HONEY BUN (1982) LIMITED
Financial Statements
30 September 2017

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Independent Auditor's Report

To the Members of
Honey Bun (1982) Limited

Report on the Audit of the Financial Statements

Our opinion

We have audited the financial statements of Honey Bun (1982) Limited ("the Company") which comprise the statement of comprehensive income, the statement of financial position as at 30 September 2017, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 September 2017, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. During our work, we encountered one key audit matter that required disclosure.

Independent Auditor's Report

To the Members of
Honey Bun (1982) Limited

Key Audit Matters (continued)

- **Impairment provision for receivables**

  See notes 2 (a), 2(h) and 3 (b) to the financial statements for management's disclosures of related accounting policies, balances, judgments and estimates.

  The Company has net trade receivable balances disclosed in Note 14 of $73 million, which is significant and represents 30.6% of current assets on the statement of financial position.

  As at 30 September 2017, total trade receivables amounted to $88 million with an impairment provision of $14 million representing 16% of the balance. With a net profit of $92 million, the accounts receivable represent a potential credit risk. We have recognized from our Audit that there has been an increase in the credit risk in this regard over the prior year.

  We focused on the method used by management to determine the necessity for a provision against long outstanding debts and customers who are experiencing financial difficulties. We discussed and reviewed the impaired balances and reviewed correspondence with the customers along with agreements reached and the level of subsequent payments after the year-end.

  Also, we assessed and tested the fairness of the receivable balances by positive confirmation of certain customers along with reviewing payment pattern and determined that the reported balances were fairly stated. We reviewed subsequent payments and evaluated the payment arrangements with customers with balances over 90 days that are considered doubtful. The total balances owing to the Company over ninety (90) days amounted to $32 million and additional amounts provided against possible bad debts amounted to $5 million during the year.

  We also queried certain assumptions by management as to why no further additional increase in the provision may be necessary, especially in regard to dormant receivable balances and those customers who continue to access credit from the Company while having significant balances over 90 days. We also evaluated the historical experience for customers within the industry with similar risk characteristics who have long outstanding balances.

  Management has implemented a number of measures to enhance the Company's credit strategy including stricter review of credit to new customers and the provision of further controls before additional credit is extended to existing customers. We evaluated the performance of the receivables, had discussions with management and reviewed the new policies established along with assessing subsequent receipts to determine whether there was any requirement for further adjustment to the impairment provision.

  Based on our work we consider the impairment provision to be reasonable and no additional provision was considered to be necessary.

To the Members of
Honey Bun (1982) Limited

Independent Auditor's Report (continued)

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

To the Members of
Honey Bun (1982) Limited

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication**.**

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports but does not include the financial statements and the Auditor's Report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

To the Members of
Honey Bun (1982) Limited

Independent Auditor's Report (continued)

Other Information (continued)

Our report on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Report on Other Legal and Regulatory Requirements

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

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

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

McKenley & Associate

Chartered Accountants

22 November 2017
Kingston, Jamaica

HONEY BUN (1982) LIMITED
Statement of Comprehensive Income.
Year ended 30 September 2017

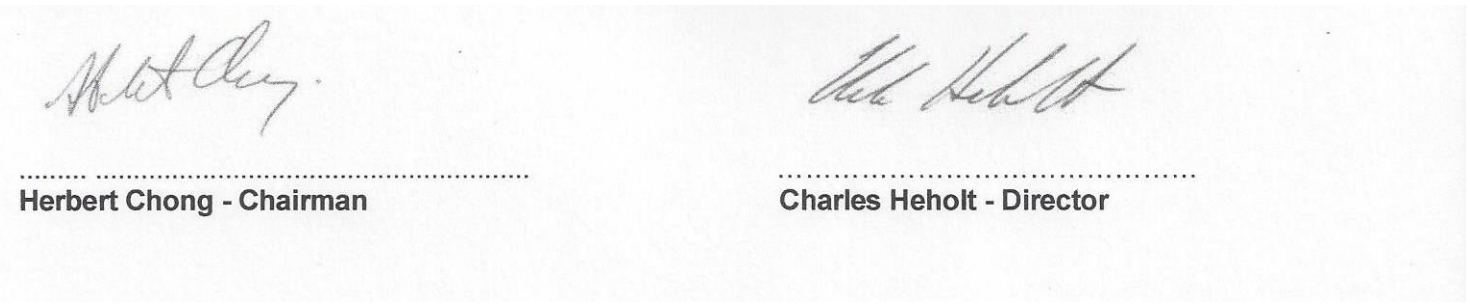
	Note	2017	2016
		$	$
Revenue	2 (r)	1,251,119,903	1,190,211,495
Cost of sales		706,919,927	659,088,501
Gross profit		544,199,976	531,122,994
Finance income – interest		1,616,682	1,072,684
Exchange gains and other income	5	3,141,988	8,682,058
		548,958, 646	540,877,736
Expenses			
Administrative and other expenses		(264,353,865)	(244,855,938)
Selling & distribution costs		(173,461,014)	(141,143,589)
		(437,814,879)	(385,999,527)
Profit from operations		111,143,767	154,878,209
Finance costs		(5,877,914)	(5,134,254)
Profit before taxation		105,265,853	149,743,955
Taxation	8	(11,363,510)	(10,182,245)
Net profit		93,902,343	139,561,710
Other comprehensive income, net of taxes -			
Items that may be reclassified to profit or loss			
Unrealised (loss)/gain on investments		(491,828)	5,552,627
Deferred tax written back in respect of property, plant and equipment	22	-	(17,939,596)
		(491,828)	(12,386,969)
Profit, being total comprehensive income for the year		93,410,515	127,174,741
Earnings per stock unit	9	0.19	0.29

