30 Honey Bun Naturally Good
YEARS 1982-2012

Foundation.
Vision.
Results.

ANNUAL REPORT 2012

Celebrating 30 Years!

What started out as a small retail bakery in Spanish Court, New Kingston in 1982, is now a 30 year old household brand!

During these thirty years, the Jamaican economy has experienced several changes creating challenges for the private sector and the manufacturing industry in particular. These various challenges have formed the core of Honey Bun's success as we have developed the ability to charter challenges into opportunity.

Our Vision has always been focused on continuous improvements and benchmarking to the highest standards.

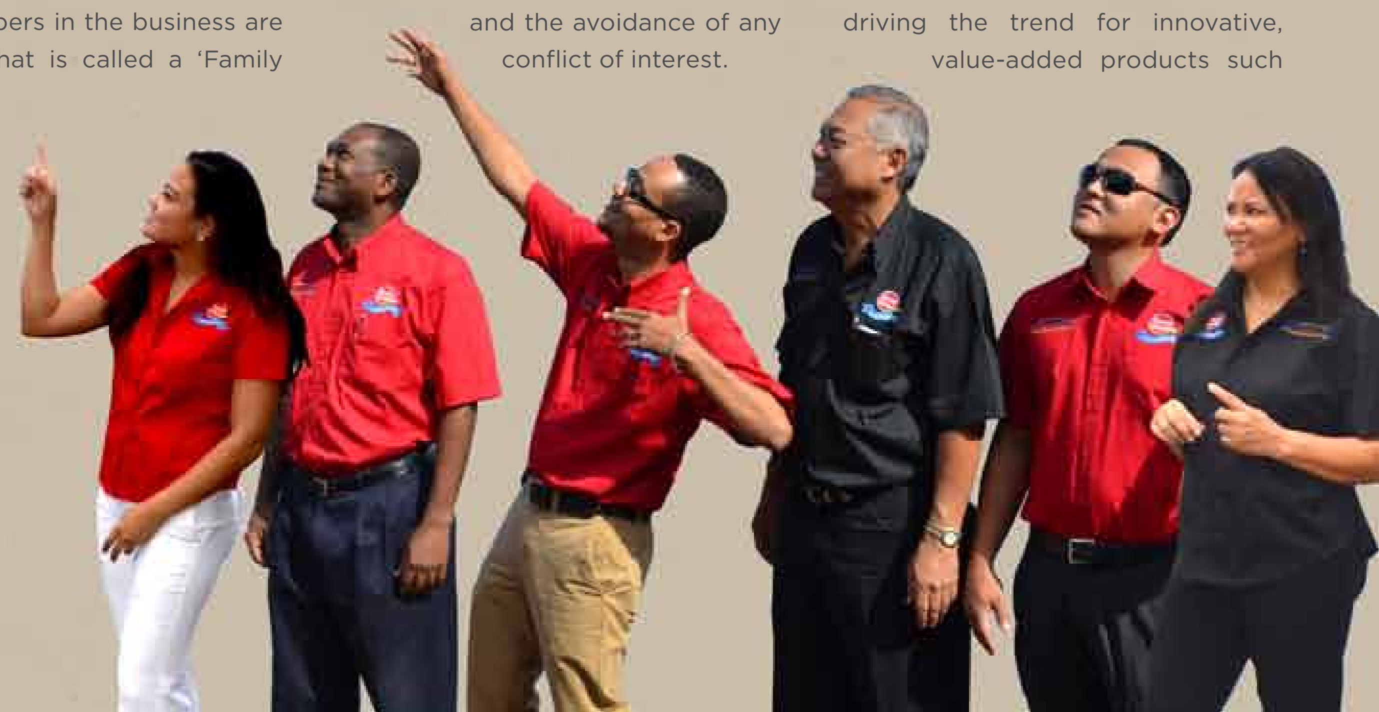
> "...we have developed the ability to charter challenges into opportunity."

30 years later this 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 and business innovation.

Honey Bun started out as a Jamaican Family Business owned and operated by Herbert and Michelle Chong. Herbert Chong is the Chairman of the Board and cofounder. The business is run by CEO Michelle Chong. The executive management team includes two members of the second generation. Daniel Chong is the Chief Operating Officer having studied and worked in Toronto Canada as a Civil Engineer. He has been with the company for 3 years. Krystal Chong is the Chief Marketing Officer having worked for 6 years at Honey Bun and having attained her Masters degree in Business. Both have contributed to the rapid growth of the business since joining the company.

Family members in the business are part of a what is called a 'Family Council Committee,' which provides for the creation of rules for family members in the business. This provides a framework for succession planning for this and future generations from the objective perspective of what is best for the business as an independent entity from the family. It also provides for best practices and the avoidance of any conflict of interest.

In the early nineties, the Chongs recognized the need to diversify to meet the challenges of a shrinking economy and a grossly devalued dollar and converted the company from a retail operation to a wholesale one. By 2005 Honey Bun had become the leading brand in the single serve baked snack market 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 15 staff, has evolved into a vibrant 24-hour, 7-days a week wholesale bakery, employing over 200 Jamaicans delivering the brand daily, exporting to international markets, and proudly 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 Honey Bun School Days Program, and consistent support of the indigent and less fortunate in our society.

Today the brand is synonymous with superior quality, convenience and value serving the needs of Jamaica and the Diasporas abroad. It is widely regarded as Jamaica's number one for taste in baked snack products.

The company's accolade of awards include the National Quality Awards in both 2007 and 2008; the Jamaica Manufacturers Award for Brand Jamaica in 2011 and 2012; the Jamaica Exporters Award in 2008 and three awards in 2012 for excellence from the Jamaica Stock Exchange for Junior market companies.

Honey Bun is familiarly known 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 Stock Exchange Junior Market after an overwhelming over subscription. The Board of Directors includes, mentor Sushil Jain, Paul Moses and Charles Heholt, Executive Chairman Herbert Chong and CEO Michelle Chong. The directors are involved in strategic decisions, policy approval and are also involved operationally when needed.

In this, our 30th year Honey Bun launched a new product which was received with resounding popularity. The 'Honey Bun Goldie', represents Jamaica's only cream filled finger cake; a product favorite for all and a tremendous success since it's launch.

Over the last 30 years, Honey Bun has been challenged, and in every situation has risen to the occasion. We know that hard work and commitment has laid the foundation. We have remained true to our vision of being unwavering in our standards. We will continue to leverage this foundation and vision towards results.

30 YEARS 1982-2012

Honey Bun Naturally Good

"We want to thank you for sharing in another year of growth in our company's history."

Honey Bun rings the bell to open trading at the JSE in honor of a new product launch - "The perfect buns." Pictured left to right Michelle Chong, Honey Bun CEO, Marlene Street-Forrest GM of the JSE, Krystal Chong Honey Bun CMO and Herbert Chong Honey Bun's Chairman.

Honey Bun collects 3 awards at the 2012 JSE Best Practices Awards Ceremony. Awards include over all winner of JSE Junior Market Best Practices, Corporate Disclosure and Investor Relations and runner up for best website.

Honey Bun celebrates the launch of the new Honey Bun Goldie. (l-r) Daniel and Krystal Chong Honey Bun COO and CMO respectively, Hon Anthony Hylton, Minister of Industry Investment and Commerce, Michelle and Herbert Chong, Honey Bun CEO and Chairman respectively.

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*

TABLE *of* CONTENTS

NOTICE IS HEREBY GIVEN

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

Date: Wednesday, March 13, 2013
Time: 10:00 AM
Place: Knutsford Court Hotel, 11 Ruthven Road, Kingston 10
Purpose: For shareholders to consider, and if thought fit, to approve resolutions concerning the following items of routine business:

1. To receive the report of the Board of Directors and the Audited Accounts for the financial year ended September 30, 2012.
2. To re-appoint two Directors of the Board, each of whom has retired by rotation in accordance with the Articles of Incorporation, and, being eligible, have 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 of Directors to fix the remuneration of Directors.
4. To authorize the Board of Directors to fix the remuneration of McKenley and Associates who have consented to continue as the as the auditors of the Company.
5. To approve the interim dividend of 5 cents per share paid on 31st May, 2012 and 6 cents per share paid on January 11, 2013 as final dividends.

