HONEY BUN (1982) LIMITED

Financial Statements

30 September 2011

HONEY BUN (1982) LIMITED
Index
30 September 2011

McKENLEY & ASSOCIATES
CHARTERED ACCOUNTANTS

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To the members of
Honey Bun (1982) Limited
Kingston.

Independent Auditors' Report

We have audited the accompanying financial statements of Honey Bun (1982) Limited (the "Company") which comprise the Company's statement of financial position as of 30 September 2011 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 30 September 2011, and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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 and give the information required by the Act, in the manner so required.

McKenley + Associates

Chartered Accountants
21 November 2011
Kingston, Jamaica

HONEY BUN (1982) LIMITED
Statement of Comprehensive Income
30 September 2011

	Note	2011	2010
		$	$
Revenue	3(r)	560,847,134	448,561,798
Cost of Sales		324,970,327	269,914,156
Gross Profit		235,876,807	178,647,642
Finance income - interest		1,713,669	739,540
Grant	3(h)	290,904	-
Other gains/(losses)		747,563	(2,160,747)
		238,628,943	177,226,435
Expenses			
Administrative and other expenses		(97,280,387)	(78,748,058)
Selling & Distribution Costs		(99,822,502)	(67,439,975)
		(197,102,889)	(146,188,033)
Profit from operations		41,526,054	31,038,402
Finance costs		(4,531,222)	(5,253,609)
Profit before taxation		36,994,832	25,784,793
Taxation	8	9,365,005	8,594,930
Net Profit for the year		27,629,827	17,189,863
Other Comprehensive Income			
Unrealised gain on investment		512,008	-
Revaluation – net of taxes		-	47,816,944
Total comprehensive income for the year		28,141,835	65,006,807
Earning per stock unit	9	$0.34	$0.23

HONEY BUN (1982) LIMITED
Statement of Financial Position
30 September 2011

	Note	2011 $	2010 $
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	179,900,984	158,970,502
Investments	11	46,208,571	27,232,776
Intangible assets	12	3,780,881	140,000
		229,890,436	186,343,278
CURRENT ASSETS			
Inventories	13	21,589,323	17,507,357
Receivables	14	46,324,713	32,007,823
Taxation recoverable		-	517,066
Cash & cash equivalents	15	10,720,232	7,048,127
		78,634,268	57,080,373
CURRENT LIABILITIES:			
Payables	16	39,426,036	35,999,432
Taxation		5,621,707	-
Dividends payable	17	-	6,450,000
Bank overdraft	18	2,437,053	3,934,653
Current portion of long term loans	21	4,208,093	17,720,618
		51,692,889	64,104,703
Net Current Assets/(Liabilities)		26,941,379	(7,024,330)
		256,831,815	179,318,948
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	19	46,514,770	40,000
Capital Reserves	20	47,849,944	47,849,944
Retained earnings		115,781,239	88,099,404
		210,145,953	135,989,348
NON-CURRENT LIABILITIES			
Long term loans	21	17,023,765	13,667,503
Deferred tax liabilities	22	29,662,097	29,662,097
		46,685,862	43,329,600
		256,831,815	179,318,948

*** Restated for comparative purposes**

Approved for issue by the Board of Directors on 21st of November 2011 and signed on its behalf by:

Herbert Chong Director

Michelle Chong Director

HONEY BUN (1982) LIMITED
Statement of Changes in Shareholders' Equity
30 September 2011

	Capital Reserves	Share Capital	Retained Earnings	Total
	$	$	$	$
Balance at 30 September 2009	-	73,000	77,301,998	77,374,998
Other movement in equity	-	-	57,543	57,543
Reclassification	33,000	(33,000)	-	-
Other comprehensive income	47,816,944	-	17,189,863	65,006,807
Dividends	-	-	(6,450,000)	(6,450,000)
Balance at 30 September 2010	47,849,944	40,000	88,099,404	135,989,348
Capitalization of reserves		460,000	(460,000)	-
Issue of shares net of transaction costs		46,014,770		46,014,770
Total comprehensive income for the year			28,141,835	28,141,835
Balance at 30 September 2011	47,849,944	46,514,770	115,781,239	210,145,953

