
Honey Bun
2018 Annual Report
LET'S CONTINUE TO HAVE MORE FUN!

CORPORATE PHILOSOPHY

VISION STATEMENT

Making life delicious for everyone everywhere

MISSION STATEMENT

We are bound to **LEAD** innovation in the baking industry, **ACHIEVE** prosperity for our stakeholders, and **SERVE** humanity for a greater good.

CORPORATE VALUES

- HONOUR GOD
- UPLOAD INTEGRITY
- RESPECT EVERYONE
- BE ACCOUNTABLE
- LEAD ALWAYS

KEY BEHAVIOURS

- LIVE OUR VALUES
- OPEN COMMUNICATION
- VALUE TIME
- CONTINUOUS IMPROVEMENT
- CONSERVE RESOURCES AND REDUCE COST
- ALWAYS IMPROVE QUALITY
- PROTECT THE ENVIRONMENT

Let's continue to have 'more fun'!

INSIDE THE REPORT


HONEY BUN
LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HONEY BUN (1982) LIMITED** will be held as follows:

Date: 29th March, 2019
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 September 30, 2018.
2. To re-appoint Paul Moses and Charles Heholt, who have retired by rotation in accordance with the Articles of Incorporation and, being eligible, offer themselves for re-election.
3. To authorize the Board of Directors to fix the remuneration of Directors.
4. To authorize the Board of Directors to appoint the Auditors.
5. To authorize the Board of Directors to fix the remuneration of the Auditors of the Company.
6. To approve the dividend of 2 cents per share paid to shareholders on January 17, 2018 on record at January 4, 2018 to be ratified as the final dividend paid in respect of the year ended September 30, 2017.
7. To approve the interim dividend of 2 cents per share in respect of the year ended 30th September, 2018; such dividend was paid on June 25, 2018 to shareholders on record at June 11, 2018

Dated this 31st day of December, 2018

BY ORDER OF THE BOARD OF DIRECTORS

Michelle Chong
COMPANY SECRETARY

The following document accompanies this Notice of Annual General Meeting:

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

COMPANY HISTORY

Honey Bun was founded in 1982 by Herbert Chong, now Executive Chairman, and Michelle Chong, now CEO of the company. Under this leadership the company continues to be recognized for its innovation, operations and leadership. The Company has built a strong reputation for transparency and good Corporate Governance.

Honey Bun is the fastest growing wholesale bakery in Jamaica, specializing in producing individually packaged pastries and baked snacks. The company, which was publicly listed to the Jamaica Junior Stock Exchange in 2011, was the first Jamaican Bakery to be HACCP certified in May 2016.

Honey Bun produces several variations of over a dozen products resulting in a range of over 40 SKUs from 3 brands: Honey Bun, Island Bites and Buccaneer Jamaica Rum Cakes.

The 24/7 baking operation, located in Kingston Jamaica has honed a core competency in baking for over 3 decades. Honey Bun exports through the Caribbean region and the USA, as well as to the UK where our products can be found in ASDA and Tesco, and in Canada to small independent stores.

DIRECTOR'S REPORT

FROM LEFT TO RIGHT: Wayne Wray, Non-Executive Director/Mentor; Herbert Chong, Executive Chairman; Michelle Chong, Executive Director/CEO; Paul Moses, Non-Executive Director; Yaneek Page, Independent Director; Charles Heholt, Non-Executive Director)

The directors are pleased to present their report for Honey Bun (1982) Limited for the year ended September 30, 2018.

FINANCIAL REPORT

The statement of comprehensive income shows pre tax profit of 98 million from revenue of 1.3 billion in revenue.

DIRECTORS

The directors of the company as at September 30, 2018 are:

Mr. Herbert Chong (Executive Chairman)
Mrs. Michelle Chong (Chief Executive Officer)
Mrs. Yaneek Page (Independent)
Mr. Paul Moses (Non-Executive)
Mr. Charles Heholt (Non-Executive)
Mr. Wayne Wray (Non-Executive Director/Mentor)

The directors to retire by rotation in accordance with the articles of association are Paul Moses and Charles Heholt. They are eligible and will offer themselves up for re-election.

AUDITORS

In keeping with best practices in Corporate Governance, new Auditors were appointed. The auditors of the company are KPMG, located at 6 Duke Street, Kingston.

DIVIDENDS

A final dividend of two (2) cents for the year ended September 30, 2017 was paid on January 17, 2018 to shareholders on record at January 4, 2018. An interim dividend of two (2) cents for the year ended September 30, 2018 was paid on June 25, 2018 on record date at June 11, 2018.

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

CORPORATE GOVERNANCE

At Honey Bun we continually improve on our corporate policies which are available on our company website. We consider that our Corporate Governance programs improve trust and relationships with all our stakeholders and contribute to financial success.

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

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

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

The complete Corporate Governance Policies may be viewed on our website at www.honeybunja.com and includes our documented policy on dividend.

BOARD CHARTER

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

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

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

SELECTION AND COMPOSITION OF THE BOARD

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

BOARD COMPENSATION

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

FEES FOR DIRECTORS FOR THE YEAR 2018

BOARD FEES	PAUL MOSES	CHARLES HEHOLT	YANEEK PAGE	WAYNE WRAY
Directors	300,000	300,000	300,000	200,000
Board Meetings	112,500	150,000	150,000	112,500
Audit & Risk Management Committee	93,750	125,000	125,000	93,750
Compensation & Nomination Committee	31,250	31,250	31,250	-
Mentorship				925,000
TOTAL FOR 2018	**537,500**	**606,250**	**606,250**	**1,331,250**

DIRECTORS INDUCTION, TRAINING AND EVALUATION

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

In order to meet the set responsibilities and obligations to the Company's goals and objectives, an annual evaluation system for assessing the Senior Executives and the Board's functioning and performance has been developed to address the areas of critical importance.

