HONEY BUN (1982) LIMITED
Financials Statements
30 September 2012

HONEY BUN (1982) LIMITED
Index
Year Ended 30 September 2012

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

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To the Members of
Honey Bun (1982) Limited

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 2012 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

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 2012, 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
28 November 2012
Kingston, Jamaica

HONEY BUN (1982) LIMITED
Statement of Comprehensive Income
Year Ended 30 September 2012

	Note	2012	2011
		$	$
Revenue	3(t)	611,333,200	560,847,134
Cost of sales		342,061,375	324,970,327
Gross profit		269,271,825	235,876,807
Finance income - interest		1,212,352	1,713,669
European grant	3(j)	-	290,904
Other gains/(losses)		1,199,189	747,563
		271,683,366	238,628,943
Expenses			
Administrative and other expenses		(144,540,878)	*(129,522,230)
Selling & distribution costs		(82,427,306)	*(67,580,659)
		(226,968,184)	(197,102,889)
Profit from operations		44,715,182	41,526,054
Finance costs		(2,794,640)	(4,531,222)
Profit before taxation		41.920,542	36,994,832
Taxation	8	378,754	9,365,005
Net profit for the year		41,541,788	27,629,827
Other comprehensive income			
Unrealised gain on investment		71,224	512,008
Total comprehensive income for the year		41,613,012	28,141,835
Earning per stock unit	9	0.44	0.34

HONEY BUN (1982) LIMITED
Statement of Financial Position
30 September 2012

	Note	2012 $	2011 $
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	183,156,292	179,900,984
Investments	11	34,175,999	46,208,571
Intangible assets	12	4,936,654	3,780,881
		222,268,945	229,890,436
CURRENT ASSETS			
Inventories	13	27,600,573	21,589,323
Receivables	14	55,827,979	46,324,713
Taxation recoverable		112,493	-
Cash & cash equivalents	15	23,950,653	10,720,232
		107,491,698	78,634,268
CURRENT LIABILITIES:			
Payables	16	40,066,133	39,426,036
Taxation		-	5,621,707
Bank overdraft	18	2,560,089	2,437,053
Current portion of long term loans	21	3,714,276	4,208,093
		46,340,498	51,692,889
Net current assets		61,151,200	26,941,379
		283,420,145	256,831,815
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	19	46,514,770	46,514,770
Capital reserves	20	71,829,608	47,849,944
Retained earnings		151,766,278	115,781,239
		270,110,656	210,145,953
NON-CURRENT LIABILITIES			
Long term loans	21	13,309,489	17,023,765
Deferred tax liabilities	22	-	29,662,097
		13,309,489	46,685,862
		283,420,145	256,831,815

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

Herbert Chong - Director

Charles Heholt - Director

HONEY BUN (1982) LIMITED
Statement of Changes in Shareholders' Equity
Year Ended 30 September 2012

	Note	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	40,0000	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
Unrealised gains on securities available for sale		71,224	-	-	71,224
Reversal of deferred taxation		23,908,440	-	5,753,657	29,662,097
Dividends	17	-	-	(11,310,406)	(11,310,406)
Net profit		-	-	41,541,788	41,541,788
Balance at 30 September 2012		71,829,608	46,514,770	151,766,278	270,110,656

