

HONEY BUN (1982) LIMITED
3rd Annual General Meeting Minutes

Date: March 12, 2014

Duration: 10:01am – 11:12am

Board members

present: Herbert Chong (Chairman)
Michelle Chong (CEO)
Paul Moses (Director)
Charles Heholt (Director)
Sushil Jain (Mentor/Director)

Special invitees

present: Daniel Chong (COO)
Ursula Williams (HR & Admin Manager)
Elizabeth Swaby (Marketing Executive)
Rosemarie Campbell-Bailey (Project Management Coordinator)
Andrea Ball (Credit Manager)
Christopher Morris (Accounts Supervisor)
Rosemarie Walker (Production Superintendent)
Dustin Chong (Regional Sales Manager)
Wilfred McKenley (Partner, McKenley & Associates Ltd)
Bruno Loffler (Associate, McKenley & Associates Ltd)

Recorder: Tashma Goulbourne (Executive Asst.)

Venue: Knutsford Court Hotel, 11 Ruthven Road, Kingston 10

1. Welcome

The Chairman called the meeting to order at 10:00 am. He welcomed everyone to the Company's third Annual General Meeting. Rosemarie Campbell-Bailey followed in prayer.

2. Introductions

The Chairman introduced:

- Members of the Board seated at the head table,
- Wilfred McKenley and Bruno Loffler, from McKenley & Associates who have served as auditors.

3. Proxies

The Chairman acknowledged receipt of proxies for VMWM – Client 1 in favour of Mr Sushil Jain and Yvonne McFarlane in favour of Wavelle Robinson

4. Quorum

The Chairman confirmed that a quorum of shareholders was present and therefore declared the meeting open for business.

5. Notice

The Chairman noted that the Notice calling the meeting had been in the hands of the Members of the Company for the prescribed period set out in the Articles, and proposed a motion to accept it as read. Livingston Young seconded the motion and all agreed.

6. Chairman's Address

The Chairman stated that the past year, 2013 continued to see the local economy weakening in strength and consumer purchasing power diminish as the local dollar slid in comparison to the US dollar. As a result the sales weakened but export sales increased.

Honey Bun's focus for year 2013 was mainly on technological improvements. Tremendous energy was dedicated to implementing Enterprise Resource and Planning Software and new Distribution Software. Both of these highly technological solutions have provided significant improvements in efficiency and formed a sound foundation on which to build the business. These were not, however, implemented without their fair share of challenges.

In 2013, exports increased by over 20% mainly due to the quality of the products and the distributor reliance on the company's commitment to complete 100% of the orders on time. In 2014 the greatest thrust the company will continue to make is to expand exports to earn much needed foreign exchange.

During 2013, Honey Bun negotiated the purchase of a property on Retirement Crescent within near proximity to its existing manufacturing facility. The company took possession of that property in October 2013. This allowed consolidation of production plants, marketing and distribution in convenient proximity to each other. This purchase was made entirely from the company's cash flow.

Honey Bun continues to pursue the mandate to support the schools as the company believes that, that is where the greatest impact can be made nationally.

The Chairman thanked the partners Youthlink, Freshhh and Zip 103 FM for their tremendous support. 2012-2013 School Dayz winning school was Charlemont High School from St. Catherine. Fearon Bailey was the first place student in the Singathon competition.

Honey Bun continued to support several charitable feeding programs throughout the year and remained loyal to the Trench Town Inner City program through employment.

Throughout the year, Honey Bun was the proud recipient of:

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

The Chairman thanked these organizations for their recognition.

The Chairman shared that Honey Bun's main plans for 2014 are to focus on greater exports and a leaner manufacturing environment. He noted that at the end of the first quarter export sales had increased in excess of 75% year over year.

Mr. Chairman thanked the Honey Bun team, the CEO and the dedicated Board of Directors who had provided knowledge, operational support and experience.

7. CEO's Report

The CEO welcomed the shareholders, directors, members of staff, and members of the press.

The CEO reported that 2013 financial year showed positive sales trend in spite of the economy and a much more competitive market.