COMPENSATION AND NOMINATION COMMITTEE CHARTER

The Compensation and Nomination Committee is appointed by the Board. The Committee should consist of not less than three members at least two of which must be non-executive directors. The Board Chairman does not sit on the Committee.

The Committee, which meets once per year, has the responsibility to:-

1. Review the compensation of board members and the senior management of the company.
2. Approve policies related to compensation and incentives.
3. Select and nominate new board Directors as the need arises.
4. Ensure Induction of new Board Directors.

Members of the Committee are:

- Mr. Paul Moses – Chairman/Non-Executive Director
- Mr. Charles Heholt – Non Executive Director
- Mrs. Yaneek Page – Independent Director
- Mr. Wayne Wray – Non-Executive Director/Mentor

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

To review the financial accounts, to decide about the Internal Audit arrangements going forward and to identify the risks and controls that the company faces in each department - theft, fraud, accidents, natural disasters, etc.

1. Review quarterly and annual Financial statements.
2. Reviews Insurance arrangement.
3. Plan for annual external department audits
4. Review the risk register of the company and the mitigation strategies.

5. Review the projects surrounding the various external audits and their progress.
6. Review the internal audits of the company.

The Audit and Risk Management Committee is comprised of:

- Mr. Charles Heholt – Chairman/ Non-Executive Director
- Mr. Paul Moses – Non Executive Director
- Mrs. Yaneek Page – Independent Director
- Mr. Wayne Wray – Non-Executive Director/Mentor

This committee met 4 times for the Financial Year ending September 30, 2018.

Honey Bun manages a full Risk Management Risk Register whereby we identify our risks and determine mitigation strategies. This register is frequently updated but at least annually to include new risks and to review the scores provided for likelihood and impact. This register to a large extent provides for the development and update of strategies.

ATTENDANCE AT MEETINGS FOR THE YEAR 2018

	BOARD	AUDIT & RISK MANAGEMENT COMMITTEE	COMPENSATION & NOMINATION COMMITTEE
NUMBER OF MEETINGS HELD	**4**	**4**	**1**
Herbert Chong	4	n/a	n/a
Michelle Chong	4	4	1
Paul Moses	3	3	1
Charles Heholt	4	4	1
Yaneek Page	4	4	1
Wayne Wray (joined Board in Feb. 2018)	3	3	0

To provide for staff member involvement, assigned Executives are invited to Board and Committee meetings.

ANNUAL GENERAL MEETINGS

General meetings with shareholders are held annually and communication with shareholders on corporate decisions are shared on a timely basis. The Agenda for the meeting is structured to allow shareholders to give input and have their queries answered. Minutes of the Annual General Meetings are posted on the company's website.

The following Policies may be viewed on our company website www.honeybunja.com

Corporate Governance
Risk Management
Corporate Disclosure
Environmental Policy
Social Responsibility
Dividend
Code of Ethics
Corporate Disclosure
Whistleblower
Communication of Business Strategy
Safety

PROFILE OF DIRECTORS

An **EXECUTIVE DIRECTOR** is a member of the board who has management responsibilities and is involved in the operations of the business. **NON-EXECUTIVE DIRECTORS** are directors of the company with an interest in the company whether based on their shareholding or otherwise. They are not employed to the company. **INDEPENDENT DIRECTORS** are non-executive directors that have no vested interest.

HERBERT CHONG

EXECUTIVE CHAIRMAN

Herbert Chong who is a co-founder of Honey Bun along with his wife Michelle, is the Executive Chairman. He graduated from CAST (now the University of Technology of Jamaica) upon completion of a programme 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

EXECUTIVE DIRECTOR

Michelle, is a co-founder of Honey Bun (1982) Limited and has been the CEO for the past 35 years. She is a graduate of York University, Toronto, Canada, where she gained a Bachelor of Arts degree. She is trained as a certified HACCP consultant through BRI International, Canada and the Bureau of Standards Jamaica. Michelle was selected as a Quality Ambassador for the Jamaica Bureau of Standards. To add to her many awards and accomplishments, she has been highly ranked over the years in Business Suite Online both as a Business Woman and as a Chief Executive Officer, including #1 in 2016 and top 10 in 2017.

Mrs. Chong is the Vice-President responsible for Projects & Programmes at the Jamaica Manufacturers & Exporters Association. Additionally, she provides mentorship to small business entrepreneurs.

Michelle'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.

PAUL MOSES

NON-EXECUTIVE DIRECTOR

Paul Moses who is a Non- Executive Director of the Company also serves as Chairman of the Compensation & Nomination Committee and is a member of the Audit & Risk Management Committee.

Paul 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 is also a Director of Capacity Concepts Limited founded in 2016. Capacity Concepts Limited give presentations on select topics with an emphasis on building a Sales platform.

Mr. Moses holds a Bachelor of Science degree in Economics from the University of the West Indies.

Paul served as an advisor to Honey Bun since 1998 and was one of the main advisors at the time, instrumental in several changes putting Honey Bun on track for future success. He transitioned to be a director when the company went public in 2011. He has remained a loyal and committed director.

CHARLES HEHOLT

NON-EXECUTIVE DIRECTOR

In addition to being a Non-Executive Director, Charles Heholt serves as Chairman of the Audit & Risk Management Committee and is a member of the Compensation & Nomination Committee.

Charles is the CEO of IGL and 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, management and other skills.

