



**Honey  
Bun**

Naturally Good

A LARGER SLICE  
of

Success

ANNUAL REPORT 2015



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# Our

TEAM

*Here at Honey Bun our team is dedicated to providing quality consumer products using only the best ingredients.*



**From left to right:** Rosemarie Bailey- Project Management Coordinator; Rosemarie Walker-Production Manager; Daniel Chong-Chief Operating Officer, Stacy Wilson-Quality Manager; Michelle Chong-CEO, Sydoni Knight-HR&Admin Supervisor, Janelle Brown-Marketing Executive, Wayne Watson-Accounts Payable Supervisor, Dustin Chong-Sales & Distribution Manager

**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. Daniel joined Honey Bun in 2010 and has been directly responsible for production and operational efficiencies.

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

**MICHELLE CHONG****CEO**

Michelle Chong, together with her husband, Chairman of the Company Herbert Chong, is a founder of the Company. She is also the Chief Executive Officer responsible for 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 strength 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.

**DUSTIN CHONG****SALES & DISTRIBUTION MANAGER**

Dustin Chong graduated from the University of the West Indies in Jamaica in 2012 with a Bachelor of Arts degree in Business Management. He worked with Honey Bun in several capacities during his student years and joined the company in 2012 as a Regional Manager for select sales routes. In January 2014, Dustin assumed the role of Distribution and Sales Manager and has been mentored by one of the company directors in this capacity. Dustin is primarily responsible for strategic changes in the department and a complete overhaul of the sales team which resulted in significant reduction in distribution cost and 19% increase in sales for the 2015 Financial Period.

# Company PURPOSE

## VISION

To be the leading provider of high quality baked and snack products globally.

## MISSION

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

## CORPORATE VALUES

Honour 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





## **NOTICE IS HEREBY GIVEN**

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

DATE: 17 FEBRUARY, 2016

TIME: 10:00 AM

PLACE: KNUTSFORD COURT HOTEL, 16 CHELSEA AVENUE, KINGSTON 5

### **ORDINARY RESOLUTIONS**

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, 2015.
2. To re-appoint a Director of the Board, who has retired by rotation in accordance with the Articles of Incorporation, and, being eligible, has consented to act on re-appointment:
  - (a) To re-appoint Michelle Chong as a Director of the Board of the Company.
3. To authorize the Board of Directors to fix the remuneration of Directors.
4. To authorize the Board to appoint the auditors of the company based on the result of tender, and to fix their remuneration.
5. To approve the interim dividend of 12 cents per share as the final dividend in respect of the year ended 30 September, 2015; such dividend was paid to shareholders on record at 15 May, 2015 and payment made on 29 May, 2015.

### **SPECIAL BUSINESS**

#### **SPECIAL RESOLUTION**

1. To amend the Clause 81 of the Articles of Incorporation of the Company so as to be able to appoint additional directors as considered appropriate from time to time. For this purpose to pass the following Special Resolution:

"To amend the Clause 81 of the Articles of Incorporation of the company by increasing the number of directors from 6 to 10".

Dated this 28 day of December, 2015

BY ORDER OF THE BOARD OF DIRECTORS

MICHELLE CHONG  
company secretary

The following documents accompany this Notice of Annual General Meeting:

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





## PROFILES



**Charles Heholt**

**Sushil Jain**

**Herbert Chong**

**Michelle Chong**

**Paul Moses**

### **HERBERT CHONG**

#### **CHAIRMAN**

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**

#### **CEO**

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

### **SUSHIL JAIN**

#### **NON EXECUTIVE DIRECTOR & MENTOR TO THE BOARD**

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. He is a non-executive director of Mayberry Investments Limited. Mr. Jain has published numerous articles on the subject of management in journals in the Caribbean, UK and India.

### **CHARLES HEHOLT**

#### **NON EXECUTIVE DIRECTOR**

Charles Heholt is a Non Executive Director of the Company. He serves as Chairman of the Audit Committee and is a member of the Compensation Committee. Mr. Heholt is the founder and Managing Director of Nationwide Technologies Limited. Previously, he held various senior management roles within the Grace Kennedy group of companies. A qualified Materials Engineer, Mr. Heholt is a graduate of McMaster University of Hamilton, Ontario. He holds professional certifications in Project Management, Health and Safety Management, and has attended many courses for leadership and management and other skills. He is Past President of Campion College Alumni Association, Past Director of JMA, and serves on the Campion College Board of Directors.

### **PAUL MOSES**

#### **NON EXECUTIVE DIRECTOR**

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.



“ SALES INCREASED BY  
19% WHILE NET PROFITS  
INCREASED BY 213%. ”



Honey Bun is pleased to report on the many achievements for the Financial Year 2015. During the year sales increased by 19% while net profits increased by 213%. Gross Profits for the period increased by \$75 million dollars to \$379 million dollars. This represents a 25% increase year over year. A net profit increase of \$46 million dollars stands at \$69.9 million for the year in review. These results represent record breakers for Honey Bun.

I consider that the company has made strides in several areas based on a focused team who felt that long term investments were more important than shorter ones. Now that the results of our earlier efforts are being realized, we continue to work towards a sustainable future by making deliberate strides towards our long term goals. Some of these include our commitment to International Competitiveness, maintaining Global Standards to reduce Carbon Footprint and Automating various processes to remain competitive while building additional capacity. Our first phase of implementing solar energy has been completed.

Plans are also in place to commence the build out on the newly acquired properties to increase production capacity and equipment efficiency.

I wish to thank our directors for their support over the years as they continue to provide wisdom and support well beyond our expectations.

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 Honey Bun as the brand they can trust.

A handwritten signature in black ink, appearing to read "Herbert Chong".

Herbert V. Chong  
Executive Chairman

# Shareholders' PROFILE

## TEN LARGEST SHAREHOLDERS' As at 30 September 2015

Name	No. of Units
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Mayberry Managed Clients' Account	3,491,012
Mayberry West Indies Limited	2,820,740
Daniel V. Chong & Dustin Chong	2,060,600
Krystal T. Chong & Dylan Chong	1,894,000
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM - Client 1	460,318
Paul H. Moses & Joan Moses	400,000

## SHAREHOLDINGS OF DIRECTORS at 30 September 2015

Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	460,318
Charles Heholt	252,000

## SHAREHOLDINGS OF SENIOR OFFICERS at 30 September 2015

Daniel Chong	2,060,600
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# Directors' REPORT

*The Directors are pleased to present their report for Honey Bun (1982) Limited for the year ending 30th September, 2015.*

## FINANCIAL RESULTS

The Statement of Comprehensive Income shows pretax profits of \$69.9 Million dollars. 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, 2015 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 Director to retire by rotation in accordance with the Articles of Incorporation is: Michelle Chong but being eligible will offer herself for re-election.

## AUDITORS

The company has invited tender offers for the audit services and is seeking shareholders' approval to authorize the board to appoint the auditors of the company based on the result of tender, and to fix their remuneration.

## SPECIAL RESOLUTION

To amend the Clause 81 of the Articles of Incorporation of the Company so as to be able to appoint additional directors as considered appropriate from time to time. For this purpose to pass the following Special Resolution:

"The Board is seeking shareholders' approval to amend the Clause 81 of the Articles of Incorporation to increase the number of directors from 6 to 10 so that additional directors can be appointed from time to time."

## DIVIDEND

A dividend of 12 cents per share out of the profits for the financial year end 30th September 2015 was paid on 29 May, 2015 to shareholders on record as at 15 May 2015

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

Dated this 28th December, 2015  
FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Michelle Chong  
COMPANY SECRETARY



# Management

## DISCUSSION



### PERFORMANCE SUMMARY

The Results for the Financial Year 2015 show increase in sales of 19% while profits increased by 213%. The increases in sales are attributable to a strategic restructure of the sales department and the continuous improvement in the quality of our products. Profit increases are also attributable to general improvement in efficiencies in all our operations.

Year over year administration expenses increased by 9%. Sales and Distribution expenses increased by 10%. As a percentage of sales, 2015 sales and distribution costs were 13% when compared to 15% of sales in 2014 .The Sales & Distribution Manager and his team are focused on meeting challenging targets and are highly motivated. These results were also achieved by the Chief Operating Officer's keen understanding and use of the system software to significantly enforce accountability by management.

