2016 and signed on its behalf by:

Herbert Chong - Chairman

Paul Moses - Director

The accompanying notes form an integral part of the financial statements.

HONEY BUN (1982) LIMITED
Statement of Changes in Shareholders' Equity
Year ended 30 September 2016

	Note	Capital Reserves $	Share Capital $	Retained Earnings $	Total $
Balance: 30 September 2014		70,948,972	46,514,770	191,532,847	308,996,589
Unrealised gains on securities available for sale		1,810,563	-	-	1,810,563
Net profit for the year		-	-	68,165,334	68,165,334
Total comprehensive income for the year		1,810,563	-	68,165,334	69,975,897
Dividends	17	-	-	(11,310,407)	(11,310,407)
Balance: 30 September 2015		72,759,535	46,514,770	248,387,774	367,662,079
Unrealised gains on securities available for sale		5,552,627	-	-	5,552,627
Net profit for the year		-	-	139,561,710	139,561,710
Deferred taxation		(17,939,596)	-	-	(17,939,596)
Total comprehensive income for year		(12,386,969)		139,561,710	127,174,741
Dividends	17	-	-	(23,563,348)	(23,563,348)
Balance: 30 September 2016		60,372,566	46,514,770	364,386,136	471,273,472

The accompanying notes form an integral part of the financial statements.

Honey Bun (1982) Limited
Statements of Cash Flows
Year ended 30 September 2016

	Note	2016 $	2015 $
Cash flows from operating activities:			
Profit before taxation		149,743,955	68,165,334
Adjustments for:			
Depreciation	10	37,859,516	35,631,210
Loss/(gain) on sale of property, plant and equipment		-	389,533
Amortization	12	1,581,672	3,619,584
Other non-cash items:			
Investment income		(1,072,684)	(146,030)
Finance costs paid		5,134,254	6,177,165
Operating cash flows before movements in working capital		193,246,713	113,836,796
Inventories		(4,209,964)	(7,008,123)
Receivables		(8,531,714)	303,061
Payables		2,773,650	(6,251,792)
Taxation paid		(60,000)	-
Net cash from operating activities		183,218,685	100,879,942
Cash flows from investing activities:-			
Sales proceeds from property, plant and equipment		-	1,641,307
Payment for property, plant and equipment		(103,008,996)	(19,685,650)
Payment for intangible assets		(1,479,610)	-
Interest received		1,072,684	146,030
Purchase of investments		(5,650,095)	(1,137,822)
Net cash used in investing activities		(109,066,017)	(19,036,135)
Cash flows from financing activities:-			
Loans received		-	15,000,000
Repayment of long term borrowings		(37,455,515)	(20,531,363)
Finance costs paid		(5,134,254)	(6,177,165)
Dividend paid		(23,563,348)	(11,310,407)
Net cash (used in)/provided by financing activities		(66,153,117)	(23,018,935)
Net increase/(decrease) in cash and cash equivalents		7,999,552	58,824,872
Net cash balances at beginning of year		64,017,625	5,192,753
Net cash and cash equivalents at end of year	15	72,017,177	64,017,625
Represented by:			
Cash and cash equivalents		73,263,386	64,017,625
Short-term borrowings		(1,246,209)	-
		72,017,177	64,017,625

The accompanying notes form an integral part of the financial statements.

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

Honey Bun (1982) Limited (the "Company") is a limited liability company incorporated under the laws of Jamaica. Its principal activities comprise the manufacture and distribution of baked products to the local and export market. The Company operates within Jamaica from its registered office located at 26 Retirement Crescent, Kingston 5.

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange (JSE) on 3 June 2011.

During the year, a related entity, Next Incorporated acquired 58% of the issued shares of the Company resulting in Next Incorporated becoming the largest shareholder of Honey Bun (1982) Limited. This entity is incorporated under the laws of Belize and is domiciled in Belize.

The principal accounting polices applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and compliance

The principal accounting policies applied in the preparation of the Company's financial statements have been consistently applied to all the years presented, unless otherwise indicated. The policies are set out below.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), under the historical cost convention, as modified by the revaluation of property, plant and equipment and certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in the reporting period.

During the reporting period, certain new standards, interpretations and amendments to existing standards that have been published became effective during the current financial year. The Company assessed the relevance of all such new standards, interpretations and amendments and has determined that they had no significant effect on the amounts and disclosures in these financial statements. The Company, where applicable, has adopted the following:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation and compliance (continued)

Standards, interpretations and amendments to published standards effective in the reporting period (continued)

The IASB annual Improvements projects for the 2010-2012 and 2011-2014 cycles contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after 1 July 2014. The main amendments applicable to the Company are as follows:

- **IAS 24, 'Related Party Disclosures'**, has been amended to extend the definition of "related party" to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity.

- **IFRS 8, 'Operating Segment'.** The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment did not have a significant impact on the Company as its operations are considered by management to be one core segment.

- **IFRS 13, 'Fair Value Measurement',** has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company.

The Company has concluded that the following standards which are published but not yet effective are relevant to its operations and will impact the Company's accounting policies and financial disclosures as discussed below. The Company is considering the implications of the standards but do not expect any significant impact from their adoption. These standards and amendments to existing standards are mandatory for the Company's accounting periods beginning after 30 September 2016 or later periods, but the Company has not early adopted them.

- **Amendment to IAS 1, 'Disclosure Initiative'**, effective for accounting periods beginning on or after 1 January 2016. These amendments clarify the existing requirements of IAS1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation and compliance (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company (continued)

IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets (continued)

- **IAS 16, 'Property, Plant and Equipment, and IAS 38, Intangible Assets',** effective for accounting periods beginning on or after 1 January 2016, have been amended to clarify that, at the date of revaluation:

  (i) The carrying amount of the asset is to be restated to the re-valued amount. The split between gross carrying amount and accumulated depreciation is treated in one of two ways. The gross carrying amount may be restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or

  (ii) Alternatively the accumulated depreciation may be eliminated against the gross carrying amount of the asset.