Charles was selected as a director based on his wide knowledge of productivity and operational skills, but has proven to hone numerous other business management skills.

YANEEK PAGE

INDEPENDENT DIRECTOR

Yaneek Page is the founder and Managing Director of Future Services International Limited (FSIL), a pioneering company in legal funding, litigant support and enterprise risk management training in Jamaica. A certified trainer in entrepreneurship, Mrs. Page is also the creator & executive producer of 'The Innovators' business TV series which transforms small businesses & promotes entrepreneurship. She is also an entrepreneurship & small business writer for MasterCard Latin America and the Caribbean Business Blog and the Gleaner newspaper.

Mrs. Page has received several awards which include the 2015 World of Difference Award (Entrepreneurship), 2015 Enterprising Woman of the Year (EW Award) and the 2015 Environmental Health Foundation Award for Contribution to Financial Health in Jamaica.

Yaneek holds a Bachelor of Science degree in Management Studies and a Master of Science degree in Development Studies with a concentration in Social Policy.

In 2016, Mrs. Page was selected to the board as an Independent Director based on her understanding of Human Resource management and Business entrepreneurial skills.

WAYNE WRAY

NON-EXECUTIVE DIRECTOR/MENTOR

Mr. Wray joined the Honey Bun Board as a Mentor and Non-Executive Director in January of 2018. He is a business and financial consultant. His portfolio of experience and expertise spans several industries including executive leadership and management positions in the fields of Finance and Banking.

He is a Past Chairman of Jamaica Institute of Bankers, as well as the Caribbean Association of Banks and has served in the capacity as Vice President of the Jamaica Bankers Association.

Licensed by the Financial Services Commission as an investment advisor, Wayne is the principal director of Wiltshire Consulting & Advisory Limited, a business advisory firm to local and international clients. He is also Managing Director and the principal shareholder of 365 Retail Limited.

He is committed to nation building and serves as a Mentor and Director on the Boards of several publicly-listed and privately-held private sector companies as well as community development organizations.

DIRECTORS SPECIALTIES

	HERBERT CHONG	MICHELLE CHONG	PAUL MOSES	CHARLES HEHOLT	YANEEK PAGE	WAYNE WRAY
Finance						☑
Sales & Marketing	☑		☑		☑	
Human Resource					☑	
Legal					☑	
Business	☑	☑	☑	☑	☑	☑
Governance		☑				☑
Risk Management		☑			☑	☑
Manufacturing	☑	☑	☑	☑		
Environment Management					☑	☑


BUCCANEER
RUMCAKE
FRUIT
With World Famous Jamaican Rum
Contains less than 2% alcohol
Nutrition Facts
BATCH CODE
BEST BEFORE

BUCCANEER
RUMCAKE
ORIGINAL

BUCCANEER
RUMCAKE
COCONUT
With World Famous Jamaican Rum
Nutrition Facts
BATCH CODE
BEST BEFORE

SENIOR MANAGEMENT TEAM

DANIEL CHONG

CHIEF OPERATIONS OFFICER

Daniel, oversees the strategic day-to-day operational planning for the factory. With his keen eye for details and technical planning capabilities he has contributed significantly to the bottom line in terms of creating efficiencies to decrease costs and maximize output. He also works closely with the Chief Executive Officer on the technical operations of the Company's business.

Daniel graduated from the University of Waterloo, Ontario, Canada with an Honours degree in Civil Engineering. He also completed the American Institute of Baking programme in Preventative Maintenance. He worked for AECOM, a United States Fortune company, as a Transportation Designer before joining Honey Bun in 2010. He has experience in distribution logistics from his previous employment in Toronto, Canada.

DUSTIN CHONG

SALES & DISTRIBUTION MANAGER

Dustin, joined the company in 2012 as a Regional Sales Manager for selected sales routes. In January 2014, Dustin assumed the role of Distribution and Sales Manager. He graduated from the University of the West Indies in Jamaica in 2012 with a Bachelor of Arts degree in Business Management.

Dustin is in charge of the management of the entire Sales & Distribution Department, overseeing all sales-related activities with a view to increasing the Company's sales revenues to meet the agreed business objectives.

OMAR MANNING

FINANCE & BUSINESS INTELLIGENCE MANAGER

Omar, is a graduate of the University of the West Indies from which he holds a BSc. in Management Studies, specializing in accounting. He is also a member of the Association of Chartered Certified Accountants (U.K) these skills have enabled him to successfully undertake progressively challenging finance roles across several Jamaican food manufacturers. His ambition for continuous improvement and finance is well suited to enabling Honey Bun to add value to their stakeholders and achieve their strategic goals.

PAULA GRAHAM-HAYNES

EXECUTIVE HUMAN RESOURCE ADMINISTRATOR

Paula, is the Human Resource & Development Manager and is also Assistant to the Chief Executive Officer. She joined Honey Bun in 2016 with over 15 years' experience in Human Resources. She has worked for large local and global organizations such as JN General Insurance and Accent Marketing Limited, respectively. Paula, who pursued Linguistics at the University of the West Indies, is a Certified Behavioural Coach. Her passion for talent management drives her commitment to the Honey Bun team to achieve valuable growth for all parties involved in keeping with the organization's strategic direction.

CHAIRMAN'S STATEMENT

HERBERT V. CHONG
EXECUTIVE CHAIRMAN

Honey Bun
HUNDREDS of Jamaicans feeding MILLIONS

Honey Bun is pleased to report on the Financial Year ended September 30, 2018." . "During the year, sales increased by 5%, while pre tax profits decreased by 7%.