Overall cost of sales was reduced to 57.2% of sales or a reduction of 1.8% when compared to 2014. Reduction in utilities and improved inventory management were primarily responsible for cost reductions.

Further reductions were seen in property rental and security. These were made possible by the purchase of the new properties.

Gross profits increased by 24.7% or over \$75 million while Profits after tax increased by \$45 million – an increase of 213%. Financial costs increased by 19% as a result of the loan taken to facilitate the purchase of the new property in 2014.

### CASH FLOW & BALANCE SHEET

The Company's balance sheet shows cash increase of 200% closing September 2015 at \$64 million while the receivables show insignificant changes.

The company's balance sheet shows a decrease in noncurrent assets from \$327 million to \$309 million while investments increased from \$25 million to \$28 million. Long term liabilities were reduced by \$3.2 million and current liabilities were reduced by \$25 million.

We are certainly pleased that we were able to maintain our receivables levels while the sales increased. The plans to achieve these results

were strategically designed and achieved. We will continue to maintain focus on these critical areas of our cash flow.

This year two of our loans with the banks were prepaid in an effort to reduce interest costs.

Inventory values are up by 18% and have also been strategically planned as part of a larger Supply Chain Management System. The value of the stock represents about 2 week's stock turnover.

The Net Asset Value of the company increased by 16% over the year, closing at \$411 million dollars. The value of the company has increased steadily over the years from \$283 million in 2012.

### EXPORT & NEW PRODUCTS

Our export plans remain a priority. Exports this year increased by 31% over prior year. The Rum Cakes will be featured once again this year in ASDA in the UK. We have several plans to increase sales in new markets as there is tremendous potential in this area.

For the year 2015, Honey Bun developed 2 new quality products under its new Island Bite brand. These are Coconut Cookies and Brownie Bites. Sales of our new sliced bread increased as a result of its quality. These products have been extremely popular and will increase our sales in the future.





## CORPORATE GOVERNANCE

At Honey Bun we continually improve on our corporate policies which are available on our company website at [www.honeybunja.com](http://www.honeybunja.com). We consider that our Corporate Governance programs improve trust and relationships with all our stakeholders and contribute to financial success. All required meetings were held and were 100% attended by all directors.

For the year under review there were 2 major Internal Audits conducted. These included a Financial Internal Audit and a Manufacturers Internal Audit. Several opportunities for improvements have been identified. These opportunities will further improve controls, provide for a much stronger company, result in considerable savings and improve on our international competitiveness.

## AWARDS 2015

Honey Bun was the proud recipient of the JSE 2014 Corporate Disclosure and Investor Relations Award for the Junior Market. We also received the 2014 Special award from the PSOJ for Corporate Governance and won the Runner Up Award for our website.

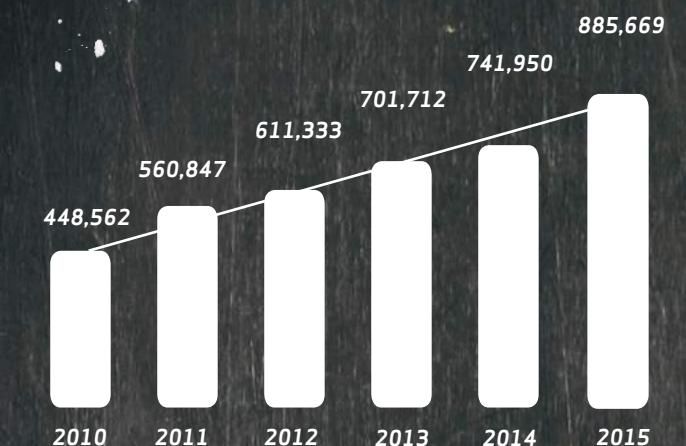
We also received the Jamaica Exporters' Association's National Export Award for 2014 Champion Manufacturer Category 1 Runner Up.

**All required meetings were held and were 100% attended by all directors.**

	Board	Compensation and Nominations Committee	Audit and Risk Management Committee
Meetings Held	4	1	4
Meetings Attended		Attended	
Herbert	4	n/a	n/a
Michelle	4	1	4
Sushil	4	1	4
Paul	4	1	4
Charles	4	1	4

# 2015 DATA CHART

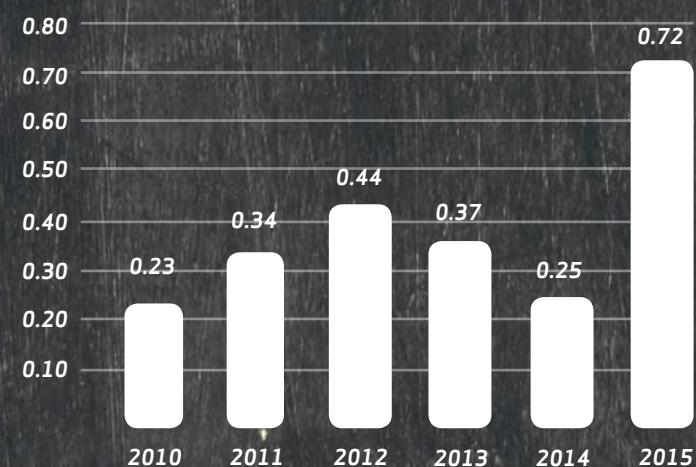
**Sales Revenue J\$-'000**



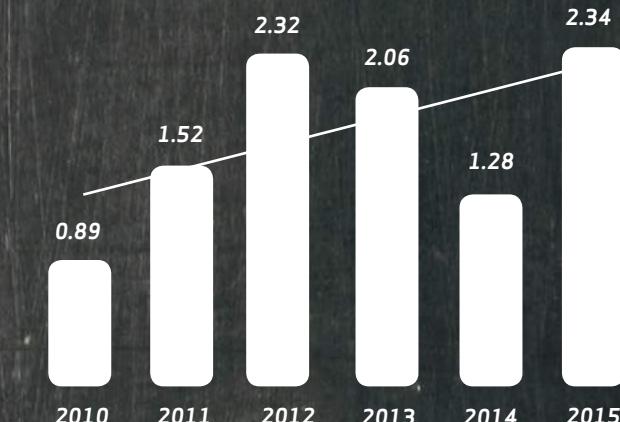
**Pretax Profit J\$-'000**



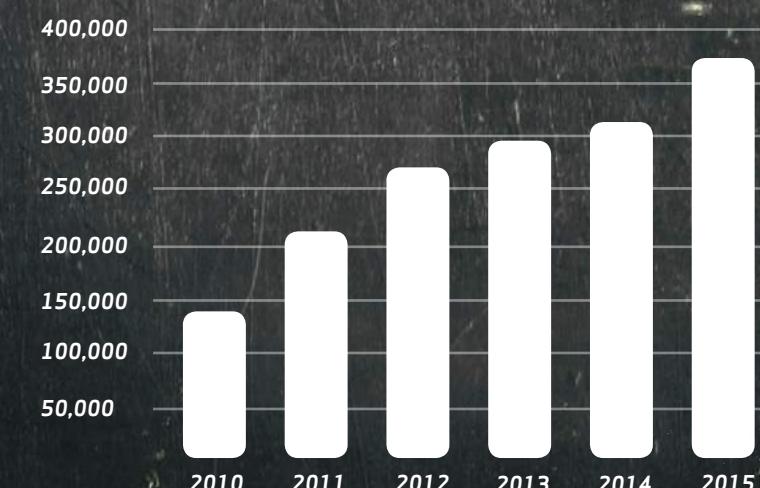
**Earnings Per Share (EPS) J\$**



**Current Ratio**



**Shareholders' Equity J\$'000**



# Corporate GOVERNANCE

## BOARD MISSION

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

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

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

## BOARD FUNCTIONS

The Board makes decisions, 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**

### *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. She is appointed by, and can only be removed by the Board. She is also responsible for ensuring that new Directors receive appropriate training and induction into Honey Bun. She 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 & 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.



*The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.*

#### **ELECTION, TERMS, RE-ELECTION & 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 & 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 & 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 COMMITTEES**

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.

- 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 EVALUATIONS

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

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:**  
**a. Ministry of Health**  
**b. Ministry of Labour**

## FINANCIAL

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

## INFORMATION TECHNOLOGY

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

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

## 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 our Customer Service policy. As part of the same policy we have strict guidelines on the treatment of Customer complaints as we maintain accountability and transparency, compensating those who suffer any loss.

