



The Recipe for Success

Made in Jamaica



ANNUAL REPORT 2013

Our success story....

...the awards and highlights!

Between 1990 and 1994

The company acquires larger facilities for Wholesale Production at Retirement Crescent, then to East Street.

Early 1982

Herbert and Michelle Chong purchase a small retail bakery at Spanish Court.

In 1995

Honey Bun starts Islandwide Distribution and readies the Buccaneer brand of Rum Cake for Production and Export.

February 2004

The Chong family have purchased their first property at 26 Retirement Crescent as the home of Honey Bun.

2010

Company takes over 50% of outsourced distribution with a new fleet of vehicles.

2011

Jamaica Manufacturers' Award for BRAND JAMAICA 2011.

Mid 2011

Honey Bun joins the Jamaica Junior Stock Exchange and is the first baking company to do so.

2012

Jamaica Manufacturers' Award for BRAND JAMAICA 2012 and ICT Award for Technology.

2012

A big year for Honey Bun! The company launches a highly successful new product called 'Goldie'!

Late 2012

Honey Bun wins multiple awards from the Jamaica Stock Exchange, including; Runner-Up for Website 2011, JSE Best Practices Award for Investor Relations, and Overall Best Junior Market Company for 2011.

In 2013

The year is highlighted by the Jamaica Exporters' Association Awards for Champion Manufacturer (Category 1), Most Improved Exporter, the highly esteemed Governor General Award for Champion Exporter and the JSE Best Practices Award for Investor Relations.

2013

The Chong family have successfully transitioned from a small family business to an award winning Jamaican Bakery!



Proud moments of the year.

Honey Bun Directors and family proudly receiving 2012 JEA Awards for 'Champion Manufacturer Category' and the Governor General Champion Exporter'



Honey Bun Marketing Manager Elizabeth Swaby receives 2013 JSE Best Practices Award for Corporate Disclosure & Investor Relations



Honey Bun receives JMA 2012 special award for Technology





The base ingredient

We purchased over 900 Tons of Flour in 2013 from The Jamaica Flour Mills.

Company Purpose



VISION

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

MISSION

Exceeding Stakeholders' Expectations!

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

CORPORATE VALUES

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

KEY BEHAVIOURS

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

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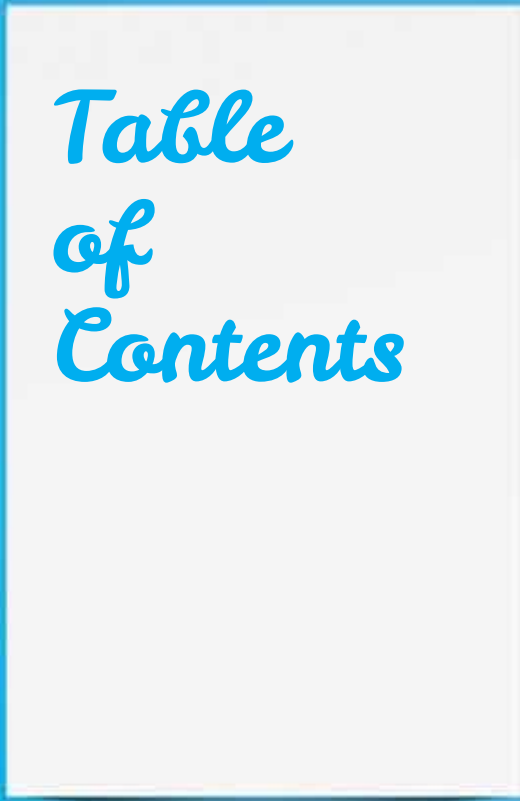
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Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN

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

Date: March 12, 2014
Time: 10:00 am
Place: Knutsford Court Hotel, 11 Ruthven Road, Kingston 5
Purpose: For shareholders to consider, and if thought fit, to approve resolutions concerning the following items of routine business:

1. To receive and approve the report of the Board of Directors and the Audited Accounts for the financial year ended September 30, 2013.
2. To re-appoint two Directors of the Board, who have retired by rotation in accordance with the Articles of Incorporation, and, being eligible, have consented to act on re-appointment:
 - (a) To re-appoint Paul Moses as a Director of the Board of the Company.
 - (b) To re-appoint Charles Heholt 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 auditors of the Company.
5. To approve the interim dividend of 9 cents per share as the final dividend in respect of the year ended 30 September, 2013; such dividend was paid to shareholders on record at 13 March, 2013 with payment date of 27 March, 2013.

Dated this 17th day of January, 2014
BY ORDER OF THE BOARD OF DIRECTORS

Michelle Chong
COMPANY SECRETARY

The following documents accompany this Notice of Annual General Meeting:

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.

The incredible ingredient

Every year we purchase over 2 Million eggs from Jamaican farmers.



**TEN LARGEST SHAREHOLDERS
AS AT 30 SEPTEMBER 2013**

Name:	# of Units:
Michelle Chong	37,500,000
Herbert Chong	37,500,000
Mayberry Managed Clients Account	3,491,559
Daniel V Chong & Dustin Chong	2,060,600
Krystal T Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,748,542
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1	443,318
Paul H. Moses	400,000

**SHAREHOLDINGS OF DIRECTORS
AS AT 30 SEPTEMBER 2013**

Name:	# of Units:
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	443,318
Charles Heholt	252,000

The Directors are pleased to present their report for Honey Bun (1982) Limited for the year ending 30th September, 2013.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows pretax profits of \$35.3M. 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, 2013 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: Paul Moses and Charles Heholt but being eligible will offer themselves for reelection.

AUDITORS

The auditors of the Company, McKenley and Associates, of 12 Kingslyn Avenue, Kingston have expressed their willingness to continue in office. The Directors recommend their reappointment.

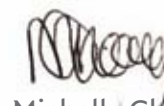
DIVIDEND

A dividend of 9 cents per share out of the profits for the financial year end 30th September 2013 was paid on March 27, 2013 and is being proposed as the final dividend in respect of the year ended 30 September 2013.

