

Exceeding Expectations.

ANNUAL REPORT
2011





Company Profile

When Herbert Chong and wife Michelle, founders of Honey Bun, purchased a small bakery in Spanish Court, New Kingston in 1982, their vision was opportunity and growth.

29 years later the vision still holds true, and is the foundation which has characterized the company's operation. This has enabled Honey Bun to develop into an immensely valued, recognized and loved Jamaican brand, known for freshly baked, premium quality products.

Having outgrown a number of locations, the Chongs identified a larger manufacturing space on East Street in 1990, redirecting their focus and strategies to serving the mass market. This effort resulted in

the development of a comprehensive line of packaged snacks, ranging from donuts and cupcakes to cinnamon rolls, and the brand being recognized as a Jamaican household staple.

By 2005, it was clear that Honey Bun had the potential to become one of the leading brands in the market, and the Chongs were again on the move, this time to the company's present location at 26 Retirement Crescent to meet the growing demand. With a modern factory space, retro-fitted with upgraded bakery equipment and a highly specialized team, the company expanded their portfolio with the introduction of another brand, Buccaneer Jamaica. Product development was

also a major focus, with Honey Bun being widely recognized as driving the trend for innovative, value-added products such as cheese bread and cinnamon rolls.

What had been a small retail bakery with a handful of staff, had evolved into a vibrant 24-hour, 7-days a week wholesale bakery, employing over 200 Jamaicans delivering the brand daily, practicing world class standards throughout its operation.

Honey Bun's commitment does not end on its production floor, but extends to its strong socially responsible initiatives which include investments in education through its annual School Dayz Program, athletic sponsorships and

consistent support of the indigent and less fortunate in our society.

Today the brand is still synonymous with superior quality, superior convenience and superior value. It is widely regarded as Jamaica's number one for taste in baked snack products, as is evidenced by the company being chosen for the National Quality Awards in both 2007 and 2008.

With distribution spanning key supermarket chains, gas stations and small retail outlets locally, and select outlets in the Caribbean, North America and Europe, the company is destined for international growth having been awarded the Jamaica Exporters' Association coveted

Chairman's Award for Growing Exporter in 2008. Honey Bun is ultimately known in the baked goods market as "a little love in every bite" and recognized locally and internationally as an example of a strong, world class brand of Jamaica.

In June 2011, Honey Bun made history, being the first Bakery to list on the Jamaica Junior Stock Exchange after an overwhelming over subscription.

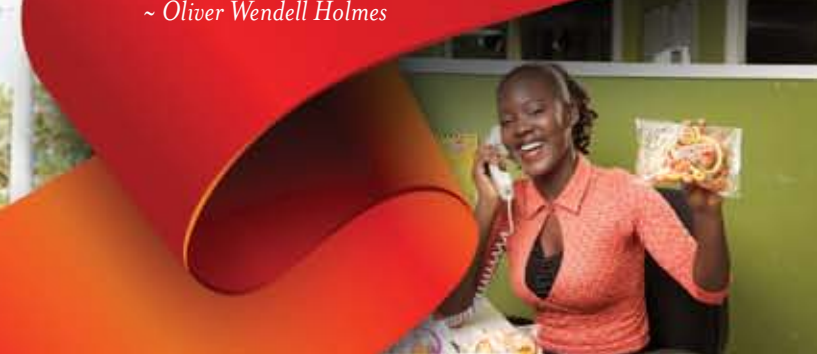
In 2011 Honey Bun achieved 3 exceptionally notable awards; the Jamaica Exporters' Association MSME Award as

well as the Jamaica Manufacturers' Award for Competitiveness and the Buy Jamaican Build Jamaica Award.

Over the last 29 years, Honey Bun has been challenged, and in every situation has risen to the occasion through tremendous growth. We want to thank you for sharing in another chapter of growth in the company's history.

"The great thing in this world is not so much where we stand, as in what direction we are moving."

~ Oliver Wendell Holmes



Company Purpose

Vision

Honey Bun's vision is to become the leading provider of high quality baked and snack products for every household in the Caribbean.

Mission

'Exceeding Stakeholders Expectations'
Our stakeholders are our customers, our shareholders, our employees, our suppliers and our community. These expectations include value creation and the well being of all.