HONEY BUN (1982) LIMITED
Statement of Cash Flows
Year Ended 30 September 2012

	2012	2011
	$	$
Cash flows from operating activities:		
Profit before taxation	41,920,542	36,994,832
Adjustments for:		
Depreciation	25,789,452	18,351,431
Amortization	3,308,547	1,820,440
Gain on disposal of plant and equipment	-	(211,200)
Other non-cash items		
Investment income	(1,212,352)	(1,713,669)
Finance costs paid	2,798,194	4,531,222
Operating cash flows before movement in working capital	72,604,383	59,773,056
Movements in working capital:-		
Inventories	(6,011,250)	(4,081,966)
Receivables	(9,503,266)	(14,316,890)
Payables	640,097	3,426,604
	57,729,964	44,800,804
Finance costs paid	(2,798,194)	(4,531,222)
Income taxes paid	(6,112,954)	(3,226,232)
Net cash from operating activities	48,818,816	37,043,350
Cash flows from investing activities:-		
Payment for property, plant and equipment	(29,044,760)	(41,170,713)
Proceeds from disposal of property plant and equipment	-	2,100,000
Payment for intangible assets	(4,464,320)	(5,461,321)
Interest received	1,212,352	1,713,669
Sale / (purchase) of investments	12,103,796	(18,463,787)
Net cash used in investing activities	(20,192,932)	(61,282,152)
Cash flows from financing activities:-		
Issue of shares net of expenses	-	46,014,770
Repayment of long term borrowings	(4,208,093)	(10,156,263)
Proceeds from long term borrowings	-	-
Dividend paid	(11,310,406)	(6,450,000)
Net cash (used in) / provided by financing activities	(15,518,499)	29,408,507
Net increase in cash and cash equivalents	13,107,385	5,169,705
Net cash balances at beginning of year	8,283,179	3,113,474
Net cash and cash equivalents at end of year	21,390,564	8,283,179
Represented by:		
Cash and cash equivalents	23,950,653	10,720,232
Short-term borrowings	(2,560,089)	(2,437,053)
	21,390,564	8,283,179

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 market. The Company operates within Jamaica from its registered office located at 26 Retirement Crescent, Kingston 5.

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

2. STATEMENT OF COMPLIANCE AND 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) and comply with the provisions of the Jamaican Companies Act.

Reporting 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.

New standards, interpretations and amendments that became effective during the year

During the year, certain new standards, interpretations and amendments to existing standards became effective. The standard deemed relevant to the Company; revised IAS 24 Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. This revision introduced changes to related party disclosure requirements for government–related entities and amends the definitions of a related party. Aside from the change to the definition of a related party, this revision did not have a significant impact on these financial statements.

New standards, interpretations and amendments to existing standards not yet effective

At the date of approval of the financial statements, there were certain standards, interpretations and amendments to existing standards which were in issue but not yet effective. Those which are considered relevant to the Company are as follows:

- **IAS 1** — **Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income** (effective July 1, 2012) has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New standards, interpretations and amendments to existing standards not yet effective (continued)

- **IAS 1 (continued)** The existing option, to present the profit or loss and other comprehensive income in two statements, has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.

- **IFRS 7(Amendments)** Disclosures –Transfer of Financial Assets (effective July 1, 2011). The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- **IFRS 7(Amendments)** Amendment to IFRS 7, Financial Instruments: Disclosures is effective for annual reporting periods beginning on or after January 1, 2013. The standard is amended to help users of financial statements to understand the actual and potential effects of netting arrangements on the entity's financial position. The amendment includes minimum disclosure requirements related to financial assets and liabilities that are offset in the statement of financial position or subject to enforceable master netting arrangements or similar arrangements.

- **IFRS 9** Financial Instruments (effective January 1, 2015). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009. The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised cost and fair value. The revised standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities.

- **IFRS 10** Consolidated Financial Statements (effective January 1, 2013) supersedes IAS 27 Consolidated and Separate Financial Statements and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New standards, interpretations and amendments to existing standards not yet effective (continued)

- **IFRS 12** Disclosure of Interests in Other Entities (effective January 1, 2013) contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate:

  − the nature of, and risks associated with, an entity's interests in other entities; and

  − the effects of those interests on the entity's financial position, financial performance and cash flows.

  Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

- **IFRS 13** Fair Value Measurement (effective January 1, 2013) replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines fair value as 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, i.e. an exit price.

- **IAS 12** Income Taxes (effective January 1, 2012) requires an entity to measure deferred taxes relating to an asset based on whether the entity expects to recover the carrying amount of the asset through use or sale.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

New standards, interpretations and amendments to existing standards not yet effective (continued)

- **IAS 32 (Amendment)** Financial Instruments: Presentation - The standard clarifies that an entity currently has a legal enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all the counterparties.

