HONEY BUN (1982) LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Honey Bun (1982) Limited ("the company"), set out on pages 8 to 47, which comprise the statement of financial position as at September 30, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at September 30, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

Measurement of expected credit losses

Key Audit Matter	*How the matter was addressed in our audit*
IFRS 9, *Financial Instruments*, was implemented by the company effective October 1, 2018. The standard is new and complex and requires the company to recognize expected credit losses (ECL) on financial assets measured at amortised cost and fair value through other comprehensive income. The determination of ECL is subjective and requires management to make significant judgements and estimates and the application of forward-looking information. • The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12 month or lifetime allowance is recorded. • IFRS 9 requires the company to incorporate forward-information, reflecting a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios and management overlay.	Our audit procedures in response to this matter included: • Obtaining an understanding of the model used by management for the calculation of expected credit losses on accounts receivable. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records. • Involving our financial risk modelling specialist, to review the ECL model, assess the appropriateness of the company's impairment methodology, management's assumptions and compliance with the new requirements of IFRS 9, *Financial Instruments*. • Involving our financial risk modelling specialists to evaluate the appropriateness of economic parameters including the use of forward looking information.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements (continued)

Carrying amount of trade receivables (continued)

Key Audit Matter	*How the matter was addressed in our audit*
We therefore determined that the estimates of impairment in respect of trade receivables have a high degree of estimation uncertainty. In addition, disclosures regarding the company's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgements and material inputs to the IFRS 9 ECL results. *See notes 3, 4(o) and 24(a)(i) of the financial statements.*	• Assessing the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

Other information

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6 to 7, forms part of our auditors' report.

KPMG

To the Members of
HONEY BUN (1982) LIMITED

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

The engagement partner on the audit resulting in this independent auditors' report is Nyssa A. Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

November 28, 2019

To the Members of
HONEY BUN (1982) LIMITED

Appendix to the Independent Auditors' report

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 and appropriate 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- 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

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' report unless law or regulation precludes public disclosure 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.

HONEY BUN (1982) LIMITED

Statement of Financial Position
September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2019	2018
NON-CURRENT ASSETS			
Property, plant and equipment	5	510,604,374	491,544,316
Investments	6	91,952,024	85,044,039
Intangible assets	7	2,663,309	2,489,856
Total non-current assets		605,219,707	579,078,211
CURRENT ASSETS			
Inventories	8	62,647,618	41,899,285
Trade and other receivables	9	94,384,765	66,133,767
Taxation recoverable		2,925,461	1,767,693
Cash and cash equivalents	10	192,764,774	99,554,212
Total current assets		352,722,618	209,354,957
CURRENT LIABILITIES			
Trade and other payables	11	150,644,481	111,842,573
Taxation payable		14,776,814	2,709,252
Current portion of long-term loans	12	2,657,812	6,166,530
Total current liabilities		168,079,107	120,718,355
Net current assets		184,643,511	88,636,602
Total assets less current liabilities		$789,863,218	667,714,813
NON-CURRENT LIABILITIES			
Long-term loans	12	21,131,055	23,616,622
Deferred taxation	13	28,217,398	26,227,258
Total non-current liabilities		49,348,453	49,843,880
EQUITY			
Share capital	14	46,514,770	46,514,770
Capital reserves	15	53,818,788	64,348,197
Unappropriated profits		640,181,207	507,007,966
Total equity		740,514,765	617,870,933
Total non-current liabilities and equity		$789,863,218	667,714,813

The financial statements on pages 8 to 47 were approved for issue by the Board of Directors on November 28, 2019 and signed on its behalf by

_______________________Chairman
Herbert Chong

_______________________Director
Charles Heholt

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

HONEY BUN (1982) LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2019	2018
Gross operating revenue	16	1,543,975,287	1,317,178,606
Cost of operating revenue	17	(799,169,526)	(715,891,482)
Gross profit		744,805,761	601,287,124
Other income	18	8,993,305	1,586,281
		753,799,066	602,873,405
Administrative, selling and distribution expenses:			
Administrative	17	(320,935,388)	(279,669,028)
Selling and distribution	17	(250,281,192)	(214,279,170)
		(571,216,580)	(493,948,198)
Impairment loss on financial assets	17	(406,787)	(7,662,983)
Operating profit before finance costs and taxation		182,175,699	101,262,224
Finance income – interest		1,514,102	1,830,898
Finance costs		(7,032,639)	(4,996,690)
		176,657,162	98,096,432
Appreciation in value of investments classified as fair value through profit or loss		5,923,005	-
Profit before taxation		182,580,167	98,096,432
Taxation	21(b)	(26,110,733)	(11,673,707)
Profit for the year		156,469,434	86,422,725
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Unrealised gain on investments at fair value through other comprehensive income, net of tax (2018: available-for-sale)		-	4,467,459
Total comprehensive income for the year		$ 156,469,434	90,890,184
Earnings per share	22	$ 0.33	0.18