Corporate Values

- Honor God as our Provider
- Treat all beings with respect and compassion
- Honesty and Integrity
- Responsibility and Accountability

Key Behaviours

- Live our Values
- Open Communication
- Value Time
- Continuous Improvement
- Conserve Resources and Reduce Cost
- Always improve Quality
- Protect the Environment

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN

that the Annual General Meeting of HONEY BUN (1982) LIMITED will be held on:

Date: WEDNESDAY, MARCH 21, 2012
 Time: 10:00 AM
 Place: KNUTSFORD COURT HOTEL, 11 RUTHVEN ROAD, KINGSTON 10
 Purposes: For shareholders to consider, and if thought fit, to approve resolutions concerning the following items of routine business:

Ordinary Resolutions

- 1) To receive the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2011.
- 2) To re-appoint the following Directors of the Board, each of whom has resigned by rotation in accordance with the Articles of Incorporation, and, being eligible, has consented to act on re-appointment:
 - (a) To re-appoint Herbert Chong as a Director of the Board of the Company.
 - (b) To re-appoint Michelle Chong as a Director of the Board of the Company.
- 3) To authorize the Board to fix the remuneration of Directors.
- 4) To authorize the Board to appoint the auditors to the company based on the result of the tenders, and to fix their remuneration.
- 5) To approve the interim dividend of 7 cents per share declared on November 21, 2011 as the final dividend in respect of the year ended 30 September, 2011; such dividend was paid to shareholders on record at December 20, 2011 with payment made on January 6, 2012.

Special Resolution

- 6) To amend the Articles of Incorporation such that the following provision is inserted as Article 137A:

"For the purposes of Article 136 the Company may send to shareholders in electronic format (including but not limited to CD-ROM format) a copy of every balance sheet (including every document required by law to be annexed thereto), together with a copy of the Auditors' Report. Provided always that the Company shall provide to any shareholder who makes a request to receive a printed copy of such balance sheet, document or report free of charge."

Dated this 17th day of January, 2012

BY ORDER OF THE BOARD OF DIRECTORS



Michelle Chong
COMPANY SECRETARY

The Notice of Annual General Meeting is accompanied by a form of proxy. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies to attend in his/her place. A proxy need not be a shareholder of the Company. All completed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company at least 48 hours before the Annual General Meeting.

Shareholders' Profile

TEN LARGEST SHAREHOLDERS

AT SEPTEMBER 30, 2011

No. Of Units

Herbert Chong	37,500,000
Michelle Chong	37,500,000
Daniel V Chong & Dustin Chong	3,466,600
Krystal T Chong & Dylan Chong	3,376,600
Bamboo Group Holding Limited	1,005,427
Apex Pharmacy	711,449
Mayberry West Indies Limited	699,237
Charles A Heholt	466,667
VMWM – Client 1	461,827
Mayberry Managed Clients' Account	435,754

SHAREHOLDINGS OF DIRECTORS

AT SEPTEMBER 30, 2011

Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses Connected Party : Joan Moses	400,000
Sushil Jain	461,827
Charles Heholt Connected Party: Tracey-Ann E. Heholt Joshua Alexander C Heholt	466,667

SHAREHOLDINGS OF SENIOR OFFICERS

AT SEPTEMBER 30, 2011

Daniel Chong Combined Person: Dustin Chong	3,466,600
Krystal Chong Combined Person: Dylan Chong	3,376,600
Paul D Watson	20,800

Directors' Report

The Directors are pleased to present their report for Honey Bun (1982) Limited for the year ending 30th September, 2011.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows pretax profits of 37 million dollars and post tax profits of 27 million dollars. On June 3, 2011 the Company was listed on the Junior Market of the Jamaica Stock Exchange and for that reason the Company was not liable for corporate income tax from the date of listing.

DIRECTORS

The Directors of the Company as at 30th September, 2011 were:

- ~ Mr. Herbert Chong (Chairman)
- ~ Mrs. Michelle Chong (CEO)
- ~ Mr. Sushil Jain (Non-Executive)
- ~ Mr. Paul Moses (Non-Executive)
- ~ Mr. Charles Heholt (Non-Executive)

In accordance with Article 97 of the Articles of Incorporation, directors of the Company shall retire by rotation and, being eligible, Herbert Chong and Michelle Chong, will offer themselves for re-election.

AUDITORS

The Company is grateful to the Auditors of the Company, McKenley and Associates of 10 Kingslyn Avenue, Kingston 10 for their services and will now put out to tender audit services for best value.


DIVIDEND

The Board approved an interim dividend of 7 cents per share out of the profits for the financial year end 30th September 2011. It was paid on January 6, 2012.

We wish to thank our customers, agents, employees and shareholders for their continued support.

Dated this 17th day of January, 2012

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Michelle Chong
COMPANY SECRETARY

HOW HAS HONEY BUN EXCEEDED MY EXPECTATIONS?



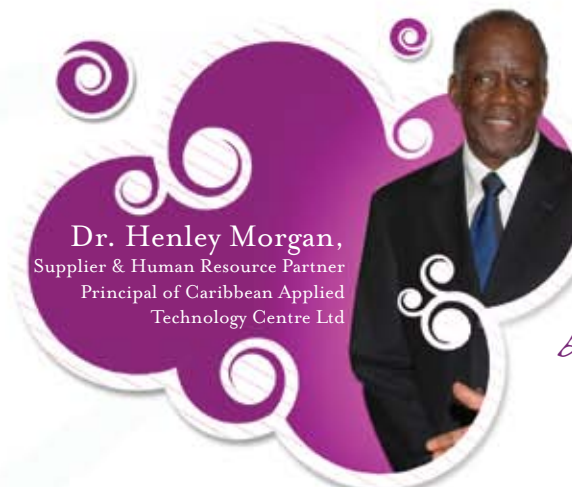
Antoinette Morgan,
Honey Bun Promotions
and Customer Service Manager,
~ 11 Years

"They believe in us, and they empower us, and they allow us to chase our passions and help us grow as an individual and professional. The culture is so unique and special, it's a positive and Christian environment and the vibe is just family."