During the year, sales increased by 5% while pretax profits decreased by 7%.

Gross Profits for the period increased by 11% to $601 million dollars. Net profits before tax decreased by $7 million dollars and stand at $98 million for the year in review when compared to prior year's $105 million.

During 2018, Honey Bun's building capacity was maximized and we are pleased to report that the new building is now complete and new equipment have been installed, almost doubling our capacity output. 2019 will be focused on sales and marketing to maximize the opportunity this presents.

During this Financial year we received the following Awards:

JSE 2017 Governor General Overall Best Practices Junior Market Company Award	This is the 3rd consecutive year that we have received the Governor General award for Overall Best Junior Market company and the 4th time in 5 years.
JSE 2017 Best Practice Award for Corporate Disclosure and Investor Relations	7th Year in a row
JSE 2017 PSOJ Certificate for Corporate Governance	2nd time certificate in a row and second time Award for a Junior market company

This year, Honey Bun launched its new Pocket Size Rum cakes in 3 flavors (Original, Fruit and Coconut). The product has done exceedingly well and presents tremendous export potential.

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

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

Herbert V. Chong
EXECUTIVE CHAIRMAN

CORPORATE SOCIAL RESPONSIBILITY

Life's More Fun at Honey Bun

TALENT

At a national level, Honey Bun has focused our Corporate Social Responsibility programs on the Creative Industries. *We believe that Jamaica's greatest competitive advantage is our people and the talents unique to only Jamaicans.* From 2010 the School Dayz program focused on talent in schools through talent performance competition involving major local artists to promote education. As Jamaicans we have a unique way of expression which allows us to *'Have Fun'* in spite of our challenges and we accomplish this through our unique culture of song, dance, art and comedy.

In our support for the Creative Industry it is our philosophy that as Jamaicans we must focus on education to reward all student learners. At Honey Bun our social functions are often alit with dancers, singers and fashion shows. We have Fun and find that we connect during these functions and can relish in others abilities and talent.

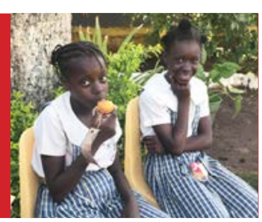
We believe that our Talented people provide the greatest competitive advantage for our country and that building in them will build our economy and our peoples ability to earn from our art, dance and innovation.

We all believe that Life is just more Fun with Honey Bun.

BUILD JAMAICA

During the year through our CEO, extending support for 4 smaller business growth through the JEA. It is our way of giving back to our country and to the thrust towards increasing those company exports and making a contribution towards reducing the trade deficit; critical for growth! We believe firmly in collaboration within industries to build stronger National Industries.

We believe that Jamaica's greatest competitive advantage is our people and the talents unique to only Jamaicans.



A significant feature of our programs is to promote **Jamaica** as a strong brand and to create pride in our people and in the products we are able to produce in **Jamaica**.

HUMAN RESOURCE MANAGEMENT

OUR PEOPLE

Our employees are considered critical to our success, we employ over 400 dedicated Jamaicans in our supply chain. The company's achievements have always been possible because of our dedicated and loyal staff complement. At the core of Honey Bun you will find a culture that strives for continuous improvement every day. Our CEO's passion for the last 36 years has been to develop people in the Honey Bun network so that they can enjoy a better quality of life. This is seen through persons employed for as long as 21 years, having grown and developed from humble beginnings to Team Leaders.

EMPLOYEE OF THE YEAR

CEO'S AWARDEE TROY MILLS (RAW MATERIAL STOREROOM TEAM LEADER)

This employee truly deserves recognition for his hard work over the past years. He has tackled the largest project his department has been presented with gracefully. He has unquestionably become the 'go-to' person for anything regarding his department due to this continuous effort.

Though he makes it look effortless, this employee has spent countless hours learning the inside and out of his department promoting him to the Team Leader position for his group. Troy is always known for his amazing work, dedication and loyalty to the company.

Through this incredibly stressful time, he can still be heard laughing or signing. He always tries to stay upbeat, look for positive outcomes or compromises in difficult circumstances, and focus on the good.

EMPLOYEE TESTIMONIAL

SOPHIA SMITH (SENIOR PRODUCTION SUPERVISOR)

"I'm proud to say that I will soon be celebrating my 22nd anniversary working at Honey Bun! I truly enjoy coming to work in such a family and friendly atmosphere. While I do appreciate all the company "perks", it's the culture of care and commitment to its employees and customers that tops my list. A group of people who are refreshingly down to earth, approachable and caring. It's inspiring to work for a company who honestly wants to do right by their customers and employees. It would be easy to work for a different company to get a pay cheque but not just any company can create a culture that makes me excited to come to work every day!"

TRAINING AND DEVELOPMENT

Leadership training with Management Consultant, Alex Ihama

Human Resources provides a variety of training and development opportunities aimed at building employee capacity to deliver services, meet strategic needs aligned with the company's values, strategic plan, and overall mission.

Training and development programs are geared towards, Teambuilding, Interpersonal Effectiveness, On the Job Training and New Employee Orientation. Trainings are developed and facilitated by internal trainers and through external consultants. Because Honey Bun operates at International Standards new employees are usually captivated with the wealth of knowledge gained. 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.

Maintenance Technicians, Bakers, Mixers and Sanitation Workers throughout the latter part of the company financial year have been engaged in training to upgrade their technical skills and provide them with the opportunities to transfer to other departments.

Honey Bun Business House 6-a-side footballers.