Dated this 17th day of January, 2013
BY ORDER OF THE BOARD OF DIRECTORS

Michelle Chong
COMPANY SECRETARY

The following documents accompany this Notice of Annual General Meeting:
(1) 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 Registrar of the Company at least 48 hours before the Annual General Meeting.

TEN LARGEST SHAREHOLDERS AT SEPTEMBER 30, 2012

	# of Units
Michelle Chong	37,500,000
Herbert Chong	37,500,000
Mayberry Managed Clients Account	2,991,316
Daniel V Chong & Dustin Chong	2,060,600
Krystal T Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,527,422
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1	453,318
Paul H. Moses	400,000

SHAREHOLDINGS OF DIRECTORS AT SEPTEMBER 30, 2012

	# of Units
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	453,318
Charles Heholt	252,000

SHAREHOLDINGS OF SENIOR OFFICERS AT SEPTEMBER 30, 2012

	# of Units
Daniel Chong	2,060,600
Krystal Chong	1,970,600
Paul Watson	20,800

DIRECTORS' REPORT

The Directors are pleased to present their report for Honey Bun (1982) Limited for the year ending 30th September, 2012.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows pretax profits of $41,920,542 and post tax profits of $41,541,788. Details of these results, along with a comparison of the previous year's performance and the state of affairs of the Company are set out in the Management Discussion and Analysis and the Financial Statements which are included as part of this Annual Report.

DIRECTORS

The Directors of the Company as at 30th September, 2012 are:

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

The Directors to retire by rotation in accordance with the Articles of Incorporation are: Herbert Chong and Michelle Chong but being eligible will offer themselves for reelection.

AUDITORS

The auditors of the Company, McKenley and Associates, of 10 Kingslyn Avenue, have expressed their willingness to continue in office. The Directors recommend their reappointment.

DIVIDEND

An interim dividend of 5 cents was paid on 31st May, 2012. Another dividend of 6 cents per share out of the profits for the financial year ending 30th September 2012, was paid on 11th January, 2013. These are being proposed as final dividends.

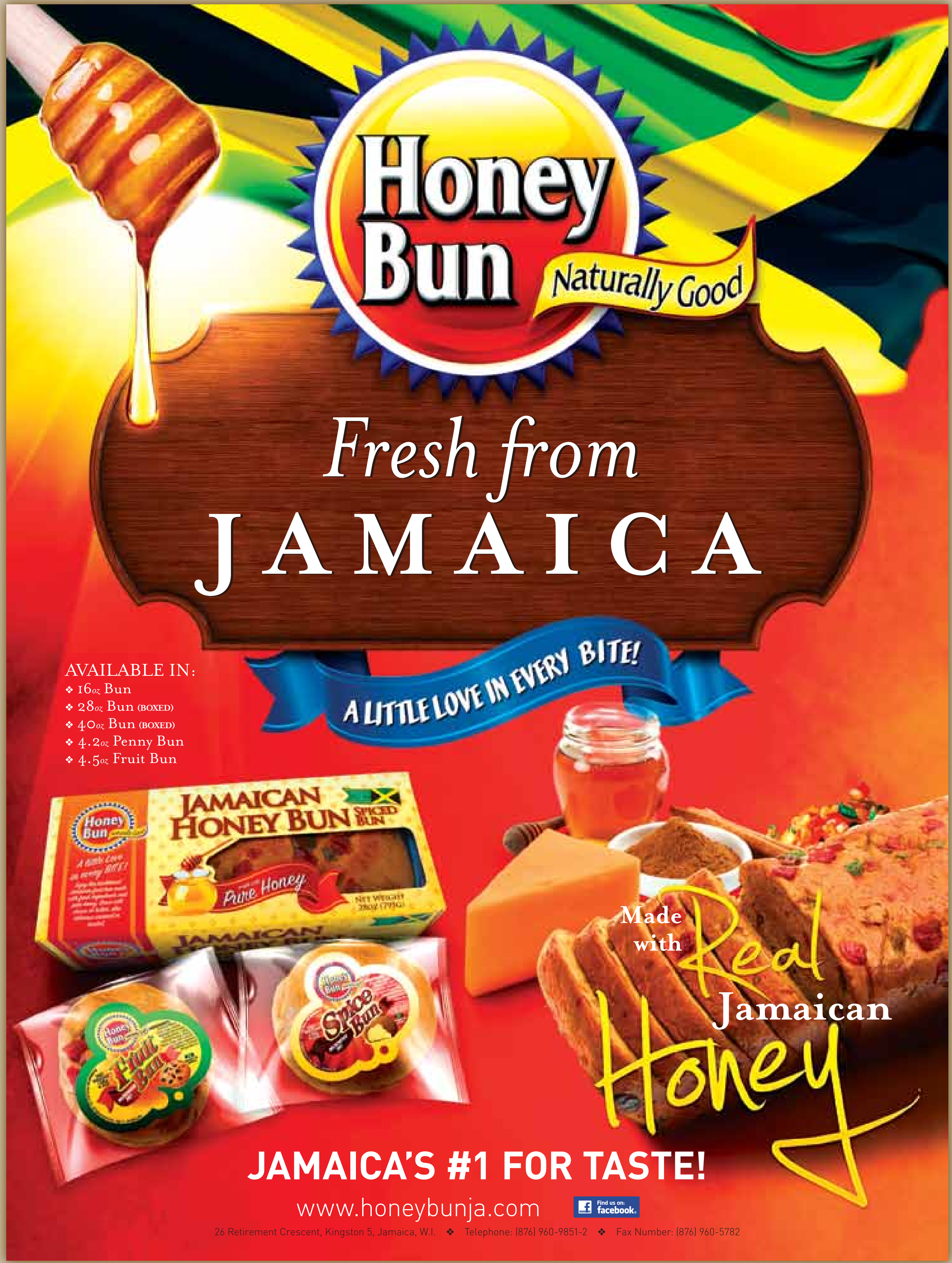
We wish to thank our customers, agents, employees and shareholders for their continued support.

Dated this 17th day of January, 2013

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Michelle Chong

COMPANY SECRETARY



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

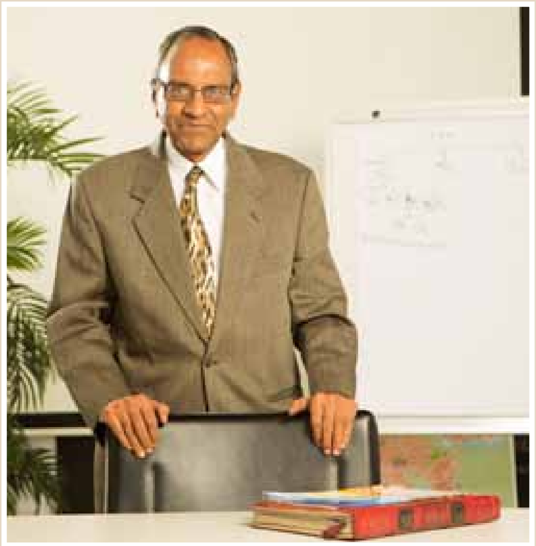
Michelle Chong, together with her husband, Chairman of the Company, Herbert Chong, is a founder of the Company. She is also the Chief Executive Officer responsible for day-to-day operations. Mrs. Chong is a graduate of York University of Toronto, Canada, where she gained a Bachelor of Arts degree. Mrs. 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 SIDA.

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 general compliance.

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

Mr. Jain is a Fellow of many 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.



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 of 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.

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.

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 Past President of Campion College Alumni Association, Past Director of JMA, and serves on the Campion College Board of Directors.

CHAIRMAN'S STATEMENT

In 2012 Honey Bun celebrated its 30th anniversary! I wish to specially thank our customers over the past 30 years for their support throughout the Island and to thank our export customers in the UK, Canada, the Caribbean and the USA.

