HONEY BUN (1982) LIMITED
Financial Statements
30 September 2013

HONEY BUN (1982) LIMITED
Index
30 September 2013

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 2013 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 2013, 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
26 November 2013
Kingston, Jamaica

Wilfred M. McKenley, F.C.C.A., F.C.A., M.B.A., Janice E. McKenley, B.Sc., EMBA., F.C.C.A., F.C.A. (Partner on Leave)

HONEY BUN (1982) LIMITED
Statement of Comprehensive Income
30 September 2013

	Note	2013 $	2012 $
Revenue	2 (r)	701,712,140	611,333,200
Cost of sales		406,361,643	342,061,375
Gross profit		295,350,497	269,271,825
Finance income - interest		431,394	1,212,352
Exchange gains and other income	4	6,523,017	1,199,189
		302,304,908	271,683,366
Expenses			
Administrative and other expenses		(173,957,788)	(144,540,878)
Selling & distribution costs		(90,126,901)	(82,427,306)
		(264,084,689)	(226,968,184)
Profit from operations		38,220,219	44,715,182
Finance costs		(2,903,003)	(2,794,640)
Profit before taxation		35,317,216	41,920,542
Taxation	7	-	378,754
Net profit for the year		35,317,216	41,541,788
Other comprehensive income			
Unrealised gain on investment		113,375	71,224
Total comprehensive income for the year		35,430,591	41,613,012
Earnings per stock unit	8	0.37	0.44

HONEY BUN (1982) LIMITED
Statement of Financial Position
30 September 2013

	Note	2013 $	2012 $
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	190,403,117	183,156,292
Investments	10	4,151,679	34,175,999
Intangible assets	11	8,680,500	4,936,654
		203,235,296	222,268,945
CURRENT ASSETS			
Inventories	12	33,735,814	27,600,573
Receivables	13	78,086,936	55,827,979
Taxation recoverable		112,493	112,493
Cash & cash equivalents	14	77,667,022	23,950,653
		189,602,265	107,491,698
CURRENT LIABILITIES:			
Payables	15	74,591,530	40,066,133
Bank overdraft	17	13,533,304	2,560,089
Current portion of long term loans	20	3,714,276	3,714,276
		91,839,110	46,340,498
Net current assets		97,763,155	61,151,200
		300,998,451	283,420,145
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	18	46,514,770	46,514,770
Capital reserves	19	71,942,983	71,829,608
Retained earnings		172,945,485	151,766,278
		291,403,238	270,110,656
NON-CURRENT LIABILITY			
Long term loans	20	9,595,213	13,309,489
		9,595,213	13,309,489
		300,998,451	283,420,145

Approved for issue by the Board of Directors on 26 November 2013 and signed on its behalf by:

Herbert Chong - Director

Charles Heholt - Director

HONEY BUN (1982) LIMITED
Statement of Changes in Shareholders' Equity
30 September 2013

	Note	Capital Reserves	Share Capital	Retained Earnings	Total
		$	$	$	$
Balance: 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		-	-	28,141,835	28,141,835
Balance: 30 September 2011		47,849,944	46,514,770	115,781,239	210,145,953
Unrealised gain on securities		71,224	-	-	71,224
Dividends	16	-	-	(11,310,406)	(11,310,406)
Reversal of deferred taxation		23,908,440	-	5,753,657	29,662,097
Net profit		-	-	41,541,788	41,541,788
Balance: 30 September 2012		71,829,608	46,514,770	151,766,278	270,110,656
Unrealised gains on securities available for sale		113,375	-	-	113,375
Dividends	16	-	-	(14,138,009)	(14,138,009)
Net profit		-	-	35,317,216	35,317,216
Balance: 30 September 2013		71,942,983	46,514,770	172,945,485	291,403,238