  In addition, it clarifies that gross settlement is equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and process receivables and payables in a single settlement process or cycle.

  The Directors are reviewing and evaluating the possible impact that adoption of the relevant standards, interpretations and amendments, will have in future periods. They are of the opinion that their adoption will not be significant to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been applied consistently to all periods presented in these financial statements. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) 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 reported amounts of assets and liabilities, contingent assets and liabilities at the end of the reporting period and revenue and expenses during the reporting period. 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. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known.

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 areas involving a higher degree of judgment in complexity or areas where assumptions are significant to the financial statements are discussed below:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

i. Residual value and expected useful life of property, plant and equipment

The residual value and expected useful life of an asset are reviewed at each financial year end. 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. If expectations differ from previous estimates, the adjustment is done.

ii. Allowance for impairment losses on receivables

Management makes judgments regarding indicators of impairment where outstanding year end receivable balances appear doubtful to be collected in full, for example, through unfavorable 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 at the time the estimates are made. 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. Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

iv. Fair value of financial assets

Where necessary, primarily where market values are not quoted on the stock market, the management of the Company uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation methods commonly used by market practitioners supported by appropriate assumptions.

It is reasonably possible, based on current knowledge, that outcomes within the next financial year could be different from the assumptions made and could require a material adjustment to the carrying amounts reflected in the financial statements.

(b) Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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) 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.

(d) 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.

(e) 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 income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the year end date, and any adjustment to tax payable in respect of previous years.

ii. Deferred taxation

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as 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.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on the enacted rates.

Honey Bun (1982) Limited
Notes to the Financial Statements
Year Ended 30 September 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

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.

ii. Depreciation

Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated useful lives. Each financial year, the depreciation methods, useful lives and residual values are reassessed. No depreciation is charged on freehold land or capital work-in-progress.

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.

(g) 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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories (continued)

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

(h) 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.

(i) Foreign currency translation

During the year, transactions in foreign currencies were translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising from fluctuations in exchange rates are recognized in profit or loss. Foreign exchange differences arising from fluctuations in exchange rates are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate 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.

(j) 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.

(k) 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)

(k) 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 uncollectable, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

(l) 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.

(m) 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.

(n) 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.

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)

(n) 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.

(o) Employee benefits

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

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

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.

(p) Borrowings and borrowing costs

Borrowings are recognized initially as the proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method, with any difference between proceeds net of transaction costs, and the redemption value recognized in income along with regular interest charges over the period of the borrowings.

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)

(q) 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. 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 leaser 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 the income statement over the lease period.

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

(r) 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.

(s) 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

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.

(t) 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.

The Company recognizes revenue in the income statement 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 unless collectability is doubtful.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Related party

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

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

i. has control or joint control over the reporting entity;

ii. has significant influence over the reporting entity ; or

iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

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

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

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

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

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

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

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

(v) 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.

(w) 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. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable and prepayments. Similarly, financial liabilities include accounts payable, short term loans and long term liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

(y) Securities purchased under resale agreements

These are short- term transactions whereby the Company buys securities and simultaneously agrees to resell the securities on specified dates at specified prices. Resale agreements are accounted for as short-term collateralized lending measured at amortized cost. Interest is recognized in the income statement over the life of each agreement using the effective interest rate method.

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 and operational risk. The Company's objectives and policies and processes for measuring and managing risk 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. The risk management policies are monitored and adjusted if necessary to reflect changes in market conditions and the Company's activities.

The Board of Directors, together with management has overall responsibility for the establishment and oversight of the Company's risk management framework 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.

Honey Bun (1982) Limited
Notes to the Financial Statements
Year Ended 30 September 2012

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

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.