This year was an important time for us to come together to celebrate Brand Jamaica. We have worked hard as a company to grow during the difficult years and felt the need to ensure that we take time to celebrate our accomplishments. Our athletes this year reminded us of our unity as a country and how good it felt to celebrate the good things together.

Thank you Jamaica for allowing us 30 years of service!

The great secret behind Honey Bun's success today has been our ability to remain relevant in our market and to remain innovative in our ideas. We face our challenges daily with dignity and strength, looking for opportunities in each one and always giving thanks to God for his continuous flow of blessings.

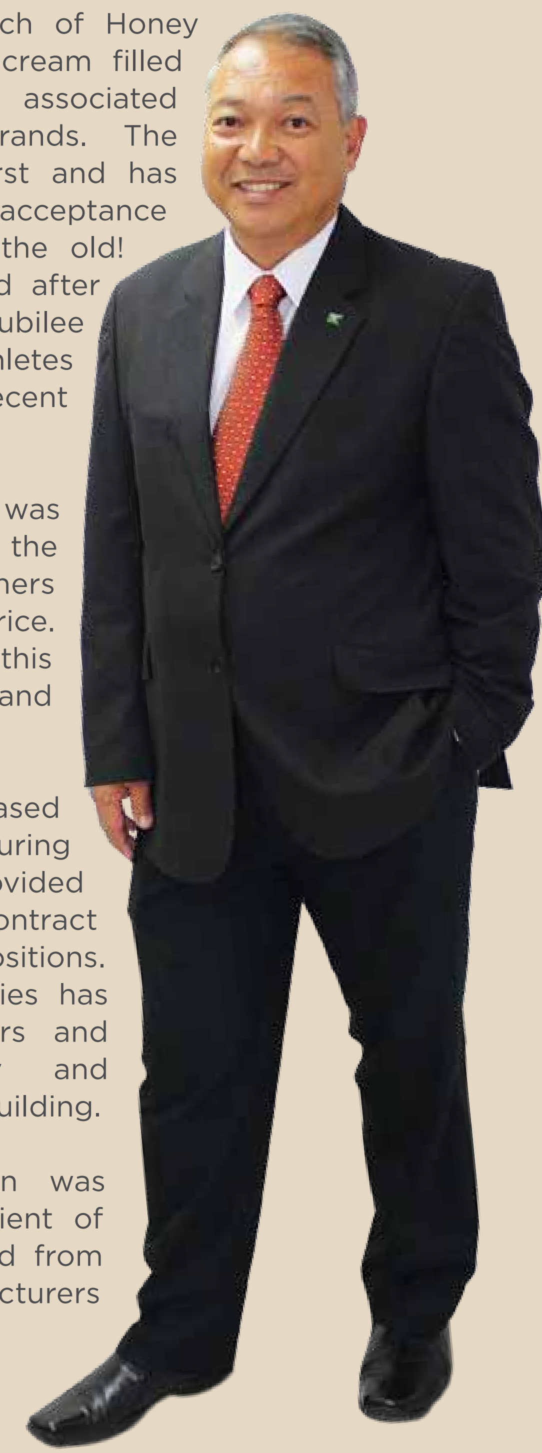
As a company we set high standards and work hard, not to meet them but to exceed them. As a people we are proud to represent Brand Jamaica. We endeavor to keep the manufacturing sector in Jamaica alive and nurture 'job creation' and the development of people.

2012 marked the launch of Honey Bun's 'Goldie'; a new cream filled finger cake previously associated with other imported brands. The Goldie is Jamaica's first and has had an overwhelming acceptance from the young and the old! The Goldie was named after our country's Golden Jubilee and to celebrate our athletes Gold medals at the recent Olympics.

Honey Bun's Goldie was developed to fit into the pocket of our consumers at an affordable price. We have earmarked this product as a true Brand Jamaica product.

Honey Bun has increased employment by 5% during the last year and provided opportunities for other contract and temporary positions. Purchasing local supplies has increased our suppliers and partners productivity and contribution to nation building.

This year Honey Bun was again the proud recipient of the Buy Jamaica award from the Jamaica Manufacturers Association.



Our latest achievement was the receipt of the Jamaica Stock Exchange overall Award for Best Practices in the Junior Market. Our commitment to quality management and years of continuous improvements are responsible for this accomplishment.

I would like to express special thanks to the team at Honey Bun and our dedicated CEO and management team. We would not have been able to achieve these awards without them. Their hard work and loyalty has been proven over and over again. Several of these employees have worked for many years with the company and remain dedicated to the cause and the vision.

As we move into 2013, our plans to focus on advanced technological solutions to increase world class competitiveness will result in significant improvements in efficiency and excellence.

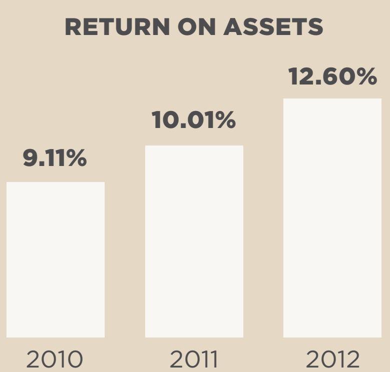
We successfully implemented powerful new ERP software at the beginning of our financial year October 2012, and have already started the process of computerizing all our operational processes. We will continue to satisfy our customers with more innovative products and remain focused on our overall program of continuous improvements in all areas of the business. Exports will continue to remain a priority for us as we focus on increasing our markets and earning of foreign exchange.

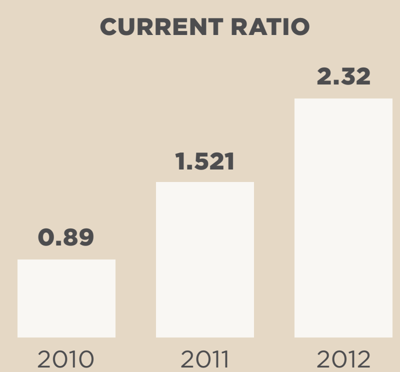
On that note I wish to thank an extremely dedicated team of Directors who have provided knowledge, operational support and experience to make Honey Bun the most forward thinking bakery in our industry!

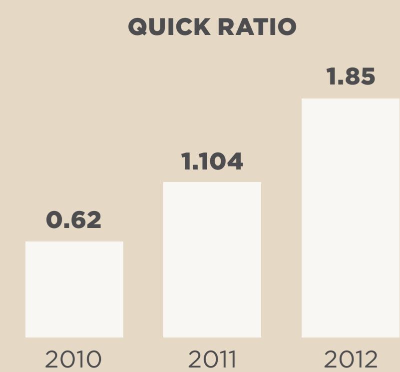
Herbert V. Chong
Executive Chairman

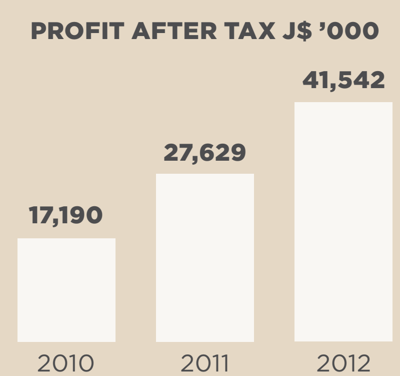
5 YEAR FINANCIAL PERFORMANCE

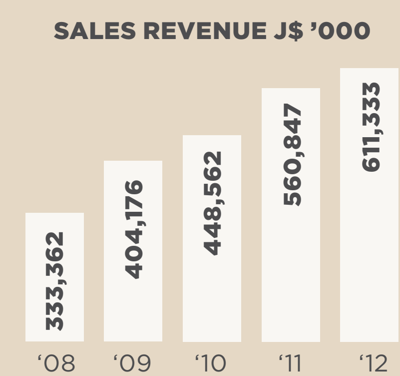
	2008	2009	2010	2011	2012	VAR 2011/12	%CHANGE 2011/12
	['000]	['000]	['000]	['000]	['000]	['000]	
Revenue	333,362	404,176	448,562	560,847	611,333	50,486	9%
Gross Profit	119,274	142,802	178,648	235,876	269,271	33,395	14%
Profit Before Tax	27,853	45,367	25,784	36,995	41,920	4,925	13%
Net Profit after Tax	13,266	30,245	17,190	27,629	41,542	13,912	50%
EBITDA	40,791	55,596	35,795	59,877	70,505	10,628	18%
Shareholders' Equity Earnings Per Stock Unit	0.18	0.40	0.23	0.34	0.44	0.10	29%











PROFIT

Financial Year 2012 continues to show a positive trend in spite of the economy and a much more competitive market.