HONEY BUN (1982) LIMITED
Statement of Cash Flows
30 September 2013

	2013	2012
	$	$
Cash flows from operating activities:		
Profit before taxation	35,317,216	41,920,542
Adjustments for:		
Depreciation	25,232,508	25,789,452
Amortization	2,050,753	3,308,547
Other non-cash items:		
Investment income	(431,394)	(1,212,352)
Finance costs paid	2.903,003	2,794,640
Operating cash flows before movement in working capital	65,072,086	72,600,829
Movements in working capital:-		
Inventories	(6,135,241)	(6,011,250)
Receivables	(22,258,957)	(9,503,266)
Payables	34,525,397	640,097
	71,203,285	57,726,410
Finance costs paid	(2,903,003)	(2,794,640)
Income taxes paid	-	(6,112,954)
Net cash from operating activities	68,300,282	48,818,816
Cash flows from investing activities:-		
Payment for property, plant and equipment	(32,479,333)	(29,044,760)
Payment for intangible assets	(5,794,599)	(4,464,320)
Interest received	431,394	1,212,352
Sale of investments	30,137,695	12,103,796
Net cash used in investing activities	(7,704,843)	(20,192,932)
Cash flows from financing activities:-		
Repayment of long term borrowings	(3,714,276)	(4,208,093)
Dividend paid	(14,138,009)	(11,310,406)
Net cash used in financing activities	(17,852,285)	(15,518,499)
Net increase in cash and cash equivalents	42,743,154	13,107,385
Net cash balances at beginning of year	21,390,564	8,283,179
Net cash and cash equivalents at end of year	64,133,718	21,390,564
Represented by:		
Cash and cash equivalents	77,667,022	23,950,653
Short-term borrowings	(13,533,304)	(2,560,089)
	64,133,718	21,390,564

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. SUMMARY OF ACCOUNTING POLICIES

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

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

(i) Provision for impairment of receivables.

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) Income Tax

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

(iii) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

(iv) Fair value of financial assets

The management uses its judgement in selecting appropriate valuation techniques to determine fair value of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

(v) Net realizable value of inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amounts the inventories are expected to realise. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after the end of the year.

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

During the reporting period, new standards, interpretations and amendments were applied for the first time and none of these had a material effect on the financial statements.

Honey Bun (1982) Limited
Notes to the Financial Statements
30 September 2013

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 October 2013 or later periods, but the Company has not early adopted them:

- IAS 1 (Amended), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2013). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IAS 32 (Amended) Financial Instruments Presentations (effective for annual reporting periods on or after 1 January 2014). The standard provides amendments to application guidance on the off-setting of financial assets and financial liabilities.

- IFRS 7 (Amended) Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised and those that are not in their entirety.

- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015). This standard introduces new requirements for classifying and measuring financial assets. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss. The standard also amends some of the requirements of IFRS7, Financial Instruments: Disclosures, including adding disclosures about investments in equity instruments designated as fair value through other comprehensive income.

- IFRS 10, ' Consolidated financial statement' (effective for annual periods beginning on or after 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be consolidated. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not expected to have any impact on the Company's financial statements

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 31, 'Interest in Joint Ventures' and SIC-13, 'Jointly Controlled Entities-Non- Monetary Contributions by Ventures'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard is concerned principally with addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities, and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. The Company currently has no joint arrangements that fall within the recognition criteria of this standard and does not intend to adopt IFRS 11 for the accounting period beginning or 1 October 2013.

- IFRS 12, 'Disclosures of interest in other entities' (effective for annual periods beginning on or after 1 January 2013) includes the disclosures requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The standard will likely result in expanded disclosure in the financial statements and the Company intends to adopt IFRS 12 for the accounting period beginning on 1 October 2013.

- IFRS 13, 'Fair value measurements', (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The standard will likely result in extended disclosure in the financial statements and the Company intends to adopt IFRS 13 for the accounting period beginning on 1 October 2013.

- IAS 19 (amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). the impact of this standard will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on the plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ (asset). This standard will have no impact on the Company because it does not operate a defined benefit pension scheme.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

- IAS 27 (revised 2011) (effective for annual periods beginning on or after 1January 2013) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Company will not be significantly impacted by the application of the revision.

- IAS 28 (revised 2011) (effective for annual periods beginning on or after 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Company will not be significantly impacted by the application of the revision.

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

(b) Segment reporting

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

The CODM, which is identified as the management committee that makes strategic decisions, 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 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(c) Income taxes (Continued)

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.

(d) 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 arising from changes in market value are taken to revaluation reserve in shareholder's equity. Losses that offset previous gains of the same asset are charged against the revaluation reserve; all other losses are charged to statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

i. 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 operating profit. On disposal of revalued assets, amounts in revaluation reserves relating to those assets are transferred to profit and loss.

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

(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 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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation

Transactions in foreign currencies are converted into the functional currency at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, 30 September 2013, monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rates ruling at the end of the reporting date.