- **IFRS 9, 'Financial Instruments'**, which is effective for annual reporting periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS39. Effectively, IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model, which means that a loss event will no longer need to occur before an impairment is recognized.

- **IFRS 15, 'Revenue from Contract with Customers'** is effective for annual reporting periods beginning on or after 1 January 2017. This applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue as well as requiring entities to provide more informative and relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations.
- **IFRS 16, 'Leases',** effective for annual reporting periods beginning on or after 1 January 2019. In January 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation and compliance (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company (continued)

- **Amendments to IAS 7, 'Statement of Cash Flows',** effective for annual periods beginning on or after 1 January 2017. In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes.

IASB Annual Improvements -

The IASB annual Improvements project for the, 2012-2015 cycle resulted in amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after 1 January 2016. The main amendments that may be applicable to the Company include the following:

- **IFRS 7, 'Financial Instruments: Disclosures'.** The amendment clarifies, among other things, that the additional disclosure required by the amendments to IFRS 7, "Disclosure-Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.

- **IAS 19 (revised), 'Employee Benefits'**. The amendment clarifies that, when determining the discount rate for post employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

- **IAS 34, 'Interim Financial Reporting'**. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The further amendment amends IAS 34 to require a cross-referencing from the interim financial statements to the location of that information.

There are no other IFRS or IFRIC interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the Company.

(b) Segment reporting

A business segment is a distinguishable component of a company's operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments and whose results are regularly reviewed by the Chief Operating Decision Maker (CODM) to facilitate allocating resources based on performance.

The CODM, which is identified as the Board of Directors that makes strategic decisions, considers the operations of the Company as one operating segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income taxes

Taxation expense in the statement of profit and loss comprises current and deferred tax charges. Current and deferred taxes are recognized as income tax expense or benefit in the statement of profit and loss except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

i. Current taxation

Current income tax charges are based on taxable profit for the year, which differs from the reported profit before tax because it excludes items that are taxable or deductable in other years, and items that are never taxable or deductible. The Company's liability for current tax is calculated at rates that have been enacted at balance sheet date.

ii. Deferred taxation

Deferred tax charges is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements . Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company was granted a remission of income tax after admission to the Jamaica Stock Exchange Junior Market, 3 June 2011 and thus no income or deferred tax was recorded in the financial statements thereafter. The remission expired 2 June 2016 and therefore four (4) months income tax liability was reported in the financial statements along with the deferred tax that was written back at the commencement of the remission period plus the current deferred tax liability for the year ended 30 September 2016.

(d) Property, plant and equipment

Items of property, plant and equipment are measured at cost, except for freehold land and buildings which are measured at valuation, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction considering its existing condition and location. The market value of plant and equipment is estimated using depreciated replacement cost approach. Gains arising from changes in market value are taken to revaluation reserve in shareholder's equity. Losses that offset previous gains of the same asset are charged against the revaluation reserve; all other losses are charged to statement of comprehensive income.

Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated useful lives. Each financial year, the depreciation methods, useful lives and residual values are reassessed. No depreciation is charged on freehold land as it is deemed to have an indefinite life. The expected useful lives are as follows:

Buildings	40 years
Furniture & fixtures	10 years
Machinery & equipment	10 years
Motor vehicles	5 years
Computers	4 years
Plastic bread trays	2 years
Metal baking equipment	5 years

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in profit or loss. On disposal of revalued assets, amounts in revaluation reserves relating to those assets are transferred to profit and loss.

Repairs and maintenance expenditure are charged to profit or loss during the financial period in which they are incurred.

(e) Inventories

Inventories are valued on a first in first out (FIFO) basis at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses. Cost is determined as follows:

Finished goods – cost of product plus all indirect costs to bring the item to a saleable condition
Work-in-progress – cost of direct material plus a portion of direct overheads
Raw material and sundry spare parts – purchase cost of item
Goods-in-transit – cost of goods converted at the yearend exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Finance income and costs

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognized as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and foreign currency losses. Borrowing costs are recognized in profit or loss using the effective interest method.

(g) Foreign currency translation

Transactions in foreign currencies are converted into the functional currency at the exchange rates prevailing at the dates of the transactions and gains or losses recognized in profit or loss. At the end of the reporting period, 30 September 2016, monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rates ruling at the end of the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the statement of other comprehensive income.

(h) Government grant funds

The Company accounts for government grants in accordance with International Accounting Standard 20 (IAS 20) as follows:

(i) Non-current asset grants – over the useful economic life of the asset
(ii) For past costs incurred – immediately in the profit and loss account
(iii) For current/future costs – in the period that the costs are recognized.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transactions. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss in administration and other expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited in profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks and in hand and other short-term deposits and investments with original maturities of three months or less, net of bank overdraft.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets

i. **Computer software**

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of three (3) years for software on a straight line basis.

Costs associated with developing or maintaining computer software programmes are recognized as expenses as incurred.

(l) Impairment

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amounts of the Company's non financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Non-financial assets, if any, that have an indefinite useful life are tested annually for impairment.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(m) Employee benefits

Employee benefits include current or short –term benefits such as salaries, statutory contributions paid, annual vacation and sick leave, and non-monetary benefits such as medical care. Additional details are noted below:

i. **Pension obligations**

The Company does not operate either a contributory or defined benefit pension scheme and thus has no pension obligations.

ii. **Other employee benefits**

The Company does not provide any supplementary medical and life insurance benefits to employees upon retirement. Employee entitlement to annual leave and other benefits are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and other benefits as a result of services rendered by employees up to the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (Continued)

iii. **Profit sharing and bonus plan**

The Company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's stockholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(n) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective yield method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Capitalization of such borrowing costs ceases when the assets are subsequently ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(o) Leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognized at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the lease obligation. The interest element of the lease payments is charged to profit and loss over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the legal owner or lessor are classified as operating leases. Payments under operating leases are charged to profit or loss on the straight line basis over the period of the lease.

(p) Trade and other payables

Trade and other payables and accruals are stated at cost.