Rose Bailey,
Food Safety Manager,
~ 23 years

"I admire Honey Bun's empowerment of young minds. We share knowledge freely and help each other grow, and you're surrounded by creativity and innovation... While Honey Bun is growing, we are growing too."



Dr. Henley Morgan,
Supplier & Human Resource Partner
Principal of Caribbean Applied
Technology Centre Ltd

"Honey Bun is a company with a Christian Ethic, which sees people as assets to be developed and not liabilities to be discarded.... Like it's name, and the superior quality of it's products, Honey Bun's employee recruitment and development policy exceeds expectations and could be a benchmark for other companies to emulate."



Sushil Jain,
Mentor to the Board
and Director

"Since joining the company as Mentor/Director in February 2011, I have been highly impressed by the management's commitment to good corporate governance and excellence in all aspects such as product quality, willingness to accept new ideas, detailed management information systems, openness in communications and dedication of employees."

Profiles of Directors



Herbert Chong

Herbert Chong, together with his wife, Michelle Chong, is a founder of the Company. He graduated from CAST (now the University of Technology of Jamaica) upon completion of a course in Technical Engineering. Mr. Chong subsequently qualified as a Realtor and became an investor in properties. Herbert Chong gained much of his entrepreneurial skills in Toronto, Canada as a Business Operator in the Food Industry.



Michelle Chong

Michelle Chong, together with her husband, Chairman of the Company, Herbert Chong, is a founder of the Company. She is also the Chief Executive Officer responsible for day-to-day operations. Mrs. Chong is a graduate of York University of Toronto, Canada, where she gained a Bachelor of Arts degree. Mrs. Chong has furthered her technical education over the years inclusive of gaining certification as a HACCP Consultant, and pursuing food studies at the American Institute of Baking, and business studies via an international scholarship granted by the Swedish International Development Agency AB.



Paul Moses

Paul Moses is a Non Executive Director of the Company. He serves as Chairman of the Compensation Committee and is also a member on the Audit Committee. Mr. Moses is the founder and Managing Director of Checker International Limited. He has acted as a consultant to the Company since 2000, and has assisted with various strategic initiatives since that time. Mr. Moses is a former Director of the Jamaica Exporters' Association. Prior to founding Checker, he worked in management of Kem Products Limited having started his business career at Seprod as a management trainee.

Mr. Moses holds a Bachelor of Science degree in Economics from the University of the West Indies.

Profiles of Directors



Sushil Jain

Sushil Jain serves as Mentor to the Board for the purposes of the Junior Market Rules, with responsibility for advising it on the implementation of adequate procedures, systems and controls for financial reporting, corporate governance, timely disclosure of information to the market, and compliance generally.

He is also a Non Executive Director and is a member of the newly formed Audit and Compensation Committees.

Mr. Jain is a Fellow of several professional Institutes including the Institute of Chartered Accountants of Jamaica. Mr. Jain is a non executive director of Mayberry Investments Limited and the University Hospital of the West Indies, Tony Thwaites Wing Private Limited. He has published numerous articles on the subject of management in journals in the Caribbean, UK and India.



Charles Heholt

Charles Heholt is a Non Executive Director of the Company. He serves as Chairman of the Audit Committee and is a member of the Compensation Committee.

Mr. Heholt is the founder and Managing Director of Nationwide Technologies Limited. Previously, he held various senior management roles within the Grace Kennedy group of companies. Mr. Heholt is also currently the Deputy Chairman of the Airports Authority of Jamaica Limited, and a member of the Board of Norman Manley Airport Limited.

A qualified Materials Engineer, Mr. Heholt is a graduate of McMaster University of Hamilton, Ontario. He holds professional certifications in Project Management, Health and Safety Management, and has attended many courses for leadership and management and other skills. He is an alumnus of Campion College and is active in the alumni association.



Chairman's Statement

A landmark year!

2011 was a landmark year for Honey Bun having listed on the Jamaica Junior Stock Exchange, a year before our 30th anniversary. The listing was extremely successful as it was oversubscribed by 6 times in the IPO, demonstrating investors' confidence in our brand.

The year was a successful one for Honey Bun having increased profits after tax by 10.4 million dollars or 61%. This is particularly notable due to the economic conditions brought on by the global recession as well as significant increases in prices of major raw materials throughout the year. Further, these profits were recorded during a year in which we engaged in the restructuring of the business to take on a significant portion of our distribution that was previously contracted out to independent distributors. This



decision was made in light of the need to improve our distribution and to reduce exposure to large credit risks. This resulted in the employment of new staff, new systems of control and investment in more vehicles. In spite of the challenges we are happy to report that we consider the takeover successful.