Gross profits and Profits before Tax increased by fourteen and thirteen percent respectively. Management of efficiencies on each production line has created opportunities for us to improve these margins.

While profits before tax increased by 13%, EBITDA increased by 18% year over year. We consider these improvements to be significant when compared to an increase in sales of 9%.

Improvements seen were planned for in strategic decisions taken by management in prior years. We are also beginning to see the return on investments from funds raised in the IPO in June 2011.

EPS

The company's EPS increased by 10 cents over 2011 moving from 34 cents to 44 cents per share.

A total dividends pay out of eleven cents was distributed for 2012 financials. Five cents was paid on May 31, 2012 and another six cents was paid on January 11, 2013 for shareholders on record date of December 24, 2012.

EXPENSES

Operating expenses increased by 9% over the prior year. Several expense items decreased due to management focus on expense control.

Major contributors to increased spend were for Directors Fees, Depreciation and GCT Unrecoverable. These were as a result of the company going public and investment in equipment to retool some lines and the purchase of vehicles for improved distribution. We are already experiencing the returns on these investments.

Other Costs in the financial statements section for Expense by Nature reflect a significant portion of difficult to collect debt mainly from prior contracted distributors. This amounted to almost 5 million dollars.
Motor Vehicle Expenses were significantly reduced by over 60%. All vehicle leases were paid off in June 2011 from the IPO proceeds, resulting in reduced motor expenses.

CORPORATE SOCIAL RESPONSIBILITY

Honey Bun continues to provide support for our schools computer programs and the development of our students' talents providing them with an opportunity to perform and be recognized.

FUTURE

2013 will continue to be a challenging year. We believe that there is opportunity in challenge! We believe that we will continue to grow and "Exceed our Stakeholders Expectations". We will accomplish this through product development and innovation and developing new markets for sales opportunities. We are also focused on improving our quality management standards and technology in all our operations particularly as it relates to customer service.

Our goals have always been focused on continuous improvement; benchmarking only with those of international standards.
This has become Honey Bun's core competence, for those who know us. This is a foundation we have created over many years. This is our competitive advantage. We are pleased with the results that this has brought us year over year and we believe that with the restructure as a public company and the vibrant board of directors we hone, we will continue to provide reasonable results for our investors.

We wish to thank all our stakeholders for their loyalty and in particular our employees, customers and directors.

EXECUTIVE MANAGEMENT TEAM

Chief Executive Officer

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 strategic planning and 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 strengths include finding opportunities in challenges, strategic planning, team building and 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.

Chief Operations Officer

Daniel Chong

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 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 technical planning capabilities have contributed significantly to the bottom line in terms of creating efficiencies to decrease costs and maximize output.

Chief Marketing Officer

Krystal Chong

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. Her strategic marketing initiatives are responsible for the significant growth of the Honey Bun brand. She created the Honey Bun School Days campaign which is the flagship program, solidifying the Honey Bun brand in the schools and within the youth market while simultaneously contributing to nation building. She was also responsible for the packaging rebranding. Krystal oversees marketing and sales, corproate affairs, export, product development, company research and is responsible for customer relations with international clients. Her strengths in creative production, Public Relations and marketing strategy have developed a significant competitive edge for Honey Bun in the marketplace.

Head *of* Manufacturing

Paul Watson

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.

CORPORATE SOCIAL RESPONSIBILITY

Feeding Program

Honey Bun remains committed to our local charitable organizations and their causes. We donate significant amounts of products to homes, charities, churches and schools across the island. Our donations extend to more than 100 organizations in need annually, a few of which include Missionaries of the Poor, Mustard Seed, Jamaica Red Cross and Jamaica Constabulary Force.

...we felt it was our responsibility to do much more.

National School Program

The Honey Bun School Days program started 8 years ago. Our first step towards corporate responsibility was when we made the decision to award prizes that students needed but in many cases could not afford. While we have awarded thousands of backpacks, lunch bags and pencil cases, the computer prizes were our main driver towards this objective. These computers, when integrated in the learning process, are necessary tools to develop students into professionals who can be competitive on a local and global scale. To date the Honey Bun School Days program has awarded over 50 computers to schools and students' island wide. At the conclusion of Honey Bun School Days 2013, we would have awarded over 60 computers and 20 Internet tablets in total! However, there is more to the Honey Bun School Days story. While the program began to gain traction in popularity, we became exposed to hundreds of thousands of students on an annual basis through our school concerts and media partners. Because of this extensive level of exposure, we felt it was our responsibility to do much more. We decided to leverage the Honey Bun School Days program towards nation building. This was how the Honey Bun 'Singathon' was born. Through this program, students perform original pieces about why having an education is important to their future. This keeps the message relevant, fresh and well received all year long. The lyrics from the students' entries have been rewarding and inspirational.

The Honey Bun Singathon, introduced 3 years ago has been an absolute hit amongst teens. Students perform these songs with their entire school audience engaged and in support of this message. With weekly bests on Zip103 FM, the nation, every Thursday morning, hears new lyrics about the importance of having an education, making the message truly re-enforcing.

CORPORATE GOVERNANCE

Board Mission

The Honey Bun's Board of Directors represents the owners' interest in maintaining and growing a successful business, including optimizing long term financial growth. The mission of the Board is to be accountable and transparent in increasing long term value for the stakeholders. The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

The Board is responsible for ensuring that Honey Bun is managed in such a way to achieve this result. The Board has the responsibility to ensure that management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.

In addition to fulfilling its obligations for increased stockholder value, the Board has a responsibility to deliver holistic performance embracing corporate responsibility towards Honey Bun's stakeholders all of whom are essential to a successful business.

Board Functions

Areas of Responsibilities

The Board makes decisions and reviews and approves key policies and decisions of the Company in particular in relation to:

1. Corporate governance
2. Compliance with laws, regulations and the Company's code of business conduct
3. Corporate citizenship, ethics, environment
4. Strategy and operating plans
5. Business development including major investments and disposals
6. Financing and treasury
7. Appointment or removal of Directors
8. Remuneration of Directors and Executives
9. Risk management
10. Financial reporting and audit
11. Pensions

Specific Responsibilities

Chairman

The Chairman is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed judgments. He also provides support to the CEO, particularly in relation to external affairs.

Secretary

The Company Secretary is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision-making and governance. He is appointed by, and can only be removed by the Board. He is also responsible for ensuring that new Directors receive appropriate training and induction into Honey Bun.

He ensures compliance with laws, rules and regulations and timely filing of all documents with the respective bodies including the JSE.

Board Members

Each Board Member is expected to commit sufficient time for preparing and attending meetings of the Board and its Committees. Regular attendance at Board meetings is a prerequisite unless explicitly agreed upfront; a Director should not miss two consecutive regular Board meetings. Because in-depth knowledge of the particulars of the Company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. Similarly, management also is to communicate to Board members opportunities to interact in strategy and day-to-day business settings. Board members are strongly encouraged to take advantage of such opportunities as frequently as feasible. The Directors have complete access to the Leadership of the Company.

The company maintains a record of the attendance of each Board Member at all meetings.

Selection and Composition of the Board

The Board is responsible for the over viewing of the interest of all stakeholders on the matters as outlined above. The composition of the Board should be such that these interests are best served and therefore the Directors require diversity in skills and characteristics.

The Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed. Any Director so appointed shall hold office only until the next following annual general meeting, when he shall retire but shall be eligible for re-election.

Each newly appointed Director of the company shall be inducted by the secretary as outlined by the Company in the Orientation Procedures of Directors.

Size of the Board

Unless otherwise determined by a general meeting, the number of directors of the Company shall be not more than six (6) in number.

