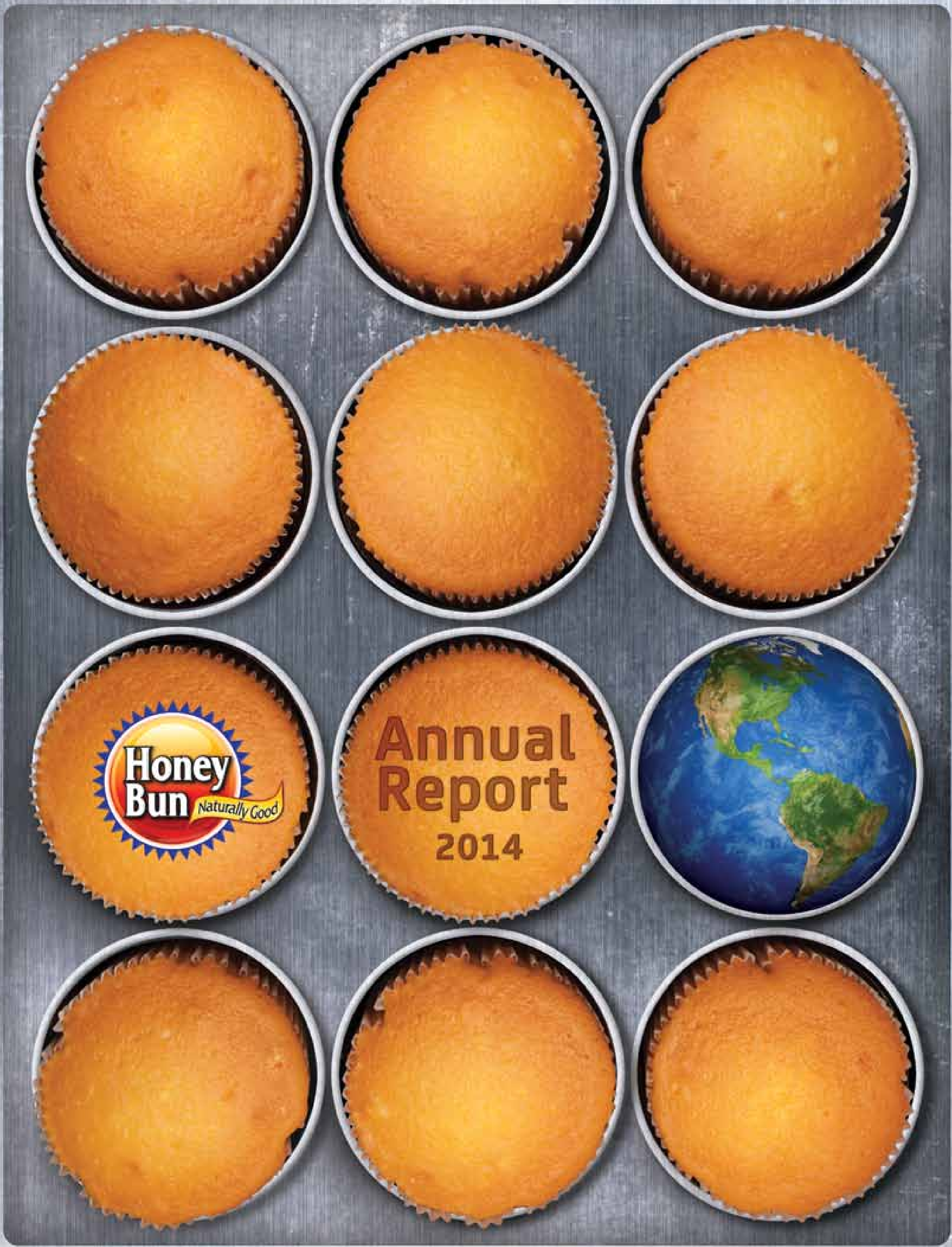
Honey Bun
Naturally Good
Annual Report
2014

Rising to meet **Global Demands**




Honey Bun Naturally Good

Photo of Mrs. Michelle Chong; CEO, Honey Bun receiving the JSE 2013 Best Practice Corporate Governance Award for the Junior Market category for Corporate Disclosure and Investor Relations from H.E Mr. Robert Ready, Canadian High Commissioner to Jamaica.

Photo of Mr. Herbert Chong; Chairman, Honey Bun receiving the JSE 2013 Best Practice Annual Report Award for the Junior Market category from Professor Neville Ying.

Photo of Mr. and Mrs. Chong alongside mentor to the board Mr. Sushil Jain with their Awards, including the prestigious JSE 2013 Governor General's Award for Overall Best Junior Market company.

PROUD MOMENTS OF THE YEAR.

Photo of Mrs. Antoinette Morgan-Burt; Brand Manager, Honey Bun receiving the Champion Export Award for Small Exporter from Diane Edwards; President, JAMPRO, and Digicel Business ICT Award from Mr. Barry O'Brien; CEO, Digicel Jamaica at the Jamaica Manufacturers Association Award Ceremony held on October 9th, 2014 at the Jamaica Pegasus Hotel.

Photo of Ms. Elizabeth Swaby; Chief Marketing Officer, Honey Bun receiving the JEA 2013 National Export Award for Champion Manufacturer, 1st Runner-up from Hon. Anthony Hylton; Minister of Industry, Investment & Commerce.

COMPANY PURPOSE

Vision

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

Mission

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

Corporate Values

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

Key Behaviours

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

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given

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

Date:	17th February, 2015
Time:	10:00 am
Place:	Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5
Purpose:	For shareholders to consider, and if thought fit, to approve resolutions concerning the following items of routine business:

1. To receive and approve the report of the Board of Directors and the Audited Accounts for the financial year ended 30th September, 2014.
2. To re-appoint two Directors of the Board, who have retired by rotation in accordance with the Articles of Incorporation, and being eligible, have consented to act on re-appointment:
   (a) To re-appoint Herbert Chong as a Director of the Board of the Company.
   (b) To re-appoint Sushil Jain as a Director of the Board of the Company.
3. To authorize the Board of Directors to fix the remuneration of Directors.
4. To authorize the Board of Directors to fix the remuneration of McKenley and Associates who have consented to continue as the auditors of the Company.
5. To approve the interim dividend of 5 cents per share as the final dividend in respect of the year ended 30th September, 2014; such dividend was paid to shareholders on record at 16th June 2014 with payment made on 26th June, 2014.

Dated this 29th day of December, 2014
BY ORDER OF THE BOARD OF DIRECTORS

Michelle Chong
COMPANY SECRETARY

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

Herbert Chong

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

Michelle Chong

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

Paul Moses

Paul Moses is a Non-Executive Director of the Company. He serves as Chairman of the Compensation Committee and is also a member of the Audit Committee.

Mr. Moses is the founder and Managing Director of Checker International Limited. He has acted as a consultant to the Company since 2000, and has assisted with various strategic initiatives since that time. Mr. Moses is a former Director of the Jamaica Exporters Association. Prior to founding Checker, he worked in management of Kem Products Limited having started his business career at Seprod as a management trainee. Mr. Moses holds a Bachelor of Science degree in Economics from the University of the West Indies.

Sushil Jain

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

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

Mr. Jain is a fellow of many professional institutes including the Institute of Chartered Accountants of Jamaica. 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.

PROFILE OF DIRECTORS

Charles Heholt

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

Mr. Heholt is the founder and Managing Director of Nationwide Technologies Limited. Previously, he held various senior management roles within the Grace Kennedy group of companies.

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

EXECUTIVE MANAGEMENT TEAM

Michelle Chong

CHIEF EXECUTIVE OFFICER

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

Mrs. Chong's strengths include finding opportunities in challenges, strategic planning, team building and process engineering systems that create value and add consistency to manufacturing. Her passion for development of human resources has created a unique and dynamic culture that continues to be one of Honey Bun's key competitive features.

Daniel Chong

CHIEF OPERATIONS OFFICER

Daniel Chong graduated from the University of Waterloo, Ontario, Canada with an Honours degree in Civil Engineering. He has experience in distribution logistics from previous employment in Toronto, Canada. He also worked for AECOM, a United States Fortune 500 company as a Transportation Designer before joining the family business as Chief Operations Officer. Daniel works closely with Chief Executive Officer, Michelle Chong on the technical operation of the Company's day to day business.