(q) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of General Consumption Tax, returns and discounts and represents the proceeds from sale of baked products and other complementary products.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met in relation to the Company's activities as described below:

Sale of goods

Sales are recognised upon delivery of products, customer acceptance of the products and collectability of the related receivables is reasonably assured.

Rental income

Rental income is recognized as it accrues.

Interest income

Interest income is recognised in profit or loss for all interest bearing instruments on an accruals basis using the effective yield method based on the actual purchase price. Interest income includes coupons, earned on fixed income investments.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

(s) Investment securities

Investment securities classified as financial assets at fair value through profit or loss and available-for-sale are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of investments classified as financial assets at fair value through profit or loss are included in the determination of profit or loss in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for an investment is not active, the Company establishes fair value by using valuation techniques. Where fair values cannot be reliably measured, the Company carries the investment at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the "reporting entity")

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

i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity ; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(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 associated with a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity 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 above, 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. A management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

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

(u) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available - for- sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

At reporting date, trade receivables were classified as loans and receivables; cash and bank balances, short term and quoted investment securities were classified as financial assets at fair value through profit and loss; and unquoted investment securities were classified as available-for-sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(u) Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the end of the reporting date, which are classified as non-current assets. Loans and receivables are classified as non-current assets.

Available –for-sale financial assets

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Company commits the purchase or sells the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

De-recognition of financial assets

Financial assets are derecognized when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

Financial liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the statement of financial position date, these liabilities are as current and non-current liabilities and include bank overdraft, trade payables and long term loans.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(u) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

(v) Dividends
Dividends on ordinary shares are recognized in shareholders' equity in the period in which they are approved. Interim dividends payable to shareholders are approved by the directors while final dividends have to be approved by the equity shareholders at the Annual General Meeting. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

Dividend income is recognized when the right to receive payment is established.

(w) Comparative balances
Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year in relation to:

(i) Related party: the due and due from
(ii) Earnings per share
(iii) Salaries and staff costs

3. FINANCIAL RISK MANAGEMENT

This note presents information about the Company's exposure, policies and processes for managing risks. Further qualitative disclosures are included throughout these financial statements.

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme includes a focus on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to implement appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and current information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors, together with management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board approves principles for overall risk management and has established functional committees for managing and monitoring risks, as follows:

(i) Treasury Function:

The Treasury function is responsible for managing the Company's assets and liabilities and the overall financial structure to determine funding and liquidity risks. The Treasury function identifies, evaluates and hedges financial risks.

3. FINANCIAL RISK MANAGEMENT (continued)

(ii) Audit Committee

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its overall role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. There has been no change to the Company's exposure to market risk or the manner in which it manages and measures risk.

(a) Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

There has been no change to the Company's exposure to market risk or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk due to fluctuations in exchange rates on transactions and balances such as purchases, receivables and investments denominated in currencies other than the Jamaican dollar. The main currency that gives rise to this exposure is the US$.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Company further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

Exposure to currency risk

The Company's statement of financial position at 30 September 2016 includes aggregate net foreign assets/(liabilities) in respect of transactions arising in the ordinary course of business, which were subject to foreign exchange rate changes as follows:

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

Exposure to currency risk (continued)

Concentrations of currency risks

	2016 CAN $	2016 US $	2016 UK £	2015 CAN $	2015 US $	2015 UK £
Financial assets						
Cash and cash equivalents	128	435,735	4,229	110	298,214	4,083
Investments	-	221,371	-	-	200,150	-
	128	657,106	4,229	110	498,364	4,083
Financial liabilities						
Payables and accruals		(5,818)		-	(53,104)	-
Total net assets	128	651,288	4,229	110	445,260	4,083

A significant portion of the Company's purchases are made using United States (US) dollars. The Company hedges against movement in the United States dollar principally by holding cash resources in that currency and prompt payment of foreign currency bills as they become due.

The exchange rates applicable to the Jamaican dollar at the date of the statement of financial position relating to foreign currencies are as follows:

Currency	30 Sept. 2016 $	30 Sept. 2015 $
Canadian dollar (Can$)	97.31	88.62
United States dollar (US$)	128.70	119.06
United Kingdom pound (£)	166.78	180.17

Foreign currency sensitivity

The table below indicates the currencies to which the Company has significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates with all variables held constant. Changes in the exchange rates of the Jamaican dollar (JA$) to the United States dollar (US$), Canadian dollar (Can$) and the United Kingdom pound (£) would have the pre-tax effects on profit as described below:

	Effect on pre-tax profit for the year Increase/(Decrease) 2016 $	2015 $
1% (2015- 1%) strengthening of Jamaican dollar	(845,388)	(537,586)
10% (2015-10%) weakening of Jamaican dollar	8,453,883	5,375,864

The analysis assumes that all other variables, in particular interest rates, remains constant.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

Interest-bearing financial assets mainly comprise monetary instruments, bank deposits and short term investments, which have been contracted at fixed interest rates for the duration of their terms.

The Company's cash and cash equivalent are subject to interest rate risk. However, the Company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible. The policy also requires it to manage the maturities of interest bearing financial assets and liabilities.

The Company manages its risk relating to borrowed funds by obtaining fixed rate loans at relatively low rates when interest rates are expected to rise and floating rate loans when interest rates are expected to fall. Interest rates on certain loans are fixed and are not affected by fluctuations in market interest rates. When utilized, bank overdrafts are subject to rates which may be varied by appropriate notice by the lender but the Company avoids this type of loan facility due to its relatively high rate of interest.

The Company analyses its interest rate exposure arising from borrowings on an ongoing basis taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

At the reporting date the interest profile of the Company's interest bearing financial instruments was:

	2016 $	2015 $
Fixed rate:		
Assets	28,442,854	*23,829,859
Liabilities	(13,883,782)	(51,339,297)
	14,559,072	(27,509,438)
Variable rate:		
Assets	57,941,995	37,376,308
Liabilities	-	-
	57,941,995	37,376,308

* Prior year amount for VMBS reclassified from variable rate to fixed rate for comparative purposes

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued charges are considered to approximate their carrying values due to their short - term nature.

The Company does not hold any financial instruments that are carried at fair value and therefore a change in interest rates at the reporting date would have no impact on profit or equity.