HONEY BUN (1982) LIMITED
Statement of Cash Flows
30 September 2011

	2011	2010
	$	$
Cash flows from operating activities:		
Profit before taxation	36,994,832	25,784,793
Adjustments for:		
Depreciation	18,351,431	7,605,598
Amortisation	1,820,440	-
Gain on disposal of plant and equipment	(211,200)	-
Other non-cash items	-	57,543
Investment income	(1,713,669)	(739,540)
Finance costs paid	4,531,222	5,253,609
Operating cash flows before movement in working capital	59,773,056	37,962,003
Movements in working capital:-		
Inventories	(4,081,966)	(4,798,933)
Receivables	(14,316,890)	10,263,271
Payables	3,426,604	13,621,791
	44,800,804	57,048,132
Finance costs paid	(4,531,222)	(5,253,609)
Income taxes paid	(3,226,232)	(14,923,258)
Net cash from operating activities	37,043,350	36,871,265
Cash flows from investing activities:-		
Payment for property, plant and equipment	(41,170,713)	(42,574,167)
Proceeds from disposal of property plant and equipment	2,100,000	-
Payment for intangible assets	(5,461,321)	-
Interest received	1,713,669	739,540
Purchase of investments	(18,463,787)	(10,035,978)
Net cash used in investing activities	(61,282,152)	(51,870,605)
Cash flows from financing activities:-		
Issue of shares net of expenses	46,014,770	-
Repayment of long term borrowings	(10,156,263)	(8,054,126)
Proceeds from long term borrowings	-	28,000,000
Dividend paid	(6,450,000)	(8,000,000)
Net cash from financing activities	29,408,507	11,945,874
Net increase/ (decrease) in cash and cash equivalents	5,169,705	(3,053,466)
Net cash balances at beginning of year	3,113,474	6,166,940
Net cash and cash equivalents at end of year	8,283,179	3,113,474
Represented by:		
Cash and cash equivalents	10,720,232	7,048,127
Short-term borrowings	(2,437,053)	(3,934,653)
	8,283,179	3,113,474

Honey Bun (1982) Limited
Notes to the Financial Statements
Year Ended 30 September 2011

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

Honey Bun 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 markets. 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB).

New standards and interpretations effective during the year:

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year. The adoption of these did not result in any change in accounting policies and did not have any significant effect on the financial statements but have given rise to revised or additional disclosures..

New standards and interpretations not yet effective:

At the date of the authorisation of the financial statements, certain new standards, amendments to standards and interpretations of existing standards, which have been issued, but not yet effective were not early-adopted by the Company. Those considered relevant to the Company are as follows:

- **IAS 1 (Amended) Presentation of Financial Statements-:** This standard, which is effective 1 January 2011 introduces new requirements for classifying and measuring financial assets. It also introduces added disclosures about investments in equity instruments and their treatment in the statement of comprehensive income.

- **IAS 34 (Amended) Interim financial reporting:** This standard became effective 1 January 2011 and has resulted in additional disclosures for certain transactions and events.

- **IAS 24 (Revised) Related Party Disclosure:** This standard became effective 1 January 2011 and amends the definition of a related party in addition to introducing additional disclosure requirements for government related entities. It also increases the list of transactions that require disclosure.

- **IFRS 9 Financial Instruments:** This standard will become effective 1 January 2013 and introduces new requirements for classifying and measuring financial assets. The standard also requires additional disclosures about investments in equity instruments designated at fair value and their treatment through other comprehensive income.

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The directors are of the opinion that the adoption of the current issue of standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis, except for available-for-sale investments (other than those for which a reliable measure of fair value is not available), investment properties and certain classes of property, plant and equipment which are carried at fair value. They are also prepared in accordance with provisions of the Jamaican Companies Act.

(c) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar, unless otherwise indicated.

(d) Critical judgments and sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts and related disclosures reported in the financial statements. These estimates are based on historical experience and management's best knowledge of current events and actions. Actual results may differ from those estimates and assumptions.

There were no critical judgments, apart from those involving estimation, that management has made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the financial statements.

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

i. Depreciation of property, plant and equipment

Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of estimated useful lives and the expected residual values of the assets require the use of estimates and judgments. Details of the estimated useful lives are noted in the policy notes relating to property, plant and equipment.