Daniel has recently completed the American Institute of Baking course in Preventative Maintenance.

Elizabeth Swaby

CHIEF MARKETING OFFICER

Elizabeth Swaby is a graduate of the University of the West Indies where she received a Bachelor of Science degree with First Class honours in Management Studies, Marketing. Elizabeth has worked in the industry with extensive experience in Marketing, Event Planning and Project Management. She was also responsible for a start up company called Campus Clutter, which allowed students on campus to share resources, find jobs, housing, cars, etc on one website platform.

Photo of Management Team: Elizabeth Swaby (CMO), Rosemarie Bailey (Food Safety Manager), Stacy Wilson (Quality Manager), Michelle Chong (CEO), Desmond Tomlinson (Sanitation Manager), Daniel Chong (COO), John Williams (Maintenance Manager), Christopher Morris (Senior Accounts Supervisor), Richard Terry (IT Manager), Dustin Chong (Distribution Manager), Ursula Williams (HR Manager), Rosemarie Walker (Production Manager), Andrea Ball (Accounts Receivable Manager).

SHAREHOLDERS' PROFILE

Ten Largest Shareholders
AS AT 30 SEPTEMBER 2014

Name:	# of Units:
Michelle Chong	37,500,000
Herbert Chong	37,500,000
Mayberry Managed Clients Account	3,499,257
Daniel V Chong & Dustin Chong	2,060,600
Krystal T Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,931,367
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1	443,318
Paul H. Moses	400,000

Shareholdings of Directors
AS AT 30 SEPTEMBER 2014

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

Shareholdings of Senior Officers
AS AT 30 SEPTEMBER 2014

Name:	# of Units:
Daniel Chong	2,060,600

DIRECTORS' REPORT

The Directors are pleased to present their report for Honey Bun (1982) Limited for the year ending 30th September, 2014.

FINANCIAL RESULTS

The Statement of Comprehensive Income shows pretax profits of $22.3 Million. Details of these results, along with a comparison of the previous year's performance and the state of affairs of the Company are set out in the Management Discussion and Analysis and the Financial Statements which are included as part of this Annual Report.

DIRECTORS

The Directors of the Company as at 30th September, 2013 are:

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

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

AUDITORS

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

DIVIDEND

A dividend of 5 cents per share was paid on 26 June 2014 and is being proposed as the final dividend in respect of the year ended 30 September 2014.

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

Dated this 29th day of December, 2014
FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS

Michelle Chong
COMPANY SECRETARY

Honey Bun is pleased to report on the many achievements made during the FY 2014, some of which constitute foundation building particularly in the areas of IT infrastructure, property acquisition and improved Corporate Governance.

During the year, sales increased by 6% in a difficult local climate; however we proudly achieved increased sales on the export market in excess of 64% after an increase of 20% in the prior year. Export remains one of Honey Bun's main focal points to target larger markets with a more stable economy not affected by significant devaluations and high inflation rates. In order to achieve this, focus has to be made on high international manufacturing standards. Our local industry is subject to vast competition and we consider our competitive advantage to be our brand, and the quality and taste of our products. We believe in the spirit of competition and the benefits it provides for the consumer.

Gross Profits for the period increased to $304 million. This represents a 3% increase year over year. Net profits however declined to $22 million, or a 37% decline. During the period, there was a major independent distributor who experienced significant problems and we had to endure unexpected distribution expenses in order to ensure continuity of service to our customers. Further to this, two of our largest transportation vehicles suffered from serious accidents in 2014 which resulted in the leasing of vehicles which increased our distribution costs significantly. We have subsequently reduced most of the costs associated with the independent distributor and both vehicles are now functional.

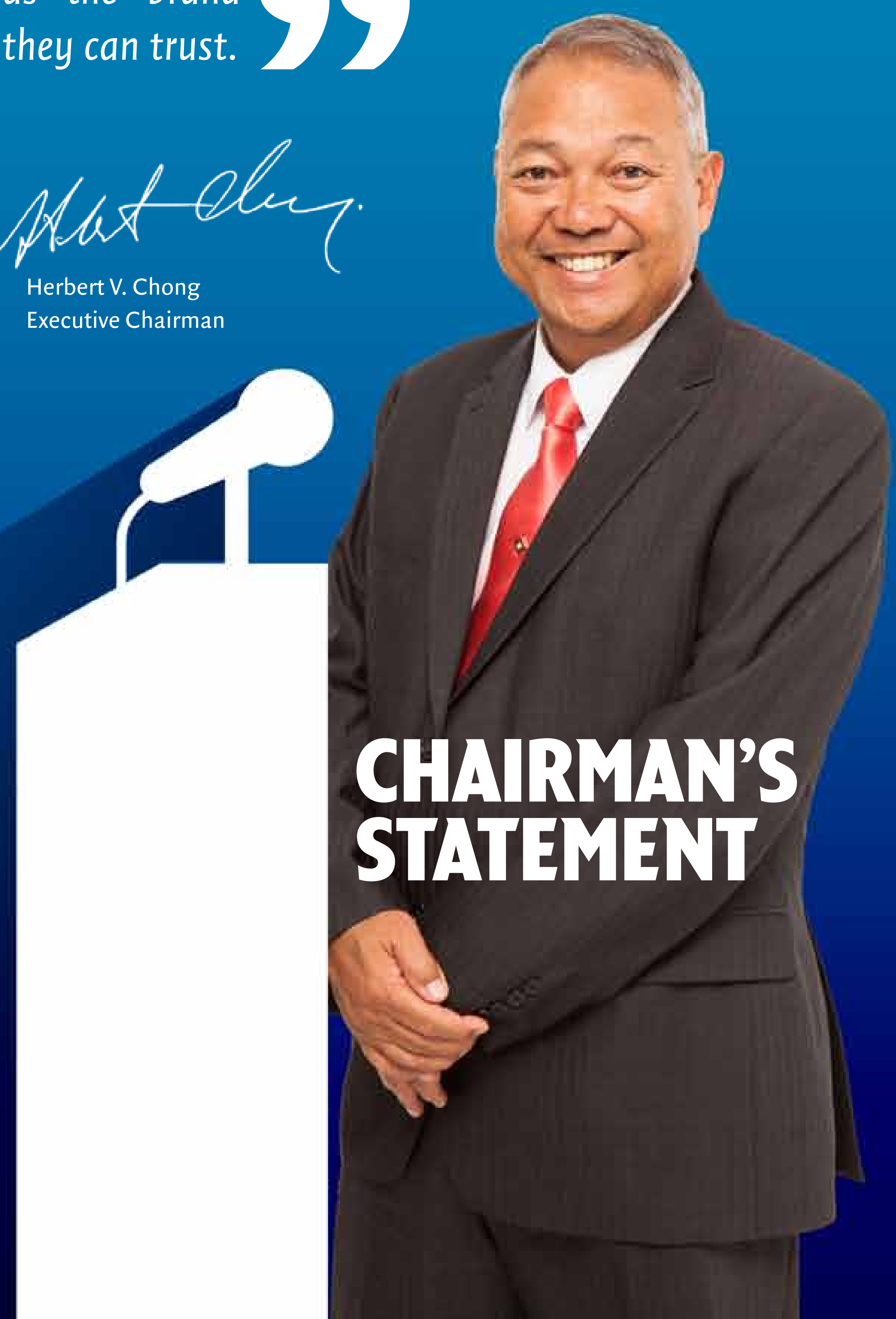
It is critical for us at Honey Bun to ensure a strong foundation for sustainable growth. In 2014 this included continued improvement on sound Corporate Governance and a strong technology-based business environment. As a result we were recognized by the Jamaica Manufacturers' Association by being awarded the Digicel ICT Award for Technology for the 2nd year in a row and the runner up for Exporter of the year in the Small Exporter category. We were also awarded the Jamaica Stock Exchange Junior Market Award for Corporate Disclosure and Investor Relations for the third consecutive year and the overall best Junior Market company for 2011 and 2013.