Cash flow sensitivity analysis for variable rate instruments

The Company's financial instruments are fixed and short term in nature and interest rate fluctuations are not expected to have any material effect on the net results of stockholders' equity.

There has been no change during the year in the Company's approach to measuring and managing financial instrument risks.

(ii) Commodity price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to price risk relating to imported wheat, sugar and eggs.

Where necessary, the Company enters into commodity contracts or related financial instruments in respect of its future usage requirements. The price of these commodities is reviewed regularly in considering the need for active financial risk management. The prices of the main imported ingredients such as wheat and sugar are tracked and non-perishable items purchased in advance if prices are increasing.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from the Company's receivables from customers and investment activities. The Company structures the levels of credit risks it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty.

(i) Trade and other receivables

The Company has an established credit process which involves regular analysis of the ability of distributors and major customers to meet repayment obligations.

Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers and regular credit evaluation of customers. Appropriate credit checks, references and analyses are undertaken in order to assess customers' credit risk prior to offering new credit or increasing existing credit limits. Customers' who are experiencing cash flow difficulties and are exceeding their credit limits are identified and the appropriate actions taken.

Key performance indicators are reviewed regularly, including cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible. Annual review of credit limits for all customers including payment history and risk profile is done before renewal of credit facilities.

Trade receivables over 90 days are reviewed and the company has provided fully for all receivables where collectability is deemed doubtful. This is determined by direct contact with customer, past default experience, current economic conditions and expected receipts and recoveries.

The Company's credit period on the sale of goods ranges from 7 to 30 days. The Company has provided fully for all receivables where collectability is deemed doubtful.

The Company does not require collateral in respect of trade and other receivables with the exception of major distributors who are required to make cash deposits in accordance with Company policy guidelines.

(ii) Investments and cash equivalents

The Company limits its exposure to credit risk by investing principally in liquid securities, with counterparties that have high credit quality and with licensed financial institutions that are considered stable. Accordingly management does not expect any counterparty to fail to meet its obligations.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

Aging analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 30 days past due are not considered impaired. A significant portion of the balance over 90 days relate to customers that have a good credit and payment history.

The specific allowance account in respect of trade receivables is used to record impairment losses. The impaired receivables mainly relate to assigned distributors and major customers who are experiencing difficult economic situations; whenever management considers any amount to be irrecoverable, it is written off directly to bad debt or against the provision, if an amount was previously provided.

During the year, the Company increased its due diligence in managing credit risk, especially in regards to customers who consistently exceeded their credit limits as a consequence of the deteriorating economic climate.

Aging analysis of trade receivables

	2016		2015	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Current: below 30 days	54,221,128		43,173,983	
Past due 31-60 days	10,106,265		5,730,815	
Past due 61-90 days	1,111,510		6,987,907	
More than 90 days	9,750,860	9,107,544	14,346,199	7,852,716
	75,189,763	9,107,544	70,238,904	7,852,716

Movement on the provision for impairment of trade receivables

The movement on the provision for impairment of trade receivables was as follows:

	2016	2015
	$	$
At beginning of year	7,852,716	2,835,240
Provision for receivables impairment	2,814,169	5,017,476
Recoveries	(1,559,341)	-
At end of year	9,107,544	7,852,716

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no significant financial assets other than those listed above that were individually impaired.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

Exposure to credit risk for trade receivables

The following table summarises the Company's credit exposure for trade receivables at their carrying amounts, as categorized by the customer sector:

	Carrying amount	
	2016	**2015**
	$	**$**
Supermarkets	12,134,664	13,933,740
Distributors	42,164,247	28,706,009
Schools	4,310,546	5,459,372
Other receivables	16,580,306	22,139,783
	75,189,763	70,238,904

At the reporting date, the Company had no receivable from any Government entity.

The Company's most significant customer, an island-wide distributor, accounts for $13,764,135 or 18% (2015 - $11,262,181 or 16%) of the carrying amount of trade receivables at the reporting date.

Exposure to credit risk for investments

The following table summarises the Company's credit exposure for investments at their carrying amounts, as categorized by the issuer. The carrying amounts below represent the total for investments included in financial assets at fair value through profit or loss.

	2016	**2015**
	$	**$**
Investments	39,494,528	28,291,806
Receivables	77,412,216	68,880,502
Cash and cash equivalents	73,263,386	64,017,625
	190,170,130	161,189,933

Investments are held principally in local stock and securities listed on the Jamaican Stock Exchange in companies that are considered safe by the directors. Other investments are held in cash deposits with reputable financial institutions and the directors do not anticipate any potential loss in value from its investment portfolio.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments associated with financial instruments when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Liquidity risk management process

The Company manages its liquidity risk by:

(i) monitoring current and future cash flows on a daily basis and by maintaining an appropriate level of resources in liquid or near liquid form to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(ii) The Company also manages cash flow risk through budgetary measures, ensuring as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(iii) The Company maintains sufficient cash and short-term deposits along with having available committed facilities to ensure it meets its liquidity requirements.

(iv) Managing the concentration and profile of debt maturities.

Financial Liabilities cash flows

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below summarizes the maturity profile of the Company's financial liabilities at 30 September 2016 based on contractual undiscounted payments.

	2016				
	Carrying amount	Contractual cash flow	Less than 1 year	More than 1<2 years	2 to 5 years
	$	$	$	$	$
Non- derivative financial liabilities					
Trade and other payables	71,172,563	71,172,563	-	-	-
Long term loans	13,883,782	15,100,455	6,770,315	4,531,524	3,798,616
Bank overdraft	1,246,209	1,246,209	-	-	-
Total financial liabilities (contractual maturity dates)	86,302,554	87,519,227	6,770,315	4,531,524	3,798,616

Honey Bun (1982) Limited
Notes to the Financial Statements
30 September 2016

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

Liquidity risk management process (continued)

	2015				
	Carrying amount	**Contractual cash flow**	**Less than 1 year**	**More than 1<2 years**	**2 to 5 years**
	$	**$**	**$**	**$**	**$**
Non- derivative financial liabilities					
Trade and other payables	68,398,911	68,398,911	-	-	-
Long term loans	51,339,297	81,894,878	15,760,715	66,134,163	-
Total financial liabilities (contractual maturity dates)	119,738,208	150,293,789	15,760,715	66,134,163	-

Assets available to meet liabilities and to cover financial liabilities include cash and short term investments.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(d) Capital management

The policy of the Company's Board of Directors is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business and ensure it continues as a going concern.