HONEY BUN (1982) LIMITED

Statement of Changes in Equity
Year ended September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

	Share capital (note 14)	Capital reserves (note 15)	Unappropriated profits	Total
Balances at September 30, 2017	46,514,770	59,880,738	439,435,919	545,831,427
Profit for the year	-	-	86,422,725	86,422,725
Other comprehensive income:				
Unrealised gain on available-for-sale securities	-	4,467,459	-	4,467,459
Total comprehensive income for the year	-	4,467,459	86,422,725	90,890,184
Transactions with owners:				
Dividends (note 23)	-	-	(18,850,678)	(18,850,678)
Balances at September 30, 2018	46,514,770	64,348,197	507,007,966	617,870,933
Adjustment on initial application of IFRS 9, net of taxes (note 3)	-	(10,529,409)	4,979,825	(5,549,584)
Adjusted balances at October 1, 2018	46,514,770	53,818,788	511,987,791	612,321,349
Profit for the year, being total comprehensive income	-	-	156,469,434	156,469,434
Transactions with owners:				
Dividends (note 23)	-	-	(28,276,018)	(28,276,018)
Balances at September 30, 2019	$46,514,770	53,818,788	640,181,207	740,514,765

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

HONEY BUN (1982) LIMITED

Statement of Cash Flows
Year ended September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		156,469,434	86,422,725
Adjustments for:			
Depreciation	5	59,744,728	48,381,842
(Gain)/loss on disposal of property, plant and equipment		(6,435,476)	632,171
Amortisation	7	1,016,547	612,977
Interest income		(1,514,102)	(1,830,898)
Interest expense		7,032,639	4,996,690
Appreciation in value of investments		(5,923,005)	-
Taxation	21	26,110,733	11,673,707
Operating profit before change in working capital		236,501,498	150,889,214
Inventories		(20,748,333)	(513,382)
Trade and other receivables		(34,374,149)	15,568,522
Trade and other payables		38,801,908	24,574,928
Interest paid		(7,032,639)	(4,996,690)
Interest received		1,514,102	1,830,898
Cash generated from operations		214,662,387	187,353,490
Tax paid		(11,360,937)	(13,250,438)
Net cash provided by operating activities		203,301,450	174,103,052
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		7,264,682	2,273,313
Additions to property, plant and equipment	5	(79,633,992)	(149,330,885)
Additions to intangible assets	7	(1,190,000)	(1,445,400)
Investments, net		(2,261,275)	(2,496,673)
Net cash used by investing activities		(75,820,585)	(150,999,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		(5,994,285)	(6,342,870)
Dividends paid	23	(28,276,018)	(18,850,678)
Net cash used by financing activities		(34,270,303)	(25,193,548)
Net increase/(decrease) in cash and cash equivalents		93,210,562	(2,090,141)
Net cash balances at beginning of year		99,554,212	101,644,353
Net cash and cash equivalents at end of year		$192,764,774	99,554,212

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

1. Identification

Honey Bun (1982) Limited ("the company") is incorporated and domiciled in Jamaica, with registered office located at 26 Retirement Crescent, Kingston 5, Jamaica. The company has been listed on the Junior Market of the Jamaica Stock Exchange (JSE) since June 3, 2011.

The principal activities of the company are the manufacture and distribution of baked products to the local and export markets.

2. Basis of preparation

(a) Statement of compliance:

The financial statements as at and for the year ended September 30, 2019 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the company's annual financial statements in which IFRS 9, *Financial Instruments,* and IFRS 15, *Revenue from Contracts with Customers,* have been applied from October 1, 2018. Changes to significant accounting policies are described in note 3.

New and amended standards issued that are not yet effective

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards which were in issue but were not yet effective and which the company has not early adopted. Those which management considered may be relevant to the company are as follows:

- The company will adopt IFRS 16, *Leases,* effective October 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards issued that are not yet effective (continued)

- IFRS 16, *Leases* (continued)

  The company plans to apply IFRS 16, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balances of retained earnings as of October 1, 2019 with no restatement of comparative information.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment that is adopted in its income tax filing.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards issued that are not yet effective (continued)

- IFRIC 23, *Uncertainty Over Income Tax Treatments* (continued)

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.*"

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  – New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
  – A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  – A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The company is assessing the impact that these new and amended standards and interpretations will have on its financial statements when they become effective.

2. Basis of preparation (continued)

(b) Basis of measurement and functional currency:

The financial statements are prepared on the historical cost basis, except for the inclusion of investments classified at fair value through other comprehensive income which are carried at fair value. The financial statements are presented in Jamaica dollars, which is the functional currency of the company.