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

#### INTELLECTUAL PROPERTY

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

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

**Security Risk (including criminal or terrorist activities)**

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

**1. Our policy on Biological Terrorism refers to the treatment of visitors and employee screening.**

**2. Security procedures are audited twice annually to ensure policy provides for potential risks and that gaps in the process are brought into conformance.**

**3. New security guards are provided with the requirements for their daily duties.**

#### ENVIRONMENT

Honey Bun values itself on good corporate governance and recognizes the need to responsibly manage our carbon footprint as part of the global challenges. We recognize our responsibility to adequately manage our waste and other aspects of our environment such as energy and other natural resources. We 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.

## 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.**





**Corporate  
SOCIAL RESPONSIBILITY**

*Honey Bun continues to seek opportunities to add value to the lives of others by engaging persons with extraordinary needs for support.*

For the 2014-15 period, Honey Bun addressed some basic human needs. As such the bakery supported fundraising efforts for medical causes and has continued to feed the poor.

We have invested in improving the quality of life of those in our community in several ways. Supporting education is also one of our key objectives in giving hope to the disadvantaged youth of Jamaica. The company also invested in eco-friendly measures as a step toward preserving the environment for future generations. Honey Bun supported the first Annual Oral Cancer Walk/Run hosted by the University

of Technology Jamaica. The walk focused on raising awareness of oral cancer and its effects on the Jamaican population. Honey Bun is happy to lend a hand to projects which bring awareness and support to many Jamaicans suffering from debilitating illnesses.

This year we also supported the Digicel 5k "Imagine Run", in downtown Kingston. The project engaged over 10,000 patrons and brought awareness of Jamaicans with special needs. The event addressed a growing concern for the challenges faced by these individuals locally. For over 5 years Honey Bun has been dedicated to providing much needed food supplies to

the Missionaries of the Poor ministry. Each week Honey Bun products feed hundreds of the poor, disabled, and destitute wards of the Mission and those who serve them.

Honey Bun supported the Jamaica Library Service's National Reading Fair in November 2014. The 10 year old event promotes literacy and the enjoyment of reading, as well as the pursuit of lifelong learning by encouraging families to read together. A variety of activities were undertaken including storytelling by authors and well-known personalities, and a closing concert featuring guest artistes. The project also highlighted the achievements of the National Reading Competition with a parade of the reading champions.

In December 2014 Honey Bun hosted a Christmas Treat for the children of Next Children's Home.



The Honey Bun team visits The Nest Children's Home

Honey Bun provided a slice of fun for some 80 children, in spite of their difficult situations. The youngsters were able to enjoy games and Honey Bun treats as they were feted for the holiday season. In February 2015 our staff also made an impromptu visit to the Jamaica Christian Boys Home to spend time with the children and to donate food items. To start the September 2015 school year Honey Bun presented over 500 schools across the island with packages of products amounting to a total of \$640k. The items were well received and thousands of Jamaican students were able to benefit.

Towards our corporate responsibility within our environment, we initiated the process of incorporating Solar Power into our manufacturing operations. The move is expected to reduce the company's carbon footprint. Our first phase of implementing solar energy has been completed.

# Human

## RESOURCES

*The Mission of the Human Resource department is to Recruit, Reward and Retain the Right Staff to ensure that Honey Bun is the Employer of Choice in the baking Industry.*

It is the department's objective to determine the type of staff needed to manage and operate the business to meet the stated business objectives and to ensure that pay and benefits and other programs necessary to attract, develop and retain the right staff are in place.

Honey Bun's Human Resource Department is committed to the development and well-being of its employees. The goal is to recruit and retain personnel that possess the competencies and skills required for the business to implement its strategy. During the year 2015, the company made several changes to its organization to further maximize the efficiency and professional interaction of its staff.

Our employees are considered critical to our success. The company's achievements have always been possible because of a dedicated, passionate staff complement of almost 300 employees. At the core of Honey Bun you will find a culture that strives for continuous improvement every day.

### TRAINING AND DEVELOPMENT

Training and development of each employee begins with an aggressive 'Orientation of New Employee' program which includes training in Good Manufacturing Practices (GMP), review of the company's Code of

Conduct and Company Policies as well as the review of the Standard Operating Procedures for their specific job. This program guarantees that all personnel are trained and become sufficiently experienced to the extent necessary to competently and effectively undertake their assigned activities and responsibilities.

Because Honey Bun operates to International Standards new employees are usually captivated with the wealth of knowledge gained. Learning continues on the job and throughout scheduled training programs documented on our training calendar. Employees may also seek further opportunities through the company's Educational Assistance program which allows for staff development and certification in their personal field of interest.

Aligned with training and development Honey Bun also maintains a comprehensive Appraisal Program which provides the opportunity to review each employee's performance, develop objectives (aligned to the corporate objectives), agree on targets in order to enhance personal performance, and to create the training and development plans for the organization. This program also leads to promotions and holds employees accountable for meeting measurable corporate objectives.



Our management team evaluation is based on a 360 degree evaluation of themselves, their subordinates, their peer and their supervisors. These evaluations allow for review of opportunities based on results from various dimensions.

## EMPLOYEE CARE

While at work, the health and safety of our staff is paramount, and our Occupational Safety and Health (OSH) Committee consists of varied positions with heavy concentration in the production area. We strive for a zero occurrence of accidents/incidents.

In 2014, the company enlisted as a volunteer in the Ministry of Labour & Social Security's Voluntary Compliance Program (VCP) towards an OSH ACT for Jamaica incorporating HIV and AIDS policies and programs. As a volunteer, we receive guidance and support material to assist us to transition into the new internal control model of the proposed legislation by developing and implementing a comprehensive OSH program including the prevention and control of HIV and AIDS in the workplace.

Staff benefits include the provision of transportation for staff on shifts that may not have easy and safe access to work or to get home, subsidized meal plans, medical benefit and accident insurance. Since inflation creates financial difficulties Honey Bun has been providing annual salary increases to mitigate the burden of the rising cost of living.

It is important for us to gain sufficient feedback on employee satisfaction and this is achieved through annual feedback via survey. We seek creative ways to improve staff satisfaction by programs such as on the spot incentives; activities to promote a harmonious environment via our employee-driven Social Committee; annual awards for performance and by way of financial incentives for the executive team, approved by the Compensation Committee.

Each year the company provides for our 'GSAT Scholarship' for students who were successful in the examination. This year we are exceptionally proud of the recipient, Antonio Bailey who passed for Campion College. He is the son of Rosemarie Campbell-Bailey, a long standing employee of over two decades.

We thank our 300 team members who frequently express the gratitude they have for the opportunity to be employed with meaningful work and who are allowed an opportunity to develop professionally at world class standards.



# 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

## ATTORNEYS-AT-LAW

### CHEEKS & COMPANY

Suite 2, Paisley Professional Centre  
3a Paisley Avenue  
Kingston

### PATTERSON MAIR HAMILTON

63-67 Knutsford Boulevard  
Kingston 5, Jamaica, W.I.]

## BANKERS

### BANK OF NOVA SCOTIA JAMAICA LTD.

2 Knutsford Boulevard, Kingston 5,  
Jamaica W.I.

### FIRST GLOBAL BANK LTD.

28-48 Barbados Avenue, Kingston 5  
Jamaica W.I.

### SAGICOR BANK LTD.

17 Dominica Drive, Kingston 5  
Jamaica W.I.

### AUDITOR

### MCKENLEY AND ASSOCIATES

10 Kingslyn Avenue, Kingston 10

## REGISTRAR & TRANSFER AGENT

### JAMAICA CENTRAL SECURITIES DEPOSITORY

40 Harbour Street  
Kingston, Jamaica W.I.



HONEY BUN (1982) LIMITED  
REGISTERED OFFICE

26 RETIREMENT CRESCENT  
KINGSTON 5, JAMAICA, W.I.

TELEPHONE (876) 960-9851-2  
FAX NUMBER (876) 960-5782

[WWW.HONEYBUNJA.COM](http://WWW.HONEYBUNJA.COM)

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

To the Members of  
Honey Bun (1982) Limited

#### Independent Auditors' Report

We have audited the accompanying financial statements of Honey Bun (1982) Limited (the Company) which comprise the Company's statement of financial position as of September 30, 2015 and the statement of profit and loss and other 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.