Exposure to currency risk

The Company's statement of financial position at 30 September 2012 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

	2012 CAN $	2012 US $	2012 UK £	2011 CAN $	2011 US $	2011 UK £
Financial assets						
Cash and cash equivalents	159	60,030	5,196	177	14,644	13,555
Investments	-	262,031	-	-	167,310	-
	159	322,061	5,196	177	181,954	13,555
Financial liabilities						
Payables and accruals	-	(9,284)	-	-	(38,800)	-
Total net assets / (liabilities)	159	312,777	5,196	177	143,154	13,555

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. 2012 $	30 Sept. 2011 $
Canadian dollar (Can$)	90.07	83.31
United States dollar (US$)	89.90	86.30
United Kingdom pound (£)	144.99	134.70

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Sensitivity analysis

Changes in the exchange rates of the Jamaican dollar (JA$) to the United States dollar (US$), Canadian dollar (Can$) and the United Kingdom pound (£) would have the effects as described below:

	Effect on Net Profit for the year	
	2012	2011
	$	$
5% strengthening of foreign currencies	1,445,883	648,595
5% weakening of foreign currencies	(1,445,883)	(648,595)

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

Interest rate risk

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

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

The Company's cash and cash equivalent are subject to interest rate risk. However, the Company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible. Interest rates on certain loans are fixed and are not affected by fluctuations in market interest 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.

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

	2012	2011
	$	$
Fixed rate:		
Assets	-	-
Liabilities	(17,023,765)	(21,231,858)
	(17,023,765)	(21,231,858)
Variable rate:		
Assets	31,482,891	43,205,264
Liabilities	(2,560,089)	(2,437,053)
	28,922,802	40,768,211

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 5% (2011: 5%) in interest rates at the reporting date would have increased/(decreased) profit or loss by $1,446,140 (2011-$2,038,411).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from the Company's receivables from customers, 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.

At the reporting date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (continued)

i. Trade and other receivables

	2012 $	2011 $
Trade receivable	49,496,493	41,620,397
Other receivables	6,331,486	4,704,316
	55,827,979	46,324,713
Cash and cash equivalents	23,950,653	10,720,232
	79,778,632	57,044,945

ii. Aging analysis of trade receivables

	2012		2011	
	Gross $	Impairment $	Gross $	Impairment $
Current: below 30 days	37,581,486		28,174,230	
Past due 31-60 days	5,203,264		2,737,852	
Past due 61-90 days	978,442		7,507,044	
More than 90 days	5,733,301	5,411,774	3,201,271	1,238,133
	49,496,493	5,411,774	41,620,397	1,238,133

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

The specific allowance account in respect of trade receivables is used to record impairment losses. The impaired receivables mainly relate to assigned distributors and major customers who are in unexpected difficult economic situations whenever management considers any amount to be irrecoverable, it is written off directly against the receivable.

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 $113,954,631 (2011 $103,253,516) representing the balances in the statement of financial position for cash and short term deposits, investments and receivables.

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)

(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.

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 2012 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 obligations.

	Current				Non-Current	
	Within 3 Months		4 to 12 Months		Over 12 Months	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
Long-term loans	928,569	1,298,940	2,785,707	2,909,153	13,309,489	17,023,765
Bank overdraft	2,560,089	2,437,053	-	-	-	-
Payables and accruals	40,066,133	39,426,036	-	-	-	-
Total	43,554,791	43,162,029	2,785,707	2,909,153	13,309,489	17,023,765

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Company's internal processes such as personnel, technology, infrastructure and external factors, other than financial, such as those arising from natural disasters, legal and regulatory requirements and generally accepted ethical and corporate social behaviour.

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(d) Operational risk (continued)

Management's objective is to manage operational risk so as to reduce the possibility of financial loss and long term damage to the Company's reputation while trying to balance control procedures that restrict initiative and creativity.