BUSINESS HOUSE FOOTBALL

Honey Bun has entered the business House 5-A-Side football competition for the new season which started in May. The team played several games all were successful in round 1 & 2 placing them as one of the winners for the Division 2 Zone. The team was awarded for 'Most Improved Team' and 3rd place winners in the semi-final match.

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.

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, Nashaya Johnson who passed for Wolmer's Girls High School. She is the daughter of Production Worker, Latoya Williams, a long standing employee since 2013.

The Human Resource department consists of a lean team that desires to work smarter. We remind ourselves that Honey Bun exists for the people and is passionate about the company new vision 'Making life delicious for everyone everywhere'. In order to achieve this Vision and sustain our high standards, the team has dedicated to proactively prepare for change and flex with a new workforce and economic environment.

MANAGEMENT DISCUSSION

PERFORMANCE SUMMARY

The Results for the Financial Year 2018 show 5% increased revenue to $1.3 billion when compared to $1.2 billion for 2017, while pre tax profit decreased by 7% to $98 million.

During the previous year, 2017, Honey Bun's capacity continued to hinder growth while product demand continued. The new building planned to increase capacity was completed new equipment installed, ready for production. This investment will almost double our capacity and the company plans to invest heavily in Marketing and Sales for the new year.

For the financial period 2018 the 100% tax remission for the first five (5) years after listing on the JSE expired on May 31, 2016 and the Company was subjected to income tax on 50% of its chargeable income for another 5 years.

CASH FLOW AND BALANCE SHEET

The Company's balance sheet shows a cash decrease of 2% closing September 2018 at $99 million from $101 million. Our receivables were reduced by over $15 million dollars or 19% over the prior year.

The Balance sheet also shows an increase in noncurrent assets of 24% from $467 million to $579 million while investments increased from $78 million to $85 million. Long term liabilities were reduced from $52 million in the prior year to $49.8 million, while current liabilities were increased by $14 million. This was mainly from trade payables.

The Net Book Value of the company increased by 12% over the year, closing at $668 million dollars, up from $598 million in the prior year. The value of the company has increased steadily over the years from $284 million in 2012.

During the year, over J$149 million worth of capital was reinvested in the form of assets. This was mainly from the new building and investments in equipment.

The investment in equipment also form part of our strategy to continuously improve the quality standards of our products and increase capacity. These form a part of our investment strategy for growth.

FUTURE PLANS

In 2018 we created a new product. The 'Pocket-Size Rum Cake' in 3 flavors, Original, Coconut and Rum which has started to contribute to export growth and tremendous local interest. In spite of the capacity constraints, several of our winning products continue to grow significantly.

Our strategy moving forward is to continuously build on our capacity, improve on our efficiency and continue to invest in technology as our foundation for growth.

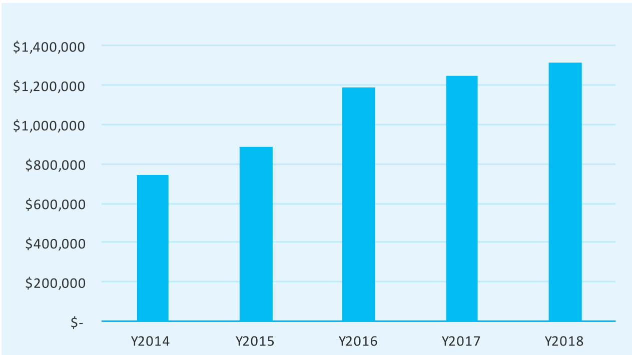
In 2018 Honey Bun provided a group of young artists with funding towards developing a movie. At Honey Bun, we believe in supporting Jamaican brands, and Jamaican businesses with the support needed to grow their business and their talent. In 2018, our CEO provided support for 4 SMEs and will continue to do so as part of our giving back to Jamaica.

Product development in 2019 will focus on the reduction of sugar in our products, the use of indigenous ingredients and reduced calories per serving.

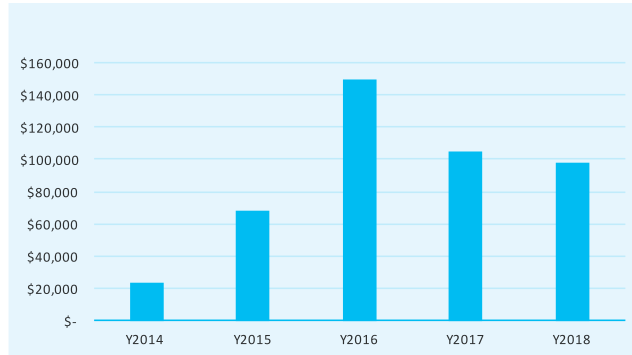
In the development of Honey Bun's strategy for 2019, the Board of Directors approved the revision of the company's Vision Statement to, 'Making Life more Delicious for Everyone Everywhere' and our Mission Statement to 'Leading through Innovation, Achieving Success for our Stakeholders and Serving the greater good of Mankind'! We have employed the services of an International Consultant and have already begun to see the transformation in our company!