Executive and Non-Executive/ Independent Directors

At any time the number of Executive Directors should not exceed 50 % of the total number of Directors. Non-Executive/Independent Directors are expected to be truly Independent in executing their responsibilities.

Conflicts of Interest/ Disclosure

A Director who has an interest in the Company or in any transactions with the Company which could create or appear to create a conflict of interest must disclose such interests to the Company. These would include:

1. Any Interest in contracts or proposed contracts with the company
2. General disclosure on interest in a firm, which does business with the company
3. Interest in securities held in the Company
4. Emoluments received by the Company
5. Loans or Guarantees granted by the Company to/for the Director.

   Disclosure shall be made at the first opportunity at a Board Meeting and such disclosure shall be recorded in the Minutes of the Board Meeting. The Director shall then excuse himself from the Board meetings when the Board is deliberating over any such contract and shall not vote on any such issue. The disclosure of Director's interest shall include interests of his family and affiliates.

Trading in Securities

A director/officer should not deal in any of the securities of Honey Bun at any time when he is in possession of unpublished price-sensitive information in relation to those securities.

After the end of each accounting quarter and the year, the directors and officers of the company shall not purchase or sell shares of the company until after the release of the financial results to the Jamaica Stock Exchange.

Further details are covered in the company document on Code on Trading in Securities.

Election, Terms, Re-election and Retirement

Election, terms, re-election and retirement of each Board member is conducted in line with the articles of association of the Company, articles 92 to 100, with the exception that each Board member is to retire during the financial year, when the Director reaches the age of 75 years, unless a special resolution of exemption to this rule is passed by the Board. Equally the maximum number of terms of the Chairman should not exceed 10 successive years, unless a resolution of exemption of this rule is passed by the Board.

Board Compensation

The level of compensation of the Non-Executive Directors reflects the time, commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate Non-Executive Directors of the quality required. The compensation is competitive and subject to regular review to what is paid in comparable situations elsewhere. A review by the Board of the remuneration policies for all Directors and the members of the management team will take place during a regular Compensation Committee meeting annually.

Director Induction and Training

The Board and Management will conduct a comprehensive orientation process for new Directors to become familiar with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management and visits to the Company's facilities. The Board recognizes the importance of training for its Directors. It is the responsibility of the Board to advise the Non-Executive Directors about their training, including corporate governance issues. Directors are encouraged to participate in continuing Director training programs.

All directors will make continuous efforts to keep themselves up to date regarding economic, social and corporate developments, laws/ rules/regulations, stock market, accounting and financial matters, etc affecting the company's operational and future plans. The Company Secretary will provide necessary up dates/documents to the directors on a continuous basis to help them to keep abreast of the developments. The company will, from time to time, sponsor the directors/secretary for attending appropriate training courses/seminars to enable them to keep abreast of the developments.

Access to Outside Advisors and Funds

The Company will make such funds available to the Board and in particular the Non-Executive Directors as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access outside advisors and cover cost associated with travel and the gathering of relevant

CORPORATE GOVERNANCE

information for the execution of their responsibilities.

Code of Conduct

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all Honey Bun's codes and policies. The Board will not permit any waiver of any of these policies for any Director or Executive officer. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman. If a conflict exists and cannot be resolved, the Director should resign.

Board Committees

The Board has established 2 Committees, each with clearly defined terms of reference, procedures, responsibilities and powers.

Audit Committee

On behalf of the Board, the audit Committee shall:

1. Monitor the adequacy and effectiveness of the Company's systems of risk management and control, the Business Risk Assurance function and external auditors.
2. Review the Company's annual and interim financial statements and related policies and assumptions and any accompanying reports or related policies and statements.
3. Review and recommend approval of the Company's Budget.
4. Review and recommend approval of the Audited Financial Statements for the Jamaica stock exchange.
5. Monitor and review the effectiveness of the Company's internal audit function.
6. Monitor and review the external auditor's independence, objectivity and effectiveness.
7. Develop and implement policy on the engagement of the external auditor to supply non-audit services.
8. The Audit Committee shall consist of Non-Executive/Independent Directors of the Company duly appointed by the Board. The Chairman of the Audit Committee shall also be appointed by the Board. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three members.
   The Audit Committee shall meet at least four times a year following the end of each quarter and at such other times as any member of the Committee or the external/internal auditors may request.

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

Compensation Committees

On behalf of the Board, the Compensation Committee shall:

1. Review the compensation of board members and the senior management of the company.
2. Approve policy related to compensation and incentives.

   The Compensation Committee shall be appointed by the Board. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three members. At least two of them shall be non-executive directors.

   The Compensation Committee shall meet at least once for the year to review budgets related to compensation.

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

Board Meetings

Frequency of Meetings

During each financial year, there will be a minimum of 4 regular Board meetings. Special Board meetings may occur at such other times as any member of the Board may request. These meetings are held after the quarterly reports are submitted and before submission to the JSE.

Operational Review

To further engage the Board and strengthen its in-depth knowledge of the particulars of the Company's business a monthly Income Statement is prepared for the board by the 15th of each month. A detailed quarterly management report is also provided by the CEO and each department head describing the achievements and challenges within their department for that period. From these reports the Non Executive directors may request more information to allow for direct involvement and review of operational activities.

Discussions and Decisions

At all meetings of the Board and its Committees, the members are expected to express their opinions/views frankly and openly. Decisions will be taken after hearing and discussing the views of all members. Efforts will be made to arrive at a consensus but when it is not possible to do so, decisions will be taken based on the majority votes. Minutes of the meeting will record the votes cast.

Strategy and Operating Plan Setting Meeting

The Board is consulted on a regular basis on matters which are of strategic importance to the Company. Annually at the company budget and strategic planning sessions the board members meet with the company executive and management team to review the Company's strategy in depth prior to final agreement of such strategy and annual operating plans.

Selection of Agenda Items for Board Meetings

The Chairman and Company Secretary will establish the agenda for each Board meeting. Each Board member may suggest the inclusion of item(s) on the agenda. Information important to the Board's understanding of the business will be distributed electronically and or in writing to the Board before the Board meetings. As a general rule, presentations on specific subjects should be sent to the Board members in advance to save time at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed at the meeting.

Additional Attendees to the Meeting

The Board encourages the Management to, where it can assist the ability of the Board members to execute their responsibilities, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

RISK MANAGEMENT

Risk Management

Risk Management is an integral part of the Company's strategic plans. Risk Management is the active process whereby we address the risks attached to our activities; encouraging the understanding of the potential upside and downside of all those factors which can affect the firm. Risk Management increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the firm's overall objectives.

At Honey Bun, risk management is an ongoing continuous process which translates into tactical and operational objectives; assigning responsibility throughout the firm with each manager and employee responsible for the management of risk as part of their job description at all levels. It supports accountability, performance measurement and reward, thus promoting operational efficiency. This is done by way of a Controlled Documented procedure, whereby policies and procedures are provided and approved; checklists conducted on the floor; and audits of procedures completed. Through the controlled documentation of procedure a process of continuous improvement is managed.

We provide for an Independent Internal Audit process while we also manage risks ongoing. The Board of Directors (BOD) determines once a year during the budget review the strategic areas for internal audits for each year.

The Company arranges adequate coverage for various areas of known risks which can possibly be insured.

Types of Risk

At Honey Bun the areas of exposure to Risk mainly include but are not limited to the following:

Disasters

Our Disaster Recovery Plan identifies our exposure to threats and ensures that systems are in place so that the business activities can function in the event of any disruption.

Food Safety

Products liability risks and reputational risks arise from the risk of large-scale damage awards through jury verdicts or settlements in products liability lawsuits and from increasingly strict product safety laws and regulations (violations which may also be used against a company in a private lawsuit). A comprehensive program to manage products liability risks include all relevant business functions of the company, from engineering, procurement, manufacturing and quality control to sales and distribution.