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

HONEY BUN (1982) LIMITED
Statement of Financial Position
30 September 2017

	Note	2017 $	2016 $
NON-CURRENT ASSETS:			
Property, plant and equipment	10	386,947,599	343,924,732
Investments	11	78,079,907	39,494,528
Intangible assets	12	1,657,433	1,800,549
		466,684,939	385,219,809
CURRENT ASSETS			
Inventories	13	47,939,061	49,629,962
Receivables	14	81,702,289	77,412,216
Taxation recoverable		6,660,500	112,493
Cash & cash equivalents	15	101,644,353	73,263,386
		237,946,203	200,418,057
CURRENT LIABILITIES:			
Payables	16	87,267,645	71,172,561
Taxation		12,636,747	3,959,304
Bank overdraft	18	-	1,246,209
Current portion of long term loans	21	6,519,369	6,051,314
		106,423,761	82,429,388
Net current assets		131,522,442	117,988,669
		598,207,381	503,208,478
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	19	46,514,770	46,514,770
Capital reserves	20	59,880,738	60,372,566
Retained earnings		439,435,919	364,386,136
		545,831,427	471,273,472
NON-CURRENT LIABILITIES			
Long term loans	21	29,606,653	7,832,468
Deferred tax liability	22	22,769,301	24,102,538
		598,207,381	503,208,478

Approved for issue by the Board of Directors on 22 November 2017 and signed on its behalf by:



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Herbert Chong - Chairman

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Charles Heholt - 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 2017

	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
Unrealised (loss)/gain on securities available for sale		(491,828)	-	-	(491,828)
Net profit for the year		-	-	93,902,343	93,902,343
Deferred taxation		-	-	-	-
Total comprehensive income for year		(491,828)	-	93,902,343	93,410,515
Dividends		-	-	(18,850,678)	(18,850,678)
Adjustment: prior year		-	-	(1,882)	(1,882)
Balance: 30 September 2017		59,880,738	46,514,770	439,435,919	545,831,427

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

HONEY BUN (1982) LIMITED
Statements of Cash Flows
Year ended 30 September 2017

	Note	2017 $	2016 $
Cash flows from operating activities:			
Profit before taxation		105,265,853	149,743,955
Adjustments for:			
Depreciation	10	43,801,349	37,859,516
Profit on sale of property, plant and equipment		(9,079)	-
Amortization	12	776,116	1,581,672
Other non-cash items:			
Investment income		(1,616,682)	(1,072,684)
Finance costs paid		5,877,914	5,134,254
Operating cash flows before movements in working capital		154,095,471	193,246,713
Inventories		1,690,901	(4,209,964)
Receivables		(4,290,073)	(8,531,714)
Payables		16,095,084	2,773,650
Taxation paid		(11,061,020)	(60,000)
Net cash from operating activities		156,530,363	183,218,685
Cash flows from investing activities:-			
Sales proceeds from property, plant and equipment		450,000	-
Payment for property, plant and equipment		(87,265,138)	(103,008,996)
Payment for intangible assets		(633,000)	(1,479,610)
Interest received		1,616,682	1,072,684
Purchase of investments		(38,585,379)	(5,650,095)
Net cash used in investing activities		(124,416,835)	(109,066,017)
Cash flows from financing activities:-			
Loans received		30,000,000	-
Repayment of long term borrowings		(7,757,760)	(37,455,514)
Finance costs paid		(5,877,914)	(5,134,254)
Dividend paid		(18,850,678)	(23,563,348)
Net cash (used in) financing activities		(2,486,352)	(66,153,116)
Net increase in cash and cash equivalents		29,627,176	7,999,552
Net cash balances at beginning of year		72,017,177	64,017,625
Net cash and cash equivalents at end of year	15	101,644,353	72,017,177
Represented by:			
Cash and cash equivalents		101,644,353	73,263,386
Short-term borrowings		-	(1,246,209)
		101,644,353	72,017,177

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.