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

Dated this 14th day of January, 2014

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Michelle Chong
COMPANY SECRETARY

Profile of Directors'



HERBERT CHONG

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

MICHELLE CHONG

Michelle Chong, together with her husband, Chairman of the Company, Herbert Chong, is a founder of the Company. She is also the Chief Executive Officer responsible for day-to-day operations. Mrs. Chong is a graduate of York University of Toronto, Canada, where she gained a Bachelor of Arts degree. Mrs. Chong has furthered her technical education over the years inclusive of gaining certification as a HACCP Consultant, and pursuing food studies at the American Institute of Baking, and business studies via an international scholarship granted by the Swedish International Development Agency AB. Michelle was selected among the top 50 Jamaican Business Women by Businessuite Online magazine for 2011 and 2012.



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. 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. Mr. Heholt is also currently the Deputy Chairman of the Airports Authority of Jamaica Limited, and a member of the Board of Norman Manley Airport Limited.

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



Chairman's Statement

“ Financial Year 2013 was indeed a year of mixed challenges. The year started off with the launch of the new Jamaican ‘Goldie’ which was greatly accepted as Jamaica’s own cream filled cake! We were extremely proud as a team to have been able to meet this accomplishment which had been in the pipe line for some time, requiring new specialized equipment and training.

In December, 2012 the Jamaican dollar began to slide and continued through 2013 without any indication as to when it would stabilize. Our country has been challenged and manufacturers especially have a difficult climate in which to do business. Notwithstanding, Honey Bun is pleased to have been able to increase overall sales by 15% over the prior year. Exports for 2013 increased in excess of 20% for the same period.

Our industry in general is subject to excessive competition from both local and foreign markets. We however believe in the spirit of competition and the benefits it provides for the consumer.

While sales increased the company profits declined by 15% over the prior year to \$35.4 million from \$41.6million in 2012.

During the year there was an \$8 million tax audit charge for a prior year which negatively affected our profits.

During this period tremendous energy was dedicated to implementing Enterprise Resource and Planning software and new distribution software. Both of these highly technical solutions will provide for significant improvements in efficiency and form a sound foundation on which to build the business.

I congratulate our CEO, Michelle Chong for having been selected among the top 50 Business Women by BusinessSuite Online magazine for 2011 and 2012.

During this period Honey Bun proudly received several awards:

- JEA Governor General Award for Champion Exporter for 2012.
- Most Improved Exporter for 2012
- Champion Manufacturer in Category 1 for 2012
- The JMA special award for Technology for 2012
- Jamaica Stock Exchange Award for 2012 for Corporate Disclosure and Investor Relations

I would like to take this opportunity to thank these organizations for their recognition!

In September this year the company’s champion Krystal Chong Chief Marketing Executive resigned her position to migrate but only after her completing the plan to rebrand the company’s Buccaneer Jamaica Brand of Rum Cakes. We have already started to export this brand more aggressively. Krystal was replaced by Elizabeth Swaby as Marketing Manager whose first responsibility was focused on the Buccaneer Brand, marketing it at the Anuga trade show in Germany.

2013 was a hallmark year for Honey Bun as we purchased another building on Retirement Road to move our operations from East Street. This will allow us to consolidate our manufacturing plants to provide for greater efficiencies.

2014 will be a difficult year for our country with the marked increases in prices for the consumer. We will endeavor to improve efficiencies in our processes to minimize price increases. We will work with the Jamaica Manufacturers’ Association to lobby for the manufacturing sector to regain buoyancy as the life line of our country.

I wish to thank our directors for their support over the years but especially to thank our mentor Sushil Jain who has provided wisdom and support well beyond our expectations and has allowed us to maintain a leading edge in Corporate Governance and Risk Management.

I also wish to thank all our stakeholders including our dedicated and loyal staff. I wish to specially thank our customers for continuing to choose Brand Honey Bun as the brand they can trust.

”

Herbert V. Chong
Executive Chairman

**“15% increase
in sales,...and
2012 JEA Champion
Exporter!”**



Management Discussion & Analysis



5 YEAR FINANCIAL PERFORMANCE

	2009	2010	2011	2012	2013	VAR 2012/13	%CHANGE 2012/13
	['000]	['000]	['000]	['000]	['000]	['000]	['000]
Revenue	404,176	448,562	560,847	611,333	701,712	90,379	14.8%
Gross Profit	142,802	178,648	235,876	269,271	295,350	26,079	9.7%
Profit Before Tax	45,367	25,784	36,995	41,920	35,317	-6,603	-15.8%
Net Profit after Tax	30,245	17,190	27,629	41,542	35,317	-6,225	-14.9%
EBITDA	55,596	35,795	59,877	70,505	63,453	-7,051	-10%
Earnings Per Stock Unit	0.40	0.23	0.34	0.44	0.37	-0.07	-16%

PERFORMANCE SUMMARY

Revenue for Honey Bun for the financial year 2012-2013 increased from \$611 million to \$702 million or a 14.8% increase year over year. Most of the increases resulted from an aggressive distribution channel fueled by new distribution technology and ERP software. Despite the increase in revenue, profit declined mainly due to an increase in administrative costs. The GCT Non-recoverable expense was increased by a sum of over \$8 million resulting from a tax audit of a prior period. Had it not been for this tax audit profits of over \$43 million or an increase in profits of 4.5% would have been realized.

The significant reduction in the value of the Jamaica dollar and price increases as a result contributed to an increase

in the cost of sales which could not be recovered from a weak market. Honey Bun makes due consideration to the spending power of our market particularly the schools we service. As a result cost of sales increased by 2% which is significant in our business.

As a result the earnings per share decreased by 16% down from 44 cents to 37 cents.

During 2013 an internal audit was completed on the company's Quality Management programs. This will provide for various international certifications and meeting the FSME programs required by US customs. We are happy to report that that audit was well received and action items executed.

ADMINISTRATIVE EXPENSES

Administrative Expenses increased by 20% from \$144 million to \$174 million in 2013. A total of just over \$8 million (or 4.5%) of this cost was attributable to a tax audit for a prior period. The company incurred additional legal and professional fees this year to settle various contracts. There were increases this year for water, electricity and telephone. These amounted to 25% increase year over year. Costs on computer software programming also contributed to increases.