Health and Safety

At Honey Bun Safety comes first and this is communicated at the entry to and throughout the plant. All employees have a responsibility to ensuring safety. Steps taken to ensure same include but are not limited to:

1. Internal Department safety audits conducted twice annually
2. External audits from our insurers
3. External audits and certification from the local bodies including
   a) Ministry of Health
   b) Ministry of Labour

Financial

Financial risks can expose the company to loss of money. These risks are provided for through the development of systems of control, checks and balances and by way of avoiding in as much as possible any conflict of interest. Several of these areas are covered in the Financial Statement section on risks.

Information Technology

Information Technology is an integral component to all aspects of the business. It provides for communication, record keeping, reporting and daily operations. It is critical that these areas are properly maintained, information saved and secured and that the systems are available to support operation so that the business will not suffer significant disruption from system failure.

Systems to test recovery are scheduled to mitigate risks. Other risks are alleviated through proper documentation and development of standard guidelines.

Reputational Risk

We are engaged in a business where as food manufacturers, a public entity and as a responsible corporate citizen, our reputation is critically important to us. In managing Honey Bun's reputational risk - we shall do everything in our power to ensure that the relationship we enjoy between ourselves and our stakeholders is ethical. As a public entity with our operating activities overseen by the Financial Services Commission and the Jamaica Stock Exchange, we ensure that these relationships are positively nurtured and sustained. We are also audited by the Bureau of Standards. We conduct Customers' Audits annually as part of our Customer Service policy. As part of the same policy we have strict guidelines on the treatment of Customer complaints as we maintain accountability and transparency, compensating those who suffer any loss.

Our reputation is mainly secured through the administration of sound risk management to ensure that in any occurrence we are able to demonstrate that we have taken all the necessary steps to prevent its occurrence.

Intellectual Property

Safeguarding the integrity of our company's intellectual property (IP) – includes the registration of trademarks, logos, and , know-how Preventing the misappropriation of intellectual property are all important parts of the overall risk management of the company.

Policy and procedures are employed to reduce these risks and their likelihood of occurrence. This may include but is not limited to various contracts with customers, employees and suppliers.

Security Risk

(including criminal or terrorist activities)

In our local climate Security is a critical factor. Occurrence of criminal action can result in the loss of life and or significant financial loss. As such the company provides policy and procedures to reduce these risks to safeguard our employees and our assets.

1. Our policy on Biological Terrorism refers to the treatment of visitors and employee screening.
2. Security procedures are audited twice annually to ensure policy provides for potential risks and that gaps in the process are brought into conformance.
3. New security guards are provided with the requirements for their daily duties.

Environment

Honey Bun values itself on good corporate governance and recognizes the need to responsibly manage our carbon footprint as part of the global challenges. We recognize our responsibility to adequately manage our waste and other aspects of our environment such as energy and other natural resources. We seek to establish key performance indicators in this regard to establish a 'green' identity and to ensure that we do not place our local and global environment at risk. We recognize that without these measures the company also places its reputation at risk.

Responsibility for Policy

1. The BOD is responsible for approving the company's risk policy, risk appetite and major portfolio limits.
2. The BOD is supported by the Audit Committee which monitors and oversees the firm's risk profile, internal audits and closure of gaps.
3. Honey Bun's Independent Internal Auditor examines the effectiveness and appropriateness of the company's systems and operational procedures to identify potential risks and categorizes them in order of the level of exposure. The Internal Auditor defines the scope of each audit and proposes the methodology to be used to complete. The Board of Directors receives these reports for review.
4. The CEO is accountable for the results of the company, which includes responsibility for the active and continuous management of risk exposures to ensure that risks and returns are balanced. He is directly responsible for the Internal Audit execution plan.
5. The CEO shall seek Legal Counsel for implementing the firm's risk management and control principles for legal matters and for ensuring compliance with all laws and regulations and communicates with the board in these regards
6. The various Executive Managers and the Management team are responsible for establishing methodologies and systems to reduce or eliminate risks. This is completed through a process of continuous improvement in the Standard Operating Procedures (SOP) of the company, communication, training, implementation and the monitoring of the effectiveness of the systems. Personal evaluation programs of the executive and management team monitor performance in this area. The Management team also provides timely information on other potential operational risks outside the scope of the internal audit.
7. The management team shares information regarding individual risks at regular recorded weekly meetings, and uses the shared information to guide its decision making.
8. The Human Resource Manager ensures that the content of orientation and training programs for new senior managers are reviewed to make sure that such programs enable managers to gain an understanding of the company's business and risks. This is completed through a documented orientation program for each senior manager.

In 2011, the Internal Audit process reviewed the overall risks of the organization establishing the most critical areas of risks in establishing the corporate strategy for 2012. The distribution process, financial process, Inventory management and IT were established as the first areas for review. Internal audits on Distribution and IT have been completed and the financial audit process will be completed by December 2013.

An initial assessment of the Audit Governance was also conducted by way of an independent questionnaire circulated to the Directors in order to obtain their assessment of the maturity of the risk assessment process. The questionnaire focused on the vital steps in executing an effective Enterprise Risk Assessment plan and how it would integrate with the strategy setting of the company. The results of the questionnaire were provided to complement the risk management strategy of the organization.

Human Resources are our Company's greatest asset.

Our employees are critical to our success. The company's achievements were possible because of a dedicated, passionate staff complement of over 200 employees.

At the core of Honey Bun you will find a culture that strives for better performance every day. We therefore monitor retention and development of the team as well as staff satisfaction. At our annual awards ceremony employees are recognized for their outstanding performance, volunteerism, sports contribution and achievements throughout the year.

We consider our employees an important investment, both to accomplish the organization's current goals and to have the right people in place for the future.

Employee tuition assistance is advantageous for both the employee and the employer. The employee receives advanced education, while the employer benefits from an employee with advanced skills and knowledge. It is on this premise that we offer education grants twice per year to our employees.

Honey Bun takes pride in providing Jamaicans an opportunity for sustainable employment. We are proud to continue a relationship, now spanning 6 years with Dr. Henley Morgan through his company Caribbean Applied Technology Centre (CATC). Our alignment with CATC provides employment for approximately 100 staff from Trench Town and other inner city areas.




CORPORATE DATA

Directors

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

Cheeks & Co.
Suite 2, Paisley Professional Centre
3a Paisley Avenue, Kingston 5

Bankers

Bank of Nova Scotia Jamaica Limited
2 Knutsford Boulevard, Kingston 5

First Caribbean International Jamaica Limited
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

Honey Bun (1982) Limited
Registered Office
26 Retirement Crescent
Kingston 5
Jamaica, W.I.
Telephone (876) 960-9851-2
Fax Number (876) 960-5782
Website: www.honeybunja.com

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

12 Kingslyn Avenue
Kingston 10, Jamaica
Telephone: (876) 968-3117-8
Fax: (876) 929-7041
Website: www.wmckenley.com

To the Members of
Honey Bun (1982) Limited

Independent Auditors' Report

We have audited the accompanying financial statements of Honey Bun (1982) Limited (the Company) which comprise the Company's statement of financial position as of 30 September 2012 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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)

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

12 Kingslyn Avenue
Kingston 10, Jamaica
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To the Members of
Honey Bun (1982) Limited

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 30 September 2012, and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements.