Profit

- Revenue increased by 14.8% from 611 million in 2012 to 702 million in 2013.
- Gross profit increased by 9.7% year over year while Profit before Tax decreased by 15.8% mainly due to a tax audit on a prior period which resulted in increased administrative cost of over \$8 million. This represents a one off expense and had it not been for this tax audit profits would have normalized at 43 million dollars which would represent an increase of 4.5% over prior year.

Expenses

- Besides the GCT Audit which increased administrative expenses, there were also increases in legal and professionals fees to settle various contracts.
- Utility bills for water, electricity and telephone had also had significant increase along with new computer software programming, consultation and training.
- Distribution costs decreased by three percent in spite of a costly restructure of department staff.

Investments

- Investments in Assets for 2013 comprised of the purchase of specialized equipment for the company's cake line to produce cream filled Goldie cakes and the purchase of various software. At the end of the 2013 financial year, the company had increased its investment and cash position to \$81 million compared to \$58 million in the previous year, an increase of 40%. Investments were converted to cash to prepare for the payment for the new property. The company made full payment for the new property on Retirement Crescent from its cash flow in October 2013 and now has it in its possession.

New Products

- In 2013 Honey Bun launched the 'Shordy Bread'. This is a smaller more affordable bread.

For 2014 the major objectives will be to expand exports to earn much needed foreign exchange and to manage a lean production facility. The first quarter already shows exports increasing by over 75%. Local sales however have remained slow. There are several plans in place to improve.

The CEO thanked everyone for attending the meeting. Special thanks were directed at the Directors, especially the company's Mentor, Sushil Jain, who has provided advice and support. His knowledge base and experience leaves little to desire.

8. Auditors' Report

The report of the auditors to the members was read by Bruno Loffler of McKenley and Associates.

9. Questions & Answers

The Chairman invited shareholders to make inquiries /comments:

- a) Howard Staple congratulated Honey Bun on results and stated that he understood the challenging times with limited disposable income. Honey Bun did well despite the challenges and he hopes that the company will continue to do well. He noticed that the number of persons employed increased significantly as it helps to develop the country by creating employment opportunities for individuals. He noted that there were no tabulations or indications of the meetings for various committees. He would like to see for the next meeting a tabulation of the meetings held and the attendees of the meetings.

The CEO responded that the company has four Board meetings a year, one Compensation Committee meeting and four Audit Committee meetings a year. All members attended all the meetings.

Mr. Staple continued by saying he noticed in the report that the word 'shall' was constantly being used; he did not see where the Board 'did'. He said he would like to see more of what was done. The CEO responded that those words were used in policies which are how policies are normally written.

Mr. Staple noted that there was not much of a management discussion and analysis in the Annual Report. He would like more tables indicating trends.

He also expressed salaries and wages moved from 168,564,435 in 2012 to 196,830,005 in 2013 and asked why accrued vacation was included in salaries and wages. Mr. Bruno Loffer responded by stating that it is a requirement of the IFRS.

Mr. Staple noticed that salaries and wages increased and requested an explanation. The CEO responded that in a manufacturing facility there are a lot production workers who earn low wages. Honey Bun has not taken a policy not to increase or to freeze their wages because she recognizes the difficulties that they may face. As such, the company continues to increase salaries annually and there is a large base of persons who would fall under that category. Salaries and wages include all the related expenses such as statutory contributions, education tax and so forth. It is not a significant increase in salary and Honey Bun cannot deprive the workers of much needed increases.

Mr. Staple enquired about the increase in bad debt write off which moved from \$ 424,491 into 2012 to \$1,780,463. The CEO responded that when compared to sales the actual movement in bad debt was not significant. However, there are still plans to collect outstanding debts.

Mr. Staple enquired about the increase in accrued vacation. Mr. Jain responded that it is based on how many persons took vacation in the financial period. Mr. Staple recommended that all the employees take their vacation when it becomes due.

Mr. Staple queried on the balance sheet under current liabilities, bank overdraft, the increase from 2,560,089 in 2012 to 13,533,304 in 2013. The CEO responded that the overdraft was a book overdraft and not an actual one.

Mr. Staple enquired about the increase in cost of sales. The CEO responded that it was due to the increase in sales, the devaluing dollar, increase in prices of raw materials and other utilities.

Mr. Staple asked what other contributions were there to sales cost. The CEO responded that the cost is directly affected by sales and distribution; the more you sell the more it costs.