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

(h) Government grant funds

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

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

(i) Trade receivables

Trade receivables are carried at original invoice amounts less provision for doubtful receivables and impairment based on a review of the balances at the year end. Bad debts are written off when identified. A provision for impairment of 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

(j) Cash and cash equivalents

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

(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 accumulated impairment losses. Impairment losses on goodwill are not reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (Continued)

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 expenses are incurred.

(l) Impairment

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. 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. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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.

(m)Employee benefits

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

i. Pension obligations

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

ii. Other employee benefits

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

iii. Profit sharing and bonus plan

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings and borrowing costs

Borrowings are recognized initially as the proceeds are received, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost.

(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. 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. 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. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. Finance charges are charged to the profit and loss over the lease period. Any fixed asset acquired under a finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the legal owner 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.

(p) Trade and other payables

Trade and other payables and accruals are stated at historical 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 and other complementary 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. Rental income is recognized as it accrues.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial instruments

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

Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, available- for- sale and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At reporting date, trade receivables were classified as loans and receivables; cash and bank balances, short term and quoted investment securities were classified as financial assets at fair value through profit and loss; and unquoted investment securities were classified as available-for-sale.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

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

Available –for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial liabilities

The Company’s financial liabilities are measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. At the statement of financial position date, the following items were classified as financial liabilities: bank overdraft, finance lease obligation, long term loans and trade payables.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w)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.

3. RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (price and currency), credit risk and liquidity risk, interest rate and operational risk. The Company's objectives and policies and processes for measuring and managing risk are established to identify and analyze 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 they seek to minimize potential adverse effects on the Company's 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 and the Company's holdings of traded securities are not significant at the reporting date.

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 investments denominated in currencies other than the Jamaican dollar.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Exposure to currency risk

The Company's statement of financial position at 30 September 2013 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

	2013 CAN $	2013 US $	2013 UK £	2012 CAN $	2012 US $	2012 UK £
Financial assets						
Cash and cash equivalents	128	662,581	4,082	159	60,030	5,196
Investments	-	-	-	-	262,031	-
	128	662,581	4,082	159	322,061	5,196
Financial liabilities						
Payables and accruals		(40,160)		-	(9,284)	-
Total net assets	128	622,421	4,082	159	312,777	5,196

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. 2013 $	30 Sept. 2012 $
Canadian dollar (Can$)	100.71	90.07
United States dollar (US$)	103.60	89.90
United Kingdom pound (£)	167.16	144.99

3. 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	
	2013	2012
	$	$
1% (2012- 5%) strengthening of Jamaican dollar	(651,780)	(1,445,883)
10% (2012-5%) weakening of Jamaican dollar	6,517,797	1,445,883

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.

The Company manages its risk relating to borrowed funds by obtaining fixed rate loans at relatively low rates when interest rates are expected to rise and floating rate loans when interest rates are expected to fall. Interest rates on certain loans are fixed and are not affected by fluctuations in market interest rates. The Company analyses its interest rate exposure arising from borrowings on an ongoing basis taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

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

	2013	2012
	$	$
Fixed rate:		
Assets	-	-
Liabilities	(13,309,489)	(17,023,765)
	(13,309,489)	(17,023,765)
Variable rate:		
Assets	77,774,429	55,273,652*
Liabilities	(13,533,304)	(2,560,089)
	64,241,125	52,713,563

***reclassified for comparative purposes**

3. 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

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

(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.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (continued)

i. Trade and other receivables

	2013 $	2012 $
Trade receivable	67,256,154	49,496,493
Provision for bad debts	(5,094,451)	(5,411,774)
Prepayments and other receivables	15,925,233	11,743,260
	78,086,936	55,827,979
Cash and cash equivalents	77,667,022	23,950,653
	155,753,958	79,778,632

ii. Aging analysis of trade receivables

	2013		2012	
	Gross $	Impairment $	Gross $	Impairment $
Current: below 30 days	53,433,081		37,581,486	
Past due 31-60 days	4,259,459		5,203,264	
Past due 61-90 days	1,809,066		978,442	
More than 90 days	7,754,548	5,094,451	5,733,301	5,411,774
	67,256,154	5,094,451	49,496,493	5,411,774

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

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

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 $159,905,637 (2012 $113,954,631) 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. During the year, the Company increased its due diligence in managing credit risk, especially in regards to customers who consistently exceeded their credit limits as a consequence of the deteriorating economic climate.