(e) Fair value of financial instruments

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

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

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

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

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

5. TURNOVER

Turnover represents the value 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:

	2012 $	2011 $
Auditors' remuneration	1,000,000	980,000
Depreciation and amortization	29,097,999	20,171,871
Director's emolument:		
Directors fees	2,642,500	1,205,000
Management remuneration	6,700,000	5,430,000
Bad debts written off	424,491	404,696
Accrued vacation (decrease)/increase	(483,970)	3,537,465
Foreign exchange (gains)	(966,437)	(386,362)
Staff costs (excluding management remuneration and accrued vacation above)	178,185,254	146,558,489

7. STAFF COSTS

	2012 $	2011 $
Salaries and wages (including accrued vacation and Directors' salaries)	168,564,435	*142,305,556
Payroll taxes: employer's portion	11,431,112	9,990,903
Other staff costs	4,405,737	3,229,495
	184,401,284	155,525,954

***Reclassified for comparative purposes**

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

	2012	2011
Full time	126	120
Contract workers	122	80

8. TAXATION

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

	2012 $	2011 $
Taxation for the year comprises:		
Current tax expense	-	9,365,005
Prior year under/(overprovision)	378,754	-
Taxation charged in income statement	378,754	9,365,005

8. TAXATION (CONTINUED)

(b) Reconciliation of actual tax expenses:

	2012	2011
	$	$
Profit before taxation	41,920,542	36,994,832
Tax calculation @ 33 1/3	13,973,514	12,331,611
Adjustment for difference in treatment of:		
Depreciation and capital allowances	1,670,381	(2,966,606)
Net effect of other charges for tax purposes:	(1,278,658)	-
	14,365,237	9,365,005
Adjustment for the effect of tax remission:		
Current tax	(14,365,237)	-
Tax charged for year	-	9,365,005

(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 Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

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

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

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. Because the Company was listed on the JSE 3 June 2011, four (4) months before the end of the Company's prior financial year end, income taxes were calculated on the operating profits for the eight (8) months ended 31 July 2011.

9. EARNINGS PER SHARE

The EPS is computed by dividing the profit for the year by the number of shares in issue for the year of 94,253,390(2011 – 81,250,000) In 2011, the weighted average number of shares in issue for the prior year reflected 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.

10. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold Improvement	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
1 October 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
Additions	468,664	140,370	999,309	4,823,238	1,022,085	5,055,319	16,535,775	29,044,760
Disposals								
30 September 2012	44,201,541	1,984,896	6,361,990	20,133,785	10,585,735	42,643,043	143,677,415	269,588,405
Depreciation:								
1 October 2011	4,826,199	593,142	1,723,735	4,630,681	7,249,353	752,122	40,867,429	60,642,661
Charge for the year	1,093,320	46,116	536,268	1,531,116	2,390,916	7,477,548	12,714,168	25,789,452
Relieved on disposals								
30 September 2012	5,919,519	639,258	2,260,003	6,161,797	9,640,269	8,229,670	53,581,597	86,432,113
NET BOOK VALUE								
30 September 2012	38,282,022	1,345,638	4,101,987	13,971,988	945,466	34,413,373	90,095,818	183,156,292
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

During the year ended 30 September 2010, the freehold land and building was revalued by the Directors during the year 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 (Note19). The Directors are of the opinion that the fixed assets represent their carrying amounts as at 30 September 2012.

11. INVESTMENTS

Investments comprise:

	2012 $	2011 $
Held to maturity:		
Scotia Investments Jamaica Ltd.(US$)	63,790	61,154
Mayberry Investments Ltd.(US$)	9,099,916	8,614,135
Stocks And Securities Ltd. (US$)	14,376,178	13,487,338
Stocks And Securities Ltd.	729,026	524,162
Mayberry Investments Ltd.	7,213,981	20,518,475
Quoted shares:		
AMG Packaging and Paper Company shares	748,163	1,231,294
Lascelles DeMercado shares	559,681	-
General Accident shares	163,251	-
Other:		
Related company loan	1,222,013	1,772,013
	34,175,999	46,208,571

Apart from the quoted shares which are classified as level 1, the other investments are level 11 investments.