2018 DATA CHARTS - PERFORMANCE

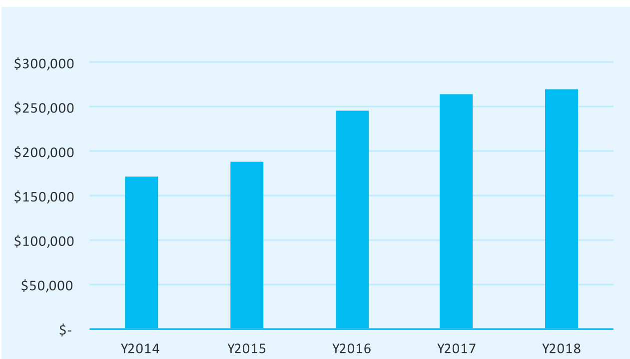
SALES REVENUE



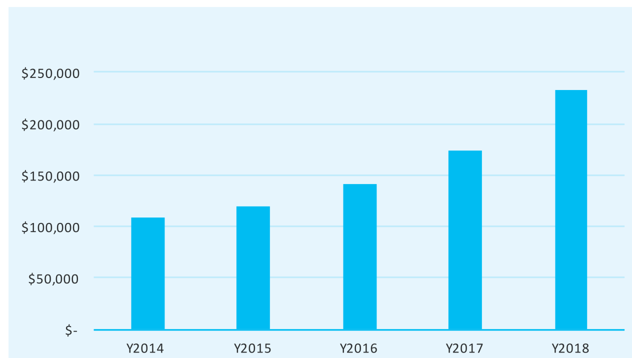
PRE TAX PROFIT



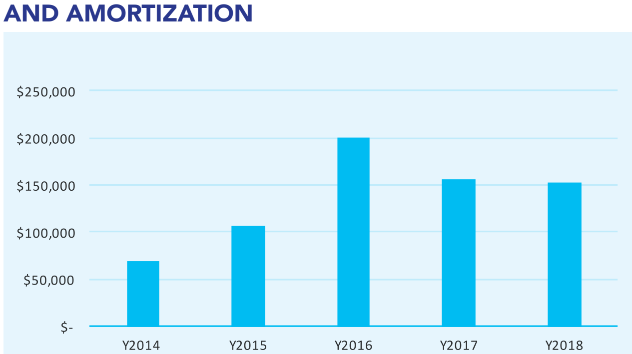
ADMINISTRATIVE EXPENSES



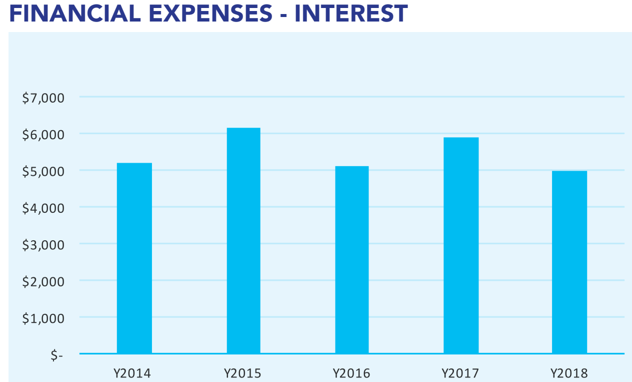
SELLING AND DISTRIBUTION EXPENSES



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION



FINANCIAL EXPENSES - INTEREST



"We were created to initiate change. Any attempt to resist change, therefore, is insanity"

– Alex Jhama –

CEO – School of Greatness

PERFORMANCE

YEAR	Y2014	Y2015	Y2016	Y2017	Y2018
REVENUE J$'000	741,951	885,670	1,190,211	1,251,120	1,317,178
Percentage increase over prior year	6%	19%	34%	5%	5%
COST OF SALES J$'000	437,750	506,316	659,089	706,920	715,891
COS Percentage of Sales	59.0%	57.2%	55.4%	56.5%	54.4%
GROSS PROFIT J$'000	304,201	379,354	531,122	544,200	601,287
Percentage increase over prior year	3%	25%	40%	2%	10%
ADMINISTRATIVE EXPENSES J$'000	171,847	187,884	244,856	264,354	268,946
Percentage increase over prior year	-1%	9%	30%	8%	2%
SELLING AND DISTRIBUTIVE EXPENSES J$'000	108,497	118,893	141,144	173,461	232,665
Percentage increase over prior year	20%	10%	19%	23%	34%
FINANCIAL EXPENSES J$'000	5,204	6,177	5,134	5,878	4,997
Percentage increase over prior year	79%	19%	-17%	14%	-15%
PRE TAX PROFIT J$'000	23,300	68,165	149,774	105,266	98,096
Percentage increase over prior year	-34%	193%	120%	-30%	-7%
Earnings Per Share (EPS) J$	0.05	0.24	0.29	0.19	0.18
DIVIDENDS PAID J$'000	4,713	11,310	23,563	18,851	18,851
Percentage increase over prior year	-67%	140%	108%	-20%	0%
TAXATION J$'000	-	-	10,182	11,363	11,674
DEPRECIATION AND AMORTIZATION J$'000	33,392	39,251	39,441	44,577	48,995
NET PROFIT AFTER TAX J$'000	23,300	68,165	139,562	93,903	86,423
Efficiency ratio (Admin/Revenue)	23%	21%	21%	21%	20%
COS as a % of Revenue	59.0%	57.2%	55.4%	56.5%	54.4%
Sales and Distribution Expenses as a % of Revenue	15%	13%	12%	14%	18%
EBITDA J$'000	61,896	113,593	194,319	155,721	152,088

INFORMATION REGARDING SHAREHOLDERS

AS AT 30TH SEPTEMBER, 2018

TEN LARGEST SHAREHOLDERS	NO. OF STOCK UNITS	% HOLDING
Next Incorporated	266,332,660	56.51
Michelle Chong	58,691,000	12.45
Herbert Chong	54,091,000	11.47
Mayberry Jamaican Equities Ltd.	16,827,000	3.57
Mayberry Managed Clients Account	15,046,175	3.19
Daniel Chong	5,045,670	1.07
JCSD Trustee Serv. Ltd. -Sigma Venture	3,616,120	0.76
Apex Pharmacy	3,600,245	0.76
Kenneth Lyn	2,780,092	0.58
Sagicor Pooled Equity Fund	2,500,000	0.53
SHAREHOLDINGS OF DIRECTORS		
Michelle Chong	58,691,000	12.45
Herbert Chong	54,091,000	11.47
Paul Moses	2,000,000	0.42
Charles Heholt	260,000	0.05
Yaneek Page	0	0.00
Wayne Wray	100,000	0.02
SHAREHOLDINGS OF SENIOR OFFICERS		
Michelle Chong	58,691,000	12.45
Herbert Chong	54,091,000	11.47
Daniel Chong	5,103,970	1.08