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein. These policies have been consistently applied for all the years presented, unless otherwise stated.

Going concern

The preparation of financial statements in accordance with IFRS assumes that the Company will continue in operation for the foreseeable future. This means, in part, that the statements of profit or loss and comprehensive income and the statement of financial position assume no intention or necessity to liquidate or curtail operations. This is commonly referred to as the going concern basis. Management believes that the preparation of the financial statements on the going concern basis continues to be appropriate.

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

- Financial instruments at fair value through profit or loss;
- Available-for-sale financial assets;
- Revaluation of certain property, plant and equipment; and
- Initial recognition of assets acquired and liabilities assumed in a joint venture.

Revenues and expenses

Revenues and expenses are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Judgments and estimates

The preparation of the financial statements in accordance with IFRS requires Management to make judgments and estimates that affect:

- The application of accounting policies;
- The reported amounts of assets and liabilities;
- Disclosures of contingent assets and liabilities; and
- The reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in the financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Judgments and estimates are interrelated. The Management's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revision to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

The following are the accounting policies that are subject to judgments and estimates that the Management believes could have the most significant impact on the amounts recognized in the financial statements.

Impairment of assets

Judgment has been used, at each reporting date, in determining whether there has been an indication of impairment in the carrying amounts of the Company's tangible and intangible assets, which would require impairment testing to determine whether there is any indication that those assets have suffered impairment losses.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre –tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in comprehensive income. This is reversed only if there has been a change in the estimates used to determine the recoverable amount and not to exceed the original carrying amount before its impairment. The reversal is also recognized in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

Inventories

Estimation – Inventories are carried at the lower of cost and net realized value. The estimation of net realized value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize. Additionally, estimation is required for inventory provision due to shrinkage, slow-moving and obsolescence.

Income and other taxes

Judgment – Income and other taxes are subject to Government policies. In calculating current and recoverable income and other taxes, Management uses judgment when interpreting the tax rules and in determining the tax position. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business.

Estimation – Income and other taxes are subject to Government policies, and estimates are required in determining the provision. Management recognizes liabilities for possible tax issues based on estimates of whether additional taxes may be due.

Receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the Aged Receivables and historical experience with delinquency and default. Default rates and the allowance amount are regularly reviewed against the actual outcomes to ensure that they remain appropriate.

Others

Estimation – Other estimates include determining the useful lives of PPE for depreciation; in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year.

Certain amendments and clarifications to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new amendments and clarifications and has put into effect the following, which are immediately relevant to its operations.

- **Annual improvements to IFRSs 2012-2014 cycles, effective for periods beginning on or after 1 January 2016**. There was no impact from the adoption of these amendments and clarifications.
- Amendment to IFRS 11, '*Joint arrangements'*, effective for the periods beginning on or after 1 January 2016, clarifies the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. There was no significant impact of adopting this amendment, as the acquisition of a joint arrangement during the year was not totally completed as at 31 May 2017.

- **Amendment to IAS 16,' Property, Plant and Equipment' and IAS 38 'Intangible Assets', effective for the periods beginning on or after 1 January 2016.** In these amendments, the IASB has clarified that the use of revenue–based methods to calculate the depreciation of assets is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. There was no impact from the adoption of this amendment, as the Company does not use revenue–based depreciation or amortisation methods.

- **Amendments to IAS 27, 'Separate Financial Statements', effective for annual accounting periods beginning on or after 1 January 2016**. This amendment allows entities to use the equity method to account for investment in subsidiaries, joint ventures and associates in its separate financial statements at (i) cost, (ii) in accordance with IFRS 9 or (iii) using the equity method as described in IAS 28. There was no impact from adoption of this amendment, as no such situation existed at the end of the reporting period, 30 September 2017

- **Amendments to IFRS 10 and IAS 28, Consolidated Financial Statements, effective for accounting periods beginning on or after 1 January 2016**. The amendments clarify the relief from consolidation, which is available to entities in-group structures involving investment entities, and are likely to reduce the number of entities, which produce, consolidated financial statements. The amendments also provide relief to non-investment entity investors in associates and joint ventures, who would otherwise incur practical difficulties or additional costs in unwinding fair value measurements and performing additional consolidations. There was no impact from adoption of this amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued).

- **Amendment to IAS 1, 'Presentation of financial statements', effective for accounting periods beginning on or after 1 January 2016.** This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statements disclosures can be improved.

  These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments were effective for annual periods beginning on or after 1 January 2016, and were applied prospectively, where applicable.