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

To the Members of  
Honey Bun (1982) Limited

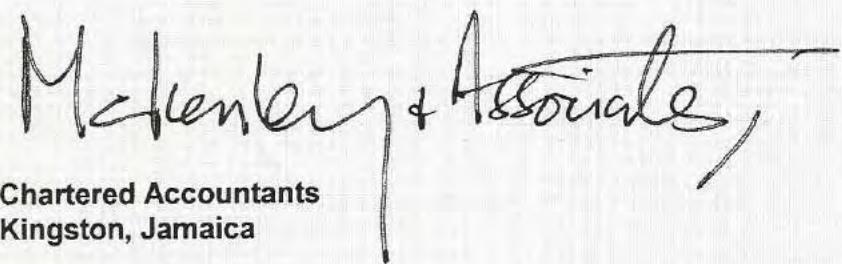
#### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of September 30, 2015, and of the financial performance and cash flows of the Company for the year then ended, so far as concerns the members of the Company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

#### Report on Other Legal and Regulatory Requirements

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

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



McKenley & Associates,  
Chartered Accountants  
Kingston, Jamaica

November 23, 2015

**HONEY BUN (1982) LIMITED**  
**Statement of Profit and Loss and Other Comprehensive Income**  
**30 September 2015**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		\$	\$
<b>Revenue</b>			
Cost of sales	2 (r)	885,669,774	741,950,751
		506,315,931	437,749,558
<b>Gross profit</b>		379,353,843	304,201,193
Finance income - interest		146,030	204,056
Exchange gains and other income	4	1,619,680	4,443,294
		381,119,553	308,848,543
<b>Expenses</b>			
Administrative and other expenses		(187,884,046)	* (171,847,195)
Selling & distribution costs		(118,893,008)	(108,497,166)
		(306,777,054)	(280,344,361)
<b>Profit from operations</b>		74,342,499	28,504,182
Finance costs		(6,177,165)	(5,204,150)
<b>Profit before taxation</b>		68,165,334	23,300,032
Taxation	7	-	-
<b>Net profit for the year</b>		68,165,334	23,300,032
<b>Other comprehensive income</b>			
Unrealised gain/(loss) on investments		1,810,563	(994,011)
<b>Profit, being total comprehensive income for the year</b>		69,975,897	22,306,021
<b>Earnings per stock unit</b>	8	0.72	0.25

The accompanying notes form an integral part of the financial statements.

\*Reclassified for comparative purposes. Minimum business tax reclassified to administrative and other expenses.

**HONEY BUN (1982) LIMITED**  
**Statement of Financial Position**  
**30 September 2015**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		\$	\$
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	9	278,775,252	296,611,652
Investments	10	28,291,806	25,343,421
Intangible assets	11	1,902,611	5,662,195
		308,969,669	327,617,268
<b>CURRENT ASSETS</b>			
Inventories	12	45,419,998	38,411,875
Receivables	13	68,880,502	69,183,563
Taxation recoverable		112,493	112,493
Cash & cash equivalents	14	64,017,625	21,331,039
		178,430,618	129,038,970
<b>CURRENT LIABILITIES:</b>			
Payables	15	68,398,911	74,650,703
Bank overdraft	17	-	16,138,286
Current portion of long term loans	20	8,464,618	10,097,387
		76,863,529	100,886,376
<b>Net current assets</b>		101,567,089	28,152,594
		410,536,758	355,769,862
<b>EQUITY &amp; LIABILITIES:</b>			
<b>Shareholders' equity</b>			
Share capital	18	46,514,770	46,514,770
Capital reserves	19	72,759,535	70,948,972
Retained earnings		248,387,774	191,532,847
		367,662,079	308,996,589
<b>NON-CURRENT LIABILITY</b>			
Long term loans	20	42,874,679	46,773,273
		410,536,758	355,769,862

Approved for issue by the Board of Directors on November 23, 2015 and signed on its behalf by:

Herbert Chong - Director

Charles Heholt – Director

**HONEY BUN (1982) LIMITED**  
**Statement of Changes in Shareholders' Equity**  
30 September 2015

	<u>Capital</u>		<u>Share</u>		<u>Retained</u>
	<u>Note</u>	<u>Reserves</u>	<u>Capital</u>	<u>Earnings</u>	<u>Total</u>
		\$	\$	\$	\$
<b>Balance: 30 September 2012</b>		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 for the year		-	-	35,317,216	35,317,216
<b>Balance: 30 September 2013</b>		71,942,983	46,514,770	172,945,485	291,403,238
Unrealised losses on securities available for sale		(994,011)	-	-	(994,011)
Dividends	16	-	-	(4,712,670)	(4,712,670)
Net profit for the year		-	-	23,300,032	23,300,032
<b>Balance: 30 September 2014</b>		70,948,972	46,514,770	191,532,847	308,996,589
Unrealised gains on securities available for sale		1,810,563	-	-	1,810,563
Dividends		-	-	(11,310,407)	(11,310,407)
Net profit for the year		-	-	68,165,334	68,165,334
<b>Balance: 30 September 2015</b>		72,759,535	46,514,770	248,387,774	367,662,079

**HONEY BUN (1982) LIMITED**  
**Statement of Cash Flows**  
30 September 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Cash flows from operating activities:</b>		
Profit before taxation	68,165,334	*23,300,032
<b>Adjustments for:</b>		
Depreciation	35,631,210	29,996,693
Loss/(gain) on sale of property, plant and equipment	389,533	(853,398)
Amortization	3,619,584	3,395,380
<b>Other non-cash items:</b>		
Investment income	(146,030)	(204,056)
Finance costs paid	6,177,165	5,204,150
<b>Operating cash flows before movement in working capital</b>	113,836,796	60,838,801
<b>Movements in working capital:-</b>		
Inventories	(7,008,123)	(4,676,061)
Receivables	303,061	8,903,373
Payables	(6,251,792)	59,173
<b>Net cash from operating activities</b>	<u>100,879,942</u>	<u>65,125,286</u>
<b>Cash flows from investing activities:-</b>		
Sales proceeds from property, plant and equipment	1,641,307	10,250,224
Payment for property, plant and equipment	(19,685,650)	(145,602,054)
Payment for intangible assets	-	(377,075)
Interest received	146,030	204,056
Purchase of investments	(1,137,822)	(22,185,752)
<b>Net cash used in investing activities</b>	<u>(19,036,135)</u>	<u>(157,710,601)</u>
<b>Cash flows from financing activities:-</b>		
Loans received	15,000,000	52,586,675
Repayment of long term borrowings	(20,531,363)	(9,025,505)
Finance costs paid	(6,177,165)	(5,204,150)
Dividend paid	(11,310,407)	(4,712,670)
<b>Net cash (used in)/provided by financing activities</b>	<u>(23,018,935)</u>	<u>33,644,350</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>58,824,872</u>	<u>(58,940,965)</u>
Net cash balances at beginning of year	5,192,753	64,133,718
<b>Net cash and cash equivalents at end of year</b>	<u>64,017,625</u>	<u>5,192,753</u>
<b>Represented by:</b>		
Cash and cash equivalents	64,017,625	21,331,039
Short-term borrowings	-	(16,138,286)
	<u>64,017,625</u>	<u>5,192,753</u>

The accompanying notes form an integral part of the financial statements.

The accompanying notes form an integral part of the financial statements.

\*Restated for comparative purposes. Minimum Business Tax reclassified.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
**30 September 2015**

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**1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY**

Honey Bun (1982) 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.

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.

**2. SUMMARY OF ACCOUNTING POLICIES**

**(a) Basis of preparation and compliance**

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.

**Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and liabilities at the reporting date and the income and expenses for the year then ended. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the current period in which the estimate is revised and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are as follows:

**(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 may suggest there may be a measurable decrease in estimated future cash flows from receivables resulting from default or 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.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation and compliance (Continued)**

**Use of estimates and judgments (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 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 each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company. The useful life is based on management's best estimate.

**(iv) Fair value of financial assets**

Management uses its judgement, where necessary, 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 of the amounts the inventories are expected to realise are based on the most reliable evidence available at the time they are made. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after the end of the year.

**(vi) Going concern**

The preparation of financial statements in accordance with IFRS assumes that the Company will continue in operational existence for the foreseeable future. This means that the Company has no intention of or necessity to liquidate or curtail the scale of operations.