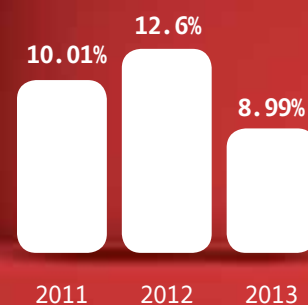
In our efforts to maintain a loyal and vibrant staff several staff costs were increased to assist them in their basic needs for transportation, meals and to maintain incentives.

2013 represented the year within our company that saw the most technological changes with the introduction of ERP

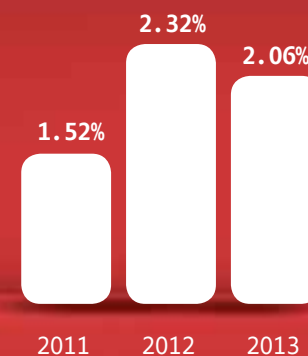
software and Distribution handheld computers. This in itself created additional administrative expenses to adjust the basic programs to meet our needs, consultation and training. The benefits of these have been realized in a leaner manufacturing process to offset some of the raw material increases. We expect that the benefits of this investment will continue to be realized over the next few years.

In spite of a restructure of the distribution staffing, distribution costs decreased by 3% year over year as a result of efficiencies gained from software usage.

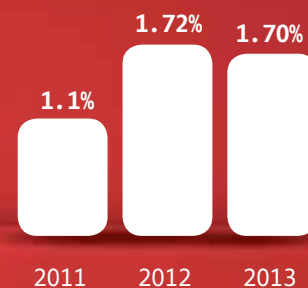
RETURN ON ASSETS



CURRENT RATIO



QUICK RATIO



PRETAX PROFIT JMD '000



PROFIT AFTER TAX JMD '000



SALES REVENUE JMD '000



→ Management Discussion & Analysis

CASH FLOW AND BALANCE SHEET

Investment in Assets for 2013 comprised the purchase of automated equipment for the company's cake line to produce the cream filled 'Goldie' cakes and for the purchase of various software.

At the end of the financial period 2013 the company increased its investments and cash position to \$81 Million compared with \$58 million for the prior year; an increase of 40%.

During the year the company converted investments to cash and underwent tight cash flow management to prepare for payment for the new property.

The company made full payment for the new property on Retirement Road from its cash in October 2013 and now has it in its possession.

CORPORATE SOCIAL RESPONSIBILITY

Honey Bun continues to pursue our mandate to support our schools as we believe that this is where the greatest impact can be made nationally. Through our school dayz program, we deliver positive messages associated with education and engage students to use their talents and to have fun. This year's message was 'Patois versus English'.

We wish to thank our partners Youthlink, Freshhh and Zip

103 FM for their tremendous support.

2012-2013 school days winning school was Charlemont High School from St. Catherine. Fearon Bailey was our first place student in the Singathon competition.

We continue to support several charitable feeding programs throughout the year and remain loyal to the Trench Town Inner City program through employment.

PLANS FOR UPCOMING YEAR

With a sound foundation of Enterprise Resource Management and Distribution logistics, the company plans to focus aggressively on lean manufacturing and diversification of markets, business and products.

The baking industry is a competitive one which provides for improved customer offerings and service. Honey Bun recognizes this and with the use of our winning brand we are committed to remain on top through our commitment to good Corporate Governance of our business, International Quality Management Systems, various alliances and extensive strategic planning.

Our management team is constantly challenged and is committed to meeting the tasks that face them in a difficult economy. Their development is managed through Training and Development, and by way of meeting measurable targets which are reported to the Board.

In 2013, exports increased by over 20% mainly due to the quality of our products and our distributors reliance on our commitment to complete 100% of their orders on time. In

2014 our greatest thrust will be to expand our exports to earn much needed foreign exchange.

We wish to thank all our stakeholders including customers, suppliers, distributors, retailers, employees, other business partners and our directors for their loyalty and support over the years.

The secret ingredient

200 Gallons of Honey every Year.
Farmed and produced in the deepest regions of the country including St. Elizabeth, Westmoreland & St. Mary.



Executive Management Team

CEO



COO



CMO



HM



MICHELLE CHONG CHIEF EXECUTIVE OFFICER

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.

DANIEL CHONG CHIEF OPERATIONS OFFICER

Daniel Chong graduated from the University of Waterloo, Ontario, Canada with an Honours degree in Civil Engineering. He worked for AECOM, a United States Fortune 500 company 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.

KRYSTAL CHONG CHIEF MARKETING OFFICER

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

Since joining the Company in 2006 Krystal successfully launched a re-branding campaign which has assisted the Company to establish an identity within a competitive market. Her strategic marketing initiatives are responsible for the significant growth of the Honey Bun brand. She created the Honey Bun School Dayz campaign which is the flagship program, solidifying the Honey Bun brand in the schools and within the youth market while simultaneously contributing to nation building. She was also responsible for the packaging rebranding. Krystal oversees marketing and sales, corporate 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. Krystal resigned effective September 2013.

PAUL WATSON HEAD OF MANUFACTURING

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

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

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 FUNCTION

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.

COMPANY 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 quorum for the Board meetings is three (3) directors of whom two must be independent directors.

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 numbers.

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/matter 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. 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 and Nomination 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 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 AND RISK MANAGEMENT COMMITTEE

On behalf of the Board, the Audit and Risk Management 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 annual Operational and Capital Budgets.
4. Review and recommend approval of the Audited Financial Statements for release to 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 and Risk Management Committee shall consist of Non-Executive/Independent Directors of the Company duly appointed by the Board. The Chairman of the Audit and Risk Management 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 and Risk Management 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 AND NOMINATION COMMITTEE

On behalf of the Board, the Compensation and Nomination 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 and Nomination 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 and Nomination Committee shall meet at least once for the year to review budgets related to compensation and incentives.

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 financial reports are available but 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 further 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.