2. BASIS OF PREPARATION (CONTINUED)

(d) Critical judgments and sources of estimation uncertainty (continued)

ii. Allowance for impairment losses on receivables

Management makes judgements regarding indicators of impairment where outstanding year end receivable balances appear doubtful to be collected in full, for example, through unfavourable economic conditions or default by the creditor. Management uses their experience to make an appropriate allowance for any impairment losses in these circumstances.

iii. Net realizable value of inventories

Management estimates net realizable value of inventories based on the most reliable available evidence. These estimates take into consideration variations of costs directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

iv. Taxation

The Company is required to estimate income tax payable to the Commissioner of Taxpayer Audit and Assessment on profits derived from operations. This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are included in the balance sheet. Deferred tax assets and liabilities are measured using the enacted tax rate at balance sheet date.

If the tax eventually payable, or recoverable, differs from the amounts originally estimated then the difference will be accounted for in the year such determination is made.

v. Fair value of financial assets

Where necessary, the management of the Company uses its judgement in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation methods commonly used by market practitioners supported by appropriate assumptions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation:

These are non-consolidated financial statements as the Company has no subsidiaries.

(b) Segment reporting:

An operating segment is a component of the company, for which discrete financial information is available, that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Chief Operating Decision Maker (CODM) to facilitate allocating resources based on performance.

The CODM considers the operations of the company as one operating segment.

(c) Income taxes

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

(i) **Current Taxation**

Current tax charge is 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 and adjustments for tax losses in respect of previous years. The Company's liability for current tax is calculated at tax rates that have been enacted at statement of financial position date. The Company will only be assessed for the first eight months of the current year. The Company was listed on the Junior Stock Exchange effective 3rd June 2011 and will enjoy tax free status for five (5) years.

(ii) **Deferred Taxation**

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts are measured for tax purposes, which will result in taxable amounts in future periods. Deferred income tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Items of property, plant and equipment are measured at cost, except for plant and equipment and 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 or losses arising from changes in market value are taken to capital reserve.

The cost of the day to day servicing of property, plant and equipment is recognized in profit and loss account as incurred.

(ii) Depreciation

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. 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. Annual depreciation rates are as follows:

Buildings	2.5 %
Furniture & fixtures	10 %
Machinery & equipment	10 %
Motor vehicle	20 %
Computers	25 %
Leasehold Improvement	2.5 %

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 the income statement.

Repairs and maintenance expenditure are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

Inventories are valued on a first in first out 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 materials.
Raw materials and spares – purchase cost of items
Goods-in-transit – Cost of goods converted at the year end exchange rate

(f) Finance income and costs

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

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

(g) Foreign currency translation

During the year, transactions in foreign currencies were translated at the rate of exchange ruling at the date of the transaction. At balance sheet date, balances receivable or due or payable in foreign currencies are translated at the rate of exchange ruling at the year end 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 comprehensive income.

(h) Grant Funds

The Company accounts for grants in accordance with International Accounting Standard 20 (IAS 20). When all conditions attaching to the respective grants are complied with, the amounts are recorded as income in the statement of comprehensive income.

(i) Trade receivables

Trade receivables are carried at original invoice amounts less provision made for impairment of these receivables based on a review of the balances at the year end. Bad debts are written off when identified. A provision for impairment of these receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transactions. The amount of the provision is the difference between the carrying amount and the recoverable amount being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade receivables (Continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

(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 with original maturities of three months or less, net of bank overdraft.

(k) Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired Company at the acquisition date. Goodwill is tested annually by the directors for impairment and carried at cost less any impairment.

ii. 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.

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

(l) Impairment

i. Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original interest rate. Receivables with short term duration are not discounted. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognized in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (Continued)

ii. Non-financial assets

The carrying amounts of the Company's non financial assets, other than investment properties and inventories, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized and accounted for in the statement of comprehensive income, whenever the carrying amount of an asset exceeds its recoverable amount.