During the year, the Company has experienced no liquidity or adverse conditions to cast doubt as to its ability to continue in business for the foreseeable future.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation and compliance (Continued)**

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

During the reporting period, certain new standards, interpretations and amendments to existing standards that have been published became effective during the current financial year. The Company assessed the relevance of all such new standards, interpretations and amendments and has determined that they had no significant effect on the amounts and disclosures in these financial statements. The Company, where applicable, has adopted the following:

*Improvements to IFRS, 2011-2013 cycle, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after July 1, 2014. The main amendments applicable to the Company are as follows:*

- **IFRS 13, Fair Value Measurement**, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
- **IAS 16, Property, Plant and Equipment, and IAS 38, Intangible Assets**, have been amended to clarify that, at the date of revaluation:
  - (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses; or
  - (ii) The accumulated depreciation is eliminated against the gross carrying amount of the asset.
- **IAS 24, Related Party Disclosures**, has been amended to extend the definition of "related party" to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity.

**New, revised and amended standards and interpretations that are not yet effective.**

At the date of authorisation of the financial statements, certain new and revised and amended standards and interpretations were in issue but were not yet effective for the current year and which the Company has not early adopted. The Company has assessed all such new standards, amendments and interpretation with respect to its operations and has determined that the following may be relevant:

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation and compliance (Continued)**

**New, revised and amended standards and interpretations that are not yet effective (continued).**

- **IFRS 9, Financial Instruments, which is effective for annual reporting periods beginning on or after January 1, 2018**, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Effectively, IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model, which means that a loss event will no longer need to occur before an impairment is recognized.
- **IFRS 15, 'Revenue from Contract with Customers' is effective for annual reporting periods beginning on or after January 1, 2017**. This applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue as well as requiring entities to provide more informative and relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations.

*Improvements to IFRS, 2012-2014 cycle, contain amendments to certain standards and interpretations and are effective for annual reporting periods beginning on or after January 1, 2016. The main amendments applicable to the Company are as follows:*

- **IAS 16, Property, Plant and Equipment and IAS 18, Intangible Assets**, were amended by the issue of "Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization", which is effective for annual reporting periods beginning on or after January 1, 2016 as follows:
  - (i) The amendment to IAS 16 explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - (ii) The amendment to IAS 38 introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The Company is assessing the possible impact that these new standards and the amendments will, when they become effective, have on its 2016 financial statements.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(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 Board of Directors that makes strategic decisions, considers the operations of the Company as one operating segment.

**(c) Income taxes**

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

**i. Current taxation**

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

**ii. Deferred taxation**

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred income tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on the enacted rates.

*The Company was granted a remission of income tax after admission to the Jamaica Stock Exchange Junior Market and thus no income or deferred tax is recorded in the financial statements for the year ended 30 September 2015.*

**(d) Property, plant and equipment**

Items of property, plant and equipment are measured at cost, except for 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.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(d) Property, plant and equipment (Continued)**

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.

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 as it is deemed to have an indefinite life or capital work-in-progress.

**i. Depreciation**

Annual depreciation rates are as follows:

Buildings	2.5%
Furniture & fixtures	10%
Machinery & equipment	10%
Motor vehicles	20%
Computers	25%
Plastic bread trays	50%
Metal baking equipment	20%

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 sundry spare parts – purchase cost of item  
Goods-in-transit – cost of goods converted at the year end exchange rate

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(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.

**(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 and gains or losses recognized in profit or loss. At the end of the reporting period, 30 September 2015, 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 other 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.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

**(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.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(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.

**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 as 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 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 profit and loss and other comprehensive income.

Assets that have an indefinite useful life, for example, goodwill are not subject to amortization and are tested annually for impairment.

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. 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.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(m) Employee benefits (Continued)**

**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.

**(n) Borrowings and borrowing costs**

Borrowings are recognized initially as the proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost using the effective yield method. Any difference between net proceeds and the redemption value is recognized in arriving at profit or loss over the period of the borrowings

**(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.

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(r) Revenue and income 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 proceeds from sale of baked products and other complementary products.

The Company recognizes revenue in the profit and loss 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 as it accrues unless collectability is doubtful.

**(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).
- viii. A management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

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

**Honey Bun (1982) Limited**  
**Notes to the Financial Statements**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(t) 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 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, long term loans and trade payables.

**(u) 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.

**HONEY BUN (1982) LIMITED**  
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**2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(v) Investment securities**

Investment securities classified as financial assets at fair value through profit or loss and available-for-sale are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of investments classified as financial assets at fair value through profit or loss are included in the determination of profit or loss in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for an investment is not active, the Company establishes fair value by using valuation techniques. Where fair values cannot be reliably measured, the Company carries the investment at cost.

**(w) 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.

**3. FINANCIAL RISK MANAGEMENT AND POLICIES**

This note presents information about the Company's exposure, policies and processes for managing risks. Further Qualitative disclosures are included throughout these financial statements.

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, reputational 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, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**HONEY BUN (1982) LIMITED**  
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**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(a) Market risk (Continued)**

**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, receivables and investments denominated in currencies other than the Jamaican dollar. The main currency that gives rise to this exposure is the US\$.

**Exposure to currency risk**

The Company's statement of financial position at 30 September 2015 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>2015</u> CAN \$	<u>2015</u> US \$	<u>2015</u> UK £	<u>2014</u> CAN \$	<u>2014</u> US \$	<u>2014</u> UK £
<b>Financial assets</b>						
Cash and cash equivalents	110	298,214	4,083	110	48,103	4,083
Investments		200,150		-	200,150	-
<b>Financial liabilities</b>						
Payables and accruals	-	(53,104)	-	-	(881)	-
<b>Total net assets</b>	<b>110</b>	<b>445,260</b>	<b>4,083</b>	<b>110</b>	<b>247,372</b>	<b>4,083</b>

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.

**HONEY BUN (1982) LIMITED**  
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**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(a) Market risk (Continued)**

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. 2015</u> \$	<u>30 Sept. 2014</u> \$
Canadian dollar (Can\$)	88.62	101.00
United States dollar (US\$)	119.06	112.71
United Kingdom pound (£)	180.17	181.68

**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>Increase/(Decrease)</u>
<u>2015</u> \$	<u>2014</u> \$
(537,586)	(286,342)
5,375,864	2,863,421

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. When utilized, bank overdrafts are subject to rates which may be varied by appropriate notice by the lender but the Company avoids this type of loan facility due to its relatively high rate of interest.

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**Notes to the Financial Statements**  
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**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(a) Market risk (Continued)**

**Interest rate risk (Continued)**

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:

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Fixed rate:</b>		
Assets		-
Liabilities	(51,339,297)	(56,870,660)
	<u>(51,339,297)</u>	<u>(56,879,660)</u>
<b>Variable rate:</b>		
Assets	89,181,197	43,905,446
Liabilities	-	(16,138,286)
	<u>89,181,197</u>	<u>27,767,160</u>

**Fair value sensitivity analysis for fixed rate instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The fair value of a liability reflects its non-performance risk.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued charges are considered to approximate their carrying values due to their short -term nature.

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.

There has been no change during the year in the Company's approach to measuring and managing financial instrument risks.

**(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.

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**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(b) Credit risk (Continued)**

**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.

Trade receivables over 90 days are reviewed and provided for based on an estimate of amounts that would be irrecoverable. This is determined by direct contact with customer, past default experience, current economic conditions and expected receipts and recoveries.

The Company does not require collateral in respect of trade and other receivables except cash deposits for several of its distributors

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date included cash and cash equivalent, investments and receivables, as noted below:

Trade and other receivables	<u>Carrying amount</u>	
	<b>2015</b>	<b>2014</b>
	\$	\$
Trade receivable	70,238,904	55,197,464
Prepayments and other receivables	6,494,314	16,821,339
Provision for bad debts	<u>(7,852,716)</u>	<u>(2,835,240)</u>
	<b>68,880,502</b>	<b>69,183,563</b>
Cash and cash equivalents	64,017,625	21,331,039
	<u>132,898,127</u>	<u>90,514,602</u>

The maximum exposure to credit risk for trade receivables by type of customer at the reporting date was:

Carrying amount	<u>2015</u>	<u>2014</u>
	\$	\$
Supermarkets	13,933,740	13,930,116
Distributors	28,706,009	20,392,096
Schools	5,459,372	5,260,103
Other receivables	<u>22,139,783</u>	<u>15,615,149</u>
	<b>70,238,904</b>	<b>55,197,464</b>

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

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(b) Credit risk (Continued)**

The Company's most significant customer, an island-wide distributor, accounts for \$11,262,181 or 16% (2014 \$10,554,101 or 19%) of the carrying amount of trade receivables at the reporting date.