I would like to take this opportunity to thank these organizations for their recognition!
2014 was a hallmark year for Honey Bun as we purchased the properties at both 22 and 24 Retirement Crescent which are adjacent to our plant at 26 Retirement Crescent. A significant portion of these properties is yet to be developed based on the various opportunities we are currently seeking to determine the best return on these investments.

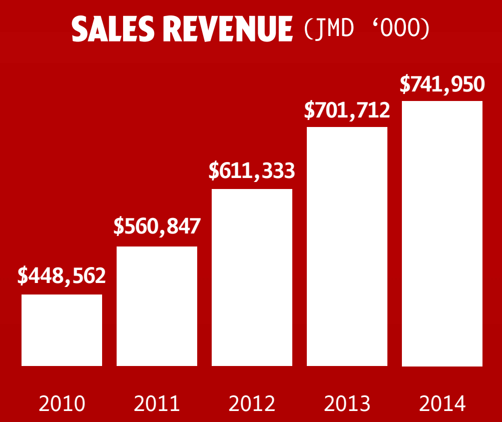
I wish to thank our directors for their support over the years but especially to thank our mentor Sushil Jain who has provided wisdom and support well beyond our expectations and has allowed us to maintain a leading edge in Corporate Governance and Risk Management.

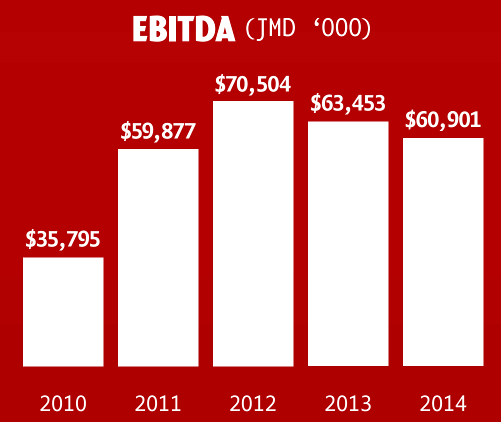
I also wish to thank all our stakeholders including our dedicated and loyal staff. I wish to specially thank our customers for continuing to choose brand Honey Bun as the brand they can trust.

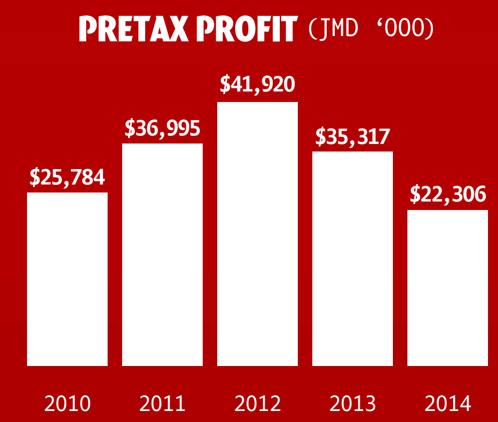
Herbert V. Chong
Executive Chairman

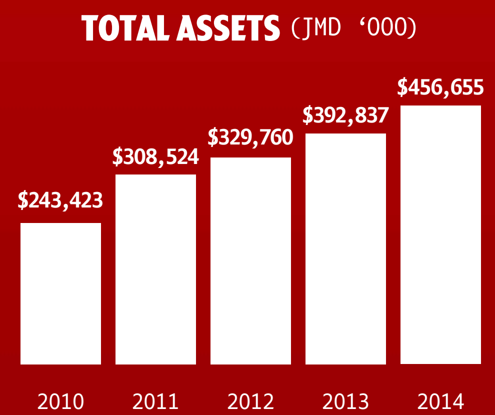


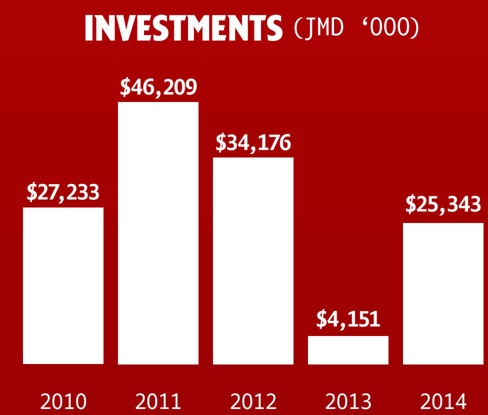
CHAIRMAN'S STATEMENT











CASH FLOW RELATED 3-YEAR TREND

	2012	2013	2014
Inventories	27,600,573	33,735,814	38,411,875
Receivables	55,827,979	78,086,936	69,183,563
Payables	40,066,133	74,591,530	74,650,703

5-YEAR FINANCIAL PERFORMANCE

PROFIT & LOSS ACCOUNT

	2010 ['000]	2011 ['000]	2012 ['000]	2013 ['000]	2014 ['000]
Turnover	448,562	560,847	611,333	701,712	741,950
% Increase over prior year	11%	25%	9%	15%	6%
Cost of Sales	269,914	324,970	342,061	406,362	437,749
% Increase over prior year	3%	20%	5%	19%	8%
Gross Profit	178,648	235,876	269,272	295,350	304,201
% Increase over prior year	25%	32%	14%	10%	3%
Administrative Expenses	78,749	129,522	144,541	173,958	171,787
% Increase over prior year	49%	64%	12%	20%	-1%
Selling & Dist. Costs	67,440	67,581	82,427	90,127	108,497
% Increase over prior year	42%	0%	22%	9%	20%
Financial Expenses	5,254	4,531	2,795	2,903	5,204
% Increase over prior year	162%	-14%	-38%	4%	79%
Pretax Profit	25,784	36,995	41,920	35,317	22,360
% Increase over prior year	-43%	43%	13%	-16%	-37%
EPS	0.23	0.34	0.44	0.37	0.25

FINANCIAL POSITION

	2010 ['000]	2011 ['000]	2012 ['000]	2013 ['000]	2014 ['000]
Non-Current Assets	186,343	229,890	222,269	203,235	327,617
% Increase over prior year	257%	23%	-3%	-9%	61%
Investments	27,233	46,209	34,176	4,151	25,343
% Increase over prior year	58%	70%	-26%	-88%	511%
Current Assets	57,080	78,634	107,492	189,602	129,038
% Increase over prior year	-11%	38%	37%	76%	-32%
Total Assets	243,423	308,524	329,761	392,837	456,655
% Increase over prior year	82%	27%	7%	19%	16%
Current Liabilities	64,105	51,692	46,340	91,839	100,886
% Increase over prior year	35%	-19%	-10%	98%	10%
Non-Current Liabilities	13,668	17,024	13,309	9,595	46,773
% Increase over prior year	151%	25%	-22%	-28%	387%
Total Liabilities	77,773	68,716	59,649	101,434	147,659
% Increase over prior year	47%	-12%	-13%	70%	46%
Issued Capital	40,000	46,515	46,515	46,515	46,515
% Increase over prior year	0%	16%	0%	0%	0%
Capital Reserves	47,850	47,850	71,829	71,943	70,948
% Increase over prior year	45%	0%	50%	0%	-1%
Shareholder Equity	135,989	210,146	270,511	291,403	308,996
% Increase over prior year	68%	55%	29%	8%	6%

PERFORMANCE SUMMARY

FY 2014 presented mixed financial performance. Export sales for the period increased by over 64% while local sales saw declines in some markets and increases in others. Local competition increased significantly this year with the entrance of several relatively new manufacturers against a background of shrinking markets and significantly reduced consumer spending power. The overall net effect was an increase of 6% in sales.

Overall cost of sales was controlled at 59%. This was extremely challenging with increases in major raw materials, utilities and general high inflation. The company took several actions to maintain cost of sales without having to increase prices significantly.

Gross profits increased by 3% or almost $9 million while profits after tax for the year were $22.3 million - a decrease over the prior year of 37%. This was mainly as a result of unplanned for higher distribution costs.

While distribution costs increased we were able to maintain several administrative cost reductions year over year. Restructuring the organization to a flatter model created extensive savings. Administrative costs remained flat with a slight 1% reduction. Depreciation increased by 32% based on the level of investments made in the year for the purchase of motor vehicles and prior year's purchases of software and IT related equipment. Financial Expenses also increased as a result of the acquisition of the properties adjacent to the manufacturing plant at 26 Retirement Crescent.