3. 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 any significant adverse cash flows.

The Company maintains sufficient cash and short-term deposits along with having available committed facilities to ensure it meets 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 2013 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.

The following table below shows the contractual maturities of financial liabilities measured at amortized cost, including interest payments based on the earliest date on which the Company can be required to settle their financial obligations.

	Current				Non-Current	
	Within 3 Months		4 to 12 Months		Over 12 Months	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Long-term loans	928,569	928,569	2,785,707	2,785,707	9,595,213	13,309,489
Bank overdraft	13,533,304	2,560,089	-	-	-	-
Payables and accruals	74,591,530	40,066,133	-	-	-	-
Total	89,053,403	43,554,791	2,785,707	2,785,707	9,595,213	13,309,489

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(d) Operational risk

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

(e) 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.

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.

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
30 September 2013

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(f) 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:

	2013 $	2012 $
Debt	26,842,793	19,583,854
Equity	291,403,238	270,110,656
Total capital	318,246,031	289,694,510
Gearing ratio	8.43%	6.8%

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.

4. EXCHANGE GAINS AND OTHER INCOME

	2013 $	2012 $
Gain on exchange	6,514,680	966,437
Consultation fees	-	60,000
Dividends received	83,608	-
(Loss)/ Gain on sale of shares	(75,271)	172,752
	6,523,017	1,199,189

5. OPERATING PROFIT BEFORE TAXATION

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

	2013 $	2012 $
Auditors' remuneration	1,000,000	1,000,000
Depreciation and amortization	27,283,261	29,097,999
Director's emolument:		
Directors fees	2,357,500	2,642,500
Management remuneration	7,491,600	6,700,000
Bad debts written off	1,780,463	424,491
Accrued vacation increase/(decrease)	294,403	(483,970)
Foreign exchange gains	(6,514,680)	(966,437)
Staff costs (excluding management remuneration and accrued vacation above)	203,793,172	178,185,254

6. STAFF COSTS

	2013 $	2012 $
Salaries and wages (including accrued vacation and Directors' salaries)	196,830,005	168,564,435
Payroll taxes: employer's portion	12,433,160	11,431,112
Other staff costs	2,316,010	4,405,737
	211,579,175	184,401,284

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

	2013	2012
Full time	139	126
Contract workers	144	122

7. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% plus 5% surtax (2012 - 33 1/3%).

	2013 $	2012 $
Taxation for the year comprises:		
Current tax expense	-	-
Prior year under/(overprovision)	-	378,754
Taxation charged in income statement	-	378,754

HONEY BUN (1982) LIMITED
Notes to the Financial Statements
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7. TAXATION (CONTINUED)

(b) Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge for the year.

	2013	2012
	$	$
Profit before taxation	35,317,216	41,920,542
Tax calculation @ 30% (2012 - 33 1/3%)	10,595,165	13,973,514
Adjustment for difference in treatment of:		
Depreciation and capital allowances	857,790	1,670,381
Net effect of other charges for tax purposes:	143,511	(1,278,658)
	11,596,466	14,365,237
Adjustment for the effect of tax remission:		
Current tax	(11,596,466)	(14,365,237)
Tax charged for year	-	-

(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.

8. 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 (2012 – 94,253,390).

9. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold Improvement	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
1 October 2012	40,468,664*	1,984,896	5,273,310*	17,858,240*	6,009,830*	42,643,043	118,273,667*	232,511,650
Additions		1,969,330	836,866	5,226,065	1,747,946	4,466,558	18,232,568	32,479,333
30 September 2013	40,468,664	3,954,226	6,110,176	23,084,305	7,757,776	47,109,601	136,506,235	264,990,983
Depreciation:								
1 October 2012	2,186,642*	639,258	1,171,323*	3,886,252*	5,064,364*	8,229,670	28,177,849*	49,355,358
Charge for the year	1,011,717	49,622	527,331	1,785,405	1,502,458	8,528,609	11,827,366	25,232,508
30 September 2013	3,198,359	688,880	1,698,654	5,671,657	6,566,822	16,758,279	40,005,215	74,587,866
NET BOOK VALUE								
30 September 2013	37,270,305	3,265,346	4,411,522	17,412,648	1,190,954	30,351,322	96,501,020	190,403,117
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

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 2013.