**Aging analysis of trade receivables**

	<b>2015</b>		<b>2014</b>	
	<u>Gross</u> \$	<u>Impairment</u> \$	<u>Gross</u> \$	<u>Impairment</u> \$
Current: below 30 days	43,173,983		38,353,699	-
Past due 31-60 days	5,730,815		5,818,929	-
Past due 61-90 days	6,987,907		2,272,818	-
More than 90 days	14,346,199	7,852,716	8,752,018	2,835,240
	<b>70,238,904</b>	<b>7,852,716</b>	<b>55,197,464</b>	<b>2,835,240</b>

**Aging analysis of trade receivables**

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.

**Investments**

Investments are held principally in local stock and securities listed on the Jamaican Stock Exchange in companies that are considered safe by the directors. Other investments are held in cash deposits with reputable financial institutions and the directors do not anticipate any potential loss in value from its investment portfolio.

**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 and licensed financial institutions that are considered stable. 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.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**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 its 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 2015 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 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, excluding the impact of any netting agreements.

	<b>2015</b>			
	<u>Carrying amount</u> \$	<u>Contractual cash flow</u> \$	<u>Less than 1 year</u> \$	<u>More than 1 year</u> \$
<b>Non- derivative financial liabilities</b>				
Trade and other payables	68,398,911	68,398,911	-	-
Long term loans	51,339,297	81,894,878	15,760,715	66,134,163
	<b>119,003,129</b>	<b>150,293,789</b>	<b>15,760,715</b>	<b>66,134,163</b>

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(c) Liquidity risk (Continued)**

	<b>2014</b>			
	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>
	\$	\$	\$	\$
<b>Non- derivative financial liabilities</b>				
Trade and other payables	74,650,703	74,650,703	-	-
Long term loans	56,870,660	83,095,534	15,040,497	68,055,037
Bank overdraft	16,138,286	16,138,286	-	-
	<b>147,659,649</b>	<b>173,884,533</b>	<b>15,040,497</b>	<b>68,055,037</b>

**(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) Reputational risk.**

The Company is engaged in a business that principally distributes baked food items, and its reputation is critical within the market place. The Company's management endeavors at all times to be ethical and adopts international best practices in its manufacturing process.

The Company also ensures that the necessary sanitary standards are maintained to guarantee that regular audits by the Bureau of Standards are successfully undertaken. In addition, customer audits are undertaken to facilitate continuous improvement and customer delivery.

Customer complaints are properly investigated and appropriately assessed and transparency is maintained; where necessary customers are promptly compensated if they have suffered loss. Management considers the Company's reputation secured as they ensure that events that may damage the Company's reputation are immediately investigated and the appropriate action taken to deal with the event in a manner that satisfies the complainant.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(c) Liquidity risk (Continued)**

	<b>2014</b>			
	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>
	\$	\$	\$	\$
<b>Non- derivative financial liabilities</b>				
Trade and other payables	74,650,703	74,650,703	-	-
Long term loans	56,870,660	83,095,534	15,040,497	68,055,037
Bank overdraft	16,138,286	16,138,286	-	-
	<b>147,659,649</b>	<b>173,884,533</b>	<b>15,040,497</b>	<b>68,055,037</b>

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**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(f) 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 and borrowing facilities reflect their approximate fair value because of the short term maturity of these instruments.

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

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

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

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**3. RISK MANAGEMENT AND POLICIES (CONTINUED)**

**(g) Capital management**

The policy of the Company's Board of Directors is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business and ensure it continues as a going concern.

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 the total of long term loans and bank overdraft 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:

	<b>2015</b>	<b>2014</b>
	\$	\$
Debt: long term loans and bank overdraft	51,339,297	73,008,946
Equity	367,662,079	308,996,589
Total capital	<hr/> 419,001,376	<hr/> 382,005,535
Gearing ratio	12.25%	19.11%

There were no significant 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**

	<b>2015</b>	<b>2014</b>
	\$	\$
Gain on exchange	1,442,064	3,571,253
Gain on disposal of assets	(389,533)	853,398
Dividends received	19,673	18,643
Gain/ on sale of shares	<hr/> 547,476	<hr/> -
	1,619,680	4,443,294

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**5. OPERATING PROFIT BEFORE TAXATION**

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

	<b>2015</b>	<b>2014</b>
	\$	\$
Auditors' remuneration	1,500,000	1,290,000
Depreciation	35,631,210	29,996,693
<b>Directors' emoluments:</b>		
Directors fees	3,031,875	2,565,000
Management remuneration	9,819,600	7,939,200
Bad debts written off	-	4,531,736
Foreign exchange gains	(1,442,064)	(3,571,253)
Staff costs (excluding management remuneration above)	222,954,979	199,003,195

**6. STAFF COSTS**

	<b>2015</b>	<b>2014</b>
	\$	\$
Salaries and wages (including accrued vacation and Directors' salaries)	216,738,239	193,394,311
Payroll taxes: employer's portion	14,007,613	12,584,376
Other staff costs	2,028,727	963,708
	<b>232,774,579</b>	<b>206,942,395</b>

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

	<b>2015</b>	<b>2014</b>
Full time	71	83
Contract workers	218	230

**7. TAXATION**

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% (2014 – 25% ).

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Taxation for the year comprises:</b>		
Current tax expense	-	-
Taxation charge in profit and loss statement	-	-

Minimum Business Tax expense for 2014 was reclassified to rates, taxes and utilities in administrative expenses.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**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.

	<b>2015</b>	<b>2014</b>
	\$	\$
Profit before taxation	68,165,334	23,300,032*
Tax calculation @ 25% (2014 – 25%)	17,041,334	5,825,008
Adjustment for difference in treatment of:		
Depreciation and capital allowances	3,190,817	1,544,011
Net effect of other charges for tax purposes:	96,595	255,786
	<b>20,328,746</b>	<b>7,624,805</b>
<b>Adjustment for the effect of tax remission:</b>		
Current tax	(20,328,746)	(7,624,805)
Tax charged for year	-	-

(c) Remission of income tax:

By notice dated 13<sup>th</sup> 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.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

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**7. TAXATION (CONTINUED)**

**Government of Jamaica (GOJ) new taxes**

Effective January 1, 2014, the Government of Jamaica enacted new tax measures to change the tax incentive regimes applicable to various industries. Given the current tax position of the Company, as disclosed in note 7(c) above, these new tax measures have resulted in changes in the income tax and capital allowances computations but will not materially affect the Company's tax position until the end of the tax remission period. Some of these changes are as follows:

- Tax compliant entities are able to claim up to 30% of employer's and employees' statutory contributions (Employment Tax Credit (ETC)) against income tax for the year. Unused ETC , cannot be carried forward or refunded
- The maximum capital allowances on private motor vehicles, which were previously limited to J\$3,200, increased to a maximum of US\$35,000 and
- No initial allowances are given on the purchase of buildings; however, all other capital expenditure on buildings and other assets continue to attract initial allowances.
- A Minimum Business Tax of \$60,000 was enacted, payable in two installments, June 15 and September 15 of each year by registered companies. This tax can be set-off against income tax liability for the financial year but cannot be carried forward if unused in the respective year.