Throughout the year our team led by CEO, Michelle Chong, worked tirelessly and creatively to develop new efficiencies, to cut costs and to drive sales in order to focus on two of our priorities. One was to keep our prices down for our customers while maintaining our reputation for superior quality. The other was to increase profits for our

shareholders. I would like to take the opportunity to congratulate the team for their achievements, in this particularly difficult period.

Despite the troubled economic times, Honey Bun found economical ways to remain true to our commitment to develop our community. This is discussed in more detail in the section on Corporate Social Responsibility.

Joining the Jamaica Stock exchange has enhanced our overall competitive position. We consider that our listing for 4 months of the financial year, has realized significant benefits in a short time. Our stock price increased from the IPO price of \$3 in June, 2011 to \$5 at the end of September 2011.

Honey Bun was the recipient of three national awards in 2011. The Jamaica Manufacturers' Association awarded us with the Competitiveness Award and the Buy Jamaica Award. Further, we were the proud recipient of the Jamaica Exporters' Award for MSMEs.

Having started as a family company supported by a qualified and dedicated team of experienced technical leaders we will continue to develop innovative products for our customers. We are prepared to compete both locally and on the international market, adding value to Brand Jamaica and to our

country's economic strength. The will to become a national household name has been realized and we will also become an international name synonymous with the Best of Jamaica.

As the company moves forward, it is a foremost priority for us to continue to ensure the value of our shareholders' wealth is increased and Honey Bun continues to stay on top of the competition in the market place. Investing in Honey Bun is an investment in our country and we encourage the collaboration of our major players to build our nation by improving our productivity for competitiveness internationally.

Honey Bun will continue to face the challenges presented in 2012 through our energized team and through the many blessings endowed upon us which have borne fruit through each moment of victory and challenge.

I wish to thank our customers over the past 29 years for their support, and for giving us the opportunity to serve them. I also wish to thank our shareholders for their confidence in us and to thank our staff of 200 persons who remain committed and work hard to ensure that we continue to 'Exceed our Stakeholders' Expectations.'

Herbert V. Chong
Executive Chairman



Management Discussion



margin and results, in our tough economic times, are noteworthy.

Some of the proceeds from the IPO in June 2011 were used to pay out several motor vehicle leases and a portion of the company loans. This resulted in both an improved debt to equity ratio and reduced interest expenses.

IMPROVEMENT PLANS

1) Distribution presents many new opportunities for the company and some of these are being reviewed to realize increased sales and new market opportunities.

2) Contract manufacturing will be a significant focus for us moving forward. We are pleased to say that we have already commenced production for some major players in the marketplace.

3) New product lines will be introduced and marketed with the acquisition of new equipment from the funds raised from the IPO. Other equipment will be acquired to continue to improve automation and efficiency. The company launched 3 new products in September, 2011. These include Burger Buns, Spice Buns and Coconut Rolls.

4) International competitiveness requires continuous improvement in production and in all our processes. Honey Buns philosophy on continuous improvement will result in lowering costs making our products more competitive.

5) We will continue to strategically build out our export sales.

6) The company has invested in new software which will be instrumental in improved plans for distribution logistics and manufacturing reporting and efficiencies. The new program will go live in the second half of 2012.

7) As a result of requirements of the stock exchange rules, the outsourcing of an Internal Auditor will contribute significantly to the company's Corporate Governance, Controls and overall Risk Management Policy and Procedures. The benefits of the audit will begin to materialize in 2012.

We are pleased to report that sales for the year 2011 over 2010 increased by 25% in spite of significant competition in the market and a difficult economic climate. We attribute this to:

- 1) Our continued product quality improvements.
- 2) The many new and unique campaigns rolled out by our talented and innovative marketing team.
- 3) The strategic move to restructure our distribution model.

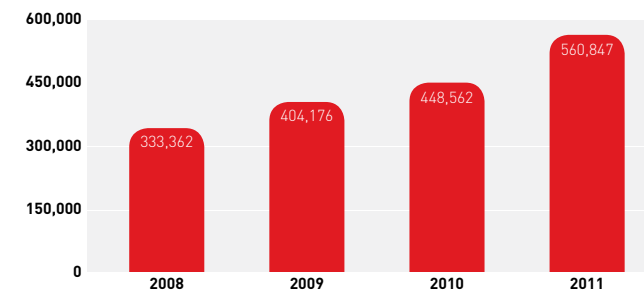
Pretax Profits were higher than the increase in sales. This was due to higher margins as a result of the takeover of distribution.