Mr. Staple questioned why trade receivables were up. The CEO responded that receivables went up due to major distributors. The CEO further stated that the company has taken action towards rectifying this issue.

Mr. Staple requested that operating profit before taxation be reformatted. Mr. Jain responded by saying that Honey Bun has to abide by the IFRS standards of reporting.

- b) Dawn-Marie Roper was impressed with the company's operations and its staying power over the years. She stated that the company was a well run company and has a heart and cares about persons and has motivated her to increase her shares. The Chairman thanked her. She commended the Marketing Executive for doing a phenomenal job and was wondering what she can do as a shareholder to help increase sales. The Marketing Executive added that word of mouth is a strong means of exposure. Ms. Roper ended by commending Honey Bun on export sales.
- c) Livingston Young asked if it is necessary to abide by the IFRS standards. Mr. McKenley answered by saying that these are regulations that must be followed.

He further enquired about export market, if it included the Caribbean region. The Chairman responded that included Europe, the Caribbean, America and Canada. Mr. Young commended Honey Bun for increasing revenue and urged the company to continue doing good work.

- d) Kayree Berry commended Honey Bun on their growth and improvement and stated that she is proud of being a shareholder. The Chairman thanked her. She suggested that Honey Bun communicate with the schools and plan cake sales with them. She shared that Wolmers did not sell sweets except at Cake Sales. The Brand Manager responded by referring to the School Dayz program. She also stated that as a parent she could extend additional information in the PTA meeting. The Marketing Executive responded that the franchises are infiltrating the schools and proposing to build up the canteens for free with the condition to make them the sole food service provider. It is difficult to infiltrate the schools because they have locked into contracts with the franchises.

Mr. Cuthbert Watson commented that schools have special times for their bake sales and Honey Bun should contact them.

- e) David Hall commended the Board and management committee for the profits made in challenging times. He also commended the company on their corporate

governance and risk management and stated that he would continue to support Honey Bun. The Chairman thanked Mr. Hall.

- f) The CEO shared that Honey Bun is the only company in Jamaica that conducts half year audits. This year the company also conducted and completed their first successful Board evaluation and CEO evaluation.
- g) Mr. Staple commented that he would like to see Honey Bun continue to control expenses and to make preparation for after the tax break.
- h) Livingston Young enquired about Honey Bun occupying the new building. The Chairman explained that all manufacturing is now under one roof. The Marketing department and Distribution were relocated to the new building at 22 Retirement Crescent.

10. Resolution 1 – To receive Annual Accounts

On the motion proposed by the Chairman seconded by Ursula Williams, the following resolution was put to the vote and carried.

THAT the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2013 be received and adopted.

11. Resolution 2 – Re-appointment of Directors retiring by rotation

The second resolution set out in the Notice was to re-elect certain directors who retire by rotation under the provisions of the Articles of Association and are eligible for re appointment.

Resolution 2(a)

On the motion proposed by The Chairman seconded by Michael Hendricks:

THAT Paul Moses be re-elected as a director of the Company.

The resolution was carried.

Resolution 2(b)

On the motion proposed by The Chairman seconded by Rosemarie Campbell-Bailey:

THAT Charles Heholt be re-elected as a director of the Company.

The resolution was carried.

12. Resolution 3 – Directors' remuneration

On the motion proposed by the Chairman seconded by Livingston Young, the following resolution was put to the vote and carried.

THAT the Board is authorized to fix the remuneration of the Directors.

13. Resolution 4 – Auditors' remuneration

On the motion proposed by the Chairman seconded by Michael Hendricks, the following resolution was put to the vote and carried.

THAT the Board is authorized to reappoint auditors McKenley and Associates based on their consent as auditors of the Company, and to fix their remuneration.

14. Resolution 5 – Approve dividend for the year

On the motion proposed by the Chairman seconded by Livingston Young, the following resolution was put to the vote and carried.

THAT the interim dividend of 9 cents per share paid on March 27, 2013 is approved as the final dividend in respect of the year ended 30 September, 2013.

15. Conclusion

The Chairman thanked all for coming. The meeting closed at 11:12am.

DATE

CHAIRMAN