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Financial assets:

Judgements

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

– Applicable to 2019 only:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

2. Basis of preparation (continued)

(c) Use of estimates and judgements (continued):

(i) Financial assets (continued):

Judgements (continued)

– Applicable to 2019 only (continued):

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Key assumptions concerning the future and other sources of estimation uncertainty:

– Applicable to 2019 only:

Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

(ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iii) Residual value and useful life of property, plant and equipment:

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the company.

3. Changes in significant accounting policies

The company has initially adopted IFRS 9 *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from October 1, 2018. A number of other new standards were also effective from October 1, 2018 but they do not have a material effect on the company's financial statements.

Due to the transition method chosen by the company in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

– additional disclosures related to IFRS 9 [see notes 4(o), 4(p) and 24(a)(i)];
– additional disclosures related to IFRS 15 [see note 4(k)].

Except for the changes below, the company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

3. Changes in significant accounting policies (continued)

IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separate in the statement of profit or loss and other comprehensive income.

Additionally, the company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the company classifies and measures financial instruments under IFRS 9, see note 4(p).

The following table and explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets as at October 1, 2018. There was no change in the measurement categories for the company's financial liabilities.

HONEY BUN (1982) LIMITED

Notes to the Financial Statements (Continued)
September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

3. Changes in significant accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

The effect of adopting IFRS 9 on the carrying amount of financial assets at October 1, 2018 relates mainly to the new impairment requirements as disclosed below:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**IAS 39 carrying amount at September30, 2018**	**Impairment allowance**	**IFRS 9 carrying amount at October 1, 2018**
Cash and cash equivalents	Loans and receivables	Amortised cost	99,554,212	-	99,554,212
Trade and other receivables (note 9)	Loans and receivables	Amortised cost	66,133,767	(6,123,151)	60,010,616
Investments-quoted equities (note 6)	Available for sale	FVTPL	14,918,538	-	14,918,538
Investments-other (note 6)	Held to maturity	Amortised cost	70,125,501	(1,276,295)	68,849,206
			$250,732,018	(7,399,446)	243,332,572

A deferred tax credit of $1,849,862 was recognised on transition to IFRS 9 arising from the increase in impairment allowance on trade receivables and investments.

The impact, net of tax, of transition to IFRS 9 on the opening unappropriated profits and capital reserves at October 1, 2018 is as follows:

Unappropriated profits:	
Closing balance under IAS 39 (September 30, 2018)	507,007,966
Reclassification of changes in classification of investments from AFS to FVTPL	10,529,409
Impairment allowance on trade accounts receivable	(6,123,151)
Impairment allowance on investments	(1,276,295)
Related deferred tax (note 13)	1,849,862
Transition adjustment - IFRS 9, net of taxes at October 1, 2018	4,979,825
Opening balance under IFRS 9 (October 1, 2018)	$511,987,791
Capital reserves:	
Closing balance under IAS 39 (September 30, 2018)	64,348,197
Reclassification of changes in classification of investments from AFS to FVTPL (note 3)	(10,529,409)
Opening balance under IFRS 9 (October 1, 2018)	$53,818,788

3. Changes in significant accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

Impairment of financial assets

IFRS 9 replace the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

For assets in the scope of the IFRS 9 impairment model, impairment loses are generally expected to increase and become more volatile. The company has determined that application of IFRS 9's impairment requirements at October 1, 2018 results in an additional allowance for impairment as follows:

Trade accounts receivable:

Loss allowance at September 30, 2018 under IAS 39	21,627,270
Transitional adjustment for trade receivables (note 9)	6,123,151
Loss allowance at October 1, 2018 under IFRS 9	$27,750,421

Investments:

Loss allowance at September 30, 2018 under IAS 39	-
Transitional adjustment for investments (note 6)	1,276,295
Loss allowance at October 1 2018 under IFRS 9	$ 1,276,295

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in unappropriated profit as at October 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

4. Significant accounting policies

(a) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4. Significant accounting policies (continued)

(a) Segment reporting (continued):

The company's activities are limited to the manufacture and distribution of baked products to Jamaican and overseas consumers. Overseas revenue is less than 10% of gross operating revenue and not considered a separate segment. No additional segment information is provided.

(b) Property, plant and equipment:

Items of property, plant and equipment are measured at cost, except for freehold land and buildings and plant and machinery 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 capitalised 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 machinery is estimated using depreciated replacement cost approach. Gains arising from changes in market value are taken to capital reserve in changes in equity. Losses that offset previous gains of the same asset are charged against the capital reserve; all other losses are charged to profit or loss.

Depreciation is recognised in profit or loss on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. No depreciation is charged on land and construction in progress. The depreciation is charged over the useful life of the assets as follows:

Buildings	40 years
Furniture and fixtures	10 years
Bakery fixtures	2 to 5 years
Computers	4 years
Motor vehicles	5 years
Plant and machinery	10 years

Depreciation methods, useful lives and residual values are reassessed annually.