CASH FLOW AND BALANCE SHEET

The company's balance sheet shows an increase in noncurrent assets and investments by 61% and 511% respectively while Current Assets reduced by 32% which is partially due to reduction in receivables.

Non-Current Liabilities were increased to $46 million in order to finance the purchase of the new properties. This also contributed to increased finance costs.

Receivables decreased by 11%, payables remained approximately the same, and inventories increased by 14% compared to 2013. We consider these results satisfactory.

After exiting a difficult economic climate for 2014 we are optimistic that the decreases in the cost of commodity prices will provide for a more lucrative manufacturing sector in 2015. We plan to continue our thrust into exports and also have plans to significantly increase our local sales through several strategies and diversification opportunities already on the drawing board.

EXPORTS

Exports to larger markets continue to be our main focus for growth. We are proud to say that exports increased by 64% in 2014 after a 20% growth in 2013 and we believe that we still have significant untapped market opportunities.

CORPORATE SOCIAL RESPONSIBILITY

A significant part of Honey Bun's market consists of students and as such we have always felt a responsibility to use our various programs to promote positive values in the area of education. Our School Days' Program this year awarded over $900 thousand worth of prizes to schools and students.

During the summer, our program engaged a Family Value theme whereby we launched our discounted Family Pack of products and provided family time rewards for our participants. As September approached we also provided financial support to several students to subsidize their school fees. We enjoyed meeting students with their parents as they came in to receive prizes. We wish to thank our partners Youthlink, Children's Own, The Gleaner and the RJR Group.

MANAGEMENT DISCUSSION & ANALYSIS

ACCOLADES AND ACHIEVEMENTS

2014 awards proudly received by Honey Bun included:

- JSE 2013 Best Practice Governor General's Award for Overall Best Junior Market company!
- JSE 2013 Best Practice Corporate Governance Award for the 3rd year in a row for the Junior Market category for Corporate Disclosure and Investor Relations.
- JSE 2013 Best Practice Annual Report Award for the Junior Market category
- JMA 2013 Digicel Business ICT Award
- JMA 2013 Champion Exporter Award for Small Exporter
- JEA 2013 National Export Award for Champion Manufacturer Category 1 Runner up

During the year in review the following improvements to Corporate Governance were completed:

- First Evaluation of CEO
- First Evaluation of the Board
- Documentation of our Corporate Social Responsibility Policy which includes Corporate Governance, Environment, Human Rights, Equality, Diversity and our Impact on Society.
- Updated the company's Risk Register. This Register assists us in the development of our company strategies.
- Updated policies to include measures to comply with laws for Money Laundering.
- Documented our Environmental Policy. Based on a Gap Audit conducted by a Greenpyme program (sponsored by Scotiabank) we were able to make improvements on our energy usage.
- Completed an internal audit and training on 5S (a basic, fundamental, systematic approach for productivity, quality and safety improvement in all types of business) for 90% of our staff and made significant improvements.
- Completed a Quality Management Audit by Quality Systems Solutions and Initiatives
- Updated our Policy and Program for Product Quality Management

Board meetings held and were 100% attended by all the directors.

	Board	Compensation & Nomination Committee	Audit & Risk Management Committee
Meetings Held	4	1	4
Meetings Attended			
Herbert Chong	4	n/a	n/a
Michelle Chong	4	1	4
Sushil Jain	4	1	4
Paul Moses	4	1	4
Charles Heholt	4	1	4

At Honey Bun we believe that our Corporate Governance programs improve trust and relationships with all our stakeholders and contribute to our success.

PLANS FOR UPCOMING YEAR

Since Listing on the Jamaica Stock Exchange, infrastructure has been put in place with investments in ERP software, distribution software, and trend and predictive software. We have also acquired the two properties located immediately beside our existing manufacturing plant. The adoption of these software systems created significant demands on our resources, both human and financial while balancing the economic challenges. In the upcoming years we plan to take advantage of the opportunities that these have provided us, particularly those which the expansion of our real estate acquisition will allow.

Plans for 2015 are focused on our Key Performance Indicators (KPIs) established by the management team. These primarily include those for continued improvement in exports, diversification of sales revenues, implementing a robust program developed to international standards for delivering customer service and further refining our distribution strategy. All KPIs are measurable and key management team members are held accountable for their achievements. Other KPIs are focused on improvement in efficiency to increase output in lbs per man hour, reduce product defects and to meeting critical project timelines. The team has already accepted these strategies and is immensely motivated.

The Audit and Risk Management Committee has agreed for Honey Bun to complete an Internal Audit of the Manufacturing and Procurement processes and to also update our Internal Financial Audit for 2014.

The Honey Bun Family First Superheroes posing in front of a Honey Bun delivery truck before going out on their daily mission of helping Jamaicans put families first.

RISING TO MEET THE EDUCATION DEMAND

Our School Days' program has been supporting local schools for the past 9 years by allowing students to use their talents. We have rewarded hundreds of students/schools with technology driven devices in the form of tablets, computers, laptops and printers. We believe that no child in Jamaica should be denied the resources needed to be a well educated, thriving and ambitious individual and as such School Days is just one of the ways in which we support national education.

This year's top school was Belmont Academy from Westmoreland, which was awarded several computers and computer devices.

Within our own company, Honey Bun also offers educational grants to our staff members and their children to help fund their educational ambitions. Annually we provide for GSAT scholarships for our staff's children and university grants and training to help invest in our staff's abilities.

RISING TO MEET SOCIAL DEMANDS

This summer Honey Bun took the opportunity to communicate the importance of family values. We initiated a fun 'Family First' promotion for our patrons, which sought to promote family time and activities during the summer period. We also launched a 'Family Pack' of products at a discounted price.

Entrants to the Family First promotion were able to win a number of family orientated prizes to promote family time. Prizes valued at $600 thousand included tickets to visit Mystic Mountain, a weekend for a family at Beaches Ocho Rios and movie tickets.

At the end of summer, Honey Bun provided cash prizes to seven lucky students to assist with back to school expenses.

FEEDING THOSE IN NEED

Honey Bun manages a large feeding program for some of the needy homes. We are happy for the opportunity to support the cause of the Missionaries of the Poor. Last year we spent a day during Christmas at Good Shepherd Home and besides feeding the residents we had a great time dancing with them!

We also provide our neighbor school, John Mills with products for their students and they also assist us by lending their football field for our staff!

John Holmes once said, "There is no exercise better for the heart than reaching down and lifting people up". These are the things within our business that bring satisfaction when we are able to make a difference in a life.

CORPORATE SOCIAL RESPONSIBILITY

"WE MAKE A LIVING BY WHAT WE GET. WE MAKE A LIFE BY WHAT WE GIVE."
– WINSTON CHURCHILL.

Those of us in Business know all too well how real this is. We believe in our opportunity to add value and impact the lives of others through our business.

Honey Bun handing over a cheque to a Family First Winner

A School performing during the final concert of School Days

Children from Elleston Infant & Primary School rejoicing after being announced as the winner of the Singathon Competition during the School Days Promotion.

Honey Bun handing over a laptop to a winner from the Honey Bun School Days Promotion

HUMAN RESOURCES

The Honey Bun Team participating in the Sagicor Sigma Run 2014 as a part of our continued effort to build team spirit and comradery.

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

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

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

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

2014 CHANGES

In 2014 the organizational structure of the Management Team was reviewed with the intention to flatten the organization. As such there are less Executive Managers. Existing department managers are allowed the opportunity to sit at management meetings and are held accountable for operational performances. The reduction in levels within the organization has led to the strengthening of our 2nd level of line managers. This has also contributed to a reduction of cost at the administrative level and provided for a leaner, more engaged team of leaders.

This restructure has also been coupled with encouraging short term contract of experts in specific fields to work with the company to make systematic improvements.

The Human Resource Department has also been responsible for the update of documents and the reinforcement of document controls within the various departments.