- Michelle Chong -

"We set targets but our success can only be as good as the quality of the targets we set in the first place"

- Herbert Chong -

"Thanks to our loyal and dedicated stakeholders"

HONEY BUN (1982) LIMITED

FINANCIAL STATEMENTS

September 30, 2018

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Honey Bun (1982) Limited ("the company"), set out on pages 31 to 62, which comprise the statement of financial position as at September 30, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at September 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

Nyssa A. Johnson
W. Gihan C. de Mel
Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Carrying amount of trade receivables

Key Audit Matter	*How the matter was addressed in our audit*
Trade receivables after allowance for impairment losses, represent 27% or $58.5 million of current assets. Management has implemented measures to recover amounts due to them, however, the carrying value of trade receivables may not be recoverable due to changes in the business and economic environment in which specific customers operate. There is judgment involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections. [See notes 2(c)(i) and 7]	Our audit procedures in response to this matter, included: • Testing the company's recording and ageing of trade receivables. • Testing subsequent receipts for selected customer accounts. • Evaluating the adequacy of the allowance for impairment recognised in respect of the company's trade receivables by assessing management's assumptions used and re-performing the calculation.

Other matter

The financial statement for the company for the year ended September 30, 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on November 22, 2017.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
HONEY BUN (1982) LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 29 to 30, forms part of our auditors' report.

Report on additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Nyssa A. Johnson.

KPMG

Chartered Accountants
Kingston, Jamaica

November 29, 2018

Appendix to the Independent Auditors' report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

To the Members of
HONEY BUN (1982) LIMITED

Appendix to the Independent Auditors' report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2018	2017
NON-CURRENT ASSETS			
Property, plant and equipment	3	491,544,316	386,947,599
Investments	4	85,044,039	78,079,907
Intangible assets	5	2,489,856	1,657,433
Total non-current assets		579,078,211	466,684,939
CURRENT ASSETS			
Inventories	6	41,899,285	47,939,061
Trade and other receivables	7	66,133,767	81,702,289
Taxation recoverable		1,767,693	6,660,500
Cash and cash equivalents	8	99,554,212	101,644,353
Total current assets		209,354,957	237,946,203
CURRENT LIABILITIES			
Trade and other payables	9	111,842,573	87,267,645
Taxation payable		2,709,252	12,636,747
Current portion of long-term loans	10	6,166,530	6,519,369
		120,718,355	106,423,761
Net current assets		88,636,602	131,522,442
Total assets less current liabilities		667,714,813	598,207,381
NON-CURRENT LIABILITIES			
Long-term loans	10	23,616,622	29,606,653
Deferred taxation	11	26,227,258	22,769,301
Total non-current liabilities		49,843,880	52,375,954
EQUITY			
Share capital	12	46,514,770	46,514,770
Capital reserves	13	64,348,197	59,880,738
Unappropriated profits		507,007,966	439,435,919
Total equity		617,870,933	545,831,427
Total non-current liabilities and equity		667,714,813	598,207,381

The financial statements on pages 31 to 62 were approved for issue by the Board of Directors on November 29, 2018 and signed on its behalf by:

______________________Chairman
Herbert Chong

______________________________Director
Charles Heholt

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2018	2017
Gross operating revenue	14	1,317,178,606	1,251,119,903
Cost of operating revenue	15	(715,891,482)	(706,919,927)
Gross profit		601,287,124	544,199,976
Other income	16	1,586,281	3,141,988
		602,873,405	547,341,964
Administrative, selling and distribution expenses:			
Administrative		(268,946,029)	(264,353,865)
Selling and distribution		(232,665,152)	(173,461,014)
	15	(501,611,181)	(437,814,879)
Operating profit before finance costs and taxation		101,262,224	109,527,085
Finance income – interest		1,830,898	1,616,682
Finance costs		(4,996,690)	(5,877,914)
Profit before taxation		98,096,432	105,265,853
Taxation	19	(11,673,707)	(11,363,510)
Profit for the year		86,422,725	93,902,343
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Unrealised gain/(loss) on available-for-sale investments, net of tax		4,467,459	(491,828)
Total comprehensive income for the year		90,890,184	93,410,515
Earnings per share	20	0.18	0.19

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Share capital (note 12)	Capital reserves (note 13)	Unappropriated profits	Total
Balances at September 30, 2016	46,514,770	60,372,566	364,386,136	471,273,472
Profit for the year	-	-	93,902,343	93,902,343
Other comprehensive income:				
Unrealised loss on available-for-sale investments	-	(491,828)	-	(491,828)
Total comprehensive income for the year	-	(491,828)	93,902,343	93,410,515
Transactions with owners:				
Dividends (note 21)	-		(18,850,678)	(18,850,678)
Adjustment prior year	-	-	(1,882)	(1,882)
Balances at September 30, 2017	46,514,770	59,880,738	439,435,919	545,831,427
Profit for the year	-	-	86,422,725	86,422,725
Other comprehensive income:				
Unrealised gain on available-for-sale securities	-	4,467,459	-	4,467,459
Total comprehensive income for the year	-	4,467,459	86,422,725	90,890,184
Transactions with owners:				
Dividends (note 21)	-	-	(18,850,678)	(18,850,678)
Balances at September 30, 2018	46,514,770	64,348,197	507,007,966	617,870,933