4. Significant accounting policies (continued)

(c) Intangible assets:

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 recognised as expenses as incurred.

(d) Inventories:

Inventories are measured at the lower of cost, determined principally on a first-in-first-out (FIFO) basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

(e) Trade and other receivables:

Trade and other receivables are measured at amortised cost less impairment losses.

(f) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits with maturity of three months or less from the date of placement, and are measured at amortised cost. For the purpose of the statement of cash flows, bank overdraft, if any, that is repayable on demand and form an integral part of cash management activities, is included as part of cash and cash equivalents.

(g) Trade and other payables:

Trade and other payables are measured at amortised cost [see note 4(o)].

(h) Borrowings:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between proceeds (net of transaction costs) and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as property, plant and equipment.

4. Significant accounting policies (continued)

(i) Share capital:

Ordinary shares are classified as equity where there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds of the share issue.

(j) Dividends:

Dividends on ordinary shares are recognised in 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 reporting date are dealt with in the subsequent events note.

(k) Revenue:

The effect of initially applying IFRS 15 on the company's revenue from contracts is described in note 3.

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from October 1, 2018).*
Sale of baked products	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognized at that point in time. Invoices are usually payable within 30 days.	Revenue is recognised when the goods are delivered and have been accepted by the customers.

4. Significant accounting policies (continued)

(k) Revenue (continued):

Revenue recognition under IAS 18 (applicable before October 1, 2018)

Revenue from sale of goods represents the invoiced value of goods and services, and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

(l) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. Significant accounting policies (continued)

(m) Related parties:

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" in this case the company).

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

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

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

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

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

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

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

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

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

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

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

(c) Related party transaction is a transfer of resources, services or obligations between a related parties, regardless of whether a price is charged.

4. Significant accounting policies (continued)

(n) Foreign currencies:

Foreign currency balances at the reporting date are translated at the exchange rates ruling at that date. Transactions in foreign currencies are converted at the exchange rates ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movement in the relevant balances.

(o) Impairment:

Financial assets

Policy applicable from October 1, 2018

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and at fair value through OCI.

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than trade receivables) on which credit risk has not increased significantly since their initial recognition.

The company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The company does not apply the low credit risk exemption to any other financial instruments.

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

4. Significant accounting policies (continued)

(o) Impairment (continued):

Financial assets (*continued*)

Policy applicable from October 1, 2018 (*continued*)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward looking information.

The company assumes that the credit risk on financial assets has increased significantly if it is more than 90 days past due.

The company recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to action such as realising security if any is held; or
- the financial asset is more than 90 days past due.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the relevant assets.

4. Significant accounting policies (continued)

(o) Impairment (continued):

Financial assets (*continued*)

Policy applicable from October 1, 2018 (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

Policy applicable before October 1, 2018

A provision for impairment is established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Non-financial assets

The carrying amount of the company's non-financial assets (other than inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

4. Significant accounting policies (continued)

(p) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise trade and other receivables, cash and cash equivalents and investments. Financial liabilities comprise trade and other payables and loans.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from October 1, 2018

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as “held to collect” and measured at amortised cost.

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Trade and other receivables
- Investments

Due to their short-term nature, the company initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

4. Significant accounting policies (continued)

(p) Financial instruments (continued):

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(q) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss using the effective interest method.

5 Property, plant and equipment

	Buildings	Construction in-progress	Land	Furniture and fixtures	Bakery fixtures	Computers	Motor vehicles	Plant and machinery	Total
Cost or valuation:									
September 30, 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
Additions	65,930,152	-	-	4,483,126	13,023,248	4,158,465	11,378,191	50,357,703	149,330,885
Transfers	64,203,677	(64,203,677)	-	-	-	-	-	-	-
Transfer from inventories	-	-	-	-	-	-	-	6,553,158	6,553,158
Disposals	-	-	-	(1,287,891)	(770,750)	-	-	(7,047,645)	(9,106,286)
September 30, 2018	255,657,345	-	39,342,071	14,020,918	58,759,070	22,010,466	108,224,759	247,311,189	745,325,818
Additions	4,746,308	-	-	3,489,430	13,420,624	5,805,315	23,529,996	28,642,319	79,633,992
Disposals		-	-	-	-	-	(17,925,680)	(698,159)	(18,623,839)
September 30, 2019	260,403,653	-	39,342,071	17,510,348	72,179,694	27,815,781	113,829,075	275,255,349	806,335,971
Depreciation:									
September 30, 2017	14,181,150	-	-	5,062,127	30,412,439	11,869,807	54,681,064	95,393,875	211,600,462
Charge for the year	3,885,575	-	-	901,496	7,828,368	2,762,186	14,961,266	18,042,951	48,381,842
Eliminated on disposals	-	-	-	(366,074)	(556,667)	-	-	(5,278,061)	(6,200,802)
September 30, 2018	18,066,725	-	-	5,597,549	37,684,140	14,631,993	69,642,330	108,158,765	253,781,502
Charge for the year	6,797,065	-	-	1,185,518	9,865,521	3,001,316	16,002,918	22,892,390	59,744,728
Eliminated on disposals	-	-	-	-	-	-	(17,794,633)	-	(17,794,633)
September 30, 2019	24,863,790	-	-	6,783,067	47,549,661	17,633,309	67,850,615	131,051,155	295,731,597
Net book value:									
September 30, 2019	$235,539,863	-	39,342,071	10,727,281	24,630,033	10,182,472	45,978,460	144,204,194	510,604,374
September 30, 2018	$237,590,620	-	39,342,071	8,423,369	21,074,930	7,378,473	38,582,429	139,152,424	491,544,316