  It clarifies guidance in IAS 1 on:

  (i) the structure of financial statements and that the order of notes is not prescribed
  (ii) presenting subtotals on the statement of financial position and in the statement of profit or loss and other comprehensive income (OCI)
  (iii) the presentation in the statement of OCI of items arising from joint ventures and associates should be accounted for according to the equity method and follows IAS 1 approach of splitting items into those that may be reclassified to profit or loss and those that will never be reclassified
  (iv) materiality and aggregation

  These changes had no significant effect on the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

The following new standards, amendments and interpretations have been issued and may, in certain instances, impact the financial statements when they become applicable. They include:

- **IFRS 9 'Financial Instruments', which is effective for accounting periods beginning on or after 1 January 2018**, replaces the existing guideline in *IAS 39 Financial; Instruments: Recognition and Measurement.* IFRS 9 principal focus 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. The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

  IFRS 9 will be applied retrospectively for annual periods beginning on or after 1 January 2018.

- **IFRS 15, 'Revenue from Contracts with Customers', effective for accounting periods beginning on or after 1 January 2018.** This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus can direct the use and obtain the benefits from the good or service. Contracts that are within the scope of the standards on leases, insurance contracts and financial instruments are exceptions. This standard also contains enhanced disclosure requirements.

  This standard replaces IAS 11 – Construction contracts, IAS 18 – Revenue and International Financial Reporting Interpretation Committee ("IFRIC") 13 – Customer loyalty program (IFRIC 13), as well as various other interpretations regarding revenue.

  In April 2016, the IASB published clarifications to IFRS 15, which address three topics (identifying performance obligations, principal versus agent considerations and licensing) and provided some transition relief for modified contracts and completed contracts.

  IFRS 15 and the amendments will be applied retrospectively for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

- **IFRS 16 'leases', which is effective for accounting periods beginning on or after 1 January 2019.** This standard 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 recognize a lease liability reflecting future lease payments and a 'right-of-use,' for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets: however, this exemption can only be applied by lessees.

  For lessors, the accounting treatment remains similar to current practice, as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17, lease accounting, with recognition of the net investment in lease comprising receivable and residual asset. Operating lease accounting will continue to be based on IAS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

IFRS 16 will be applied retrospectively for annual periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been applied.

- **Amendments to IFRS 4 'Insurance Contracts', effective for annual periods beginning on or after 1 January 2018**. This standard addresses the concerns of insurance companies about the different effective dates of IFRS 9, 'Financial Instruments', and the forthcoming new insurance contracts standard. The amendment to IFRS 4 provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach'. Both approaches are optional. IFRS 4 will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standard becomes effective.

- **Amendments to IAS 12, 'Income Taxes', effective for annual periods on or after 1 January 2017.** In January 2016, the IASB amended IAS 12 – *Income taxes* by issuing *Recognition of deferred tax assets for unrealized losses.* The amendments clarify the accounting for deferred tax where the asset is measured at fair value and that fair value is below the asset's tax base. The amendments also address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

  These amendments are effective for annual periods beginning on or after 1 January 2017.

- **Amendments to IAS 7,'Statement of Cash Flows' effective for annual periods beginning on or after 1 January 2017**. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdown and repayments of borrowings and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. The adoption of this amendment is expected to impact the nature and extent of the Company's disclosures.

- **Amendments to IFRS 2, 'Share-Based Payment', effective for annual periods on or after 1 January 2018.** The amendment addresses the accounting for cash-settled, share-based payments and equity-settled awards that include a 'net settlement' feature in respect of withholding taxes. The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employees tax obligations associated with a share -based payment and pay that amount to the tax authorities. The Company is currently assessing the impact of this amendment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

- **Amendment to IAS 40, 'Investment property', effective for annual periods beginning on or after 1 January 2018.** These amendments clarify that to transfer to, or from investment properties, there must be a change in use. To conclude, if a property has changed use there should be an assessment of whether the property meets the definition. The change must be supported by evidence.

- **IFRC 22 'Foreign currency transactions and advance consideration', effective for annual periods beginning on or after 1 January 2018.** In January 2016, the IASB amended IAS 21 – The effects of changes in foreign exchange rates by issuing IFRIC 22 – Foreign currency transactions and advance consideration. These amendments clarified how to determine the date of the transaction to determine the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the de-recognition of a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration in a foreign currency.

  IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted and the Company is required to disclose that fact.

- **Annual Improvements to IFRSs 2014 - 2016 cycles.** These amendments impact two standards which are relevant to the Company's operations as follows:

- **IAS 28 'Investment in Associates and Joint Ventures', effective 1 January 2018,**
  In December 2016, the IASB amended IAS 28 – Investments in associates and joint ventures. These amendments clarify the accounting policy choice available for electing to measure the investments at fair value through profit or loss in accordance with IFRS 9.

  These amendments are effective for annual periods beginning on or after 1 January 2018.