BOARD EVALUATION

In order to meet the set responsibilities and obligations to the Company's goals and objectives, the board shall develop a system for assessing the Board's functioning and performance. An evaluation system will address the areas of critical importance and should include, but is not limited to, the following:

1. Appraising the basic organization of the Board of Directors;
2. Survey the effectiveness and efficiency of the operation of the Board and its committees;
3. Assess the Board's overall scope of responsibilities;
4. Evaluate the flow of information; and
5. Validate the support and information provided by management.

An evaluation form will be sent and completed by each Director for completion on an annual basis. The board shall review the results and consider any recommendations to assist in the development of the Board and its members.

Information obtained or disclosed during the evaluation process shall be confidential.

EVALUATION OF CHIEF EXECUTIVE OFFICER

It is the policy of the Board of Directors that the non-executive Directors meet in an executive session no less than once per year to review and evaluate the performance of the Chief Executive

Officer. The evaluation will be based on objective and subjective criteria, including an assessment of the performance of the business, accomplishment of long-term strategic objectives, and management development. A clear understanding between the non-executive Directors and the Chief Executive Officer regarding the Company's expected performance and how that performance is to be measured is critical to the process.

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:

DISASTER

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.

1. Food safety standards are clearly defined in our Good Manufacturing Practices (GMP) policy
2. Conformance to international food safety standards such as, Hazards Analysis Control Points (HACCP). Through this process, each ingredient and each process is carefully reviewed to identify potential hazard and clearly describes the preventative measure or the type of control required at the stage control is required. These procedures are clearly documented and bi annual training conducted.
3. An Orientation program is also provided for employees to initiate

them into the culture of food safety at the plant.

4. The company is regulated by the local Bureau of Standards who provides certification for local food manufacturers operating at the required standards.
5. Registration with the US Food and Drug Administration pursuant to the Federal Drug and Cosmetics Act and is subject to random plant audits for export to the USA.
6. Food Storage and Prevention of Infestation audits

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 include:
 - Ministry of Health
 - 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.

INDUSTRIAL DISPUTES

The Company responsibility towards its employees is paramount as we consider the significant value that they provide for the company. Next to ingredients our employees are the next largest component in the production of products. It is critical that we manage risks that might arise from any Industrial Disputes through:

1. The fair and legal treatment of our employees.
2. We recognize that while risks might arise from Industrial disputes that there are several risks that can be managed through a culture of motivation and satisfying employees and that we must be responsible for strategically managing this desired culture within the company. The desired culture is determined by the CEO and the HR Manager and executed at the supervisory and management level.
3. The company policy on Incentives ensures communication of appropriate means of incentives designed to achieve our specific goals.
4. Regular audits are developed to ensure compliance to the treatment of staff, surveys taken to measure employee satisfaction, administration of policy on incentive

programs and the application of disciplinary procedures are regularly reviewed.

5. Management of the disciplinary procedure ensures full communication, adherence and just treatment of employees

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 regulated 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 and conduct Customers' Audits annually 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 shall 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.

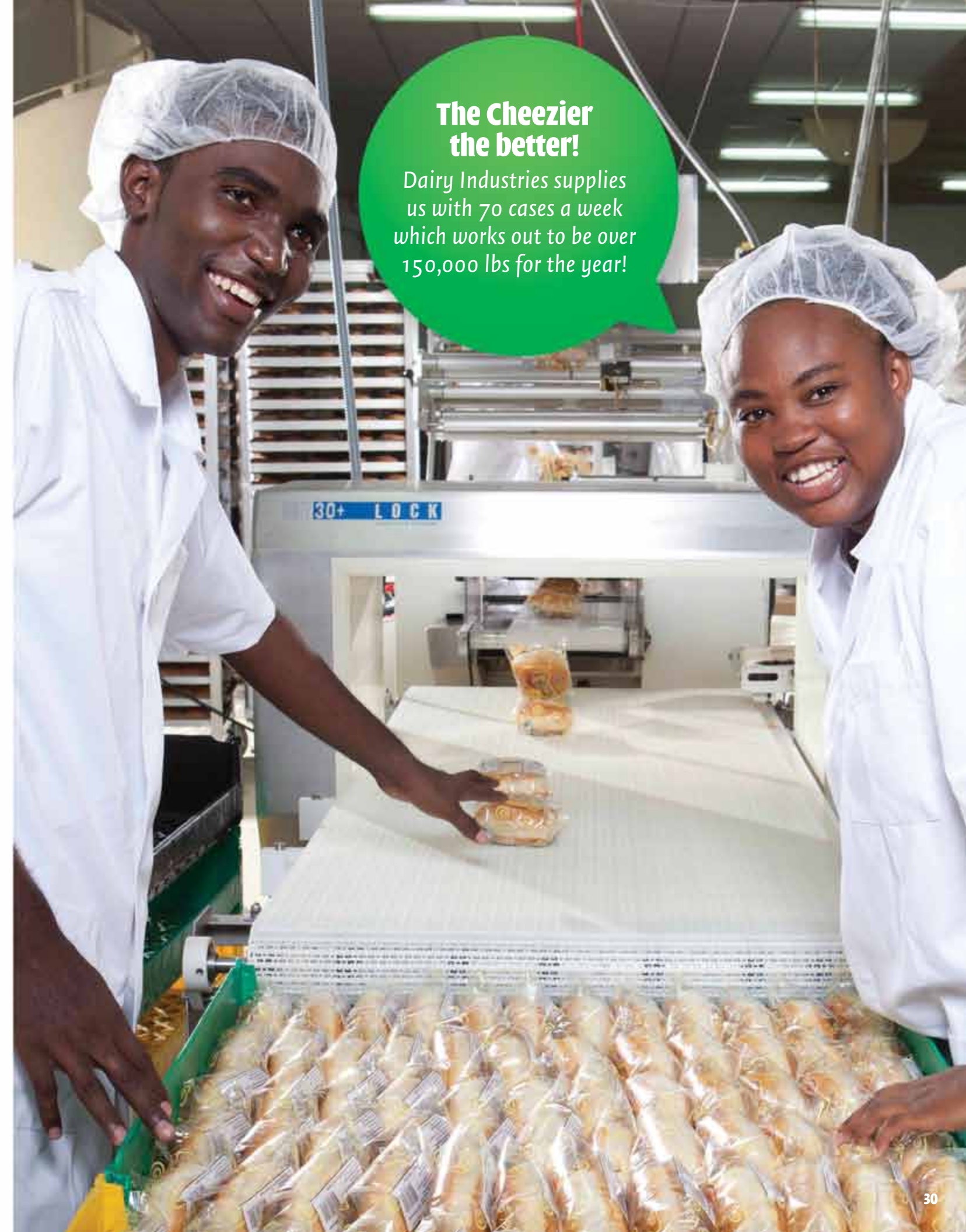
→ Risk Management

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 or 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 system. 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.