During the year ended September 30, 2010, the freehold land and buildings were revalued by the Directors at market value. The plant and machinery were revalued as at April 12, 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 (see note 15).

HONEY BUN (1982) LIMITED

Notes to the Financial Statements (Continued)
September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

6. Investments

Investments comprise:

	2019			2018		
	FVTPL	Amortised cost	Total	Held to maturity	Available-for-sale investments	Total
Mayberry Investments Limited (US$)	-	611,668	611,668	37,011	-	37,011
Stocks and Securities Limited (JA$)	-	-	-	63,008	-	63,008
Victoria Mutual Building Society (US$) (i)	-	41,363,285	41,363,285	40,643,575	-	40,643,575
Victoria Mutual Building Society (US$) (i)	-	27,661,510	27,661,510	27,029,819	-	27,029,819
Digicel Group 7.125% 2022 Bond (US$)	-	1,133,954	1,133,954	2,352,088	-	2,352,088
	-	70,770,417	70,770,417	70,125,501	-	70,125,501
Quoted shares:						
General Accident Insurance Company Jamaica Limited	615,535	-	615,535	-	312,228	312,228
Lasco Manufacturing Limited	-	-	-	-	2,242,000	2,242,000
Caribbean Cream Limited	-	-	-	-	4,034,100	4,034,100
Pan Jam Investment Limited	5,273,880	-	5,273,880	-	3,173,725	3,173,725
NCB Financial Group Limited	5,509,140	-	5,509,140	-	3,357,428	3,357,428
Caribbean Cement Company Limited	1,152,936	-	1,152,936	-	684,735	684,735
JMMB Group Limited	908,432	-	908,432	-	636,990	636,990
Wisynco Group Limited	4,276,081	-	4,276,081	-	477,332	477,332
Seprod Limited	3,070,648	-	3,070,648	-	-	-
Kingston Properties Limited	1,268,501	-	1,268,501	-	-	-
	22,075,153	-	22,075,153	-	14,918,538	14,918,538
	22,075,153	70,770,417	92,845,570	70,125,501	14,918,538	85,044,039
Allowance for impairment losses (ii)	-	(893,546)	(893,546)	-	-	-
	$22,075,153	69,876,871	91,952,024	70,125,501	14,918,538	85,044,039

(i) The Victoria Mutual Building Society US$ investments are held as collateral against loans from the same financial institution that were used to acquire a real estate property to expand the operations of the company (note 12).

(ii) Movement in allowance for impairment losses for investments is as follows:

	2019	2018
Balance at beginning of year	-	-
Transitional adjustments - IFRS 9 (note 3)	1,276,295	-
Impairment loss reversed (note 17)	(382,749)	-
Balance at end of year	$ 893,546	-

HONEY BUN (1982) LIMITED

Notes to the Financial Statements (Continued)
September 30, 2019
(Expressed in Jamaica dollar unless otherwise stated)

7. Intangible assets

	2019	2018
Cost:		
October 1	19,655,325	18,209,925
Additions	1,190,000	1,445,400
September 30	20,845,325	19,655,325
Amortisation:		
October 1	17,165,469	16,552,492
Charge for the year	1,016,547	612,977
September 30	18,182,016	17,165,469
Carrying value at September 30	$ 2,663,309	2,489,856

8. Inventories

	2019	2018
Raw and packaging materials	58,663,832	39,401,555
Work-in-progress	2,398,809	1,795,601
Finished goods	1,584,977	702,129
	$62,647,618	41,899,285

Inventory write-off recognised in profit or loss is $19,840,165 (2018: $24,514,175).

9. Trade and other receivables

	2019	2018
Trade receivables (i)	74,807,957	80,130,373
Allowance for impairment losses (ii)	(28,539,957)	(21,627,270)
	46,268,000	58,503,103
Prepayments	1,687,346	3,749,143
Other receivables	46,429,419	3,881,521
	$94,384,765	66,133,767

(i) Included in trade receivable is $74,503 (2018: $97,332) due from a related party in the ordinary course of business (see note 20).