(m) Employee Benefits

i. **Pension Obligations**
The Company does not operate either a contributory or defined benefit pension scheme

ii. **Other Post Employee Benefits**
The Company does not provide any supplementary medical and life insurance benefits to employees upon retirement.

iii. **Termination Benefits**
Termination benefits are payable when employment is terminated by the Company, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

iv. **Leave entitlements**
Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

v. **Profit sharing and performance incentives**
The Company does not recognize a liability and expense for performance incentives and profit sharing because there is no past practice that has created a constructive obligation.

(n) Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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 liability. Finance charges are charged to statement of comprehensive income over the lease period.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(p) Trade and other payables

Trade and other payables and accruals are initially recognized at original invoice amount (which represents fair value) and subsequently measured at amortized cost.

(q) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, 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.

(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 gross proceeds from sale of baked products.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (Continued)

The Company recognizes revenue when the significant risks and rewards of ownership have been transferred to the buyer, amount of income can be reliably measured, it is probable that future economic benefits will flow to the Company and there is no continuing management involvement with the goods. Sales are recognized upon delivery of products, customer acceptance of the products and collectability of the related receivables is reasonably assured.

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis.

(s) Related party

A party is considered to be related if:

(i) directly or indirectly, through one or more intermediaries, one party is able to exercise control or significant influence over the other party;

(ii) both parties are subject to common control or significant influence from the same source;

(iii) the party is a member of key management personnel of the Company or its parent, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, officers and close members of the families of these individuals; or

(iv) the party is associated with a post-employment benefit plan for the benefit of the employees of the Company.

(t) Dividends

Dividends are recognized when they become legally payable. 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.

(u) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity. Financial instruments carried in the statement of financial position include cash and cash equivalents, receivables, payables and related party balances. The particular recognition methods adopted are disclosed in the respective policy statements associated with each item.

(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.

4. RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk, credit risk and liquidity risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives and policies and processes for measuring and managing risk. Additional quantitative disclosures are included throughout these financial statements.

The Company seeks to manage these risks by close monitoring of each class of its financial instruments to minimize potential adverse effects on its financial performance as follows:

(a) Market risk

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments.

Market risks mainly arise from change in foreign currency exchange rates, interest rates and commodity prices. Market risk is monitored by the Company's treasury function which carries out research and monitors the price movement of financial assets on the local and international markets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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's financial instruments are substantially independent of changes in market prices as they are short term in nature.

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 and borrowings that are denominated in currencies other than the Jamaican dollar.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

Exposure to currency risk

The Company's statement of financial position at 30 September 2011 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:

Concentrations of currency risks

	2011 CAN$	2011 US$	2011 UK£	2010 CAN$	2010 US$	2010 UK£
Financial assets						
- Cash and cash equivalents	177	14,644	13,555	1,070	21,100	13,529
- Investments	-	167,310	-	-	241,690	-
- Receivables		13,620			1,226	
	177	195,574	13,555	1,070	264,016	13,529
Financial liabilities						
- Payables and accruals	-	(38,800)	-	-	(22,781)	-
Total net assets/(liabilities)	177	156,774	13,555	1,070	241,235	13,529

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

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

Currency	30 Sept. 2011 $	30 Sept. 2010 $
Canadian dollar ($)	83.31	82.71
United States dollar ($)	86.30	85.12
United Kingdom pound (£)	134.70	129.56

Sensitivity Analysis

Changes in the exchange rates of the Jamaican dollar (JA$) to the United States dollar (US$) would have the effects as described below:

	Effect on NetProfit for the year 2011 $	2010 $
5% strengthening the USD	**(648,595)**	**(1,021,478)**
5% weakening of the USD	**648,595**	**1,021,478**

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

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

Interest rate risk

Interest rate risk is the risk that the fair 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.

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 Company invests excess cash in short-term deposits and maintains interest-earning bank accounts with licensed financial institutions. Short-term deposits are invested for periods of three (3) months or less at fixed rates and are not affected by fluctuations in market interest rates up to the date of maturity. Interest rates on interest-earning bank accounts are not fixed but are subject to fluctuations based on prevailing market rates.

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. The Company's policy also requires it to manage the maturities of interest bearing financial assets and liabilities.