During the year in review there were significant price increases on all main ingredients. The company also incurred several new expenses as a result of going public. Further, depreciation expenses exceeded prior year by over 10.7 million dollars due to the revaluation of the company assets. We feel that profit

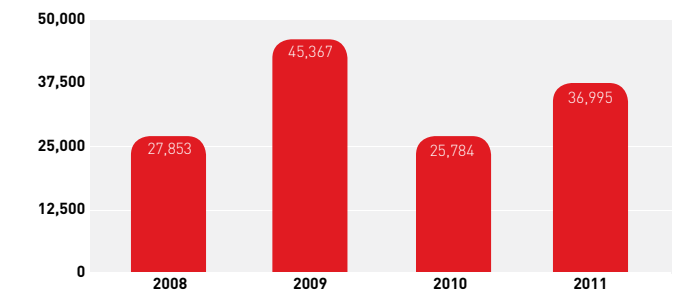
Management Analysis

	2008	2009	2010	2011	VAR 2010/2011	VAR 2010/2011
PROFIT & LOSS						
	['000]	['000]	['000]	['000]	['000]	%
Sales	333,362	404,176	448,562	560,847	112,285	25%
Gross Profit	119,274	142,802	178,648	235,876	57,228	32%
Profit before Tax	27,853	45,367	25,784	36,995	11,211	43%
Net Profit after Tax	12,477	30,245	17,190	27,629	10,439	61%
BALANCE SHEET						
Investments	4,287	17,197	27,233	46,209	18,976	70%
IMPORTANT RATIOS						
Total Liabilities / Total Shareholder' Equity	0.84	0.65	0.82	0.33	-0.49	-60%
Current Ratio	1.36	1.35	0.89	1.52	0.63	71%
Receivable: Turnover	21	21	22	23	1	4.5%
Earnings Per Stock Unit	312	756	0.23	0.34	0.11	48%

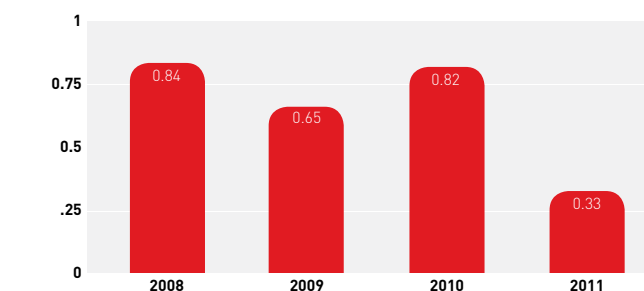
SALES REVENUE



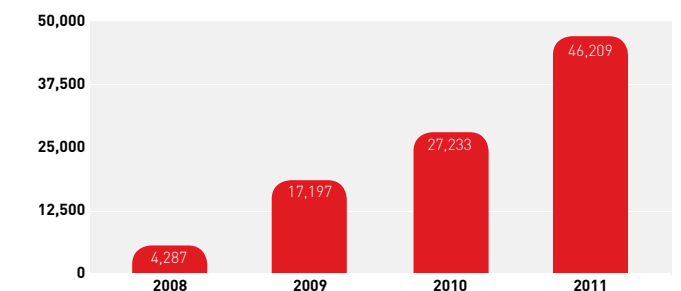
PRETAX PROFIT J\$'000



DEBT TO EQUITY RATIO



INVESTMENTS J\$'000



Executive Management Team



Michelle Chong
CEO

Michelle Chong, together with her husband, Chairman of the Company Herbert Chong, is a founder of the Company. She is also the Chief Executive Officer responsible for day-to-day operations. Mrs. Chong is a graduate of York University of Toronto, Canada, where she gained a Bachelor of Arts degree. She is also trained as a certified HACCP consultant through BRI International, Canada and the Bureau of Standards Jamaica. Michelle has been the major strategic force behind Honey Bun since its acquisition.

Mrs. Chong's strength is finding opportunities in challenges as well as process engineering systems that create value and add consistency to manufacturing. Her passion for development of human resources has created a unique and dynamic culture that continues to be one of Honey Bun's key competitive features.



Daniel Chong
Chief Operating Officer

Daniel Chong graduated from the University of Waterloo, Ontario, Canada with an Honours degree in Civil Engineering. He worked for AECOM, a United States Fortune 500 company for two years as a Transportation Designer before joining the family business as Chief Operations Officer. He has experience in distribution logistics from previous employment in Toronto, Canada. Daniel works closely with Chief Executive Officer Michelle Chong on the technical operation of the Company's day to day business. Since joining the Company in June 2010 Daniel has been instrumental in looking at feasibility and profitability of strategic distribution initiatives. He is also directly responsible for efficiency improvements in fleet management and production.

Daniel's eye for detail and his genius in technical planning capabilities have contributed significantly to the bottom line in terms of creating efficiencies to decrease costs and maximize output.

Executive Management Team

Krystal Chong
Chief Marketing Officer

Krystal Chong graduated from McGill University in Montreal, Canada with a Bachelor of Science degree in Psychology in 2006. She completed her Master's degree in Business Administration in 2009 at the International School of Management in Paris, France.