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

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

McKenley & Associates

Chartered Accountants
28 November 2012
Kingston, Jamaica

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)

STATEMENT *of* COMPREHENSIVE INCOME
YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 $	2011 $
Revenue	3(t)	611,333,200	560,847,134
Cost of sales		342,061,375	324,970,327
Gross profit		269,271,825	235,876,807
Finance income - interest		1,212,352	1,713,669
European grant	3(j)	-	290,904
Other gains/(losses)		1,199,189	747,563
		271,683,366	238,628,942
Expenses			
Administrative and other expenses		(144,540,878)	*(129,522,230)
Selling & distribution costs		(82,427,306)	*(67,580,659)
		(226,968,184)	(197,102,889)
Profit from operations		44,715,182	41,526,054
Finance costs		(2,794,640)	(4,531,222)
Profit before taxation		41.920,542	36,994,832
Taxation	8	378,754	9,365,005
Net profit for the year		41,541,788	27,629,827
Other comprehensive income			
Unrealised gain on investment		71,224	512,008
Total comprehensive income for the year		41,613,012	28,141,835
Earning per stock unit	9	0.44	0.34

STATEMENT *of* FINANCIAL POSITION
YEAR ENDED 30 SEPTEMBER 2012

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

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

Herbert Chong - Director

Charles Heholt - Director

STATEMENT *of* CHANGES *in* SHAREHOLDERS' EQUITY
YEAR ENDED 30 SEPTEMBER 2012

	Note	Capital Reserves	Share Capital	Retained Earnings	Total
		$	$	$	$
Balance at 30 September 2009		-	73,000	77,301,998	77,374,998
Other movement in equity		-	-	57,543	57,543
Reclassification		33,000	(33,000)	-	-
Other comprehensive income		47,816,944	-	17,189,863	65,006,807
Dividends		-	-	(6,450,000)	(6,450,000)
Balance at 30 September 2010		47,849,944	40,0000	88,099,404	135,989,348
Capitalization of reserves		-	460,000	(460,000)	-
Issue of shares net of transaction costs		-	46,014,770	-	46,014,770
Total comprehensive income for the year		-		28,141,835	28,141,835
Balance at 30 September 2011		47,849,944	46,514,770	115,781,239	210,145,953
Unrealised gains on securities available for sale		71,224	-	-	71,224
Reversal of deferred taxation		23,908,440	-	5,753,657	29,662,097
Dividends	17	-	-	(11,310,406)	(11,310,406)
Net profit		-	-	41,541,788	41,541,788
Balance at 30 September 2012		71,829,608	46,514,770	151,766,278	270,110,656

STATEMENT *of* CASH FLOWS
YEAR ENDED 30 SEPTEMBER 2012

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

1. **COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY**

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

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

2. **STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

(a) Statement of compliance

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

Reporting currency

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

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

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

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

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

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

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

(a) Statement of compliance (continued)

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

- **IAS 1 (continued)** — The existing option, to present the profit or loss and other comprehensive income in two statements, has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles.
- **IFRS 7(Amendments)** — Disclosures –Transfer of Financial Assets (effective July 1, 2011). The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.
- **IFRS 7(Amendments)** — Amendment to IFRS 7, Financial Instruments: Disclosures is effective for annual reporting periods beginning on or after January 1, 2013. The standard is amended to help users of financial statements to understand the actual and potential effects of netting arrangements on the entity's financial position. The amendment includes minimum disclosure requirements related to financial assets and liabilities that are offset in the statement of financial position or subject to enforceable master netting arrangements or similar arrangements.
- **IFRS 9** — Financial Instruments (effective January 1, 2015). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009. The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised cost and fair value. The revised standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities.
- **IFRS 10** — Consolidated Financial Statements (effective January 1, 2013) supersedes IAS 27 Consolidated and Separate Financial Statements and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

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

(a) Statement of compliance (continued)

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

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

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

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

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

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

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

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

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

(a) Statement of compliance (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Critical judgments and sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities at the end of the reporting period and revenue and expenses during the reporting period. These estimates are based on historical experience and management's best knowledge of current events and actions. Actual results may differ from those estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known.

There were no critical judgments, apart from those involving estimation, that management has made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the financial statements. The areas involving a higher degree of judgment in complexity or areas where assumptions are significant to the financial statements are discussed below:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The residual value and expected useful life of an asset are reviewed at each financial year end. Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of estimated useful lives and the expected residual values of the assets require the use of estimates and judgments. Details of the estimated useful lives are noted in the policy notes relating to property, plant and equipment. If expectations differ from previous estimates, the adjustment is done.

ii. Allowance for impairment losses on receivables

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

iii. Net realizable value of inventories

Management estimates net realizable value of inventories based on the most reliable available evidence at the time the estimates are made. These estimates take into consideration variations of costs directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year. Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

iv. Fair value of financial assets

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

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

(b) Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of measurement

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

(d) Segment reporting

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

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

(e) Income taxes

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

i. Current taxation

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

ii. Deferred taxation

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

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

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Items of property, plant and equipment are measured at cost, except for plant and equipment and freehold land and buildings which are measured at valuation, less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction considering its existing condition and location. The market value of plant and equipment is estimated using depreciated replacement cost approach. Gains or losses arising from changes in market value are taken to capital reserve.

ii. Depreciation

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

Annual depreciation rates are as follows:

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the income statement.

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

(g) Inventories

Inventories are valued on a first in first out basis at the lower of cost and net realizable value.
Net realizable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses. Cost is determined as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories (continued)

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

(h) Finance income and costs

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

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

(i) Foreign currency translation

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

At balance sheet date, balances receivable or due or payable in foreign currencies are translated at the rate of exchange ruling at the year end date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the statement of comprehensive income.

(j) Grant funds

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

(k) Trade receivables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade receivables (continued)

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

(l) Cash and cash equivalents

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

(m) Intangible assets

i. Goodwill

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

ii. Computer software

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of three (3) years for software.

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

(n) Impairment

i. Financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (continued)

ii. Non-financial assets

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

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

(o) Employee benefits

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

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

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

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

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

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

(p) Borrowings and borrowing costs

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the leaser is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement over the lease period.

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

(r) Trade and other payables

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

(s) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of General Consumption Tax, returns and discounts and represents the gross proceeds from sale of baked products.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Related party

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

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

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

ii. has significant influence over the reporting entity ; or

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

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

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

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

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

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

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

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

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

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

(v) Dividends

Dividends are recognized when they become legally payable. Interim dividends payable to Shareholders are approved by the Directors while final dividends have to be approved by the equity shareholders at the Annual General Meeting.

(w) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable and prepayments. Similarly, financial liabilities include accounts payable, short term loans and long term liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

(y) Securities purchased under resale agreements

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

4. RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk, credit risk and liquidity risk and operational risk. The Company's objectives and policies and processes for measuring and managing risk are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies are monitored and adjusted if necessary to reflect changes in market conditions and the Company's activities.

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

(a) Market risk

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial instruments are substantially independent of changes in market prices as they are short term in nature.

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Currency risk

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

The Company is exposed to currency risk due to fluctuations in exchange rates on transactions and balances such as purchases and borrowings that are denominated in currencies other than the Jamaican dollar.

Exposure to currency risk

The Company's statement of financial position at 30 September 2012 includes aggregate net foreign assets/(liabilities) in respect of transactions arising in the ordinary course of business, which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

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

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

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

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

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Sensitivity analysis

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

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

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

Interest rate risk

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

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

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

The Company manages its risk relating to borrowed funds by obtaining fixed rate loans at relatively low rates when interest rates are expected to rise and floating rate loans when interest rates are expected to fall. The Company's policy also requires it to manage the maturities of interest bearing financial assets and liabilities.

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

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

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from the Company's receivables from customers, cash at bank and short term deposits held with financial institutions. The Company structures the levels of credit risks it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty.

i. Trade and other receivables

The Company has an established credit process which involves regular analysis of the ability of distributors and major customers to meet repayment obligations.

Credit risk for receivables is mitigated by stringent credit reviews and approval of limits to customers and regular credit evaluation of customers. Appropriate credit checks, references and analyses are undertaken in order to assess customers' credit risk prior to offering new credit or increasing existing credit limits. Customers' who are experiencing cash flow difficulties and are exceeding their credit limits are identified and the appropriate actions taken. Key performance indicators are reviewed regularly, including cash collected, average debt collection period, percentage of customers with overdue balances and debts deemed uncollectible. Annual review of credit limits for all customers including payment history and risk profile is done before renewal of credit facilities.

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

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (continued)

i. Trade and other receivables

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

ii. Aging analysis of trade receivables

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

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $113,954,631 (2011 $103,253,516) representing the balances in the statement of financial position for cash and short term deposits, investments and receivables.

iii. Cash and cash equivalents

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

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(c) Liquidity risk

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

The Company manages its liquidity risk by monitoring current and future cash flows on a daily basis and by maintaining an appropriate level of resources in liquid or near liquid form to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company also manages cash flow risk through budgetary measures, ensuring as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate against any significant adverse cash flows.