TRAINING AND DEVELOPMENT

Training and development of each employee begins with an aggressive 'Orientation of New Employee' program which includes training in 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 jobs. 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 the review of opportunities based on being able to view 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 the 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. While inflation creates financial difficulties for our employees, Honey Bun has been committed to annual salary increases as we recognize that staff are also burdened by the rising cost of living.

It is important for us to gain sufficient feedback on employee satisfaction and this is completed by way of annual feedback via Survey. We seek creative ways to improve staff satisfaction through 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.

Rose Bailey and her son, Antonio Bailey receiving a GSAT Scholarship from HR representative , Sydoni Knight.

In 2015 our Customer Service Policy and program will enhance further internal customer service. We thank our 250 staff members who frequently express the gratitude they have for the opportunity to be employed with meaningful work and who are allowed to develop professionally to world class standards.

CORPORATE GOVERNANCE

The Honey Bun's Board of Directors represents the owners' interest in maintaining and growing a successful business, including optimizing long term financial growth. The mission of the Board is to be accountable and transparent in increasing long term value for 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 Corporate Governance Guideline details the function and specific responsibilities of the Board of Directors, their selection and orientation and those of the subcommittees. There are 2 subcommittees which are the Audit and Risk Management Committee and the Compensation and Nomination Committee.

The Corporate Governance Policy was updated in 2013 to include the evaluation of the board performance and that of the CEO. It was also updated to include the responsibilities of the company mentor. In January 2014 the company completed its first evaluation of board and CEO.

Honey Bun joined the Jamaica Stock Exchange as a Junior company on 3 June 2011. We have adopted the recommended code for securities transactions by Directors and Officers which gives regard to the statutory provision of the Securities Act 1993 (Section 51) on insider dealings. The basic principles outline blocked periods for trading of company shares.
The Corporate Disclosure Policy regulates the disclosure of information about Honey Bun and its business activities; while the Risk Management Policy forms an integral part of the Company's strategic plans. Risk Management is the active process whereby we address the risks attached to our activities; encouraging the understanding of the potential upside and downside of all those factors which can affect the firm. Risk Management increases the probability of success, and reduces both the probability of failure and the uncertainty of achieving the firm's overall objectives.
Honey Bun's Policy on Money Laundering exists to ensure persons responsible for the collection of funds from customers or any other source are aware of the various acts and legal requirements related to crime that involves money laundering.

Although most Anti Money Laundering regulations relate to Financial Institutions, it is essential that Honey Bun employees are aware of the company's position.

The Environmental Policy was developed as a form of recognition that our operations are capable of impacting on the environment and to confirm our commitment to continually improving and reviewing our performance in these regards. Our policy covers our commitment to meeting legal and regulatory standards and adopting global standards.

We also recognize that good Corporate Social Responsibility embraces all aspects of sustainable development and the way we affect people through our business operations. Our policy on CSR describes our attitude towards how we conduct business as it relates to local and international best practices in a social context. We will take steps to understand how we can most effectively support the needs of the local community and implement initiatives accordingly. Our impact on the local and wider community will be understood and nurtured and we will maintain dialogue with them for mutual benefit.

Further details of these policies may be viewed on the company website at www.honeybunja.com.

CORPORATE DATA

DIRECTORS

CHAIRMAN
Mr. Herbert V. Chong

EXECUTIVE
Mrs. Michelle Chong - CEO

NON-EXECUTIVE
Mr. Paul Moses
Mr. Charles Heholt
Mr. Sushil Jain

SECRETARY
Mrs. Michelle Chong

LIST OF SENIOR OFFICERS

Mr. Herbert Chong - Chairman
Mrs. Michelle Chong - CEO
Mr. Daniel V. Chong - Chief Operating Officer
Ms. Elizabeth Swaby - Chief Marketing Officer

ATTORNEYS-AT-LAW

CHEEKS & COMPANY
Suite 2, Paisley Professional Centre
3a Paisley Avenue, Kingston 5

BANKERS

BANK OF NOVA SCOTIA JAMAICA LIMITED
2 Knutsford Boulevard
Kingston 5

SAGICOR BANK LIMITED
24-28 Barbados Avenue
Kingston 5

FIRST GLOBAL BANK LIMITED
28-48 Barbados Avenue, Kingston 5

AUDITOR

MCKENLEY AND ASSOCIATES
12 Kingslyn Avenue, Kingston 10

INTERNAL AUDITOR

DC CONSULTANTS & ASSOCIATES
7 Hope Close, Kingston 6

REGISTRAR AND TRANSFER AGENT

JAMAICA CENTRAL SECURITIES DEPOSITORY
40 Harbour Street, Kingston

Honey Bun Naturally Good

HONEY BUN (1982) LIMITED REGISTERED OFFICE

26 RETIREMENT CRESCENT
KINGSTON 5
JAMAICA, W.I.
TELEPHONE: (876) 960-9851
FAX NUMBER: (876) 960-5782
WEBSITE: WWW.HONEYBUNJA.COM

McKENLEY & ASSOCIATES
CHARTERED ACCOUNTANTS

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

To the Members of
Honey Bun (1982) Limited

Independent Auditors' Report

We have audited the accompanying financial statements of Honey Bun (1982) Limited (the Company) which comprise the Company's statement of financial position as of 30 September 2014 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Wilfred M. McKenley, F.C.C.A., F.C.A., M.B.A., Janice E. McKenley, B.Sc., EMBA., F.C.C.A., F.C.A. (Partner on Leave)

McKENLEY & ASSOCIATES
CHARTERED ACCOUNTANTS

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To the Members of
Honey Bun (1982) Limited

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 30 September 2014, 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
November 21, 2014
Kingston, Jamaica

AUDITORS REPORT

HONEY BUN (1982) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

30 September 2014

	Note	2014 $	2013 $
Revenue	2 (r)	741,950,751	701,712,140
Cost of sales		437,749,558	406,361,643
Gross profit		304,201,193	295,350,497
Finance income - interest		204,056	431,394
Exchange gains and other income	4	4,443,294	6,523,017
		308,848,543	302,304,908
Expenses			
Administrative and other expenses		(171,787,195)	(173,957,788)
Selling & distribution costs		(108,497,166)	(90,126,901)
		(280,284,361)	(264,084,689)
Profit from operations		28,564,182	38,220,219
Finance costs		(5,204,150)	(2,903,003)
Profit before taxation		23,360,032	35,317,216
Taxation	7	60,000	-
Net profit for the year		23,300,032	35,317,216
Other comprehensive income			
Unrealised (loss)/gain on investment		(994,011)	113,375
Total comprehensive income for the year		22,306,021	35,430,591
Earnings per stock unit	8	0.25	0.37

HONEY BUN (1982) LIMITED

STATEMENT OF FINANCIAL POSITION

30 September 2014

	Note	2014 $	2013 $
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	296,611,652	190,403,117
Investments	10	25,343,421	4,151,679
Intangible assets	11	5,662,195	8,680,500
		327,617,268	203,235,296
CURRENT ASSETS			
Inventories	12	38,411,875	33,735,814
Receivables	13	69,183,563	78,086,936
Taxation recoverable		112,493	112,493
Cash & cash equivalents	14	21,331,039	77,667,022
		129,038,970	189,602,265
CURRENT LIABILITIES:			
Payables	15	74,650,703	74,591,530
Bank overdraft	17	16,138,286	13,533,304
Current portion of long term loans	20	10,097,387	3,714,276
		100,886,376	91,839,110
Net current assets		28,152,594	97,763,155
		355,769,862	300,998,451
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	18	46,514,770	46,514,770
Capital reserves	19	70,948,972	71,942,983
Retained earnings		191,532,847	172,945,485
		308,996,589	291,403,238
NON-CURRENT LIABILITY			
Long term loans	20	46,773,273	9,595,213
		46,773,273	9,595,213
		355,769,862	300,998,451

Approved for issue by the Board of Directors on November 21, 2014 and signed on its behalf by:

Herbert Chong - Director

Charles Heholt - Director

HONEY BUN (1982) LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

30 September 2014

	Note	Capital Reserves $	Share Capital $	Retained Earnings $	Total $
Balance: 30 September 2011		47,849,944	46,514,770	115,781,239	210,145,953
Unrealised gain on securities		71,224	-	-	71,224
Dividends		-	-	(11,310,406)	(11,310,406)
Reversal of deferred taxation		23,908,440	-	5,753,657	29,662,097
Net profit		-	-	41,541,788	41,541,788
Balance: 30 September 2012		71,829,608	46,514,770	151,766,278	270,110,656
Unrealised gains on securities available for sale		113,375	-	-	113,375
Dividends	16	-	-	(14,138,009)	(14,138,009)
Net profit		-	-	35,317,216	35,317,216
Balance: 30 September 2013		71,942,983	46,514,770	172,945,485	291,403,238
Unrealised losses on securities available for sale		(994,011)	-	-	(994,011)
Dividends	16	-	-	(4,712,670)	(4,712,670)
Net profit		-	-	23,300,032	23,300,032
Balance: 30 September 2014		70,948,972	46,514,770	191,532,847	308,996,589

HONEY BUN (1982) LIMITED

STATEMENT OF CASH FLOWS

30 September 2014

	2014 $	2013 $
Cash flows from operating activities:		
Profit before taxation	23,360,032	35,317,216
Adjustments for:		
Depreciation	29,996,693	25,232,508
Gain on sale of property, plant and equipment	(853,398)	-
Amortization	3,395,380	2,050,753
Other non-cash items:		
Investment income	(204,056)	(431,394)
Finance costs paid	5,204,150	2,903,003
Operating cash flows before movement in working capital	60,898,801	65,072,086
Movements in working capital:-		
Inventories	(4,676,061)	(6,135,241)
Receivables	8,903,373	(22,258,957)
Payables	59,173	34,525,397
	65,185,286	71,203,285
Income taxes paid	(60,000)	-
Net cash from operating activities	65,125,286	71,203,285
Cash flows from investing activities:-		
Sales proceeds from property, plant and equipment	10,250,224	-
Payment for property, plant and equipment	(145,602,054)	(32,479,333)
Payment for intangible assets	(377,075)	(5,794,599)
Interest received	204,056	431,394
(Purchase)/Sale of investments	(22,185,752)	30,137,695
Net cash used in investing activities	(157,710,601)	(7,704,843)
Cash flows from financing activities:-		
Loans received	52,586,675	-
Repayment of long term borrowings	(9,025,505)	(3,714,276)
Finance costs paid	(5,204,150)	(2,903,003)
Dividend paid	(4,712,670)	(14,138,009)
Net cash provided by/(used in) financing activities	33,644,350	(20,755,288)
Net (decrease)/increase in cash and cash equivalents	(58,940,965)	42,743,154
Net cash balances at beginning of year	64,133,718	21,390,564
Net cash and cash equivalents at end of year	5,192,753	64,133,718
Represented by:		
Cash and cash equivalents	21,331,039	77,667,022
Short-term borrowings	(16,138,286)	(13,533,304)
	5,192,753	64,133,718

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

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

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

2. SUMMARY OF ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) Provision for impairment of receivables.

In determining amounts recorded for impairment losses of receivables in the financial statements, management makes judgements regarding indicators of impairment that 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.

(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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(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.

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 put into effect the following IFRS, which are relevant to its operations.

- **Amendment to IAS1, ‘Financial statement presentation’** The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- **IFRS 13, ‘Fair value measurements’**, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.
- **Amendment to IAS 16, ‘ Property, plant and equipment’ (PP&E)** which clarifies that spare parts and servicing equipment are classified as PP&E rather than inventory when they meet the definition of PP&E.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

- **IFRS 12, 'Disclosures of interest in other entities'** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. There were no additional disclosures which impacted the Company.

- **IFRS 10, 'Consolidated financial statements'** builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be consolidated. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 did not have any impact on the Company's financial statements as the Company does not have any subsidiaries.

- **IAS 19, 'Employee benefits'** The impact of this standard will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on the plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/ (asset). This standard has no impact on the Company because it does not operate a defined benefit pension scheme.

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 October 2014 or later periods, but the Company has not early adopted them:

- **IFRS 7 (Amended) Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015**), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised and those that are not in their entirety.

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 October 2014 or later periods, but the Company has not early adopted them:

- **IFRS 7 (Amended) Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015**), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognised and those that are not in their entirety.

- **IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015**). This standard introduces new requirements for classifying and measuring financial assets, including some hybrid contracts. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

- **IFRS 15, 'Revenue from Contract with Customers'** 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. Application of the standard is mandatory for accounting periods beginning on or after 1 January 2017. The Company is assessing the impact of future adoption of the standard.

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

(b) Segment reporting

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

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

i. Current taxation

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the yearend 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.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 September 2014

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(c) Income taxes (Continued)

ii. Deferred taxation (Continued)

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 2014.

(d) Property, plant and equipment

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

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

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

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.

(d) Property, plant and equipment (Continued)

i. Depreciation (Continued)

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

(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 2014, 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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.

(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 are incurred.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(l) Impairment

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

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.

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(o) Leases

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

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

(p) Trade and other payables

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

(q) Provisions

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

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

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(s) Related party

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

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

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

ii. has significant influence over the reporting entity ; or

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

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

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

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

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

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

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

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

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

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

(t) Dividends

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

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

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(u) Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available –for-sale financial assets

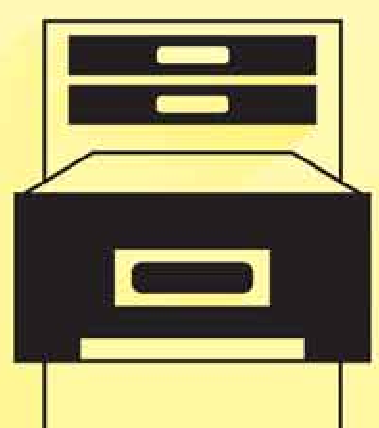
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial liabilities

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

(v) Share capital

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



(w) 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.

3. RISK MANAGEMENT AND POLICIES

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

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

(a) Market risk

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

Price risk

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

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

Currency risk

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

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

Exposure to currency risk

The Company's statement of financial position at 30 September 2014 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

	2014 CAN $	2014 US $	2014 UK £	2013 CAN $	2013 US $	2013 UK £
Financial assets						
Cash and cash equivalents	110	48,103	4,083	128	662,581	4,082
Investments	-	200,150	-	-	-	-
	110	248,253	4,083	128	662,581	4,082
Financial liabilities						
Payables and accruals	-	(881)	-	-	(40,160)	-
Total net assets	110	247,372	4,083	128	622,421	4,082

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

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

Currency	30 Sept. 2014 $	30 Sept. 2013 $
Canadian dollar (Can$)	101.00	100.71
United States dollar (US$)	112.71	103.60
United Kingdom pound (£)	181.68	167.16

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

Sensitivity Analysis

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

	Effect on Net Profit for the year 2014 $	2013 $
1% (2013- 1%) strengthening of Jamaican dollar	(286,342)	(651,780)
10% (2013-10%) weakening of Jamaican dollar	2,863,421	6,517,797

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

Interest rate risk

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

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

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

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

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

	2014 $	2013 $
Fixed rate:		
Assets	-	-
Liabilities	(56,870,660)	(13,309,489)
	(56,879,660)	(13,309,489)
Variable rate:		
Assets	43,905,446	77,774,429
Liabilities	(16,138,286)	(13,533,304)
	27,767,160	64,241,125

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(a) Market risk (Continued)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(b) Credit risk

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

i. Trade and other receivables

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

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

Trade receivables between 60 and 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.

(b) Credit risk (Continued)

i. Trade and other receivables

	2014 $	2013 $
Trade receivable	55,197,464	58,693,606
Prepayments and other receivables	16,821,339	24,487,781
Provision for bad debts	(2,835,240)	(5,094,451)
	69,183,563	78,086,936
Cash and cash equivalents	21,331,039	77,667,022
	90,514,602	155,753,958

ii. Aging analysis of trade receivables

	2014		2013	
	Gross $	Impairment $	Gross $	Impairment $
Current: below 30 days	38,353,699	-	44,870,533	-
Past due 31-60 days	5,818,929	-	4,259,459	-
Past due 61-90 days	2,272,818	-	1,809,066	-
More than 90 days	8,752,018	2,835,240	7,754,548	5,094,451
	55,197,464	2,835,240	58,693,606	5,094,451

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was $115,858,023 (2013-$159,905,637) representing the balances in the statement of financial position for cash and short term deposits, investments and receivables.

iii.Cash and cash equivalents

The Company limits it exposure to credit risk by investing mainly in short term liquid securities with counterparties that have high credit quality 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.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(c) Liquidity risk

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

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

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

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

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below summarizes the maturity profile of the Company's financial liabilities at 30 September 2014 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.