The Company considers its capital to be its total shareholders' equity inclusive of accumulated surplus and reserves. The Company's financial objective is to generate a targeted operating surplus, in order to strengthen and provide for the future continuity of the Company as a going concern in order to provide returns for its stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors regularly review the financial position of the Company at meetings and monitor the return on capital and the level of dividends to the ordinary shareholders. They seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Debt is the total of long term loans and bank overdraft less related party loans, if any. Total capital is calculated as equity as shown in the Company's balance sheet plus debt. The gearing ratios at the yearend based on these calculations were as follows:

	2016 $	2015 $
Debt: long term loans and bank overdraft	15,129,991	51,339,297
Equity	471,273,472	367,662,079
Total capital	486,403,463	419,001,376
Gearing ratio	3.11%	12.25%

During 2016, the Company's strategy, which was unchanged from 2015, was to maintain the gearing ratio below 25%

There were no significant changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

(e) Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated with the Company's internal processes such as personnel, technology, infrastructure and external factors, other than financial, such as those arising from natural disasters, legal and regulatory requirements and generally accepted ethical and corporate social behaviour. Management's objective is to manage operational risk so as to reduce the possibility of financial loss and long term damage to the Company's reputation while trying to balance control procedures that restrict initiative and creativity.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(f) Reputational risk

The Company is engaged in a business that principally distributes baked food items, and its reputation is critical within the market place. The Company's management endeavors at all times to be ethical and adopts international best practices in its manufacturing process.

The Company also ensures that the necessary sanitary standards are maintained to guarantee that regular audits by the Bureau of Standards are successfully undertaken. In addition, customer audits are undertaken to facilitate continuous improvement and customer delivery.

Customer complaints are properly investigated and appropriately assessed and transparency is maintained; where necessary customers are promptly compensated if they have suffered loss. Management considers the Company's reputation secured as they ensure that events that may damage the Company's reputation are immediately investigated and the appropriate action taken to deal with the event in a manner that satisfies the complainant.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, management has made no significant judgments regarding the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

Impairment of receivables.

In determining amounts recorded for impairment losses of receivables in the financial statements, management makes judgements regarding indicators of impairment that may suggest there may be a measurable decrease in estimated future cash flows from receivables resulting from default or adverse economic conditions. Management also makes estimates of the likely future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar credit risk characteristics.

Income Tax

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Depreciable assets

The expected useful life and residual value of property, plant and equipment are reviewed at each financial year end in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. Useful life of property, plant and equipment is defined in terms of the asset's expected utility to the company. The useful life is based on management's best estimate from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

Assessment of goodwill

The Company test annually whether goodwill has suffered any impairment. The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration growth, inflation and possible discount rate. These factors are considered by management when determining any possible impairment of goodwill and the final outcome may be subject to adjustment in the subsequent year.

After review, management decided in 2015 to fully write off the goodwill balance.

5. EXCHANGE GAINS AND OTHER INCOME

	2016 $	2015 $
Grant Funds	2,426,638	-
Gain on exchange	5,497,534	1,442,064
Gain/(loss) on disposal of assets	-	(389,533)
Dividends received	84,886	19,673
Gain on sale of shares	673,000	547,476
	8,682,058	1,619,680

6. OPERATING PROFIT BEFORE TAXATION

The following items have been charged in arriving at operating profit before taxation:

	2016 $	2015 $
Auditors' remuneration	1,750,000	1,500,000
Depreciation	37,859,515	35,631,210
Directors' emoluments -	-	-
Directors fees	3,543,192	3,031,875
Management remuneration	10,830,768	9,819,600
Foreign exchange gains	(5,497,534)	(1,442,064)
Staff costs (excluding management remuneration above)	283,202,871	222.954,979

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
30 September 2016

7. STAFF COSTS

	2016 $	2015 $
Salaries and wages (including accrued vacation and Management remuneration)	245,691,992	*194,061,698
Payroll taxes: employer's portion	16,325,621	14,007,613
Other staff costs	32,016,025	*24,705,268
	294,033,638	232,774,579

*restated for comparative purposes. Certain other staff costs such as medical and training reclassified to salaries.

The average number of persons employed by the Company during the year was as follows:

	2016	2015
Full time	58	71
Contract workers	339	218

8. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% (2015 – 25%).

	2016 $	2015 $
Taxation for the year comprises:		
Current tax expense	4,019,303	-
Deferred Tax adjustment (note 22)	6,162,942	-
	10,182,245	-

(b) The tax on the Company's profit differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2016 $	2015 $
Profit before taxation	149,743,955	68,165,334
Tax calculation @ 25% (2015 – 25%)	37,435,989	17,041,334
Adjustment for difference in treatment of:		
Depreciation and capital allowances	(2,770,992)	3,190,817
Net effect of other charges for tax purposes	(213,815)	96,595
Adjustment for the effect of remission of tax.	(30,001,239)	(20,328,746)
Employment Tax Credit (max 30% of tax liability)	(430,640)	-
Tax charged for the year	4,019,303	-

8. TAXATION (CONTINUED)

(c) Remission of income tax:

By notice dated 13th August 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JMJSE) if certain conditions were achieved after the date of initial admission.

Effective 3 June 2011, the Company's shares were listed on the JSE. Consequently, the Company is entitled to a remission of income taxes for ten years in the proportion set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5 (1 June 2011-31 May 2016) – 100%

Years 6-10: (1 June 2016- 31 May 2021) – 50%.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.

Effective 2 June 2016, the 100% tax remission for the first five (5) years after listing on the JMJSE expired and the Company was subject to income tax on 50% of its chargeable income for four (4) months for the year ended 30 September 2016.