Since joining the Company in 2006 Krystal successfully launched a re-branding campaign which has assisted the Company to establish an identity within a competitive market and is responsible for the significant growth of the Honey Bun brand, and exports. She created the Honey Bun School Dayz campaign which is the flagship program, solidifying the Honey Bun brand in the schools and within the youth market. She was also responsible for the packaging rebranding. Krystal oversees product development, company research and is responsible for customer relations with international clients. Her strengths in creative production, PR and social media have developed a significant competitive edge in the market place.



Paul Watson
Head of Manufacturing

Paul Watson has over 25 years of experience in the baking industry and has worked with large local and international bakeries in the USA, including the American Institute of Baking, Flowers and Domino's Pizza. He has received certification from AIB in Quality Control, Manufacturing Processes and TQM.

Paul joined the company in February 2011 as a Consultant and was appointed thereafter as Head of Manufacturing. Mr. Watson is responsible for significant product quality improvements since his employment and adds tremendous experience with his knowledge of bakery equipment and the bakery sciences.



Audit Committee

The Audit Committee is responsible to assist the Board of Directors in giving oversight to the financial reporting and the auditing process of the Company's financial affairs.

The members of the Committee, as appointed by the Board of Directors are as follows:

- ~ **Mr. Charles Heholt - Chairman**
- ~ **Mr. Sushil Jain**
- ~ **Mr. Paul Moses**

The Committee shall meet every quarter. Two members of the Committee form a quorum. The CEO attends the Committee meetings as an invitee.

The Committee is guided by a 'Terms of Reference' approved by the Board of Directors. The key responsibilities are:

~ Good Fiscal Discipline

The Committee will provide periodic oversight to the maintenance and improvement of current procedures and control for the tracking of the Company's income and expenditure and the internal auditing of the procedures of the Company designed to accomplish good fiscal accountability.

~ Financial Reporting

The Committee ensures that the Company adheres to the Rules of the Jamaica Stock Exchange (JSE) and will examine and recommend to the Board of Directors, for publication, the accounts to be published quarterly and annually.

~ Timely Disclosure

The Committee ensures the timely disclosure of information relating to the Company to all the stockholders through the JSE, that is, information that has the potential to affect share prices or profitability, including any significant change in operations, capital investments, appointments or resignations of senior and/or key managers in the Company and any proposed changes in the issuance or repurchase of shares, takeovers, mergers and amalgamations.

The Committee has so far convened one meeting whereby all members were present. A Code for Securities Transactions by Directors and Senior Officers of the Company, also accepted by the Board of Directors, was approved on November 21st 2011 and instituted. This code establishes blackout periods for trading of securities of the Company by Directors, Senior Officers, general staff members and connected parties.

An Internal Auditor was contracted to complete an overall company risk assessment in August 2011 and prepare a draft audit plan. Out of 11 risk categories, 6 risks have been prioritized for full auditing. Audits commenced in September 2011 and these audits are expected to add value to the controls and management of risks. A Risk Management Policy was also recommended for the board to adopt. The Internal Auditor reports to the Chairman of the Audit Committee.

During this year, Honey Bun also undertook a complete review of its insurance portfolio to ensure adequate coverage.

Compensation Committee

The Compensation Committee was established by the Board of Directors with responsibility to advise the Board on all matters relating to the Compensation of the Executive Management. The members of the committee, as appointed by the Board of Directors are as follows:

- Mr. Paul Moses – Chairman**
- Mr. Charles Heholt**
- Mr. Sushil Jain**

The Committee shall meet at least once per year; however, special meetings may be called if considered necessary. Two members of the Committee form a quorum. To date the Committee has met once and all members were present.

The Terms of Reference for the Committee were proposed and the primary responsibilities of the Committee were agreed to be:

- ~ Set, review and approve corporate goals and objectives relative to the performance of the non-independent Chairman and CEO of the Company.
- ~ Evaluate the performance of the Executive Chairman and the CEO of the Company.
- ~ Review and set compensation of the Executive Chairman and the CEO of the Company.
- ~ Approve the material terms and changes of any employment agreements, severance arrangements, and employment policies.
- ~ Review and make recommendations with respect to the appropriateness of the Board's compensation to non-executive Directors.
- ~ Review and discuss with the executive management, at least on an annual basis, management's assessment of whether there are risks arising from the Company's compensation policies and practices for executives and employees which may have a material adverse effect on the Company.
- ~ Review the existing incentive program for executive management and employees.

The Committee makes its recommendations to the Board of Directors through its Chairman.

Enrichment of Lives.

Our approach to corporate social responsibility is one of enrichment.

It is not a conscious effort but a daily way of life at Honey Bun. We

strongly believe in the ideology that “if you give a man a fish, you feed

him for a day. You teach a man to fish; you feed him for a life time.”



OUR PEOPLE

Corporate Social Responsibility starts with our own people. We employ over 200 dedicated Jamaicans in our supply chain.