	Current				Non-Current	
	Within 3 Months		4 to 12 Months		Over 12 Months	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Long-term loans	4,379,609	1,251,943*	10,660,888	3,617,240*	68,055,037	10,868,175*
Bank overdraft	16,138,286	13,533,304	-	-	-	-
Payables and accruals	74,650,703	74,591,530	-	-	-	-
Total	95,168,598	89,376,777	10,660,888	3,617,240	68,055,037	10,868,175

* RESTATED TO INCLUDE INTEREST, FOR COMPARATIVE PURPOSE.

(d) Operational risk

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

(e) Fair value estimation

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

The amounts included in the financial statements for cash and cash equivalents, receivables, payables 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.

3. RISK MANAGEMENT AND POLICIES (CONTINUED)

(f) 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 calculated as total long term liabilities less related party loans, if any. Total capital is calculated as equity as shown in the Company's balance sheet plus debt. The gearing ratios at the year end based on these calculations were as follows:

	2014 $	2013 $
Debt	73,008,946	26,842,793
Equity	308,996,589	291,403,238
Total capital	382,005,535	318,246,031
Gearing ratio	19.11%	8.43%

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

	2014 $	2013 $
Gain on exchange	3,571,253	6,514,680
Gain on disposal of assets	853,398	-
Dividends received	18,643	83,608
(Loss)/ Gain on sale of shares	-	(75,271)
	4,443,294	6,523,017

5. OPERATING PROFIT BEFORE TAXATION

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

	2014 $	2013 $
Auditors' remuneration	1,290,000	1,000,000
Depreciation	29,996,693	25,232,508
Director's emolument:		
Directors fees	2,565,000	2,357,500
Management remuneration	7,939,200	7,491,600
Bad debts written off	4,531,736	1,780,463
Foreign exchange gains	(3,571,253)	(6,514,680)
Staff costs (excluding management remuneration above)	199,003,195	204,087,575

6. STAFF COSTS

	2014 $	2013 $
Salaries and wages (including accrued vacation and Directors' salaries)	193,394,311	196,830,005
Payroll taxes: employer's portion	12,584,376	12,433,160
Other staff costs	963,708	2,316,010
	206,942,395	211,579,175

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

	2014	2013
Full time	83	139
Contract workers	230	144

7. TAXATION

(a) Taxation is based on profit for the year adjusted for taxation purposes and comprises income tax at 25% (2013 – 25% plus 5% surtax).

	2014 $	2013 $
Taxation for the year comprises:		
Current tax expense	-	-
Minimum Business Tax	60,000	-
Taxation charged in income statement	60,000	-

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.

	2014	2013
	$	$
Profit before taxation	23,360,032	35,317,216
Tax calculation @ 25% (2013 – 30%)	5,840,008	10,595,165
Adjustment for difference in treatment of:		
Depreciation and capital allowances	1,544,011	857,790
Net effect of other charges for tax purposes:	255,786	143,511
	7,639,805	11,596,466
Adjustment for the effect of tax remission:		
Current tax	(7,639,805)	(11,596,466)
Tax charged for year	-	-

(c) Remission of income tax:

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

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

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

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

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

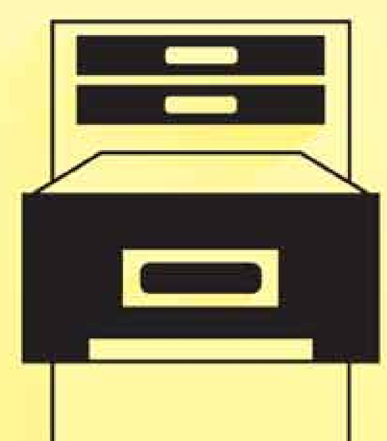
8. EARNINGS PER SHARE

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

9. PROPERTY, PLANT AND EQUIPMENT

2014

	Buildings	Land	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
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)	(15,603,737)
Additions	95,079,037	20,872,340	532,546	5,332,326	2,545,075	19,186,696	2,054,034	145,602,054
30 September 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
Depreciation:								
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)	(6,206,911)
Charge for the year	1,093,826	-	1,109,532	4,411,987	698,026	10,164,454	12,518,868	29,996,693
30 September 2014	4,981,065	-	2,584,215	10,083,644	7,264,848	21,380,493	52,083,383	98,377,648
NET BOOK VALUE								
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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2013

	Buildings	Land	Furniture & Fixtures	Bakery Fixtures	Computer	Motor Vehicles	Plant & Machinery	Total
	$	$	$	$	$	$	$	$
At cost:								
1 October 2012	42,453,560*	-	5,273,310*	17,858,240*	6,009,830*	42,643,043	118,273,667*	232,511,650
Additions	1,969,330	-	836,866	5,226,065	1,747,946	4,466,558	18,232,568	32,479,333
30 September 2013	44,422,890	-	6,110,176	23,084,305	7,757,776	47,109,601	136,506,235	264,990,983
Depreciation:								
1 October 2012	2,825,900*	-	1,171,323*	3,886,252*	5,064,364*	8,229,670	28,177,849*	49,355,358
Charge for the year	1,061,339	-	527,331	1,785,405	1,502,458	8,528,609	11,827,366	25,232,508
30 September 2013	3,887,239	-	1,698,654	5,671,657	6,566,822	16,758,279	40,005,215	74,587,866
NET BOOK VALUE								
30 September 2013	40,535,651	-	4,411,522	17,412,648	1,190,954	30,351,322	96,501,020	190,403,117

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 2014.

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

HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 September 2014

10. INVESTMENTS

Investments comprise:

	2014 $	2013 $
Held to maturity:		
Stocks And Securities Ltd. (US$)	3,752	-
Stocks And Securities Ltd.	326,407	326,407
Victoria Mutual Building Society (US$)	22,532,000	-
Quoted shares:		
General Accident Insurance Co. Ltd. shares	140,949	162,359
Lasco Manufacturing Ltd. Shares	513,300	890,900
Caribbean Cream Ltd. Shares	1,105,000	1,700,000
Other:		
Related company loan	722,013	1,072,013
	25,343,421	4,151,679

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:

	2014 $	2013 $
Goodwill - Purchase price exceeded net assets acquired	140,000	140,000
Software at cost:		
Opening balance: 1 October	15,720,240	9,925,641
Software purchased during year	377,075	5,794,599
Closing balance : 30 September	16,097,315	15,720,240
Amortization:		
Opening balance: 1 October	7,179,740	5,128,987
Amortization of software at 33 1/3%	3,395,380	2,050,753
Closing balance: 30 September	10,575,120	7,179,740
30 September: Software at cost net of amortization	5,522,195	8,540,500
	5,662,195	8,680,500

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

HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 September 2014

11. INTANGIBLE ASSETS (CONTINUED)

(ii) Additional computer software was purchased during the year to assist with improving the overall efficiency of information and communication technology. Software is amortized over three (3) years, unless there is significant impairment during the year.

12. INVENTORIES

	2014 $	2013 $
Raw and packaging material	29,414,367	27,054,106
Work-in-progress	5,448,594	3,051,933
Sundry equipment spares	2,565,951	2,476,685
Finished goods	982,963	1,153,090
	38,411,875	33,735,814

Major spare parts that may be classified as plant, property and equipment are not stored by the Company.

13. RECEIVABLES

	2014 $	2013 $
Trade receivables	55,197,464	58,693,606*
Less provision for bad debt	(2,835,240)	(5,094,451)
	52,362,224	53,599,155
Prepayments	11,848,632	19,558,148*
Other receivables	4,972,707	4,929,633
	69,183,563	78,086,936

At the end of the year, approximately $25 Million or 46% of the trade receivable balance was due from the Company's five (5) largest customers. The Company hold's collateral for several of its distributors who have balances included in the Trade Receivables amount.