The Company also accounted for deferred tax using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Government of Jamaica (GOJ) new taxes

Effective 1 January 2014, the Government of Jamaica enacted new tax measures to change the tax incentive regimes applicable to various industries. Given the current tax position of the Company, as disclosed in note 8(c) above, these new tax measures have resulted in changes in the income tax and capital allowance computations but will not materially affect the Company's tax position until the end of the tax remission period.

Some of these changes are as follows:

- Tax compliant entities are able to claim up to 30% of employer's and employees' statutory contributions (Employment Tax Credit (ETC)) against income tax for the year. Unused ETC , cannot be carried forward or refunded

- A Minimum Business Tax of $60,000 was enacted, payable in two installments, 15 June and 15 September of each year by registered companies. This tax can be set-off against income tax liability for the financial year but cannot be carried forward if unused in the respective year.

9. EARNINGS PER SHARE

At an Extraordinary General Meeting held on 26 May 2016, the following resolution was passed:

"Effective 1 June 2016, each ordinary share of the Company is divided into five (5) shares resulting in the Authorized Share Capital of the Company increasing from 97,500,000 shares to 487,500,000 shares of no par value and the issued and fully paid capital of the Company increasing from 94,253,390 shares to 471,266,950 of no par value".

The EPS is computed by dividing the profit for the year by 471,266,950 (2015 – 471,266,950), the number of shares in issue after the stock split outlined above. For the purpose of calculating earnings per share, the stock split is treated as having taken place on 1 October 2014 and the prior year's EPS has been restated accordingly.

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
30 September 2016

10. PROPERTY, PLANT AND EQUIPMENT

2016

	Buildings	Construction W.I.P.	Land	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$		$	$	$	$	$	$	$
At cost:									
1 October 2015	120,339,555	-	39,342,071	8,215,741	32,231,307	12,284,971	55,434,570	141,443,213	409,291,428
Disposals									
Additions	3,826,094	12,973,477	-	2,055,957	10,642,482	1,960,751	22,456,688	49,093,547	103,008,996
30 September 2016	124,165,649	12,973,477	39,342,071	10,271,698	42,873,789	14,245,722	77,891,258	190,536,760	512,300,424
Depreciation:									
1 October 2015	7,981,605	-	-	3,587,843	16,468,240	8,309,129	29,598,747	64,570,612	130,516,176
Charge for the year	3,051,945	-	-	672,518	6,239,728	1,536,096	13,226,735	13,132,494	37,859,516
30 September 2016	11,033,550	-	-	4,260,361	22,707,968	9,845,225	42,825,482	77,703,106	168,375,692
Net book value									
30 September 2016	113,132,099	12,973,477	39,342,071	6,011,337	20,165,821	4,400,497	35,065,776	112,833,654	343,924,732

During the year ended 30 September 2010, the freehold land and building was revalued by the Directors at market value. The Plant and Machinery were revalued as at 12 April 2010 by Delano Reid & Associates Limited, Appraisers, Engineers and Management Consultants at fair Market Value-Installed. The Company’s plant and machinery acquired from a company in liquidation at fire sale values were initially recorded at cost but subsequently revalued as noted. The surplus arising on the revaluation of the building and plant and machinery during 2010, were credited to capital reserves (Note 20). The Directors are of the opinion that the fixed assets represent their carrying amounts as at 30 September 2016.

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
30 September 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2015

	Buildings	Land	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
1 October 2014	139,501,927	20,872,340	6,532,800	28,416,631	10,302,851	52,776,482	136,586,269	394,989,300
Disposals	(1,541,609)	-	-	-	-	(3,841,912)	-	(5,383,521)
Reclassification	(18,469,731)	18,469,731	-	-	-	-	-	-
Additions	848,968	-	1,682,941	3,814,676	1,982,120	6,500,000	4,856,944	19,685,649
30 September 2015	120,339,555	39,342,071	8,215,741	32,231,307	12,284,971	55,434,570	141,443,213	409,291,428
Depreciation:								
1 October 2014	4,981,065	-	2,584,215	10,083,644	7,264,848	21,380,493	52,083,383	98,377,648
Disposals	(42,076)	-	-	-	-	(3,450,606)	-	(3,492,682)
Charge for the year	3,042,616	-	1,003,628	6,384,596	1,044,281	11,668,860	12,487,229	35,631,210
30 September 2015	7,981,605	-	3,587,843	16,468,240	8,309,129	29,598,747	64,570,612	130,516,176
Net book value								
30 September 2015	112,357,950	39,342,071	4,627,898	15,763,067	3,975,842	25,835,823	76,872,601	278,775,252

11. INVESTMENTS

Investments comprise:

	2016 $	2015 $
Held to maturity:		
Stocks And Securities Ltd. (US$)	8,217	5,830
Mayberry Investments Ltd. (US$)	39,374	-
Stocks And Securities Ltd.(Ja$)	581,775	1,576,713
Victoria Mutual Building Society (US$)	26,407,492	23,829,859
Digicel Group Bond 7.125% 2022 (US$)	2,035,362	-
Quoted shares: available-for-sale:		
General Accident Insurance Co. Ltd. shares	214,099	133,812
Lasco Manufacturing Ltd. shares	2,950,000	1,180,000
Caribbean Cream Ltd. shares	4,727,700	1,251,000
Pan Jamaican Investment Trust Ltd. shares	1,211,543	314,592
Jamaica Teas Ltd. shares	243,372	-
National Commercial Bank Ltd.	1,075,594	-
	39,494,528	28,291,806

The Victoria Mutual Building Society US$ investment is held as collateral against a loan from the said financial institution that was used to acquire a real estate property to expand the operations of the Company.

Apart from the quoted shares which are classified as level 1, the other investments are level 2 investments.

12. INTANGIBLE ASSETS

Intangible assets in the statement of financial position were determined as follows:

	2016 $	2015 $
Software at cost:		
Opening balance: 1 October	16,097,315	16,097,315
Software purchased during year	1,479,610	-
Closing balance : 30 September	17,576,925	16,097,315
Amortization:		
Opening balance: 1 October	14,194,704	10,575,120
Amortization of software at 33 1/3%	1,581,672	3,619,584
Closing balance: 30 September	15,776,376	14,194,704
Balance: Software at cost, net of amortization	1,800,549	1,902,611

Software is amortized over three (3) years, unless there is significant impairment during the year.