Our CEO and co-founders passion for the last 30 years has been developing people in the Honey Bun network so that they can enjoy a better quality of life. This is seen through persons employed for as long as 28 years, having grown and developed from humble beginnings to supervisory roles. This is also seen through persons who were Honey Bun drivers in the 80's and who have transformed their careers with the accounting and business management support provided by Honey Bun, and



today they are running their own distribution businesses as contracted distributors for Honey Bun.

Honey Bun made the decision in 2006 to work with the renowned, Dr. Henley Morgan of Caribbean Applied Technology Center (CATC). Our ideology to support human development through employment in the inner cities was clearly aligned. Dr. Morgan situated his agency in the heart of Trench Town to provide an opportunity for skills development and employment through CATC. We are rewarded when we see the lives that this program has changed within our very own Honey Bun family.

We extend development further with an annual scholarship fund for our employees' children. We also provide financial support for employees who want to further their education. In 2011 several employees received educational grants and school loans.



FEEDING PROGRAM

Honey Bun is an avid supporter of Missionaries of the Poor, a group led by Father Richard HoLung and Friends who have devoted their lives



to the spiritual upliftment of Jamaica's poorest citizens. The company was a sponsor for their most recent show 'Acts of the Apostles'. We provide products for their feeding program on a weekly basis. We also conduct an annual Christmas Treat at one of their homes, providing entertainment and food for the residents at Jacob's Well. Both executives and staff are invited to share in this experience.

Honey Bun provides products to a wide range of charities, homes, schools and churches. A few of which include: Jamaican Christian Boy's home, Maxfield Park Childrens' Home, Mustard Seed Childrens'

Home, Alpha Boy's Home, and Next Childrens' Home.



NATIONAL SCHOOL PROGRAM

Our commitment to the enrichment of Jamaican lives includes Honey Bun's annual 'School Dayz program', now in its 7th year. Because children are the major consumers of our products we are heavily exposed to them in our marketing activities. The directors made a conscious decision very early in this program, when Michelle Chong/CEO voiced, "If we are going to be communicating with children, we need a positive message. It must be something that will contribute to create value nationally as a part of our responsibility."

Our School Dayz motto "Education



is the Key" was selected in line with our objective to instill the value of education in creating a better future for our students. We vowed to keep the program fun and engaging, so that the message would be well received. We introduced the 'Singathon', where students create and sing songs about why having education is important to their future, maintaining the 'cool' factor and keeping the communication interesting and relevant for this age group.

We partnered with positive Jamaican celebrities to endorse this message to further strengthen its impact. We partnered with the # 1 youth Radio Station Zip 103 and the youth paper

the Youth Link this year, so that our reach could extend beyond the 100 school visits we do annually island wide to all students. To date, we have made over 400 school visits nationwide with these activities.

We are proud to say, that to date, we have awarded over 30 computers to students and schools island wide through the Honey Bun School Dayz program, and vow to stay committed to this program.





PROMOTING TALENT

One of Jamaica's greatest resource is our talent. The Honey Bun School Dayz program provides exposure for young talented positive youths, to assist them with their future musical careers. The winner of Honey Bun School Dayz Singathon 2011 amazed us with her catchy, creative performance and positive lyrics and won by a landslide. She has been featured on numerous occasions on Zip, in the Youthlink and in Honey Bun printed materials distributed island wide. She also received exposure in terms of having the opportunity to network and now performs with other established Jamaican artists such as Bambino 'AKA Trever off Key' and Protoje. Yet another student was supported



based on her demonstrated talent. She comes from an inner city and her drive and dreams of touching Jamaica with positive messages and making something of herself through a singing and song writing career was admirable. Honey Bun has provided this student with many opportunities to assist her with her dreams. She co-



wrote our latest Jingle with celebrity producer Bambino, she also voiced it. She was the main feature of our recent Television commercial, and she performs regularly at other events. These activities helped to develop her confidence, provided exposure for her talent and introduced her to relevant persons in the industry.



SUPPORTING ATHLETES

Honey Bun also supports sports in student life. We adopted John Mills School by sponsoring a young upcoming student athlete; providing her with much needed sports gear, meal supplements, and sponsored her foreign travel to compete in the North West Classics. She was also provided with her own lap top to assist with her studies.



CARING FOR OUR ENVIRONMENT

Honey Bun is conscious of its responsibility towards our natural resources. We are committed to the recycling of waste. Expired and damaged products are sold to

pig farmers for food and used oil is provided for the manufacture of diesel oil.

The company has undertaken various energy audits and have formulated short and long term plans for improving its energy efficiency. These audits were sponsored by the Inter-American Investment Corporation (IIC).



Corporate Data

Chairman

Mr. Herbert V. Chong

Executive

Mrs. Michelle Chong; *CEO*

Non-Executive

Mr. Paul Moses
Mr. Charles Heholt
Mr. Sushil Jain

Secretary

Mrs. Michelle Chong

List of Senior Officers

Mr. Herbert Chong; *Chairman*
Mrs. Michelle Chong; *CEO*
Mr. Daniel V. Chong; *Chief Operating Officer*
Ms. Krystal Chong; *Chief Marketing Officer*
Mr. Paul Watson; *Head of Manufacturing*

Attorneys-At-Law

Patterson Mair Hamilton
63-67 Knutsford Boulevard
Kingston 5, Jamaica, W.I.