**8. EARNINGS PER SHARE**

The EPS is computed by dividing the profit for the year by 94,253,390 (2013 – 94,253,390), the number of shares in issue for the year.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

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**7. TAXATION (CONTINUED)**

**Government of Jamaica (GOJ) new taxes**

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**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**9. PROPERTY, PLANT AND EQUIPMENT****2015**

	<b>Buildings</b>	<b>Land</b>	<b>Furniture &amp; Fixtures</b>	<b>Bakery Fixtures</b>	<b>Computer</b>	<b>Motor Vehicles</b>	<b>Plant &amp; Machinery</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At cost:</b>								
1 October 2014	139,501,927	20,872,340	6,532,800	28,416,631	10,302,851	52,776,482	136,586,269	394,989,300
Disposals	(1,541,609)	-	-	-	-	(3,841,912)	-	(5,383,521)
Reclassification	(18,469,731)	18,469,731	-	-	-	-	-	-
Additions	848,968	-	1,682,941	3,814,676	1,982,120	6,500,000	4,856,944	19,685,649
<b>30 September 2015</b>	<b>120,339,555</b>	<b>39,342,071</b>	<b>8,215,741</b>	<b>32,231,307</b>	<b>12,284,971</b>	<b>55,434,570</b>	<b>141,443,213</b>	<b>409,291,428</b>
<b>Depreciation:</b>								
1 October 2014	4,981,065	-	2,584,215	10,083,644	7,264,848	21,380,493	52,083,383	98,377,648
Disposals	(42,076)	-	-	-	-	(3,450,606)	-	(3,492,682)
Charge for the year	3,042,616	-	1,003,628	6,384,596	1,044,281	11,668,860	12,487,229	35,631,210
<b>30 September 2015</b>	<b>7,981,605</b>	<b>-</b>	<b>3,587,843</b>	<b>16,468,240</b>	<b>8,309,129</b>	<b>29,598,747</b>	<b>64,570,612</b>	<b>130,516,176</b>
<b>NET BOOK VALUE</b>								
30 September 2015	112,357,950	39,342,071	4,627,898	15,763,067	3,975,842	25,835,823	76,872,601	278,775,252

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****2014**

	<b>Buildings</b>	<b>Land</b>	<b>Furniture &amp; Fixtures</b>	<b>Bakery Fixtures</b>	<b>Computer</b>	<b>Motor Vehicles</b>	<b>Plant &amp; Machinery</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At cost:</b>								
1 October 2013	44,422,890	-	6,110,176	23,084,305	7,757,776	47,109,601	136,506,235	264,990,983
Disposals	-	-	(109,922)	-	-	-	(13,519,815)	(1,974,000)
Additions	95,079,037	20,872,340	532,546	5,332,326	2,545,075	19,186,696	2,054,034	145,602,054
<b>30 September 2014</b>	<b>139,501,927</b>	<b>20,872,340</b>	<b>6,532,800</b>	<b>28,416,631</b>	<b>10,302,851</b>	<b>52,776,482</b>	<b>136,586,269</b>	<b>394,989,300</b>
<b>Depreciation:</b>								
1 October 2013	3,887,239	-	1,698,654	5,671,657	6,566,822	16,758,279	40,005,215	74,587,866
Disposals	-	-	(223,971)	-	-	-	(5,542,240)	(440,700)
Charge for the year	1,093,826	-	1,109,532	4,411,987	698,026	10,164,454	12,518,868	29,996,693
<b>30 September 2014</b>	<b>4,981,065</b>	<b>-</b>	<b>2,584,215</b>	<b>10,083,644</b>	<b>7,264,848</b>	<b>21,380,493</b>	<b>52,083,383</b>	<b>98,377,648</b>
<b>NET BOOK VALUE</b>								
30 September 2014	134,520,862	20,872,340	3,948,585	18,332,987	3,038,003	31,395,989	84,502,886	296,611,652

During the year ended 30 September 2010, the freehold land and building was revalued by the Directors at market value. The Plant and Machinery were revalued as at April 12, 2010 by Delano Reid & Associates Limited, Appraisers, Engineers & Management Consultants at fair Market Value-Installed. The Company's plant and machinery acquired from a company in liquidation at fire sale values were initially recorded at cost but subsequently revalued as noted. The surplus arising on the revaluation of the building and plant and machinery during 2010, were credited to capital reserves (Note19). The Directors are of the opinion that the fixed assets represent their carrying amounts as at 30 September 2015.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**10. INVESTMENTS**

Investments comprise:

	<b>2015</b> \$	<b>2014</b> \$
<b>Held to maturity:</b>		
Stocks And Securities Ltd. (US\$)	5,830	3,752
Stocks And Securities Ltd.	1,576,713	326,407
Victoria Mutual Building Society (US\$)	23,829,859	22,532,000
<b>Quoted shares: available-for-sale</b>		
General Accident Insurance Co. Ltd. shares	133,812	140,949
Lasco Manufacturing Ltd. shares	1,180,000	513,300
Caribbean Cream Ltd. shares	1,251,000	1,105,000
Pan Jamaican Investment Trust Ltd.	314,592	
<b>Other:</b>		
Related company loan	-	722,013
	<b>28,291,806</b>	<b>25,343,421</b>

The Victoria Mutual Building Society investment is held as collateral against a loan from the said financial institution that was used to acquire a real estate property to expand the operations of the Company. See Note 20 for further details.

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

**11. INTANGIBLE ASSETS**

Intangible assets in the statement of financial position were determined as follows:

	<b>2015</b> \$	<b>2014</b> \$
<b>Goodwill - Purchase price exceeded net assets acquired</b>	-	140,000
<b>Software at cost:</b>		
Opening balance: 1 October	16,097,315	15,720,240
Software purchased during year	-	377,075
Closing balance : 30 September	16,097,315	16,097,315
<b>Amortization:</b>		
Opening balance: 1 October	10,575,120	7,179,740
Amortization of software at 33 1/3%	3,619,584	3,395,380
Closing balance: 30 September	14,194,704	10,575,120
30 September: Software at cost net of amortization	1,902,611	5,522,195
	1,902,611	5,662,195

(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 is reviewed each reporting period to determine whether events or circumstances continue to support an indefinite useful life assessment.

During the year, the Directors took a decision that there was no further useful life or future value and the amount of goodwill was written off.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**11. INTANGIBLE ASSETS (CONTINUED)**

(ii) No computer software was purchased during the year. Software is amortized over three (3) years, unless there is significant impairment during the year.

**12. INVENTORIES**

	<b>2015</b> \$	<b>2014</b> \$
Raw and packaging material	33,067,348	29,414,367
Work-in-progress	8,236,560	5,448,594
Sundry equipment spares	3,416,026	2,565,951
Finished goods	700,064	982,963
	<b>45,419,998</b>	<b>38,411,875</b>
Major spare parts that may be classified as plant, property and equipment are not stored by the Company.		

**13. RECEIVABLES**

	<b>2015</b> \$	<b>2014</b> \$
Trade receivables	70,238,904	55,197,464
Less provision for bad debts	(7,852,716)	(2,835,240)
	<b>62,386,188</b>	<b>52,362,224</b>
Prepayments	1,121,607	11,848,632
Other receivables	5,372,707	4,972,707
	<b>68,880,502</b>	<b>69,183,563</b>

At the end of the year, approximately \$28 Million or 41%(2014-\$25 Million or 46%) of the trade receivable balance was due from the Company's five (5) largest customers. The Company also holds collateral in the form of cash deposits for several of its distributors, whose balances are included in the amount for trade receivables.

**14. CASH AND CASH EQUIVALENTS**

	<b>2015</b> \$	<b>2014</b> \$
Petty cash	243,000	284,000
<b>Foreign currency accounts:</b>		
Foreign currency bank accounts: various banks	36,235,097	6,164,273
<b>Local currency accounts:</b>		
Current and saving bank accounts : various banks	27,539,528	14,882,766
	<b>64,017,625</b>	<b>21,331,039</b>

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 exchange rate at the reporting date of the US dollar was J\$ 119.06 to 1US\$ (2014- J\$ 112.71 – 1 US\$)

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**15. PAYABLES**

	<u>2015</u> \$	<u>2014</u> \$
Trade payables	52,996,296	59,449,894
General Consumption Tax (GCT)	6,339,822	7,615,880
Accrued staff vacation pay	5,336,311	4,702,466
Other payables	2,808,201	2,282,463
Distributors' deposits	918,281	600,000
	<u>68,398,911</u>	<u>74,650,703</u>

Included in trade payables is an amount of \$6,322,562 (2014 -\$101,392) 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 Jamaican dollar after the end of the financial year immaterial because the foreign currency balance was short term in nature and promptly settled subsequent to the year end.

**16. DIVIDENDS**

	<u>2015</u> \$	<u>2014</u> \$
Interim dividends	11,310,407	4,712,670
	<u>11,310,407</u>	<u>4,712,670</u>

An interim dividend of 12 cents per stock unit, amounting to \$11,310,407 was paid on 29 May 2015 to shareholders on record as at 15 May 2015 relating to the year ended 30 September 2015. An Interim dividend of 5 cents per stock unit, amounting to \$4,712,670 was paid on 26 June 2014 to shareholders on record as at 16 June 2014 relating to the year ended 30 September 2014.