- **IFRS 12 'Disclosure of Interests in Other Entities'**,
  In December 2016, the IASB amended IFRS 12 – Disclosure of interest in other entities. The objective of these amendments is to require an entity to disclose information that enables users of the financial statements to evaluate the nature of and risk associated with its interest in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

  These amendments should be applied retrospectively and effective for annual periods beginning on or after 1 January 2017.

  Management is currently assessing the likely impact of these standards and amendments on the Company's financial statements but they do not anticipate any material impact on the accounting policies or financial disclosures of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income taxes

Taxation expense in the statement of profit or loss comprises current and deferred tax charges. Current and deferred taxes are recognized as income tax expense or benefit in the statement of profit or 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 deductible 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 100% remission of income tax after admission to the Jamaica Stock Exchange (JSE) Junior Market, 3 June 2011 and thus no income or deferred tax was recorded in the financial statements to 2 June 2016, the date of the expiration of the incentive.

Subsequent to 2 June 2016, under the JSE Junior Market incentive scheme, the Company is subject to income tax at a rate of 50% of its taxable profits until 2 June 2021.

(c) 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 year end exchange rate.

(f) Foreign currency translation

The financial statements are presented in Jamaican dollars, which is the Company's presentation and functional currency.

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 2017, 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.

(g) 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.

(h) Trade receivables

Trade and other receivables are carried at anticipated realizable value. An allowance for impairment of trade and other 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 receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in bad debt expense in the statement of comprehensive income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as recovery and credited to bad debt expense in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(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 any bank overdraft.

(k) Intangible asset

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

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.

(o) 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 or 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.

(q) Trade and other payables

Trade and other payables and accruals are stated at cost.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial instruments – recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on fair value or amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except those classified as *fair value through profit or loss ("FVTPL")*, are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristic and management's choice and intentions related to it for ongoing measurement. Classification choices for financial assets include:

- Fair value through profit or loss (FVTPL)
- Held-to-maturity investments and
- Loans and receivables

Classification choices for financial liabilities include:

- FVTPL; and
- Other liabilities

The Company's financial assets and financial liabilities are generally classified as loans and receivables and investments while other liabilities are generally measured at fair value.

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when the instrument is either held for trading or designed as such upon initial recognition. Financial instruments are classified as held for trading if acquired principally for selling in the near future or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit making.

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Held-to-maturity investments

Financial assets are classified as held-to-maturity investments on initial recognition when the entity has a positive intention and ability to hold to maturity. These financial assets have fixed or determinable payments and fixed maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at fair value less any impairment, with gains and losses recognized in net income in the period that the asset is de-recognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial instruments – recognition and measurement (continued)

Other liabilities

The other financial liabilities are measured at cost less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flow from the asset expires or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the contractual obligations are discharged, cancelled or expires.

(v) 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.

(w) 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.

(x) Comparative balances

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

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.

(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.

3. FINANCIAL RISK MANAGEMENT (continued)

(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 2017 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. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (Continued)

Exposure to currency risk (continued)

Concentrations of currency risks

	2017 CAN $	2017 US $	2017 UK £	2016 CAN$	2016 US $	2016 UK £
Financial assets						
Cash and cash equivalents	-	587,007	-	128	435,735	4,229
Investments	-	501,681	-	-	221,371	-
	-	1,088,685	-	128	657,106	4,229
Financial liabilities						
Payables and accruals	-	(11,630)	-	-	(5,818)	-
Total net assets	-	1,077,055	-	128	651,288	4,229

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, reported by the Bank of Jamaica, at the date of the statement of financial position relating to foreign currencies are as follows:

Currency	30 Sept. 2017 $	30 Sept. 2016 $
Canadian dollar (Can$)	104.27	97.31
United States dollar (US$)	130.41	128.27
United Kingdom pound (£)	172.84	166.78

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)	
	2017 $	2016 $
1% (2016- 1%) strengthening of Jamaican dollar	(1,404,587)	(842,585)
10% (2016-10%) weakening of Jamaican dollar	14,045,874	8,425,848

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

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (Continued)

(ii) 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:

	2017 $	2016 $
Fixed rate:		
Assets	67,743,226	28,442,854
Liabilities	(36,126,022)	(13,883,782)
	31,617,204	14,559,072
Variable rate:		
Assets	61,287,955	57,941,995

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (Continued)

(ii) 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.