***Amounts restated after implementation of new fixed assets register effective 1 October 2012. After reclassifications, there was no net change to total net book value.**

10. INVESTMENTS

Investments comprise:

	2013 $	2012 $
Held to maturity:		
Scotia Investments Jamaica Ltd.(US$)	-	63,790
Mayberry Investments Ltd.(US$)	-	9,099,916
Stocks And Securities Ltd. (US$)	-	14,376,178
Stocks And Securities Ltd.	326,453	729,026
Mayberry Investments Ltd.	(46)	7,213,981
Quoted shares:		
AMG Packaging and Paper Company shares	-	748,163
Lascelles DeMercado & Co. Ltd. shares	-	559,681
General Accident Insurance Co. Ltd. shares	162,359	163,251
Lasco Manufacturing Ltd. shares	890,900	
Caribbean Cream Ltd. shares	1,700,000	-
Other:		
Related company loan	1,072,013	1,222,013
	4,151,679	34,175,999

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

11. INTANGIBLE ASSETS

	2013 $	2012 $
Goodwill - Purchase price exceeded net assets acquired	140,000	140,000
Software at cost:		
Opening balance: 1 October	9,925,641	5,461,321
Software purchased during year	5,794,599	4,464,320
Closing balance : 30 September	15,720,240	9,925,641
Amortization:		
Opening balance: 1 October	5,128,987	1,820,440
Amortization of software at 33 1/3%	2,050,753	3,308,547
Closing balance: 30 September	7,179,740	5,128,987
30 September: Software at cost net of amortization	8,540,500	4,796,654
	8,680,500	4,936,654

(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.

11. INTANGIBLE ASSETS (Continued)

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.

12. INVENTORIES

	2013 $	2012 $
Raw and packaging material	27,054,106	24,221,998
Work-in-progress	3,051,933	142,164
Plant and equipment spares	2,476,685	1,831,298
Finished goods	1,153,090	1,405,113
	33,735,814	27,600,573

13. RECEIVABLES

	2013 $	2012 $
Trade receivables	67,256,154	49,496,493
Less provision for bad debt	(5,094,451)	(5,411,774)
	62,161,703	44,084,719
Prepayments	10,995,600	11,383,260
Other receivables	4,929,633	360,000
	78,086,936	55,827,979

At the end of the year, approximately $34Million or 56% of the trade receivable balance was due from the Company's five (5) largest customers. One of the five (5) customers accounted for approximately 21% of the total trade receivable balance. The Company hold's collateral for several of its distributors who have balances included in the Trade Receivables amount.

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

14. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
Petty cash	219,000	159,892
Foreign currency accounts:		
Foreign currency bank accounts: various banks	69,338,641	6,146,891
Local currency accounts:		
Current and saving bank accounts : various banks	8,109,381	17,643,870
	77,667,022	23,950,653

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$97.29 to 1US$ (2012-J$ 87.76 – 1 US$)

15. PAYABLES

	2013 $	2012 $
Trade payables	47,976,755	27,557,622
General Consumption Tax (GCT)	18,803,380	3,994,421
Statutory liabilities	2,244,609	2,924,164
Staff accruals	3,926,786	3,532,383
Other payables	1,040,000	1,457,543
Distributors' deposits	600,000	600,000
	74,591,530	40,066,133

Included in trade payables is an amount of $4,160,576 (2012 -$834,632) payable in foreign currency. The Directors are of the opinion that payables are fairly stated due to the short term maturity of these instruments, as they are due within three (3) months of the year end. The directors considered the impact of the depreciation of the US$ after the end of the financial year immaterial because the balance was short term in nature and promptly settled subsequent to the year end.

During the year, the Company and Tax Administration Jamaica (TAJ) agreed on the amount due to TAJ as a consequence of a disagreement on the treatment of certain categories of baked products. The total General Consumption Tax (GCT) liability of approximately $13 Million was accounted during the reporting period ended 30 September 2013.

16. DIVIDENDS

	2013 $	2012 $
In respect of 2011	-	6,597,737
In respect of 2012	5,655,204	4,712,669
In respect of 2013	8,482,805	-
	14,138,009	11,310,406

At the Annual General Meeting held 13 March 2013, a 6 cents interim dividend per share relating to the year ended 30 September 2012 and amounting to $5,655,204 was approved as a final dividend by shareholders. The amount was paid on 11 January 2013 to shareholders who were on the register at 24 December 2012.