13. INVENTORIES

	2016 $	2015 $
Raw and packaging material	37,014,300	33,067,348
Work-in-progress	6,590,368	8,236,560
Sundry equipment spares	4,508,352	3,416,026
Finished goods	1,516,942	700,064
	49,629,962	45,419,998

The Company has no major spare parts that may be classified as plant, property and equipment and there were no inventory write-downs for the current or the previous year.

14. RECEIVABLES

	2016 $	2015 $
Trade receivables	75,189,763	70,238,904
Less provision for bad debts	(9,107,544)	(7,852,716)
	66,082,219	62,386,188
Prepayments	2,592,233	1,121,607
Other receivables	8,737,764	5,372,707
	77,412,216	68,880,502

At the end of the year, approximately $44 Million or 58% (2015 - $28 Million or 41%) of the trade receivable balance was due from the Company's five (5) largest customers. The Company also holds collateral in the form of cash deposits for several of its distributors, whose balances are included in the above amount for trade receivables.

15. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Petty cash	261,000	243,000
Foreign currency accounts:		
Foreign currency bank accounts: various banks	56,796,875	36,235,097
Local currency accounts:		
Current and saving bank accounts : various banks	16,205,511	27,539,528
	73,263,386	64,017,625

These bank balances are held at reputable financial institutions that are relatively stable. Interest earned averages between 0% - 3%, depending on the type of account held with the financial institutions. The exchange rate at the reporting date of the US dollar was J$ 128.27 to 1 US$ (2015 - J$ 119.06 to 1US$)

16. PAYABLES

	2016 $	2015 $
Trade payables	52,473,337	52,996,296
General Consumption Tax (GCT)	1,294,214	6,339,822
Accrued staff vacation pay	4,073,077	5,336,311
Other payables	12,502,664	2,808,201
Distributors' deposits	829,269	918,281
	71,172,561	68,398,911

Included in trade payables is an amount of $748,821 (2015 -$6,322,562) payable in foreign currency. The Directors are of the opinion that payables are fairly stated due to the short term maturity of these amounts, as they are due within three (3) months of the year end. The directors considered the impact of the depreciation of the Jamaican dollar after the end of the financial year immaterial because the foreign currency balance was short term in nature and promptly settled subsequent to the year end.

17. DIVIDENDS

	2016 $	2015 $
First interim	9,425,339	11,310,407
Second interim	14,138,009	-
	23,563,348	11,310,407

(i) An interim dividend of 10 cents per stock unit, amounting to 9,425,339 was paid on 4 January 2016 to shareholders on record at 21 December 2015 relating to the year ended 30 September 2016

(ii) An interim dividend of 3 cents per stock unit, amounting to 14,138,009 was paid on 11 July 2016 to shareholders on record as at 27 June 2016 relating to the year ended 30 September 2016.

(iii) An interim dividend of 12 cents per stock unit, amounting to $11,310,407 was paid on 29 May 2015 to shareholders on record as at 15 May 2015 relating to the year ended 30 September 2015.

18. BANK OVERDRAFT

The bank overdraft is secured by real estate owned by the Company.

19. SHARE CAPITAL

	2016 $	2015 $
Authorized:		
487,500,000 (2015 - 97,500,000) ordinary shares at no par value		
Stated Capital:		
Issued and fully paid:		
471,266,950 (2015 - 94,253,390) ordinary shares of no par value	46,514,770	46,514,770

At an extraordinary meeting of the company held on 26 May 2016, a resolution was passed, effective 1 June 2016 that each ordinary share be subdivided into five (5) shares of no par value resulting in the authorised share capital increasing to 487,500,000 shares of no par value and the issued and fully paid capital of the company increasing from 94,253,390 shares to 471,266,950 of no par value.

20. CAPITAL RESERVES

	2016 $	2015 $
Balance brought forward: 1 October	72,759,535	70,948,972
Deferred tax on revaluation at 25%	(17,939,596)	-
Unrealised gain on securities	5,552,627	1,810,563
Balance at 30 September	60,372,566	72,759,535

Represented by unrealised surplus on revaluations::	2016 $	2015 $
Property, plant and equipment - 2009	33,000	33,000
Property, plant and equipment - 2010	50,109,435	50,109,435
Property, plant and equipment - 2010	21,615,949	21,615,949
Deferred tax on revaluation at 25%	(17,939,596)	-
Unrealised gain on securities: net accumulated balance	6,553,778	1,001,151
Balance at 30 September	60,372,566	72,759,535

The capital reserves represent surplus arising on the revaluation of the Company's buildings and plant and machinery by the Directors along with unrealized gain on securities. Refer to note 10.

21. LONG TERM LOANS

	2016 $	2015 $
(i) Bank Of Nova Scotia Jamaica Limited	2,166,661	5,880,937
(ii) Bank Of Nova Scotia Jamaica Limited	-	15,000,000
(iii) Sagicor Bank Jamaica Limited	-	15,115,240
(iv) Victoria Mutual Building Society (VMBS)	11,717,121	15,343,120
	13,883,782	51,339,297
Less current portion due within 12 months	(6,051,314)	(8,464,618)
	7,832,468	42,874,679

(i) This loan is repayable on a monthly basis, maturing in November 2017 and attracts interest at 9.95% (2015-9.95%). It is secured by a first and second mortgage over commercial properties owned by the Company.

(ii) This loan is repayable on a monthly basis, maturing in September 2020 and attracts interest at 9%. It is secured by a first and second mortgage over commercial properties owned by the Company. Repaid in full in May 2016

(iii) This loan is repayable on monthly basis, maturing in September 2029 and attracts interest at 10.5% (2015-10.5%). It is secured by a first mortgage over commercial property which was purchased in 2014 by the Company. Repaid in full in February 2016

(iv) This is a Victoria Mutual Building Society (VMBS) share loan which is repayable on a monthly basis, maturing in July 2019 and attracts interest of 6.5% (2015-6.5%). The primary collateral is a US$ time account being held with VMBS.