(iii) 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. FINANCIAL RISK MANAGEMENT (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. FINANCIAL RISK MANAGEMENT (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

	2017		2016	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Current: below 30 days	51,562,554	-	54,221,128	-
Past due 31-60 days	473,609	-	10,106,265	-
Past due 61-90 days	3,267,541	845,739	1,111,510	-
More than 90 days	31,521,061	13,118,548	9,750,860	9,107,544
	86,824,765	13,964,287	75,189,763	9,107,544

Movement on the provision for impairment of trade receivables

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

	2017	2016
	$	$
At beginning of year	9,107,544	7,852,716
Provision for receivables impairment	4,856,743	2,814,169
Recoveries	-	(1,559,341)
At end of year	13,964,287	9,107,544

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. FINANCIAL RISK MANAGEMENT (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	
	2017	**2016**
	$	**$**
Supermarkets	14,277,299	12,134,664
Distributors	49,052,058	42,164,247
Schools	6,401,957	4,310,546
Other receivables	17,093,451	16,580,306
	86,824,765	75,189,763

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

Exposure to credit risk for investments

The following table summarizes 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.

	2017	**2016**
	$	**$**
Investments	78,079,907	39,494,528
Receivables	81,702,289	77,412,216
Cash and cash equivalents	101,644,352	73,263,386
	261,426,548	190,170,130

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. FINANCIAL RISK MANAGEMENT (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 2017 based on contractual undiscounted payments.

2017

	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	100,431,266	100,431,266	-	-	-
Long term loans	36,126,022	45,336,724	8,463,796	7,708,543	11,796,830
Total financial liabilities	136,557,288	145,767,990	8,463,796	7,708,543	11,796,830

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

Liquidity risk management process (continued)

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	86,302,554	87,519,227	6,770,315	4,531,524	3,798,616

(d) 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.

(e) 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. 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:

	2017 $	2016 $
Debt: long term loans	36,126,022	15,129,991
Equity	545,831,427	471,273,472
Total capital	581,957,449	486,403,463
Gearing ratio	6.20%	3.11%

During 2017, the Company's strategy, which was unchanged from 2016, 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.

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
30 September 2017

5. EXCHANGE GAINS AND OTHER INCOME

	2017 $	2016 $
Grant Funds	-	2,426,638
Gains on exchange	1,936,260	5,497,534
Gain/(loss) on disposal of assets	9,079	-
Dividends received	1,196,649	84,886
Gain on sale of shares	-	673,000
	3,141,988	8,682,058

6. OPERATING PROFIT BEFORE TAXATION

The following items have been expensed/(credited) in arriving at operating profit before taxation:

	2017 $	2016 $
Auditors' remuneration	1,760,000	1,750,000
Depreciation	43,801,349	37,859,515
Directors' emoluments:		
Directors fees	6,654,133	3,543,192
Management remuneration	13,119,127	10,830,767
Foreign exchange gains on exchange	(1,936,260)	(5,497,534)
Staff costs (excluding management remuneration above)	310,462,557	283,202,871

7. STAFF COSTS

	2017 $	2016 $
Salaries and wages (including accrued vacation and management remuneration)	263,691,922	245,691,992
Payroll taxes: employer's portion	29,638,039	16,325,621
Other staff costs	30,251,723	32,016,025
	323,581,684	294,033,638

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

	2017	2016
Full time	58	58
Contract workers	338	339

8. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% (2016 – 25%).

	2017	2016
	$	$
Taxation for the year comprises:		
Current tax expense	25,393,494	32,728,620
Remission of income tax: 50%	(12,696,747)	(28,709,317)
	12,696,747	4,019,303
Deferred Tax adjustment (note 22)	(1,333,237)	6,162,942
Charge to Comprehensive Income	11,363,510	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:

	2017	2016
	$	$
Profit before taxation	105,265,853	149,743,955
Tax calculation @ 25% (2016 – 25%)	26,316,463	37,435,989
Adjustment for difference in treatment of:		
Depreciation and capital allowances	(3,885,201)	(2,770,992)
Net effect of other charges for tax purposes	(482,887)	(213,815)
Adjustment for the effect of remission of tax.	(9,682,268)	(30,001,239)
Other net tax reversal adjustment	430,640	(430,640)
Tax charged for the year	12,696,747	4,019,303

(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.

9. EARNINGS PER SHARE

	2017	2016
	$	$
Earnings Per Share	0.19	0.29

The EPS is computed by dividing the profit for the year by 471,266,950 (2016 – 471,266,950), the number of shares in issue during the year.