**The Cheezier
the better!**

Dairy Industries supplies
us with 70 cases a week
which works out to be over
150,000 lbs for the year!

Corporate Social Responsibility



Michelle Chong, CEO of Honey Bun with resident of Missionaries of the Poor Good Shepherd's Home at their Christmas Treat hosted by Honey Bun.

At Honey Bun, we recognize that good CSR embraces all aspects of sustainable development and the way we affect people through our business operations. We believe that a responsible approach to developing relationships between companies and the communities they serve, global or local, is a vital part of delivering business success. We take steps to understand how

we can most effectively support the needs of the local community and implement initiatives accordingly.

At Honey Bun we recognize the needs of our marginalized Jamaicans that are left unfulfilled. In 2013 we have been involved in numerous feeding programs including the John Mills PATH program, the Jacob Wells Treat, Helping Hands and the Nest

Children's Home Charity. Aside from the new outreach programs we take on each year, we continue to feed the charitable organizations such as the Missionaries of the Poor, the Mustard Seed Children's Home, the Jamaica Red Cross and Jamaica Constabulary Force. As we grow as a company, we feel that it is our obligation to grow in how much we give and share each year.



From left: Michelle Chong, CEO; Ursula Williams, Human Resource Manager; Elizabeth Swaby, Marketing Executive; Daniel Chong, COO; Damien Graveley, Sales & Distribution Manager outside the new administration office along Retirement Crescent.

SCHOOL DAYZ

The School Dayz Program continues to grow exponentially with even greater support from the schools each year. The demand for the School Dayz Program has spread from a handful of schools 8 years ago to beyond over 150 schools in the year 2013. With its initial start in 2006, the School Dayz program aimed at providing students with the well needed tools essential for the learning. Honey Bun knows how hard it is to gain access to the technological tools in this day and age and we feel it is essential to equip students with these tools as we realize the world demands that students are more technologically advanced.

School Dayz has been responsible for the distribution of over 50 desktop computer, 20 internet tablets and countless school supplies over the past 8 years. Honey Bun is a well loved brand in the schools and is well supported by our students. It

is our joy to work with these schools whether it is through the fun and entertainment we bring or through our special prizes and supplies.

2013 School Days theme was 'Patois vs. English' where students were asked to show the importance of the English in this day and age. Through this program we aim to empower, assist and motivate through words and songs. Giving these students a means through which they can share their voice and be heard is a huge part of our duty to the younger generation.

EMPLOYMENT

Honey Bun continues to partner 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. Through this program, staff is trained to meet international standards of GMP, Food Handling, Productivity and

Work Ethics. CATC provides various training and counseling for the team.

Honey Bun will endeavour in 2014 to extend our employment policy to include the disabled members in our society, creating a safe place for them to work and live more meaningful lives.



Aisha Davis alongside 'Goldie' girl Lorene Campbell at Fame FM Full House Fridays.



Thameka Mcleod, Marketing Assistant presenting tablet to a lucky School Dayz Winner.



Honey Bun Bear at a Honey Bun promotion in the HWT Bus Terminal.





Human Resources



Honey Bun's Human Resource Policy is to achieve valuable growth for all parties involved with the company.

The Human Resource department vision is to offer training and development opportunities to all employees to maximize and utilize skills as effectively as possible, to increase the company's skills and experience base, to improve existing levels of performance and to maximize employee service retention.

The company's mission is to ensure that all employees are provided with an opportunity to complete a personal development plan, including elements of personal goals, professional development and an action plan to facilitate individual growth.

Our employees are considered critical to our success. The company's achievements have always been possible because of a dedicated, passionate staff complement of over 250 employees. At the core of Honey Bun you will find a culture that strives for better performance every day.

TRAINING AND DEVELOPMENT

The Personal development of an employee begins at the commencement of employment after the selection process which is referred to in our Employment and Selection Policy.

Training is accomplished through an aggressive 'Orientation of New Employee' program which includes training in GMP, review of the company Code of Conduct and Company Policies and the review of the Standard Operating procedures for their specific job.

The training policy of the company is to ensure that all personnel are trained and become sufficiently experienced to the extent necessary to competently and effectively undertake their assigned activities and responsibilities. It is also the aim of the company to encourage its employees' to make the most of learning opportunities to realize their own personal potential and enjoyment of their job.

The company and the management staff are responsible for creating a learning environment where employees' are prepared to accept change, develop new skills and take responsibility for their own continuous learning, in partnership with their immediate manager and the Human Resource Manager, to ensure their effective contribution to the successful achievement of both business and personal goals.

Honey Bun also provides for a Mentorship Program from time to time particularly where an employee has added tremendous value to the organization but requires a more specialized form of development. The Appraisal Program provides the opportunity to review each employee's performance. This also provide a mutual opportunity for developing objectives (aligned to the corporate objectives) and agreeing targets in order to enhance personal performance and to create the training and development plans for the organization.

Appraisals are completed in line with a skills audit matrix by department to identify areas of opportunity against performance.

This appraisal system is also aligned with opportunities for employee advancement and promotion and holds employees accountable for meeting measurable corporate objectives.

The company offers educational assistance to employees to attain certification in specialized areas of studies.