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

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below summarizes the maturity profile of the Company's financial liabilities at 30 September 2012 based on contractual undiscounted payments. The Company also has access to lines of secured credit which are available if the Company does not have sufficient cash to settle its obligations.

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

(d) Operational risk

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

4. RISK MANAGEMENT AND POLICIES (CONTINUED)

(d) Operational risk (continued)

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

(e) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The amounts included in the financial statements for cash and cash equivalents, receivables, payables, borrowing facilities and related parties reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the Company's contractual obligations and are carried at amortized cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar instruments.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instrument;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument either directly (i.e., as prices) or indirectly (i.e., derived from prices). There were no financial instruments held by the Company in this category.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instruments that are not based on observable market data (unobservable inputs). There were no financial instruments held by the Company in this category.

5. TURNOVER

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

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

6. OPERATING PROFIT BEFORE TAXATION

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

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

7. STAFF COSTS

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

***Reclassified for comparative purposes**

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

	2012	2011
Full time	126	120
Contract workers	122	80

8. TAXATION

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

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

8. TAXATION (CONTINUED)

(b) Reconciliation of actual tax expenses:

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

(c) Remission of income tax:

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

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

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

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

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

9. EARNINGS PER SHARE

The EPS is computed by dividing the profit for the year by the number of shares in issue for the year of 94,253,390(2011 – 81,250,000) In 2011, the weighted average number of shares in issue for the prior year reflected the increase by 610,000 shares to 650,000 shares and subsequent 150 for 1 split in the number of shares in issue up to 13 April, 2011.

	Building	Leasehold Improvement	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
1 October 2011	43,732,877	1,844,526	5,362,681	15,310,547	9,563,650	37,587,724	127,141,640	240,543,645
Additions	468,664	140,370	999,309	4,823,238	1,022,085	5,055,319	16,535,775	29,044,760
Disposals								
30 September 2012	44,201,541	1,984,896	6,361,990	20,133,785	10,585,735	42,643,043	143,677,415	269,588,405
Depreciation:								
1 October 2011	4,826,199	593,142	1,723,735	4,630,681	7,249,353	752,122	40,867,429	60,642,661
Charge for the year	1,093,320	46,116	536,268	1,531,116	2,390,916	7,477,548	12,714,168	25,789,452
Relieved on disposals								
30 September 2012	5,919,519	639,258	2,260,003	6,161,797	9,640,269	8,229,670	53,581,597	86,432,113
NET BOOK VALUE								
30 September 2012	38,282,022	1,345,638	4,101,987	13,971,988	945,466	34,413,373	90,095,818	183,156,292
NET BOOK VALUE								
30 September 2011	38,906,678	1,251,384	3,638,946	10,679,866	2,314,297	36,835,602	86,274,211	179,900,984

During the year ended 30 September 2010, the freehold land and building was revalued by the Directors during the year at market value. The Plant and Machinery were revalued as at April 12, 2010 by Delano Reid & Associates Limited, Appraisers, Engineers & Management Consultants at fair Market Value-Installed. The Company's plant and machinery acquired from a company in liquidation at fire sale values were initially recorded at cost but subsequently revalued as noted. The surplus arising on the revaluation of the building and plant and machinery during 2010, were credited to capital reserves (Note19). The Directors are of the opinion that the fixed assets represent their carrying amounts as at 30 September 2012.

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

11. INVESTMENTS

Investments comprise:

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

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

12. INTANGIBLE ASSETS

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

(i) Goodwill arose as a result of the purchase of the business many years ago when the purchase price was more than the net assets taken over. Goodwill was initially being amortized over 10 years. In year ended September 30, 2012 management decided to account for goodwill in accordance with International Accounting Standard number 38 where it is reviewed each reporting period to determine whether events or circumstances continue to support an indefinite useful life assessment.

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

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

13. INVENTORIES

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

14. RECEIVABLES

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

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

15. CASH AND CASH EQUIVALENTS

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

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

16. PAYABLES

	2012 $	2011 $
Trade payables	27,557,622	27,876,296
General Consumption Tax (GCT)	3,994,421	3,773,248
Statutory liabilities	2,924,164	1,797,596
Staff accruals	3,532,383	4,016,353
Other payables	1,457,543	1,362,543
Distributors' deposits	600,000	600,000
	40,066,133	39,426,076

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

17. DIVIDENDS

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

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

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

18. BANK OVERDRAFT

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

19. SHARE CAPITAL

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

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

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

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

20. CAPITAL RESERVES

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

20. CAPITAL RESERVES (CONTINUED)

Represented by:	2012 $	2011 $
Surplus on revaluation of fixed assets - 2009	33,000	33,000
Revaluation of plant and equipment - 2010	50,109,435	50,109,435
Revaluation of building - 2010	21,615,949	21,615,949
Unrealised gain on securities available for sale	71,224	-
Deferred tax	-	(23,908,440)
	71,829,608	47,849,944

The current capital reserve represents surplus arising on the revaluation of the Company's building, plant and machinery by the Directors during the year ended 30 September 2010 (Note 10) and unrealized gain on securities.

21. LONG TERM LOANS

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

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

22. DEFERRED INCOME TAXES

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

The movement in deferred taxation is as follows:

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

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

22. DEFERRED INCOME TAXES (CONTINUED)

Deferred tax represents the potential income tax liability due as a result of future accelerated depreciation charges that will become subject to income tax if they crystallize. No additional provision was made for deferred tax during the prior year because the Company was listed on the JSE, effective 3 June 2011 and will be relieved from income tax for the next five (5) years. (See note 8).

23. EXPENSES BY NATURE

Total direct, administration and other operating expenses:

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

*** Reclassified for comparative purposes**

24. CAPITAL MANAGEMENT

The policy of the Company's Board is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Company considers its capital to be its total shareholders equity inclusive of accumulated surplus and reserves. The Company's financial objective is to generate a targeted operating surplus, in order to strengthen and provide for the future continuity of the Company as a going concern in order to provide returns for its stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors regularly review the financial position of the Company at meetings and monitor the return on capital and the level of dividends to the ordinary shareholders. They seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

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

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

25. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

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

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

NOTES *to the* FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2012

25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the year, Next Incorporation Limited purchased raw material of approximately $2 Million (2011-$2.5 Million) and repaid approximately $1.6 Million (2011 $2.7 Million) on its customer account with the Company.

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

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

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

At year end, the balance is as follows:

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

26. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

26. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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

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

HONEY BUN (1982) LIMITED

FORM OF PROXY

$100 POSTAGE STAMP
Affix Here

"I/We ______________________ (insert name)

of ______________________ (address)

being a shareholder(s) of the above-named Company, hereby appoint:

______________________ (proxy name)

of ______________________ (address)

or failing him, ______________________ (alternate proxy)

of ______________________ (address)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Knutsford Court Hotel, 11 Ruthven Road, Kingston 10 on the Thirteenth (13) day of March, 2013 at 10:00am and at any adjournment thereof.
I desire that this form be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

No.	Resolution details	Vote FOR or AGAINST (tick as appropriate) FOR	AGAINST
1)	To receive the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2012.	☐	☐
2)	To re-appoint the 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 of Directors to fix the remuneration of McKenley and Associates who have consented to continue as the as the auditors of the Company.	☐	☐
5)	To approve the interim dividend of 5 cents per share paid on 31st May, 2012 and 6 cents per share paid on January 11, 2013 as final dividends.	☐	☐

Signed this ________ day of ______________ 2013:

Print Name: ______________________ Print Name: ______________________

Unless otherwise directed the proxy will vote as he thinks fit.

NOTES:
1. When completed, this form must be received by the Registrar of the Company at the address given below, not less than forty-eight (48) hours before the time for holding the meeting.
2. The Proxy Form should bear stamp duty of $100.00 which may be adhesive and duly cancelled by the person signing the proxy form.
3. If the appointer is a Corporation, this Form of Proxy must be executed under it's common seal or under the hand of an officer or attorney duly authorized in writing.

Send to:
The Registrar and Transfer Agent, Jamaica Central Securities Depository, 40 Harbour Street, Kingston, Jamaica, W.I.