HONEY BUN (1982) LIMITED
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10. PROPERTY, PLANT AND EQUIPMENT

2017

	Buildings	Construction W.I.P	Land	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$		$	$	$	$	$	$	$
At cost:									
1 October 2016	124,165,649	12,973,477	39,342,071	10,271,698	42,873,789	14,245,722	77,891,257	190,536,760	512,300,423
Disposals	-	-	-	-	-	-	(1,017,500)	-	(1,017,500)
Additions	1,357,867	51,230,200	-	553,985	3,632,783	3,606,279	19,972,811	6,911,213	87,265,138
30 September 2017	125,523,516	64,203,677	39,342,071	10,825,683	46,506,572	17,852,001	96,846,568	197,447,973	598,548,061
Depreciation:									
1 October 2016	11,033,550	-	-	4,260,361	22,707,967	9,845,226	42,825,482	77,703,106	168,375,692
Disposal	-	-	-	-	-	-	(576,579)	-	(576,579)
Charge for the year	3,147,600	-	-	801,766	7,704,472	2,024,581	12,432,161	17,690,769	43,801,349
30 September 2017	14,181,150	-	-	5,062,127	30,412,439	11,869,807	54,681,064	95,393,875	211,600,462
Net book value									
30 September 2017	111,342,366	64,203,677	39,342,071	5,763,556	16,094,133	5,982,194	42,165,504	102,054,098	386,947,599

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 2017.

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
30 September 2017

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

11. INVESTMENTS

Investments comprise:

	2017 $	2016 $
Held to maturity:		
Stocks And Securities Ltd. (US$)	-	8,217
Mayberry Investments Ltd. (US$)	35,878	39,374
Stocks And Securities Ltd.(JA$)	578,279	581,775
Victoria Mutual Building Society (US$)	39,147,000	-
Victoria Mutual Building Society (US$)	26,315,067	26,407,492
Digicel Group Bond 7.125% 2022 (US$)	2,281,159	2,035,362
Available-for-sale:		
Quoted shares		
General Accident Insurance Co. Ltd.	236,401	214,099
Lasco Manufacturing Ltd.	2,088,600	2,950,000
Caribbean Cream Ltd.	3,039,600	4,727,700
Pan Jamaican Investment Trust Ltd.	2,056,529	1,211,543
Jamaica Teas Ltd.	236,070	243,372
National Commercial Bank Ltd.	2,065,324	1,075,594
	78,079,907	39,494,528

The Victoria Mutual Building Society US$ investment is held as collateral against a loan from the same 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**:**

	2017 $	2016 $
Software at cost:		
Opening balance: 1 October	17,576,925	16,097,315
Software purchased during year	633,000	1,479,610
Closing balance : 30 September	18,209,925	17,576,925
Amortization:		
Opening balance: 1 October	15,776,376	14,194,704
Amortization of software at 33 1/3%	776,116	1,581,672
Closing balance: 30 September	16,552,492	15,776,376
Balance: Software at cost, net of amortization	1,657,433	1,800,549

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

13. INVENTORIES

	2017	2016
	$	$
Raw and packaging material	39,184,247	37,014,300
Work-in-progress	2,738,446	6,590,368
Sundry equipment spares	5,212,773	4,508,352
Finished goods	803,595	1,516,942
	47,939,061	49,629,962

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

	2017	2016
	$	$
Trade receivables	86,824,765	75,189,763
Less provision for bad debts	(13,964,287)	(9,107,544)
	72,860,478	66,082,219
Prepayments	4,723,124	2,592,233
Other receivables	4,118,687	8,737,764
	81,702,289	77,412,216

At the end of the year, approximately $52 Million or 60% (2016 - $44 Million or 58%) 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

	2017	2016
	$	$
Petty cash	297,000	261,000
Foreign currency accounts:		
Foreign currency bank accounts: various banks	60,136,384	56,796,875
Local currency accounts:		
Current and saving bank accounts : various banks	41,210,969	16,205,511
	101,644,353	73,263,386

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$130.51 to 1 US$ (2016 - J$ 128.27 to 1 US$).

16. PAYABLES

	2017 $	2016 $
Trade payables	78,974,643	52,473,337
General Consumption Tax (GCT)	-	1,294,214
Accrued staff vacation pay	6,211,609	4,073,077
Other payables	1,251,875	12,502,664
Distributors' deposits	829,581	829,269
	87,267,645	71,172,561

Included in trade payables is an amount of US$11,637 or equivalent to J$1,517,626 (2016 – US$ 5,838 or equivalent of J$748,821) 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

	2017 $	2016 $
First interim	9,425,339	9,425,339
Second interim	9,425,339	14,138,009
	18,850,678	23,563,348

18. BANK OVERDRAFT

The Company's main bank account was not in an overdraft position at the 30 September 2017.