Interest rate sensitivity

Due to the fact that interest rates on the Company's short-term deposits are fixed up to maturity and interest earned from the Company's interest-earning bank accounts is immaterial, there would be no material impact on the results of the Company's operations as a result of fluctuations in interest rates within a band of plus or minus 200 basis points.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk

Credit risk is the risk that the Company's customers or counterparties will cause a financial loss for the Company by failing to discharge their contractual obligations. Credit exposures arise principally from the Company's receivables from customers, cash at bank and short term deposits held with financial institutions. 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.

ii. Aging Analysis of trade receivables

Trade receivables that are less than 30 days past due are not considered impaired. Trade receivables over 90 days over due are considered impaired. As at 30 September 2011, trade receivables amounted to $41,620,397 (2010 $30,086,342) and the amount of the provision was $1,238,133 (2010 $1,238,133). The impaired receivables mainly relate to assigned distributors and major customers who are in unexpected difficult economic situations. However, management assesses that a portion of the impaired receivables is expected to be recovered.

iii. Cash and cash equivalents

The Company limits it exposure to credit risk by investing mainly in short term liquid securities with counterparties that have high credit quality, licensed financial institutions that are considered stable and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations and no provision for impairment is deemed necessary.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $103,253,516 (2010 $66,950,924) representing the balances in the statement of financial position for cash and short term deposits, investments and receivables.

The aging of trade receivables (note 14) at the reporting date was:

	2011	2010
	$	$
Current: below 30 days	28,174,230	22,483,291
Past due 31-60 days	2,737,852	434,478
Past due 61- 90 days	7,507,044	506,388
More than 90 days	3,201,271	6,662,186
Total	41,620,397	30,086,343

Based on past experience, management believes that no general provision is considered necessary for debts due over 90 days. 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. Whenever management considers any amount to be irrecoverable, it is written off directly against the receivable.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet their commitments associated with financial instruments when they fall due.

The Company manages its liquidity risk by 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. 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 against any significant adverse cash flows.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

The Company maintains cash and short-term deposits for up to 90-days to meet its liquidity requirements.

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 2011 based on contractual undiscounted payments. The Company also has access to lines of secured credit which are available if the Company does not have sufficient cash to settle its obligation.

	Current		Non-Current			
	Within 3 Months		4 to 12 Months		Over 12 Months	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Long-term loans	1,298,940	4,430,156	2,909,153	13,290,462	17,023,765	13,667,503
Bank overdraft	2,437,053	3,934,653	-	-	-	-
Payables and Accruals	39,426,036	35,999,432	-	-		-
Total	43,162,029	44,364,241	2,909,153	13,290,462	17,023,765	13,667,503

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Company's processes, personnel, technology and external factors such as generally accepted ethical and corporate social behaviour. The Company has outsourced its internal audit function and manages this risk so as to reduce the possibility of financial loss and long term damage to its reputation.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(e) Fair value estimation

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. The amounts included in the financial statements for cash and cash equivalents, receivables, payables, borrowing facilities and 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.

5. TURNOVER

Turnover represents the price of goods sold net of discounts and allowances and general consumption tax.

6. OPERATING PROFIT BEFORE TAXATION

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

	2011 $	2010 $
Auditors' remuneration	980,000	680,000
Depreciation and Amortization	20,171,871	7,605,598
Directors' Emolument:		
Directors fees	1,205,000	1,644,000
Management remuneration	5,430,000	5,060,000
Bad debts written off	218,447	57,605
Accrued salary payments	3,537,465	5,450,244
Company valuation fees	-	1,718,569
Foreign exchange (gains)/losses	(386,362)	1,023,909
Staff costs (note 7)	83,313,730	70,304,728

7. STAFF COSTS

	2011	2010
	$	$
Salaries and wages	70,093,332	58,636,118
Payroll taxes: employer's portion	9,990,903	7,735,561
Other staff costs	3,229,495	3,933,049
	83,313,730	70,304,728

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

	2011	2010
Full time	120	112
Contract workers	80	78

8. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 33 1/3%.