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

*RECLASSIED FOR COMPARATIVE PURPOSES

14. CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Petty cash	284,000	219,000
Foreign currency accounts:		
Foreign currency bank accounts: various banks	6,164,273	69,338,641
Local currency accounts:		
Current and saving bank accounts : various banks	14,882,766	8,109,381
	21,331,039	77,667,022

These bank balances are held at reputable financial institutions that are relatively stable. Interest earned averages between 0% - 3%, depending on the type of account held with the financial institutions. The weighted average effective exchange rate for the year for the US dollar was J$ 109.56 to 1US$ (2013-J$ 97.29 – 1 US$)

15. PAYABLES

	2014 $	2013 $
Trade payables	59,449,894	52,639,371*
General Consumption Tax (GCT)	7,615,880	14,140,764*
Statutory liabilities	-	2,244,609
Staff accruals	4,702,466	3,926,786
Other payables	2,282,463	1,040,000
Distributors' deposits	600,000	600,000
	74,650,703	74,591,530

Included in trade payables is an amount of $101,392 (2013 -$4,160,576) 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.

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

*RECLASSIFIED FOR COMPARATIVE PURPOSES

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 September 2014

16. DIVIDENDS

	2014 $	2013 $
In respect of 2012	-	5,655,204
In respect of 2013	-	8,482,805
In respect of 2014	4,712,670	-
	4,712,670	14,138,009

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.

18. SHARE CAPITAL

	2014 $	2013 $
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	46,514,770	46,514,770

19. CAPITAL RESERVES

	2014 $	2013 $
Balance brought forward: 1 October 2013	71,942,983	71,829,608
Unrealised (loss)/gain on securities: available for sale	(994,011)	113,375
Balance at 30 September 2014	70,948,972	71,942,983

	2014 $	2013 $
Represented by:		
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 (loss)/gain on securities: available for sale	(809,412)	184,599
	70,948,972	71,942,983

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

	2014 $	2013 $
(i) Bank Of Nova Scotia Jamaica Limited	9,595,213	13,309,489
(ii) Bank Of Nova Scotia Jamaica Limited	3,813,817	-
(iii) Bank Of Nova Scotia Jamaica Limited	4,161,630	-
(iv)Sagicor Bank Jamaica Limited	20,000,000	-
(v)Victoria Mutual Building Society (VMBS)	19,300,000	-
	56,870,660	13,309,489
Less current portion due within 12 months	(10,097,387)	(3,714,276)
	46,773,273	9,595,213

(i) This loan is repayable on a monthly basis, maturing in November 2017 and attracts interest at 9.95% (2013-9.95%). It is secured by a first and second mortgage over commercial properties owned by the Company.

(ii) This loan is repayable on a monthly basis, maturing in October 2018 and attracts interest at 10.8%. It is secured by Bill of Sale over the first of two Mitsubishi 2013 trucks along with mortgage over commercial properties noted in (i) above.

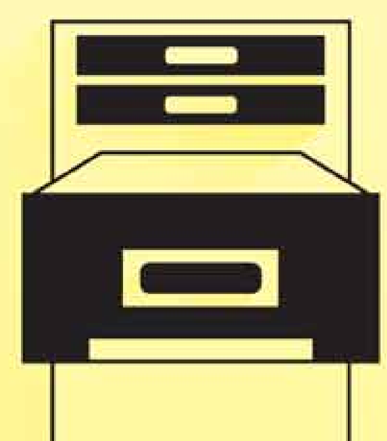
(iii) This loan is repayable on a monthly basis, maturing in November 2018 and attracts interest at 10.5%. It is secured by Bill of Sale over the second of two Mitsubishi 2013 trucks along with mortgage over commercial properties noted in (i) above.

(iv) This loan is repayable on monthly basis, maturing in September 2029 and attracts interest at 10.5%. It is secured by a first mortgage over commercial property which was purchased in 2014 by the Company.

(v) 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%. The primary collateral is a US$ time account being held with VMBS. See note 10.

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:

	2014 $	2013 $
Cost of inventories recognized as expense	312,587,214	286,983,181
Distribution costs	42,289,224	24,207,364
Advertising, marketing and promotion	22,066,235	18,617,369*
Director's fees	2,565,000	2,357,500
Local travel, accommodation and motor vehicle expenses	2,491,766	3,025,158
Rates, taxes, telephone, fuel and electricity	38,826,374	31,003,381
Foreign travel and accommodation	1,066,740	1,420,738
Office, general, printing and stationery	2,031,601	2,220,969
Insurance	8,460,569	6,559,248
Rental of property	4,198,872	4,951,099
Repairs and maintenance and cleaning and sanitation	16,654,358	15,901,527
Legal, professional, management and accounting	9,949,200	12,205,709
Audit fees	1,290,000	1,000,000
Security	7,618,214	5,902,434
Staff costs	206,942,395	211,579,175
Depreciation	29,996,693	25,232,508
Amortisation	3,395,380	2,050,753
General Consumption Tax - irrecoverable	2,728,566	13,766,742
Other expenses	2,499,406	1,461,477*
	718,033,919	670,446,332

* RECLASSIFIED FOR COMPARATIVE PURPOSES

23. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

During the year, Next Incorporation Limited purchased raw material of approximately $1.6 Million (2013-$1.8 Million) and repaid approximately $2.0 Million (2013 $1.8 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:

	2014 $	2013 $
Receivables due from Next Incorporated Limited	222,291	631,305

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:

	2014 $	2013 $
Next Incorporation Limited		
Related party balance	722,013	1,072,013
Current portion due within 12 months	(722,013)	(1,072,013)
Balance payable beyond 12 months	-	-

24. CONTINGENT LIABILITIES AND COMMITMENTS

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

(ii) Prior to the year end, the Company concluded the purchase of the adjoining premises to the Company's head office at 26 Retirement Crescent. It is expected that modifications will be made to that property early in the subsequent financial year, but the budget for this has not been finalized or approved at the reporting date of the Company.

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

HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 September 2014

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)

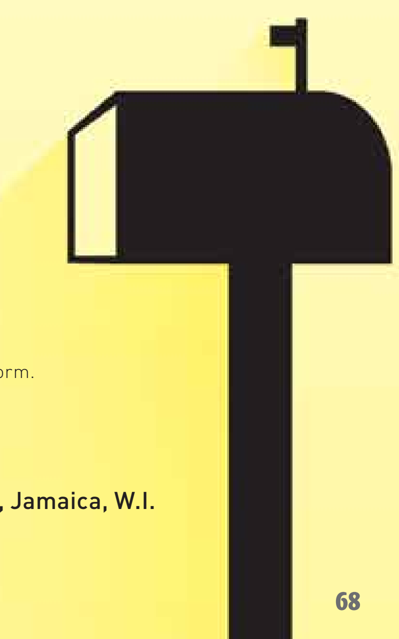
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10am on the 17th day of February 2015 at the Knutsford Court Hotel and at any adjournment thereof . I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

No.	Resolution details	Vote FOR or AGAINST (tick as appropriate)	
		FOR	AGAINST
1)	To receive the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2014.	☐	☐
2)	To re-appoint the Directors of the Board, each of whom has resigned at the first Annual General Meeting with of the Company as a public company, and, being eligible, have consented to act on re-appointment:		
(a)	To re-appoint Herbert Chong as a Director of the Board of the Company.	☐	☐
(b)	To re-appoint Sushil Jain as a Director of the Board of the Company.	☐	☐
3)	To authorize the Board to fix the remuneration of Directors.	☐	☐
4)	To authorize the Board to re-appoint McKinley and Associates as the auditors of the Company, and to fix their remuneration.	☐	☐
5)	To approve the interim dividend of 5 cents per share paid in June, 2014 as the final dividend in respect of year ended September 2014.	☐	☐

Signed this ________ day of ______________ 2015:

Print Name: ______________________ Signature: ______________________

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



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

Send to:

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