INCENTIVE PROGRAMS

At Honey Bun we manage several incentive programs to encourage staff to be innovative and to perform extraordinarily. Throughout the daily operation, staffs receive immediate incentives for excellence and creativity. At our annual Christmas Staff event, employees are recognized for outstanding job performance in various categories.

Our employee-driven Social Committee is committed to ongoing staging of activities such as domino and bingo tournaments, karaoke, fun day for the family bazaars and a health fair.

These policies and programs reinforce a broader succession planning program; broadening the scope for employees to adapt to the need for performing new roles and responsibilities. We are confident that the human resource management strategic goals and objectives will continue improving the business performance which will support the organization's culture. This will foster innovation, flexibility entwined with acknowledgment and accountability. These rests heavily on the organization's commitment on being the employer of choice.

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, Jamaica, W.I.]

CHEEKS & COMPANY

Suite 2, Paisley Professional Centre

3a Paisley Avenue, 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

BANKERS

BANK OF NOVA SCOTIA JAMAICA LIMITED

2 Knutsford Boulevard

Kingston 5, Jamaica W.I.

FIRST GLOBAL BANK LIMITED

28-48 Barbados Avenue, Kingston 5

AUDITOR

MCKENLEY AND ASSOCIATES

12 Kingslyn Avenue, Kingston 10

INTERNAL AUDITOR

DC CONSULTANTS & ASSOCIATES

7 Hope Close, Kingston 6

REGISTRAR AND TRANSFER AGENT

JAMAICA CENTRAL SECURITIES DEPOSITORY

40 Harbour Street

Kingston, Jamaica W.I.



To the Members of
Honey Bun (1982) Limited

Independent Auditors' Report

We have audited the accompanying financial statements of Honey Bun (1982) Limited (the Company) which comprise the Company's statement of financial position as of 30 September 2013 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Members of
Honey Bun (1982) Limited

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 30 September 2013, and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements.

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

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


Chartered Accountants
26 November 2013
Kingston, Jamaica

Statement of Comprehensive Income

30 September 2013

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

Statement of Financial Position

30 September 2013

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

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


Herbert Chong - Director


Charles Heholt - Director

Statement of Changes in Shareholders' Equity

30 September 2013

	Note	Capital	Share	Retained	Total
		Reserves	Capital	Earnings	
		\$	\$	\$	\$
Balance: 30 September 2010		47,849,944	40,000	88,099,404	135,989,348
Capitalization of reserves		-	460,000	(460,000)	-
Issue of shares net of transaction costs		-	46,014,770	-	46,014,770
Total comprehensive income		-	-	28,141,835	28,141,835
Balance: 30 September 2011		47,849,944	46,514,770	115,781,239	210,145,953
Unrealised gain on securities		71,224	-	-	71,224
Dividends	16	-	-	(11,310,406)	(11,310,406)
Reversal of deferred taxation		23,908,440	-	5,753,657	29,662,097
Net profit		-	-	41,541,788	41,541,788
Balance: 30 September 2012		71,829,608	46,514,770	151,766,278	270,110,656
Unrealised gains on securities available for sale		113,375	-	-	113,375
Dividends	16	-	-	(14,138,009)	(14,138,009)
Net profit		-	-	35,317,216	35,317,216
Balance: 30 September 2013		71,942,983	46,514,770	172,945,485	291,403,238

Statement of Cash Flows

30 September 2013

Cash flows from operating activities:

Profit before taxation

Adjustments for:

Depreciation

Amortization

Other non-cash items:

Investment income

Finance costs paid

Operating cash flows before movement in working capital

Movements in working capital:-

Inventories

Receivables

Payables

Finance costs paid

Income taxes paid

Net cash from operating activities

Cash flows from investing activities:-

Payment for property, plant and equipment

Payment for intangible assets

Interest received

Sale of investments

Net cash used in investing activities

Cash flows from financing activities:-

Repayment of long term borrowings

Dividend paid

Net cash used in financing activities

Net increase in cash and cash equivalents

Net cash balances at beginning of year

Net cash and cash equivalents at end of year

Represented by:

Cash and cash equivalents

Short-term borrowings

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

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

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

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

2. SUMMARY OF ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) Provision for impairment of receivables.

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (Continued)****(ii) Income Tax**

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

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

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

(iv) Fair value of financial assets

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

(v) Net realizable value of inventories

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

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

- IAS 1 (Amended), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2013). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IAS 32 (Amended) Financial Instruments Presentations (effective for annual reporting periods on or after 1 January 2014). The standard provides amendments to application guidance on the off-setting of financial assets and financial liabilities.
- IFRS 7 (Amended) Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised and those that are not in their entirety.
- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015). This standard introduces new requirements for classifying and measuring financial assets. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss. The standard also amends some of the requirements of IFRS7, Financial Instruments: Disclosures, including adding disclosures about investments in equity instruments designated as fair value through other comprehensive income.
- IFRS 10, 'Consolidated financial statement' (effective for annual periods beginning on or after 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be consolidated. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not expected to have any impact on the Company's financial statements

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 31, 'Interest in Joint Ventures' and SIC-13, 'Jointly Controlled Entities-Non- Monetary Contributions by Ventures'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard is concerned principally with addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities, and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. The Company currently has no joint arrangements that fall within the recognition criteria of this standard and does not intend to adopt IFRS 11 for the accounting period beginning on 1 October 2013.
- IFRS 12, 'Disclosures of interest in other entities' (effective for annual periods beginning on or after 1 January 2013) includes the disclosures requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The standard will likely result in expanded disclosure in the financial statements and the Company intends to adopt IFRS 12 for the accounting period beginning on 1 October 2013.
- IFRS 13, 'Fair value measurements', (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The standard will likely result in extended disclosure in the financial statements and the Company intends to adopt IFRS 13 for the accounting period beginning on 1 October 2013.
- IAS 19 (amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). the impact of this standard will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on the plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ (asset). This standard will have no impact on the Company because it does not operate a defined benefit pension scheme.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (Continued)**

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

- IAS 27 (revised 2011) (effective for annual periods beginning on or after 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Company will not be significantly impacted by the application of the revision.
- IAS 28 (revised 2011) (effective for annual periods beginning on or after 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Company will not be significantly impacted by the application of the revision.