	2011	2010
	$	$
Current year taxation charge	9,365,005	6,375,958
Deferred tax	-	2,218,972
Taxation charged in income statement	9,365,005	8,594,930

The tax charge on the Company's profit differs from the theoretical amount that arose using the statutory tax rate as follows:

Profit before taxation	36,994,832	25,784,793
Tax calculation @ 33 1/3	12,331,611	8,594,930
Net effect of other charges for tax purposes: (credit)/expense	(2,966,606)	(2,218,972)
Current year taxation charge	9,365,005	6,375,958

The charge for deferred tax purposes principally represented the difference between the book written down value of fixed assets and the written down value of the fixed assets for capital allowances at the current tax rate. The amount for the current year was $2,966,606 but no account was taken of deferred taxation during the year ended 30 September 2011 because it is not expected that this tax will crystallize in the near future because the Company was granted a remission from income tax during the year. (See note 8 (b)

8. TAXATION (CONTINUED)

(b) Remission of income tax:

By notice dated 13th August 2009, the Minister of Finance and the Public Service, issued and gazette 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 Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

Effective 3rd 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 following conditions are met:

(i) the Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE

(ii) the Subscribed Participating Voting Share Capital of the Company does not exceed J500 million

(iii) the Company has at least 50 Participating Voting Shareholders.

Years 1 to 5 (3rd June 2011-31 May 2016) – 100%

Years 6-10: (3rd 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. Because the Company was listed on the JSE 3rd June 2011, four (4) months before the end of the Company's financial year end, income taxes were calculated on operating profits for eight (8) months of the financial year.

9. EARNINGS PER SHARE

The EPS is computed by dividing the profit for the year by the weighted average number of shares in issue for the year of 81,250,000 (2010 – 75,000,000). The weighted average number of shares for both years reflects the increase by 610,000 shares to 650,000 shares and subsequent 150 for 1 split in the number of shares in issue up to 13 April, 2011. The weighted average number for the current year also reflects the 18,750,000 shares which were issued as part of the IPO effective 3rd June, 2011.

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
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10. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold Improvement	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
1 October 2010	43,732,877	593,143	4,343,927	14,545,591	7,862,375	3,760,609	126,514,410	201,352,932
Additions		1,251,383	1,018,754	764,956	1,701,275	35,327,115	1,107,230	41,170,713
Disposals	-	-	-	-	-	(1,500,000)	(480,000)	(1,980,000)
30 September 2011	43,732,877	1,844,526	5,362,681	15,310,547	9,563,650	37,587,724	127,141,640	240,543,645
Accum. Depreciation:								
1 October 2010	3,732,877	593,142	1,289,342	2,683,968	5,283,759	-	28,799,342	42,382,430
Charge for the year	1,093,322		434,393	1,946,713	1,965,594	752,122	12,159,287	18,351,431
Relieved on disposals	-	-	-	-	-	-	(91,200)	(91,200)
30 September 2011	4,826,199	593,142	1,723,735	4,630,681	7,249,353	752,122	40,867,429	60,642,661
NET BOOK VALUE								
30 September 2011	38,906,678	1,251,384	3,638,946	10,679,866	2,314,297	36,835,602	86,274,211	179,900,984
NET BOOK VALUE								
30 September 2010	40,000,000	1	3,054,585	11,861,623	2,578,616	3,760,609	97,715,068	158,970,502

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 April 12, 2010 by Delano Reid & Associates Limited, Appraisers, Engineers & 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 19)

11. INVESTMENTS

Investments comprise:

		2011	2010
		$	$
13 %	Fixed Deposit: Global Capital	-	56,102
15 %	Repo. Certificates	-	3,301,048
4.75 %	First Global	-	1,031,000
11.45%	Scotia Investment Jamaica Limited	61,154	20,572,613
9 %	Mayberry Investments Limited	29,132,610	-
8 %	Stocks and Securities Limited	14,011,500	-
6 %	Related company loan	1,772,013	2,272,013
	AMG Packaging and Paper Company shares	1,231,294	-
		46,208,571	27,232,776

12. INTANGIBLE ASSETS

	2011	2010
	$	$
Goodwill - Purchase price exceeded net assets acquired	140,000	140,000
Software purchased	5,461,321	-
Amortization of software at 33 1/3%	(1,820,440)	-
	3,640,881	-
	3,780,881	140,000

(i) Goodwill arose as a result of the purchase of the business many years ago when the purchase price was more than the net assets taken over. Goodwill was initially being amortized over 10 years. In year ended September 30, 2011 management decided to account for goodwill in accordance with International Accounting Standard number 38 where it is reviewed each reporting period to determine whether events or circumstances continue to support an indefinite useful life assessment.