9. Trade and other receivables (continued)

(ii) Allowances for doubtful accounts were established until September 30, 2018 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective October 1, 2018 such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

Under this ECL model, the company uses accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at September 30, 2019 to apply against the accounts receivable balance [note 24(a)(i)].

Movement in impairment losses for trade receivables is as follows:

	2019	2018
Balance at beginning of year	21,627,270	13,964,287
Transitional adjustments - IFRS 9 (note 3)	6,123,151	-
Impairment loss recognized (note 17)	789,536	7,662,983
Balance at end of year	$28,539,957	21,627,270

10. Cash and cash equivalents

	2019	2018
Cash in hand	383,126	323,126
Bank balances	81,191,345	51,538,033
	81,574,471	51,861,159
Short-term bank deposits	111,190,303	47,693,053
	$192,764,774	99,554,212

11. Trade and other payables

	2019	2018
Trade payables	114,385,848	93,226,521
Accrued staff vacation pay	7,578,630	6,211,609
Other payables	27,847,629	11,574,272
Distributors' deposits	832,374	830,171
	$150,644,481	111,842,573

12. Long-term loans

	2019	2018
(i) Victoria Mutual Building Society (VMBS)	-	3,687,723
(ii) Victoria Mutual Building Society (VMBS)	23,788,867	26,095,429
	23,788,867	29,783,152
Less current portion	(2,657,812)	(6,166,530)
	$21,131,055	23,616,622

(i) This loan is repayable in monthly installments by July 2019 with fixed interest rate of 6.5% per annum. The primary collateral is a US$ investment being held with VMBS (note 6). The loan was fully repaid during the year.

(ii) This loan is repayable in monthly installments by September 2027 with fixed interest rate of 5.65% per annum. The primary collateral is a US$ investment being held with VMBS (note 6).

13. Deferred taxation

Deferred tax liability is attributable to the following:

	2017	Recognised in profit or loss [note 21(a)]	2018	Recognised in profit or loss [note 21(a)]	Recognised in equity (note 3)	2019
Property, plant and equipment	24,322,203	3,191,416	27,513,619	4,448,297	-	31,961,916
Trade and other payables	(1,552,902)	-	(1,552,902)	(341,754)	-	(1,894,656)
Trade receivables	-	-	-	-	(1,530,788)	(1,530,788)
Investments	-	-	-	-	(319,074)	(319,074)
Unrealised foreign exchange gain	-	266,541	266,541	(266,541)	-	-
	$22,769,301	3,457,957	26,227,258	3,840,002	(1,849,862)	28,217,398

14. Share capital

	2019	2018
Authorised:		
487,500,000 ordinary shares of no par value		
Issued and fully paid:		
471,266,950 ordinary shares of no par value	$46,514,770	46,514,770

15. Capital reserves

	2019	2018
Revaluation surplus:		
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)
	53,818,788	53,818,788
Investment revaluation surplus:		
Unrealised gains on investments at FVTPL (2018: Available-for-sale)	-	10,529,409
	$53,818,788	64,348,197

Capital reserve comprises revaluation surplus on certain property, plant and equipment (see note 5). The unrealised gain on investments at fair value through profit or loss (2018: available-for-sale) comprises the cumulative net change in the fair value (see note 3).

16. Gross operating revenue

Gross operating revenue represents the invoiced value of sales, after deduction of returns, discounts allowed, and General Consumption Tax.

17. Expenses by nature

	2019	2018
Cost of operating revenue:		
Depreciation	22,892,350	18,030,351
Other costs of operating revenue	19,095,927	27,655,537
Raw materials and consumables	582,150,204	517,963,117
Staff costs (note 19)	131,686,211	122,130,214
Utilities	43,344,834	30,112,263
	$799,169,526	715,891,482

	2019	2018
Administrative:		
Audit fees	2,981,940	2,344,000
Repairs and maintenance, cleaning and sanitation	20,601,800	22,321,306
Depreciation	36,852,378	30,351,591
Amortisation	1,016,547	612,977
Directors' emoluments		
- Fees	3,812,500	5,229,829
- Management remuneration (note 19)	32,337,608	24,653,841
Other administrative expenses	83,518,667	79,904,597
Security	4,583,711	4,575,406
Staff costs (note 19)	124,335,190	101,954,835
Utilities	10,895,047	7,720,646
	320,935,388	279,669,028

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17. Expenses by nature (continued)

	2019	2018
Selling and distribution:		
Advertising and promotion	9,469,170	7,929,445
Property rental	9,805,123	8,975,917
Other distribution costs	109,254,153	75,561,430
Staff costs (note 19)	117,832,065	105,800,247
Other expenses	3,920,681	16,012,131
	250,281,192	214,279,170
Total administrative and selling and distribution expenses	$571,216,580	493,948,198
Impairment losses on financial assets:		
Trade receivables [note 9(ii)]	789,536	7,662,983
Investments (note 6)	(382,749)	-
	$ 406,878	7,662,983