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

(b) Segment reporting

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

The CODM, which is identified as the management committee that makes strategic decisions, considers the operations of the Company as one operating segment.

(c) Income taxes

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

i. Current taxation

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**(c) Income taxes (Continued)****ii. Deferred taxation**

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

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

(d) Property, plant and equipment

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

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

The market value of freehold land and building is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction considering its existing condition and location. The market value of plant and equipment is estimated using depreciated replacement cost approach. Gains arising from changes in market value are taken to revaluation reserve in shareholder's equity. Losses that offset previous gains of the same asset are charged against the revaluation reserve; all other losses are charged to statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Property, plant and equipment (Continued)****i. Depreciation**

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

Annual depreciation rates are as follows:

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

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

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in operating profit. On disposal of revalued assets, amounts in revaluation reserves relating to those assets are transferred to profit and loss.

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

(e) Inventories

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

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

(f) Finance income and costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(g) Foreign currency translation**

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

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

(h) Government grant funds

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

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

(i) Trade receivables

Trade receivables are carried at original invoice amounts less provision for doubtful receivables and impairment based on a review of the balances at the year end. Bad debts are written off when identified. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the transactions

(j) Cash and cash equivalents

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

(k) Intangible assets**i. Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired Company at the acquisition date. Goodwill is tested annually by the Directors for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (Continued)

ii. Computer software

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

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

(l) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. The carrying amounts of the Company's non financial assets, other than investment properties and inventories, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(m) Employee benefits

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

i. Pension obligations

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

ii. Other employee benefits

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

iii. Profit sharing and bonus plan

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings and borrowing costs

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

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. Finance charges are charged to the profit and loss over the lease period. Any fixed asset acquired under a finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

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

(p) Trade and other payables

Trade and other payables and accruals are stated at historical cost.

(q) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

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

(r) Revenue recognition

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(s) Related party**

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

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

- i. has control or joint control over the reporting entity;
- ii. has significant influence over the reporting entity ; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others.)
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- v. The entity is associated with a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
- vi. The entity is controlled or jointly controlled by a person identified in (a)
- vii. A person identified in (a)i above, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(t) Dividends

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(u) Financial instruments**

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available –for-sale financial assets

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

Financial liabilities

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

(v) Share capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Securities purchased under resale agreements

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

3. RISK MANAGEMENT AND POLICIES

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

The Board of Directors, together with management has overall responsibility for the establishment and oversight of the Company's risk management framework as they seek to minimize potential adverse effects on the Company's financial performance as follows:

(a) Market risk

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial instruments are substantially independent of changes in market prices as they are short term in nature and the Company's holdings of traded securities are not significant at the reporting date.

Currency risk

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

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

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Exposure to currency risk

The Company's statement of financial position at 30 September 2013 includes aggregate net foreign assets/(liabilities) in respect of transactions arising in the ordinary course of business, which were subject to foreign exchange rate changes as follows:

Concentrations of currency risks

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

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

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

<u>Currency</u>	<u>30 Sept.</u> <u>2013</u> \$	<u>30 Sept.</u> <u>2012</u> \$
Canadian dollar (Can\$)	100.71	90.07
United States dollar (US\$)	103.60	89.90
United Kingdom pound (£)	167.16	144.99

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Sensitivity Analysis

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

	<u>Effect on Net Profit for the year</u>	
	<u>2013</u>	<u>2012</u>
	<u>\$</u>	<u>\$</u>
1% (2012- 5%) strengthening of Jamaican dollar	(651,780)	(1,445,883)
10% (2012-5%) weakening of Jamaican dollar	6,517,797	1,445,883

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

Interest rate risk

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

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

The Company's cash and cash equivalent are subject to interest rate risk. However, the Company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract; where possible.

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

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

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

*reclassified for comparative purposes

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(b) Credit risk

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

i. Trade and other receivables

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

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

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

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Credit risk (continued)

i. Trade and other receivables

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

ii. Aging analysis of trade receivables

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

Trade receivables that are less than 30 days past due are not considered impaired.

A significant portion of the balance over 90 days relate to customers that have a good credit and payment history.

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was \$159,905,637 (2012 \$113,954,631) representing the balances in the statement of financial position for cash and short term deposits, investments and receivables.

iii. Cash and cash equivalents

The Company limits its exposure to credit risk by investing mainly in short term liquid securities with counterparties that have high credit quality, licensed financial institutions that are considered stable and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations and no provision for impairment is deemed necessary. During the year, the Company increased its due diligence in managing credit risk, especially in regards to customers who consistently exceeded their credit limits as a consequence of the deteriorating economic climate.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(c) Liquidity risk

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

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

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

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

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below summarizes the maturity profile of the Company's financial liabilities at 30 September 2013 based on contractual undiscounted payments. The Company also has access to lines of secured credit which are available if the Company does not have sufficient cash to settle its obligations.

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

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

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(d) Operational risk

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

(e) Fair value estimation

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

The amounts included in the financial statements for cash and cash equivalents, receivables, payables, borrowing facilities and related parties reflect their approximate fair value because of the short term maturity of these instruments.

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

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

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

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(f) Capital management

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

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

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

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

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

4. EXCHANGE GAINS AND OTHER INCOME

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

5. OPERATING PROFIT BEFORE TAXATION

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

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

6. STAFF COSTS

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

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

	<u>2013</u>	<u>2012</u>
Full time	139	126
Contract workers	144	122

7. TAXATION

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

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

7. TAXATION (CONTINUED)

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

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

(c) Remission of income tax:

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

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

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

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.

8. EARNINGS PER SHARE

The EPS is computed by dividing the profit for the year by the number of shares in issue for the year of 94,253,390 (2012 – 94,253,390).