The directors are of the opinion that there is still useful life in the value of the goodwill that was acquired and it should not be further written down.

(ii) The computer software was purchased during the year to assist with improving the overall efficiency of information and communication technology. The software will be amortized over three (3) years beginning with the current year.

13. INVENTORIES

	2011	2010
	$	$
Raw and Packaging material	19,309,905	14,284,080
Work-in-progress	591,899	471,885
Plant and equipment spares	1,238,761	846,220
Finished goods	448,758	*1,905,172
	21,589,323	17,507,357

*Reclassified for comparative purposes

14. RECEIVABLES

	2011	2010
	$	$
Trade receivables	41,620,397	30,086,343
Prepayments	5,637,749	750,128
Director's advances	-	2,221,167
Other receivables	304,700	188,318
	47,562,846	33,245,956
Less provision for bad debts	(1,238,133)	(1,238,133)
	46,324,713	32,007,823

The aging of trade receivables (note 14) at the reporting date was:

	2011	2010
	$	$
Current: below 30 days	28,174,230	22,483,291
Past due 31-60 days	2,737,852	434,478
Past due 61- 90 days	7,507,044	506,388
More than 90 days	3,201,271	6,662,186
Total	41,620,397	30,086,343

The provision of $1,238,133 primarily relates to a major customer whose balance is due over 90 days. No additional provision was considered necessary during the year because management is confident that the customers with balances over 90 days should fully liquidate their balances.

15. CASH AND CASH EQUIVALENTS

	2011	2010
	$	$
Petty cash	144,000	144,000
Foreign currency accounts:		
Foreign currency bank accounts: various banks	3,171,274	3,190,539
Savings and current accounts:		
Current and saving bank accounts : various banks	7,404,958	3,713,588
	10,720,232	7,048,127

* Reclassified for comparative purposes.

These bank balances are held at reputable financial institutions that are relatively stable. Interest earned averages between 0% - 3%, depending on the types of accounts held with the financial institutions.

16. PAYABLES

	2011	2010
	$	$
Trade payables	27,876,296	25,046,232
Statutory liabilities	5,570,844	3,486,534
Staff accruals	4,016,353	3,986,244
Other payables	1,362,543	2,880,422
Distributors' deposits	600,000	600,000
	39,426,036	35,999,432

Included in trade payables is an amount of $3,341,520 (2010 -$1,966,018) payable in foreign currency. The directors are of the opinion that payables are fairly stated due to the short term maturity of these instruments, as they are due within three (3) months of the year end.

17. DIVIDENDS

	2011	2010
	$	$
Dividends	-	6,450,000
	-	6,450,000

No dividends were declared as at 30 September 2011.

18. BANK OVERDRAFT

The bank overdraft is secured by personal guarantee by the principal shareholders and also by real estate owned by the Company.

19. SHARE CAPITAL

	2011	2010
Authorised:	$	$
97,500,000 shares	97,500,000	40,000
Issued and fully paid:		
94,253,390 shares	46,514,770	40,000

Effective April 13, 2011, the ordinary shareholders of the Company unanimously passed a resolution in accordance with Article 76 of the Articles of Association of the Company to re-register as a public company under Section 34 of the Companies Act 2004. In addition the following resolution was passed:

- The authorized share capital of the Company was increased by 610,000 ordinary shares, from 40,000 to 650,000 ordinary shares
- That each of the ordinary shares in the authorized and issued capital of the Company be subdivided into 150 shares.
- That $460,000 from the Company's revenue reserves be capitalized and issued to the existing shareholders of the Company registered at the close of business on April 13th, 2011. The shares are to rank pari passu in all respects with the existing ordinary shares in issue.
- In addition by resolution of the Board of Directors dated April 13, 2011, 18,750,000 ordinary shares were offered to the general public based on the terms and conditions set out in the Prospectus. The total amount of shares was allotted to the Applicants who accepted the invitation to purchase shares.
- Mayberry Investments Limited exercised an option described in the prospectus of the Company and were issued 503,390 shares effective September 30, 2011.