An Interim dividend of 9 cents per stock unit, amounting to $8,482,805 was paid on 27 March 2013 to shareholders on record as at 13 March 2013 relating to the year ended 30 September 2013.

17. BANK OVERDRAFT

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

18. SHARE CAPITAL

	2013 $	2012 $
Authorised:		
97,500,000 shares		
Stated Capital:		
Issued and fully paid:		
94,253,390 shares	46,514,770	46,514,770

19. CAPITAL RESERVES

	2013	2012
	$	$
Balance brought forward: 1 October 2012	71,829,608	47,849,944
Unrealised gain on securities available for sale	113,375	71,224
	71,942,983	47,921,168
Deferred tax on revaluation: reversed/(charged)	-	23,908,440
Balance at 30 September 2013	71,942,983	71,829,608

	2013	2012
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
Unrealised gain on securities available for sale	184,599	71,224
Deferred tax		-
	71,942,983	71,829,608

The capital reserves represent surplus arising on the revaluation of the Company's building and plant and machinery by the Directors during the year ended 30 September 2010 (Note 9) along with unrealized gain on securities.

20. LONG TERM LOANS

	2013	2012
	$	$
9.5% Bank of Nova Scotia Jamaica Limited – BNS	13,309,489	17,023,765
Less current portion due within 12 months	(3,714,276)	(3,714,276)
	9,595,213	13,309,489

The BNS loans are secured by first legal mortgage over the Company's real estate.

21. DEFERRED INCOME TAXES

Deferred tax represents the potential income tax liability due as a result of future accelerated depreciation charges that will become subject to income tax if they crystallize. No additional provision was made for deferred tax during the prior year because the Company was listed on the JSE Junior Market , effective 3 June 2011 and will be relieved from income tax for the next five (5) years. (See note 7).

	2013 $	2012 $
Balance at start of year	-	29,662,097
Debit/(credit) to equity/income statement	-	(5,753,657)
(Reversed)/charged to equity/other comprehensive income:		
Deferred tax on revaluation	-	(23,908,440)
Balance at end of year	-	-

22. EXPENSES BY NATURE

Total direct, administration and other operating expenses:

	2013 $	2012 $
Cost of inventories recognized as expense	286,983,181	233,458,634
Distribution costs	24,207,364	24,815,971
Advertising, marketing and promotion	19,978,024	14,355,244
Director's fees	2,357,500	2,642,500
Local travel, accommodation and motor vehicle expenses	3,025,158	2,997,046
Rates, taxes, telephone, fuel and electricity	31,003,381	24,747,555
Donations and subscriptions	419,808	300,066
Foreign travel and entertainment	1,420,738	925,122
Office, general, printing and stationery	2,220,969	2,259,379
Insurance	6,559,248	5,868,188
Rental of property	4,951,099	3,190,702
Repairs and maintenance, cleaning and sanitation	15,901,527	13,791,517
Legal, professional, management and accounting	12,205,709	7,315,348
Audit fees	1,000,000	1,000,000
Security	5,902,434	5,110,923
Staff costs	211,579,175	184,401,284
Depreciation	25,232,508	25,789,452
Amortisation	2,050,753	3,308,547
General Consumption Tax - irrecoverable	13,766,742	8,153,950
Other	(318,986)	4,598,131
	670,446,332	569,029,559

23. 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.

During the year, Next Incorporation Limited purchased raw material of approximately $1.8M (2012- $2 Million) and repaid approximately $1.8 Million (2012 $1.6 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:

	2013 $	2012 $
Receivables due from Next Incorporated Limited	631,305	611,064

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:

	2013 $	2012 $
Next Incorporation Limited		
Related party balance	1,072,013	1,222,013
Current portion due within 12 months	(1,072,013)	(650,000)
Balance payable beyond 12 months	-	572,013

24. 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) Apart from the conclusion of the purchase of a building after the year end, the Directors had no other material outstanding commitments, financial or otherwise, at the reporting date of the Company.

25. SUBSEQUENT EVENT

During the current year the company entered in to an agreement to purchase a building for US$685,000.00. A 10% deposit was paid in January 2013 and is included in prepayments in these financial statements.

The sale was concluded subsequent to the year end in October 2013 and the balance of US$616,500.00 along with transaction costs were paid from the Company's cash resources.