9. PROPERTY, PLANT AND EQUIPMENT

	<u>Building</u>		<u>Leasehold Improvement</u>		<u>Furniture & Fixtures</u>		<u>Bakery Fixtures</u>		<u>Computer</u>		<u>Motor Vehicles</u>		<u>Plant & Machinery</u>		<u>Total</u>		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
At cost:																	
1 October 2012	40,468,664*	1,984,896	5,273,310*	17,858,240*	6,009,830*	42,643,043	118,273,667*	232,511,650									
Additions		1,969,330	836,866	5,226,065	1,747,946	4,466,558	18,232,568	32,479,333									
30 September 2013	40,468,664	3,954,226	6,110,176	23,084,305	7,757,776	47,109,601	136,506,235	264,990,983									
Depreciation:																	
1 October 2012	2,186,642*	639,258	1,171,323*	3,886,252*	5,064,364*	8,229,670	28,177,849*	49,355,358									
Charge for the year	1,011,717	49,622	527,331	1,785,405	1,502,458	8,528,609	11,827,366	25,232,508									
30 September 2013	3,198,359	688,880	1,698,654	5,671,657	6,566,822	16,758,279	40,005,215	74,587,866									
NET BOOK VALUE																	
30 September 2013	37,270,305	3,265,346	4,411,522	17,412,648	1,190,954	30,351,322	96,501,020	190,403,117									
NET BOOK VALUE																	
30 September 2012	38,282,022	1,345,638	4,101,987	13,971,988	945,466	34,413,373	90,095,818	183,156,292									

During the year ended 30 September 2010, the freehold land and building was revalued by the Directors during the year at market value. The Plant and Machinery were revalued as at April 12, 2010 by Delano Reid & Associates Limited, Appraisers, Engineers & Management Consultants at fair Market Value-Installed. The Company's plant and machinery acquired from a company in liquidation at fire sale values were initially recorded at cost but subsequently revalued as noted. The surplus arising on the revaluation of the building and plant and machinery during 2010, were credited to capital reserves (Note 19). The Directors are of the opinion that the fixed assets represent their carrying amounts as at 30 September 2013.

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

HONEY BUN (1982) LIMITED

Notes to the Financial Statements

30 September 2013

Investments comprise:

Held to maturity:

Scotia Investments Jamaica Ltd.(US\$)	-	63,790
Mayberry Investments Ltd.(US\$)	-	9,099,916
Stocks And Securities Ltd. (US\$)	-	14,376,178
Stocks And Securities Ltd.	326,453	729,026
Mayberry Investments Ltd.	(46)	7,213,981

Quoted shares:

AMG Packaging and Paper Company shares	-	748,163
Lascelles DeMercado & Co. Ltd. shares	-	559,681
General Accident Insurance Co. Ltd. shares	162,359	163,251
Lasco Manufacturing Ltd. shares	890,900	
Caribbean Cream Ltd. shares	1,700,000	-

Other:

Related company loan	1,072,013	1,222,013
	<u>4,151,679</u>	<u>34,175,999</u>

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

11. INTANGIBLE ASSETS

Goodwill - Purchase price exceeded net assets acquired

Software at cost:

Opening balance: 1 October	9,925,641	5,461,321
Software purchased during year	5,794,599	4,464,320
Closing balance : 30 September	<u>15,720,240</u>	<u>9,925,641</u>

Amortization:

Opening balance: 1 October	5,128,987	1,820,440
Amortization of software at 33 1/3%	2,050,753	3,308,547
Closing balance: 30 September	<u>7,179,740</u>	<u>5,128,987</u>

30 September: Software at cost net of amortization

	<u>8,540,500</u>	<u>4,796,654</u>
	<u>8,680,500</u>	<u>4,936,654</u>

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

11. INTANGIBLE ASSETS (Continued)

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

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

12. INVENTORIES

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

13. RECEIVABLES

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

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

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

14. CASH AND CASH EQUIVALENTS

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

These bank balances are held at reputable financial institutions that are relatively stable. Interest earned averages between 0% - 3%, depending on the type of account held with the financial institutions. The weighted average effective exchange rate for the year for the US dollar was J\$97.29 to 1US\$ (2012-J\$ 87.76 – 1 US\$)

15. PAYABLES

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

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

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

16. DIVIDENDS

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

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

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

17. BANK OVERDRAFT

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

18. SHARE CAPITAL

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

19. CAPITAL RESERVES

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

Represented by:

	<u>2013</u>	<u>2012</u>
	\$	\$
Surplus on revaluation of fixed assets - 2009	33,000	33,000
Revaluation of plant and equipment - 2010	50,109,435	50,109,435
Revaluation of building - 2010	21,615,949	21,615,949
Unrealised gain on securities available for sale	184,599	71,224
Deferred tax	-	-
	<u>71,942,983</u>	<u>71,829,608</u>

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

20. LONG TERM LOANS

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

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

21. DEFERRED INCOME TAXES

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

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

22. EXPENSES BY NATURE

Total direct, administration and other operating expenses:

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

23. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

During the year, Next Incorporation Limited purchased raw material of approximately \$1.8M (2012-\$2 Million) and repaid approximately \$1.8 Million (2012 \$1.6 Million) on its customer account with the Company.

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Receivables due from Next Incorporated Limited	<u>631,305</u>	<u>611,064</u>

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:

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

24. CONTINGENT LIABILITIES AND COMMITMENTS

- (i) At year end, there were no letters of credit issued by the Company or loan facilities guaranteed on behalf of any third parties or any contingent liabilities that the directors considered material for disclosure in the financial statements.
- (ii) Apart from the conclusion of the purchase of a building after the year end, the Directors had no other material outstanding commitments, financial or otherwise, at the reporting date of the Company.



25. SUBSEQUENT EVENT

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

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



HONEY BUN (1982) LIMITED
FORM OF PROXY



"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 10:00am on the 12 day of March 2014 at The Knutsford Court Hotel, 11 Ruthven Road, Kingston 5 and at any adjournment thereof. I desire this form to 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)

Table with 5 rows of resolutions and columns for 'FOR' and 'AGAINST' votes. Each row contains a resolution description and two checkboxes.

Signed this _____ day of _____ 2014:

Print Name: _____ Signature: _____

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 its 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.



The Real Jamaican Treasure

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