18. Other income

	2019	2018
Foreign exchange gains	2,392,895	1,578,922
Gain/(loss) on disposal of property, plant and equipment	6,435,476	(632,171)
Dividends received	240,805	401,025
(Loss)/gain on sale of shares	(75,871)	238,505
	$8,993,305	1,586,281

19. Staff costs

	2019	2018
Salaries wages and other staff benefits	335,823,718	292,765,246
Employer's statutory contributions	36,368,991	33,098,772
Other staff costs	33,998,365	28,675,119
	$406,191,074	354,539,137

Included in profit or loss as follows:

	2019	2018
Direct labour (note 17)	131,686,211	122,130,214
Administrative – management (note 17)	32,337,608	24,653,841
Administrative – staff (note 17)	124,335,190	101,954,835
Selling and distribution (note 17)	117,832,065	105,800,247
	$406,191,074	354,539,137

20. Related party balances and transactions

The statements of financial position, and profit or loss and other comprehensive income include balances and transactions arising in the ordinary course of business during the year, with related parties as follows:

		2019	2018
(i)	Due from Next Incorporation (note 9)	74,503	97,332
(ii)	Payments net of purchases	$22,829	168,527

21. Taxation

(a) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2019	2018
Current tax expenses:		
Current tax expense @ 25%	44,541,462	16,431,500
Remission of income tax @ 50%	(22,270,731)	(8,215,750)
	22,270,731	8,215,750
Deferred tax expense:		
Origination and reversal of temporary differences (note 13)	3,840,002	3,457,957
Total income tax expense for the year	$ 26,110,733	11,673,707

(b) Reconciliation of expected tax expense and actual tax expense

	2019	2018
Profit before taxation	$182,580,167	98,096,432
Computed "expected" tax expense @ 25%	45,645,042	24,524,108
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	2,358,340	(7,563,237)
Net effect of other charges for tax purposes	378,082	2,928,586
Adjustment for the effect of remission of tax [note 21(c)]	(22,270,731)	(8,215,750)
Actual tax charged	$ 26,110,733	11,673,707

21. Taxation (continued)

(c) Remission of income tax:

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

Effective June 3, 2011, the company's shares were listed on the JMJSE. 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 - 5 (June 1, 2011 - May 31, 2016) – 100%
Years 6 -10: (June 1, 2016 - May 31, 2021) – 50%.

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

22. Earnings per share

	2019	2018
Earnings per share	$0.33	0.18

Earnings per share is computed by dividing the profit for the year by 471,266,950 (2018: 471,266,950), the number of shares in issue during the year.

23. Dividends

	2019	2018
Declared and paid:		
First interim @ 0.03 (2018: 0.02) cents per share	14,138,009	9,425,339
Final @ 0.03 (2018: 0.02) cents per share	14,138,009	9,425,339
Total dividends to shareholders	$28,276,018	18,850,678

24. Financial risk management

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

24. Financial risk management (continued)

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally on trade and other receivables, cash and cash equivalents and investments. There is no significant concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(i) Accounts receivable

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base has less of an influence on credit risk.

A credit policy has been established under which each customer is analysed individually for creditworthiness. Credit is granted to customers on the approval of management. During the credit approval process, the customer is assessed for certain indicators of possible delinquency. In monitoring customer credit risk, customers are grouped according to the ageing of their debt.

The company does not require collateral in respect of trade and other receivables.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the ageing of the receivables and the customer's ability to pay.

24. Financial risk management (continued)

(a) Credit risk (continued):

(i) Accounts receivable (continued)

Expected credit loss assessment as at October 1, 2018

The company allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customers) and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit ratings, where available. Exposure within each credit risk grade and an ECL rate is calculated for the company's customer based on delinquency status and actual historical credit loss experience.

The company uses an allowance matrix to measure ECLs of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECL for trade receivables as at September 30, 2019.

Age categories	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	7.85%	46,762,727	3,675,521	No
Past due 31 - 60 days	13.30%	3,537,246	471,892	No
Past due 61 - 90 days	89.37%	1,086,400	970,955	No
More than 90 days	100%	23,421,584	23,421,584	Yes
		$74,807,957	28,539,957	

24. Financial risk management (continued)

(a) Credit risk (continued):

(ii) Cash and cash equivalents and investments

The company limits its exposure to credit risk by maintaining these balances with financial institutions which management considered to be stable and only with counterparties that are appropriately licensed and regulated. Management does not expect any counterparty to fail to meet its obligations.

Impairment on cash and cash equivalents has been measured at 12 months expected loss basis and reflects the short maturities of the exposures. The company considered that cash and cash equivalents have low credit risk. No impairment allowances were recognised on initial adoption of IFRS 9 and there has been no change during the period.