22. DEFERRED INCOME TAXES

Deferred tax represents the potential income tax liability due as a result of future accelerated depreciation charges that will become subject to income tax if they crystallize. No provision was made for deferred tax during the year ended 30 September 2015 because the Company was listed on the JSE Junior Market, effective 3 June 2011 and was relieved from income tax until 31 May 2016(See note 8).

During the year ended 30 September 2016, deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amount determined after appropriate offsetting are as follows:

	2016 $	2015 $
Deferred tax liability	24,102,538	-
	24,102,538	-

The movement in deferred taxation is as follows:

	2016 $	2015 $
Balance at start of year	-	-
Charged to equity for the year	17,939,596	-
Charged to profit & loss for the year	6,162,942	-
Balance at end of year	24,102,538	-

Deferred taxation is due to the following temporary differences:

	2016 $	2015 $
Revaluation surpluses written back	17,939,596	-
Accrued vacation	(1,018,269)	-
Decelerated capital allowances	7,181,211	-
Balance at end of year	24,102,538	-

Deferred taxation charged to profit or loss comprises the following temporary differences::

	2016 $	2015 $
Accrued vacation	(1,018,269)	-
Decelerated capital allowances	7,181,211	-
	6,162,942	-

Deferred income tax liabilities are recognised as the Company will be subject to income tax on 50% of its earnings for the next five (5) years, if the Company remains listed on the Junior Market of the Jamaica Stock Exchange.

23. EXPENSES BY NATURE

Total direct, administration and other operating expenses:

	2016 $	2015 $
Cost of inventories recognized as expense	490,076,043	373,011,539
Distribution costs	43,216,354	38,042,639
Advertising, marketing and promotion	34,529,192	26,300,297
Directors' fees	3,543,192	3,031,875
Local travel, accommodation and motor vehicle expenses	2,750,046	2,491,766
Rates, taxes, telephone, fuel and electricity	42,473,819	36,092,916
Foreign travel and accommodation	1,240,919	1,271,985
Office, general, printing and stationery	2,285,227	2,148,957
Insurance	11,778,292	8,506,853
Rental of property	7,600,247	3,314,500
Repairs and maintenance and cleaning and sanitation	30,976,335	18,550,612
Legal, professional, management and accounting	17,621,541	10,813,903
Audit fees	1,750,000	1,500,000
Security	5,552,119	6,087,102
Staff costs	294,033,639	232,774,579
Depreciation	37,859,515	35,631,210
Amortisation	1,581,672	3,619,584
General Consumption Tax - irrecoverable	7,589,390	5,055,846
Environmental levy	4,959,835	-
Other expenses	3,670,651	4,703,433
	1,045,088,028	813,092,985

Expenses by nature include the total of cost of sales, distribution costs, administration and other expenses.

24. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Related parties include directors and key management; key management includes directors (executives and non-executives) and members of the senior management.

(a) Related party transactions

The following transactions were carried out between the Company and Next Incorporated Limited a company incorporated in Jamaica.

	2016 $	2015 $
Payments net of purchases	(25,878)	(55,639)

The balance receivable at the end of the year on its supplier's account, which is included in trade receivables, is as follows:

	2016 $	2015 $
Receivables due from Next Incorporated Limited	140,774	166,652

During the year, no management fees were charged and no payments were made to senior directors or key management personnel nor were any amounts outstanding to them at the end of the reporting period in respect to Next Incorporated Limited.

Key Management personnel

During the year, there were no transactions with key personnel of Next Incorporated Limited.

(b) Key management compensation (included in staff cost – note 6):

	2016 $	2015 $
Salaries and other short-term employee benefits	18,353,960	11,664,840,

Key management comprised of two executive directors and two senior managers in 2016. In 2015 the amount relates to two executive directors and one senior manager.

(c) Directors emoluments:

	2016 $	2015 $
Fees	3,543,192	3,031,875
Executive directors' salaries and benefits (included in salaries and other short-term benefits in (b) above)	10,830,768	9,819,600

(d) Loans to/from directors:

During the reporting period ended 30 September 2016, there were no loans to or from any directors.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. Where no market price is available, the fair values presented, if necessary, have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The amounts included in the financial statements for cash and cash equivalents, receivables, payables and borrowing facilities reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the Company's contractual obligations and are carried at amortized cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar instruments.

Where appropriate, financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observed, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instrument;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument either directly (i.e., as prices) or indirectly (i.e., derived from prices). There were no financial instruments held by the Company in this category.

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instruments that are not based on observable market data (unobservable inputs). There were no financial instruments held by the Company in this category.

During the year, there were no transfers between levels.

26. COMMITTMENTS

Apart from financial commitments regarding borrowings, there were no other contracted commitments, capital or otherwise, at the reporting date.

The Company has authorised capital expenditure of approximately $100 million to expand its warehouse and water storage facilities but no contract was signed at the end of the reporting period.

27. CONTINGENT LIABILITIES

In determining the existence of a contingent liability, management assesses the existence of:

(a) a possible obligation that arises from a past event and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
(b) a present obligation that arises from a past event but is not recognised because it is not possible that an outflow of economic benefit is required to settle, the amount of the obligation cannot be reliably measured.

In estimating possible outflow of economic benefits in relation to a contingent liability, management, if considered necessary, consults with experts such as legal counsel and based on advice may or may not make provision in the financial statements. Contingent liabilities are disclosed in the financial statements, unless considered immaterial or, the possibility of an outflow of economic benefits is remote.

At year end, there were no letters of credit issued by the Company or loan facilities guaranteed on behalf of any third parties or any contingent liabilities that the directors considered material for disclosure in the financial statements.

28. SUBSEQUENT EVENT

The directors of the Company were not aware of any material subsequent event up to the date of the signing of these financial statements that should be disclosed in the financial statements. The Company's attorneys also did not report any significant matter at the reporting date, 30 September 2016.