Bankers

Bank of Nova Scotia Jamaica Ltd
2 Knutsford Boulevard
Kingston 5
Jamaica W.I.

First Caribbean International Jamaica Ltd
1 King Street
Kingston

First Global Bank Limited
28-48 Barbados Avenue
Kingston 5

Auditors

McKenley and Associates
10 Kingslyn Avenue,
Kingston 10

Internal Auditor

DC Consultants & Associates
7 Hope Close,
Kingston 6

Registrar and Transfer Agents

Jamaica Central Securities Depository
40 Harbour Street
Kingston
Jamaica W.I.



Honey Bun (1982) Limited Registered Office:

26 Retirement Crescent
Kingston 5
Jamaica, W.I.
Telephone (876) 960-9851-2
Fax Number (876) 960-9852
Website: www.honeybunja.com

HOW HAS HONEY BUN EXCEEDED MY EXPECTATIONS?



Protojé
Customer and School
Dayz Partner

"I'm really impressed with Honey Bun's initiative in the schools, I appreciate that they pay attention to those kinds of things.... speaking as a customer, the product quality is amazing, not to mention the consistency, it's a sure win. The coconut roll MAAD!"



Daina Fletcher,
Runner up Honey Bun School
Dayz Singathon 2010-2011

"Honey Bun has really opened doors for me and they've helped me to acknowledge my own talents and to develop them. They helped build my confidence in my talents and now I have a dream that's real and I'm that much closer thanks to them. They really care...."



Paula Asphall
Sales Manager
JF Mills

"What impresses me most about Honey Bun is their ingenuity, innovation and their resilience in competitiveness.... They're informed on industry trends. They have creativity down pat, look at their packaging, I mean WOW!"

"The quality and taste of the products are the best. They're always so soft and nice, and there's lots to choose from. I like when they visit my school, it's so much fun and they have a good message and they reward kids for their talents."



Chanté
Customer

Independent Auditors' Report to the Members

**MCKENLEY
& ASSOCIATES**E-MAIL:
mckenley@infochan.comWEB SITE:
www.wmckenley.com12 KINGSLYN AVE.,
KINGSTON 10, JAMAICA
PHONE: (876) 968-3117
968-3118
FAX: (876) 929-7041

CHARTERED ACCOUNTANTS

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

Independent Auditors' Report

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report to the Members

**MCKENLEY
& ASSOCIATES**E-MAIL:
mckenley@infochan.comWEB SITE:
www.wmckenley.com12 KINGSLYN AVE.,
KINGSTON 10, JAMAICA
PHONE: (876) 968-3117
968-3118
FAX: (876) 929-7041

CHARTERED ACCOUNTANTS

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

Opinion

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

Report on Other Legal and Regulatory Requirements.

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

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

McKenley & Associates,
Chartered Accountants
21 November 2011
Kingston, Jamaica

Statement of Comprehensive Income

Year Ended September 30, 2011

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

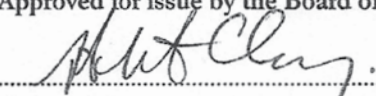
Statement of Financial Position


Year Ended September 30, 2011

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

* Restated for comparative purposes

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


Herbert Chong Director


Michelle Chong Director

Statement of Changes in Shareholders' Equity

Year Ended September 30, 2011

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

Statement of Cash Flows

Year Ended September 30, 2011

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

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

Honey Bun Limited (the "Company") is a limited liability company incorporated under the laws of Jamaica. Its principal activities comprise the manufacture and distribution of baked products to the local and export markets. The Company operates within Jamaica from its registered office located at 26 Retirement Crescent, Kingston 5.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

New standards and interpretations effective during the year:

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

New standards and interpretations not yet effective:

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

- **IAS 1 (Amended) Presentation of Financial Statements:-** This standard, which is effective 1 January 2011 introduces new requirements for classifying and measuring financial assets. It also introduces added disclosures about investments in equity instruments and their treatment in the statement of comprehensive income.
- **IAS 34 (Amended) Interim financial reporting:** This standard became effective 1 January 2011 and has resulted in additional disclosures for certain transactions and events.
- **IAS 24 (Revised) Related Party Disclosure:** This standard became effective 1 January 2011 and amends the definition of a related party in addition to introducing additional disclosure requirements for government related entities. It also increases the list of transactions that require disclosure.
- **IFRS 9 Financial Instruments:** This standard will become effective 1 January 2013 and introduces new requirements for classifying and measuring financial assets. The standard also requires additional disclosures about investments in equity instruments designated at fair value and their treatment through other comprehensive income.

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

(b) Basis of Measurement

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

(c) Functional and presentation currency

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

(d) Critical judgments and sources of estimation uncertainty

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

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

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

i. Depreciation of property, plant and equipment

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