Expected credit loss assessment for investments as at September 30, 2019

Impairment on investments has been measured on the 12-months expected loss basis. Information about the credit risk and quality of these financial assets are as follows:

	2019 Stage 1 12-month ECL	2018
Gross carrying amount	92,845,570	85,004,039
Less: impairment allowance	(893,546)	-
	$91,952,024	85,004,039

(b) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

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Notes to the Financial Statements (Continued)
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24. Financial risk management (continued)

(b) Liquidity risk (continued):

The following are the contractual maturities of financial liabilities measured at amortised cost. The tables show the undiscounted cash flows of non-derivative financial liabilities, including interest payments, based on the earliest date on which the company can be required to pay.

	2019				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Long-term loans	23,788,867	29,175,368	3,933,757	15,735,030	9,506,581
Trade and other payables	150,644,481	150,644,481	150,644,481	-	-
	$174,433,348	179,819,849	154,578,238	15,735,030	9,506,581

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Long-term loans	29,783,152	37,213,205	7,710,024	15,735,030	13,768,151
Trade and other payables	111,842,573	111,842,573	111,842,573	-	-
	$141,625,725	149,055,778	119,552,597	15,735,030	13,768,151

There was no change to the company's exposure to liquidity risk during the year, or the manner in which it measures and manages the risk.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk.

(i) Currency risk:

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

24. Financial risk management (continued)

(c) Market risk (continued):

(i) Currency risk (continued):

The company is exposed to currency risk on transactions that are denominated in a currency other than its functional currency. The main currency giving rise to this risk is the United States dollar (US$).

The company ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in US$ as a hedge against adverse fluctuations in exchange rates.

Exposure to currency risk:

The company's exposure to foreign currency risk at the reporting date was as follows:

	2019		2018	
	J$ Equivalent	US$	J$ Equivalent	US$
Financial assets	168,209,618	1,244,103	126,364,775	946,836
Financial liabilities	(4,279,258)	(32,146)	(1,914,776)	(14,220)
Net assets	$163,930,360	1,211,957	124,449,999	932,616

Exchange rates as at the reporting date were US$1: J$133.12 (2018: US$1: J$133.46).

Sensitivity analysis:

A 6% (2018: 4%) weakening of the US$ against the J$ would increase profit for the year by $9,835,822 (2018: $4,978,677).

A 4% (2018: 2%) strengthening of the US$ against the J$ would decrease profit for the year by $6,557,214 (2018: $2,489,339).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for.

24. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk:

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

The company minimises interest rate risk by investing mainly in fixed rate instruments and contracting liabilities at fixed rates, where possible. The company's interest rate risk arises mainly from bank loans.

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

	Carrying amount	
	2019	2018
Fixed rate:		
Financial assets	70,158,750	70,025,482
Financial liabilities	(23,788,867)	(29,783,152)
	$46,369,883	40,242,330
Variable rate:		
Financial assets	$97,899,425	46,758,975

Fair value sensitivity analysis for financial instruments:

The company does not account for any interest bearing financial instrument at fair value, therefore a change in interest rates at the reporting date would not affect the carrying value of the company's financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase/(decrease) in profit before taxation	
	2019	2018
	$	$
1% (2018: 1%) increase	978,994	467,590
1% (2018: 1%) decrease	(978,994)	(467,590)

24. Financial risk management (continued)

(c) Market risk (continued):

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 10% (2018: 10%) increase in the market price at the reporting date would cause an increase in other comprehensive income of $2,207,515 (2018: $1,491,853). A 10% (2018: 10%) decrease would have an equal but opposite effect on other comprehensive income.

(d) Capital management:

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

The company considers its capital to be its total equity inclusive of unappropriated profits and capital 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 shareholders 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 statement of financial position plus debt. The gearing ratios at the year-end based on these calculations were as follows:

	2019	2018
Debt: long-term loans	23,788,867	29,783,152
Equity	740,514,675	617,870,933
Total capital	$764,303,542	647,654,085
Gearing ratio	3.11%	4.59%

24. Financial risk management (continued)

(d) Capital management (continued):

During 2019, the company's strategy, which was unchanged from 2018, was to maintain the gearing ratio below 25%.

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

(e) Fair values

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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company's equities are the only financial instrument that is carried at fair value, also where fair value of financial instruments approximates carrying value, no fair value computation is done.

The carrying values reflected in the financial statements for cash and cash equivalent, trade and other receivables, and trade and other payables are assumed to approximate fair value due to their relatively short-term nature.

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other conditions are at market terms.

Quoted equities fair values are based on the bid prices published by the Jamaica Stock Exchange *Determination of fair value and fair values hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes financial assets with fair values based on broker quotes.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The company considers relevant and observable market prices in its valuations where possible.

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