19. SHARE CAPITAL

	2017 $	2016 $
Authorized:		
487,500,000 (2016 - 487,500,000) ordinary shares at no par value		
Stated Capital:		
Issued and fully paid:		
471,266,950 (2016 - 471,266,950) ordinary shares of no par value	46,514,770	46,514,770

20. CAPITAL RESERVES

	2017 $	2016 $
Balance brought forward: 1 October	60,372,566	72,759,535
Deferred tax on revaluation at 25%	-	(17,939,596)
Unrealised gain on securities	(491,828)	5,552,627
Balance at 30 September	59,880,738	60,372,566

Represented by unrealised surplus on revaluations::	2017 $	2016 $
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)	(17,939,596)
Unrealised gain on securities: net accumulated balance	6,061,950	6,553,778
Balance at 30 September	59,880,738	60,372,566

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

	2017	2016
	$	$
(i) Bank of Nova Scotia Jamaica Limited (BNS)	-	2,166,661
(ii) Victoria Mutual Building Society (VMBS)	7,449,865	-
(iii) Victoria Mutual Building Society (VMBS)	28,676,157	11,717,121
	36,126,022	13,883,782
Less current portion due within 12 months	(6,519,369)	(6,051,314)
	29,606,653	7,832,468

(i) The BNS loan was repaid during the year, before the maturity date.

(ii) This is a 6.5% (2016-6.5%) VMBS share loan repayable on a monthly basis, maturing in July 2019. The primary collateral is a US$ time account being held with VMBS.

(iii) This is a 5.65% (2016-5.65%) VMBS share loan repayable on a monthly basis, maturing in February 2027. 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 2017, 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:

	2017 $	2016 $
Deferred tax liability	22,769,301	24,102,538
	22,769,301	24,102,538

The movement in deferred taxation is as follows:

	2017 $	2016 $
Balance at start of year	24,102,538	-
Charged to equity for the year	-	17,939,596
Charged to profit or loss for the year	(1,333,237)	6,162,942
Balance at end of year	22,769,301	24,102,538

Deferred taxation is due to the following temporary differences:

	2017 $	2016 $
Revaluation surpluses written back	17,939,596	17,939,596
Accrued vacation	(1,552,902)	(1,018,269)
Decelerated capital allowances	6,382,607	7,181,211
Balance at end of year	22,769,301	24,102,538

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

	2017 $	2016 $
Accrued vacation	(533,633)	(1,018,269)
Decelerated capital allowances	(799,604)	7,181,211
	(1,333,237)	6,162,942

Deferred income tax liabilities are recognised as the Company is subject to income tax on 50% of its earnings, under the Junior Market tax incentive programme, for the next five (5) years as follows: Years 6-10: (1 June 2016- 31 May 2021), 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:

	2017 $	2016 $
Cost of inventories recognized as expense	522,998,671	490,076,043
Distribution costs	51,300,408	43,216,354
Advertising, marketing and promotion	38,356,129	34,529,192
Directors' fees	6,654,133	3,543,192
Local travel, accommodation and motor vehicle expenses	997,932	2,491,766
Rates, taxes, telephone, fuel and electricity	51,044,233	42,473,819
Foreign travel and accommodation	1,486,162	1,240,919
Office, general, printing and stationery	2,108,137	2,285,227
Insurance	13,827,505	11,778,292
Rental of property	9,248,765	7,600,247
Repairs and maintenance and cleaning and sanitation	31,579,047	30,976,335
Legal, professional, management and accounting	23,587,410	17,621,541
Audit fees	1,760,000	1,750,000
Security	5,884,472	5,552,119
Staff costs	323,581,684	294,033,639
Depreciation	43,801,349	37,859,515
Amortisation	776,116	1,581,672
General Consumption Tax - irrecoverable	5,449,385	7,589,390
Environmental levy	4,716,795	4,959,835
Other expenses	5,576,474	3,928,931
	1,144,734,807	1,045,088,028

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.

	2017 $	2016 $
Payments net of purchases	125,084	(25,878)

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

	2017 $	2016 $
Receivables due from Next Incorporated Limited	265,858	140,774

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):

	2017 $	2016 $
Salaries and other short-term employee benefits	24,238,971	18,353,960

In 2017, key management comprises of two (2) executive directors and four (4) senior managers. In 2016 the number of people relates to two (2) executive directors and one (1) senior manager.

(c) Directors' emoluments:

	2017 $	2016 $
Fees	6,654,133	3,543,192
Executive directors' salaries and benefits (included in salaries and other short-term benefits in (b) above)	11,209,844	10,830,768

(d) Loans to/from directors:

During the reporting period ended 30 September 2017, 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 amounts due from or payable to related parties 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.

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

As at 30 September 2017, the directors of the Company stated that they were not aware of any subsequent material event up to the date of the signing of these financial statements that should be disclosed in the financial statements.

The Company's attorneys reported by letter dated 15 November 2017 that they have not been instructed in any matters in relation to which any contingent liability may arise for the Company's financial year ended 30 September 2017. They also reported that they were unaware of any indebtedness guaranteed by the Company or any trust monies held on behalf of the Company.

However, they reported that in October 2017, they were instructed to represent the Company in defence of a debt claim relating to an aborted agreement by a supplier, of engineering services. They estimate that the maximum contingent liability exposure is $400,000 in relation to this matter.