12. INTANGIBLE ASSETS

	2012 $	2011 $
Goodwill - Purchase price exceeded net assets acquired	140,000	140,000
Software purchased	9,925,641	5,461,321
Amortization of software at 33 1/3%	(5,128,987)	(1,820,440)
	4,796,654	3,640,881
	4,936,654	3,780,881

(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, 2012 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) Additional 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

	2012 $	2011 $
Raw and packaging material	24,221,998	19,309,905
Work-in-progress	142,164	591,899
Plant and equipment spares	1,831,298	1,238,761
Finished goods	1,405,113	448,758
	27,600,573	21,589,323

14. RECEIVABLES

	2012 $	2011 $
Trade receivables	49,496,493	41,620,397
Less provision for bad debt	(5,411,774)	(1,238,133)
	44,084,719	40,382,264
Prepayments	11,383,260	5,637,749
Other receivables	360,000	304,700
	55,827,979	46,324,713

At the end of the year, approximately $19.6Million or 39% of the trade receivable balance was due from the Company's five (5) largest customers. One of the five (5) customers accounted for approximately 14% of the total trade receivable balance and the Company does not hold any collateral over trade receivable balances.

15. CASH AND CASH EQUIVALENTS

	2012 $	2011 $
Petty cash	159,892	144,000
Current accounts:		
National Commercial Bank: local payroll account	-	1,721
Foreign currency accounts:		
Foreign currency bank accounts: various banks	6,146,891	3,171,274
Local currency accounts:		
Current and saving bank accounts : various banks	17,643,870	7,403,237
	23,950,653	10,720,232

These bank balances are held at reputable financial institutions that are relatively stable. Interest earned averages between 0% - 3%, depending on the type of account held with the financial institutions. The weighted average effective exchange rate for the year for the US dollar was J$87.76 to 1US$ (2011-J$ 85.89 – 1 US$)

16. PAYABLES

	2012 $	2011 $
Trade payables	27,557,622	27,876,296
General Consumption Tax (GCT)	3,994,421	3,773,248
Statutory liabilities	2,924,164	1,797,596
Staff accruals	3,532,383	4,016,353
Other payables	1,457,543	1,362,543
Distributors' deposits	600,000	600,000
	40,066,133	39,426,036

Included in trade payables is an amount of $834,632 (2011 -$3,341,520) payable in foreign currency. The Directors are of the opinion that payables are fairly stated due to the short term maturity of these instruments, as they are due within three (3) months of the year end. The directors considered the impact of the depreciation of the US$ after the end of the financial year immaterial because the balance was short term in nature and promptly settled.

17. DIVIDENDS

	2012 $	2011 $
In respect of 2010	-	6,450,000
In respect of 2011	6,597,737	-
In respect of 2012	4,712,669	-
	11,310,406	6,450,000

At the Annual General Meeting held 21 March 2012, a 7 cents interim dividend per share relating to the year ended 30 September 2011 and amounting to $6,597,737 was approved as a final dividend by shareholders. The amount was paid on 6 January 2012 to shareholders who were on the register at 20 December 2011.

An Interim dividend of 5 cents per stock unit, amounting to $4,712,669 was paid on 31 May 2012 to shareholders on record as at 16 May 2012 relating to the year ended 30 September 2012. .

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

	2012 $	2011 $
Authorised:		
97,500,000 shares		
Issued and fully paid:		
94,253,390 shares	46,514,770	46,514,770

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 is 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

The 2012 earnings per share were calculated by dividing net profit by 94,253,390 shares (2011- 81,250,000 shares). The amount for the prior year was the weighted average number of shares in issue for that financial year.

20. CAPITAL RESERVES

	2012 $	2011 $
Balance brought forward: 1 October 2011	47,849,944	33,000
Unrealised gain on securities available for sale	71,224	-
Unrealized surplus on revaluation of property	-	71,725,384
	47,921,168	71,758,384
Deferred tax on revaluation reversed/(charged)	23,908,440	(23,908,440)
Balance at 30 September 2012	71,829,608	47,849,944

20. CAPITAL RESERVES (CONTINUED)

Represented by:	2012 $	2011 $
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
Unrealised gain on securities available for sale	71,224	-
Deferred tax	-	(23,908,440)
	71,829,608	47,849,944

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 10) and unrealized gain on securities.