**17. BANK OVERDRAFT**

The bank overdraft is secured by real estate owned by the Company. At the reporting date, none of the Company's bank accounts were in an overdrawn position.

**18. SHARE CAPITAL**

**Authorised:**  
 97,500,000 ordinary shares at no par value  
**Stated Capital:**  
 Issued and fully paid:  
 94,253,390 ordinary shares of no par value

	<u>2015</u> \$	<u>2014</u> \$
	<u>46,514,770</u>	<u>46,514,770</u>

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**19. CAPITAL RESERVES**

	<u>2015</u> \$	<u>2014</u> \$
Balance brought forward: 1 October 2014/2013	70,948,972	71,942,983
Unrealised gain/(loss) on securities: movement on account during the year	1,810,563	(994,011)
Balance at 30 September 2015/2014	<u>72,759,535</u>	<u>70,948,972</u>
<b>Represented by:</b>		
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/(loss) on securities: net accumulated balance at September 30, 2015	1,001,151	(809,412)
	<u>72,759,535</u>	<u>70,948,972</u>

The capital reserves represent surplus arising on the revaluation of the Company's buildings and plant and machinery by the Directors along with unrealized loss and gain on securities. Refer to note 9.

**20. LONG TERM LOANS**

	<u>2015</u> \$	<u>2014</u> \$
(i) Bank Of Nova Scotia Jamaica Limited	5,880,937	9,595,213
(ii) Bank Of Nova Scotia Jamaica Limited	-	3,813,817
(iii) Bank Of Nova Scotia Jamaica Limited	-	4,161,630
(iv) Bank Of Nova Scotia Jamaica Limited	15,000,000	-
(v) Sagicor Bank Jamaica Limited	15,115,240	20,000,000
(vi) Victoria Mutual Building Society (VMBS)	15,343,120	19,300,000
	<u>51,339,297</u>	<u>56,870,660</u>
Less current portion due within 12 months	(8,464,618)	(10,097,387)
	<u>42,874,679</u>	<u>46,773,273</u>
(i) This loan is repayable on a monthly basis, maturing in November 2017 and attracts interest at 9.95% (2014-9.95%). It is secured by a first and second mortgage over commercial properties owned by the Company.		
(ii) This loan was repaid during the year.		
(iii) This loan was repaid during the year.		
(iv) This loan is repayable on a monthly basis, maturing in September 2020 and attracts interest at 9%. It is secured by a first and second mortgage over commercial properties owned by the Company		
(v) This loan is repayable on monthly basis, maturing in September 2029 and attracts interest at 10.5% (2014-10.5%). It is secured by a first mortgage over commercial property which was purchased in 2014 by the Company.		
(vi) This is a Victoria Mutual Building Society (VMBS) share loan which is repayable on a monthly basis, maturing in July 2019 and attracts interest of 6.5% (2014-6.5%). The primary collateral is a US\$ time account being held with VMBS. See note 10.		

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**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 provision was made for deferred tax during the year because the Company was listed on the JSE Junior Market, effective 3 June 2011 and will be relieved from income tax until 31 May 2016. (See note 7).

**22. EXPENSES BY NATURE**

Total direct, administration and other operating expenses:

	<b>2015</b>	<b>2014</b>
	\$	\$
Cost of inventories recognized as expense	373,011,539	312,587,214
Distribution costs	38,042,639	42,289,224
Advertising, marketing and promotion	26,300,297	22,066,235
Directors' fees	3,031,875	2,565,000
Local travel, accommodation and motor vehicle expenses	2,635,155	2,491,766
Rates, taxes, telephone, fuel and electricity	36,092,916	*38,886,374
Foreign travel and accommodation	1,271,985	1,066,740
Office, general, printing and stationery	2,148,957	2,031,601
Insurance	8,506,853	8,460,569
Rental of property	3,314,500	4,198,872
Repairs and maintenance and cleaning and sanitation	18,550,612	16,654,358
Legal, professional, management and accounting	10,813,903	9,949,200
Audit fees	1,500,000	1,290,000
Security	6,087,102	7,618,214
Staff costs	232,774,579	206,942,395
Depreciation	35,631,210	29,996,693
Amortisation	3,619,584	3,395,380
General Consumption Tax - irrecoverable	5,055,846	2,728,566
Other expenses	4,703,433	2,875,518
	<b>813,092,985</b>	<b>718,093,919</b>

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

**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.

**(a) Related party transactions**

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 \$2.0 Million (2014-\$1.6 Million) and repaid approximately \$2.5 Million (2014 \$2.0 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:

	<b>2015</b>	<b>2014</b>
	\$	\$
Receivables due from Next Incorporated Limited	166,652	222,291

During the year, in regard 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:

	<b>2015</b>	<b>2014</b>
	\$	\$
Next Incorporation Limited		
Related party balance	-	722,013
Current portion due within 12 months	-	(722,013)
Balance payable beyond 12 months	-	-

**(a) Key Management personnel**

During the year, there were no transactions with key personnel of Next Incorporated Limited.

\*Reclassified for comparative purposes. Figure includes Minimum Business Tax.

**HONEY BUN (1982) LIMITED**  
**Notes to the Financial Statements**  
**30 September 2015**

#### 24. CONTINGENT LIABILITIES

In determining the existence of a contingent liability, management assesses the existence of:

- (a) a possible obligation that arises from a past event and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- (b) a present obligation that arises from a past event but is not recognised because it is not possible that an outflow of economic benefit is required to settle, the amount of the obligation cannot be reliably measured.

In estimating possible outflow of economic benefits in relation to a contingent liability, management, if considered necessary, consults with experts such as legal counsel and based on advise may or may not make provision in the financial statements. Contingent liabilities are disclosed in the financial statements, unless considered immaterial or, the possibility of an outflow of economic benefits is remote.

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.

#### 25. COMMITMENTS

The Company had no other material outstanding commitments, financial or otherwise, as at the reporting date.

#### 26. SUBSEQUENT EVENT

The directors of the Company were not aware of any material subsequent event up to the date of the signing of these financial statements that should be disclosed in the financial statements. The Company's attorneys also did not report any significant matter at the reporting date, September 30, 2015.



**HONEY BUN (1982) LIMITED**  
**FORM OF PROXY**

\$100  
POSTAGE  
STAMP  
Affix Here

"I/We \_\_\_\_\_ [insert name]

of \_\_\_\_\_ [address]

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

\_\_\_\_\_ [proxy name]

of \_\_\_\_\_ [address]

or failing him, \_\_\_\_\_ [alternate proxy]

of \_\_\_\_\_ [address]

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10am on the 17th day of February 2016 at Knutsford Court Hotel, 16 Chelsea Avenue, 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):

**VOTE FOR OR AGAINST**  
(tick as appropriate)

**No. RESOLUTION DETAILS**

1.	To receive the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2015.	For <input type="checkbox"/> Against <input type="checkbox"/>
2.	To re-appoint Michelle Chong as a Director of the Board of the Company who has resigned and being eligible, has consented to act on re-appointment.	For <input type="checkbox"/> Against <input type="checkbox"/>
3.	To authorize the Board to fix the remuneration of Directors.	For <input type="checkbox"/> Against <input type="checkbox"/>
4.	To authorize the board to appoint the auditors of the company based on the result of tender, and to fix their remuneration.	For <input type="checkbox"/> Against <input type="checkbox"/>
5.	To approve the interim dividend of 12 cents per share to shareholders on record as at 15 May 2015, paid on May 29, 2015 as the final dividend in respect of year ended September 2015.	For <input type="checkbox"/> Against <input type="checkbox"/>

**SPECIAL RESOLUTIONS**

5.	To amend the <b>Clause 81</b> of the Articles of Incorporation of the Company so as to be able to appoint additional directors as considered appropriate from time to time. For this purpose to pass the following Special Resolution: "To amend the Clause 81 of the Articles of Incorporation of the company by increasing the number of directors from 6 to 10".	For <input type="checkbox"/> Against <input type="checkbox"/>
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Signed \_\_\_\_\_ day of \_\_\_\_\_ 2016

Print Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_ Signature: \_\_\_\_\_

**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.

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