20. CAPITAL RESERVES

	2011	2010
	$	$
Balance brought forward: 1 October 2010	33,000	33,000
Unrealized surplus on revaluation of property	71,725,384	71,725,384
	71,758,384	71,758,384
Deferred tax on revaluation	(23,908,440)	(23,908,440)
Balance at 30 September 2011	47,849,944	47,849,944

	2011	2010
Represented by:	$	$
Surplus on revaluation of fixed assets - 2009	33,000	33,000
Revaluation of plant and equipment - 2010	50,109,435	50,109,435
Revaluation of building - 2010	21,615,949	21,615,949
	71,758,384	71,758,384

The current capital reserve represents surplus arising on the revaluation of the Company's building, plant and machinery by the directors during the year ended 30 September 2010 (Note 9).

21. LONG TERM LOANS

	2011	2010
	$	$
9.5% Bank of Nova Scotia Jamaica Limited – BNS	21,231,858	31,388,121
Less current portion due within 12 months	(4,208,093)	(17,720,618)
	17,023,765	13,667,503

The BNS loans are secured by first legal mortgage over the Company's real estate and assignment of insurance policies on the lives of the principal shareholders.

22. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3%.

The movement in deferred taxation is as follows:

	2011	2010
	$	$
Balance at start of year	29,662,097	3,534,685
Credited to income statement (note 7)	-	2,218,972
Charged to other comprehensive income: deferred tax on revaluation	-	23,908,440
Balance at end of year	29,662,097	29,662,097

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 additional provision was made for deferred tax during the year because the Company was listed on the JSE, effective 3rd June 2011 and will be relieved from income tax for the next ten (10) years. (See note 8).

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
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23. EXPENSES BY NATURE

Total administrative, selling and distribution expenses:

	2011	2010
	$	$
Distribution costs	40,970,697	20,060,011
Advertising, marketing and promotion	41,280,488	30,212,716
Directors' fees	1,205,000	1,644,000
Local travel, accommodation and motor vehicle expenses	8,058,208	10,484,675
Rates, taxes, telephone and electricity	4,085,991	3,403,226
Donations and subscriptions	751,361	750,127
Foreign travel and entertainment	1,025,568	2,104,671
Office, general, printing and stationery	2,469,894	5,694,980
Insurance	4,977,936	1,497,380
Rental of property	2,814,741	2,573,841
Repairs and maintenance, cleaning and sanitation	6,806,873	5,292,938
Legal, professional, management and accounting	5,344,926	5,641,001
Audit fees	980,000	680,000
Security	5,083,577	4,275,327
Staff costs	58,818,763	49,209,760
Depreciation	6,192,144	2,512,025
Other	6,236,722	151,355
	197,102,889	*146,188,033

***The 2010 figures were restated for comparative purposes.**

24. CAPITAL MANAGEMENT

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

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

25. CONTINGENT LIABILITIES AND COMMITMENTS

At year end, there were no letters of credit issued by the Company or loan facilities guaranteed on behalf of any third parties. The directors also had no material outstanding commitments, financial or otherwise, at the year end of the Company.

During the year, the Company was audited by Tax Administration Jamaica (TAJ) in regard to the method used in calculating the Company's General Consumption tax monthly liability. The Company's method of calculation was different from that of TAJ and as such an objection has been filed. The directors are of the opinion that the matter will be settled in the Company's favour and therefore no provision is considered necessary in the financial statements.

26. 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.

This balance represents advances from Honey Bun (1982) Limited and expenses paid on its behalf to support its working capital requirements. The related company is owned and controlled by the principal shareholders of Honey Bun (1982) Limited.

During the year, the Company agreed with the management of the related party to charge interest at 6% on the balance which should be repaid by monthly payments of $50,000 until liquidated in September 2015.

During the year, Next Incorporated Limited purchased raw material of approximately $2.5 Million (2010-$3.4 Million) and repaid approximately $2.7 Million (2010 $3.9 Million) on its customer account with the Company.

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

	2011	2010
	$	$
Receivables due from Next Incorporated Limited	184,033	358,114

At year end, the balance is as follows:

	2011	2010
Next Incorporated Limited	$	$
Related party balance	1,772,012	2,272,013
Current portion due within 12 months	(600,000)	(600,000)
	1,172,012	1,672,013