21. LONG TERM LOANS

	2012 $	2011 $
9.5% Bank of Nova Scotia Jamaica Limited – BNS	17,023,765	21,231,858
Less current portion due within 12 months	(3,714,276)	(4,208,093)
	13,309,489	17,023,775

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 directors.

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:

	2012 $	2011 $
Balance at start of year	29,662,097	3,534,685
Debit/(credit) to equity/income statement	(5,753,657)	2,218,972
(Reversed)/charged to equity/other comprehensive income: Deferred tax on revaluation	(23,908,440)	23,908,440
Balance at end of year	-	29,662,097

22. DEFERRED INCOME TAXES (CONTINUED)

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 prior year because the Company was listed on the JSE, effective 3 June 2011 and will be relieved from income tax for the next five (5) years. (See note 8).

23. EXPENSES BY NATURE

Total direct, administration and other operating expenses:

	2012 $	2011 $
Cost of inventories recognized as expense	233,458,634	*233,643,645
Distribution costs	24,815,971	*22,742,353
Advertising, marketing and promotion	14,355,244	*16,785,522
Director's fees	2,642,500	1,205,000
Local travel, accommodation and motor vehicle expenses	2,997,046	8,058,208
Rates, taxes, telephone, fuel and electricity	24,747,555	*21,707,557
Donations and subscriptions	300,066	751,361
Foreign travel and entertainment	925,122	1,025,568
Office, general, printing and stationery	2,259,379	2,469,894
Insurance	5,868,188	4,977,936
Rental of property	3,190,702	2,814,741
Repairs and maintenance, cleaning and sanitation	13,791,517	*14,368,821
Legal, professional, management and accounting	7,315,348	5,344,926
Audit fees	1,000,000	980,000
Security	5,110,923	5,083,577
Staff costs	184,401,284	*155,525,954
Depreciation	25,789,452	*18,351,431
Amortisation	3,308,547	1,820,440
General Consumption Tax - irrecoverable	8,153,950	*3,953,086
Other	4,598,131	*463,196
	569,029,559	522,073,216

*** Reclassified 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.

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

	2012 $	2011 $
Debt	19,583,854	23,668,911
Equity	270,510,656	210,145,953
Total capital	290,094,510	233,814,864
Gearing ratio	6.8%	10.1%

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. 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 the working capital requirements of its related entity, Next Incorporation Limited. The related company is owned and controlled by the principal shareholders of Honey Bun (1982) Limited.

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.

25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the year, Next Incorporation Limited purchased raw material of approximately $2 Million (2011-$2.5 Million) and repaid approximately $1.6 Million (2011 $2.7 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:

	2012	2011
	$	$
Receivables due from Next Incorporated Limited	611,064	184,033

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

At year end, the balance is as follows:

	2012	2011
Next Incorporation Limited	$	$
Related party balance	1,222,013	1,772,012
Current portion due within 12 months	(650,000)	(600,000)
Balance payable	572,013	1,172,012

26. CONTINGENT LIABILITIES AND COMMITMENTS

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

(ii) The Directors also had no material outstanding commitments, financial or otherwise, at the year end of the Company.

(iii) During the prior year, the Company was audited by Tax Administration Jamaica (TAJ) in regard to the method used in calculating the Company's General Consumption monthly liability The TAJ classification of zero rated and exempt products was different from that being used by the Company.

The Company is currently in discussion with the Commissioner of General Consumption Tax regarding the apportionment of Input Tax using the ratio of Standard rated sales to Exempt Sales.

26. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

In the past the Company had claimed 100% of all Input Tax but this was adjusted during the audit.

The Directors are negotiating an amicable settlement as there are corresponding tax credits due to the Company that were not calculated by TAJ. The Directors are of the opinion that the negotiations will be settled in their favour and the net effect of the final adjustment will not be material and therefore no provision is considered necessary in the financial statements.