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

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		86,422,725	93,902, 343
Adjustments for:			
Depreciation	3	48,381,842	43,801,349
Loss/(gain) on disposal of property, plant and equipment		632,171	(9,079)
Amortisation	5	612,977	776,116
Interest income		(1,830,898)	(1,616,682)
Interest expense		4,996,690	5,877,914
Taxation	19	11,673,707	11,363,510
Operating profit before change in working capital		150,889,214	154,095,471
Inventories		(513,382)	1,690,901
Trade and other receivables		15,568,522	(4,290,073)
Trade and other payables		24,574,928	16,095,084
Interest paid		(4,996,690)	(5,877,914)
Interest received		1,830,898	1,616,682
Cash generated from operations		187,353,490	163,330,151
Tax paid		(13,250,438)	(11,061,020)
Net cash provided by operating activities		174,103,052	152,269,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,273,313	450,000
Additions to property, plant and equipment	3	(149,330,885)	(87,265,138)
Additions to intangible assets	5	(1,445,400)	(633,000)
Investments, net		(2,496,673)	(38,585,379)
Net cash used by investing activities		(150,999,645)	(126,033,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		-	30,000,000
Repayment of long-term loans		(6,342,870)	(7,757,760)
Dividends paid	21	(18,850,678)	(18,850,678)
Net cash (used)/provided by financing activities		(25,193,548)	3,391,562
Net (decrease)/increase in cash and cash equivalents		(2,090,141)	29,627,176
Net cash balances at beginning of year		101,644,353	72,017,177
Net cash and cash equivalents at end of year		$ 99,554,212	101,644,353

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

1. Identification

Honey Bun (1982) Limited ("the company") is incorporated and domiciled in Jamaica, with registered office located at 26 Retirement Crescent, Kingston 5, Jamaica. The company has been listed on the Junior Market of the Jamaica Stock Exchange (JSE) since June 3, 2011.

The principal activities of the company are the manufacture and distribution of baked products to the local and export markets.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements as at and for the year ended September 30, 2018 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards that were in issue came into effect during the current financial year. The adoption of those new standards and amendments did not have any impact on the company's financial statements.

New and amended standards issued that are not yet effective

At the date of approval of the financial statements, there were certain new standards, and amendments to existing standards which were in issue but were not yet effective and which the company has not early adopted. Those which management considered may be relevant to the company are as follows:

- The company is required to adopt IFRS 9*, Financial Instruments,* effective October 1, 2018. IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards issued that are not yet effective (cont'd)

- IFRS 9 *Financial Instruments (cont'd)*

  Under IFRS 9, loss allowance will be measured on either of the following basis:

  – 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

  – Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of s financial instrument.

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

  The company believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the company is still in the process of determining the likely financial impact on its financial statements.

  IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The company's assessment included an analysis to identify data gaps against current processes and the company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

  Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

  - The company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as a October 1, 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards issued that are not yet effective (cont'd)

- IFRS 9 *Financial Instruments (cont'd)*

  - The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

    a) The determination of the business model within which a financial asset is held
    b) The designation and revocation of previous designations of certain financial assets as measured at FVTPL
    c) The designation of certain investments in equity investments not held for trading as at FVOCI.

- The company will be required to adopt IFRS 15, *Revenue From Contracts With Customers*, effective October 1, 2018. IFRS 15 replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  Revenue from the sale of goods is currently recognised when the goods are delivered to the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under the IFRS 15, revenue will be recognised when a customer has control of goods.

  Based on its assessment, the company does not expect the application of IFRS 15 to have a significant impact on its 2019 financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards issued that are not yet effective (cont'd)

- The company will adopt IFRS 16*, Leases,* effective October 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

  The company does not expect the adoption of this standard to have a significant impact on its 2020 financial statements.

- Other standards

  The following amended standards and interpretations are not expected to have a significant impact on the company's financial statement:

  - *Annual Improvements to* IFRSs *2014-2016* cycle amendments to IFRS 1 and IAS 28, effective retrospectively for annual reporting periods beginning on or after January 1, 2018.

  - IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019.

  - IFRIC 22 foreign currency transactions and advance consideration is effective for annual reporting periods beginning on or after January 1, 2018.

(b) Basis of preparation and functional currency:

The financial statements are prepared on the historical cost basis, except for available-for-sale investments and revaluation of certain property, plant and equipment, which are measured at fair value and are presented in Jamaica dollars, which is the functional currency of the company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of 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 characteristics, such as credit risks.

(ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date, to the extent that such events confirm conditions existing at the reporting date.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Use of estimates and judgements (cont'd):

(iii) Residual value and useful life of property, plant and equipment:

The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the company.

(d) Segment reporting:

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The company's activities are limited to the manufacture and distribution of baked products to Jamaican and overseas consumers. Overseas revenue is less than 10% of gross operating revenue and not considered a separate segment. No additional segment information is provided.

(e) Property, plant and equipment:

Items of property, plant and equipment are measured at cost, except for freehold land and buildings and plant and machinery 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 machinery is estimated using depreciated replacement cost approach. Gains arising from changes in market value are taken to capital reserve in changes in equity. Losses that offset previous gains of the same asset are charged against the capital reserve; all other losses are charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Property, plant and equipment (cont'd):

Depreciation is recognised in profit or loss on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. No depreciation is charged on land and construction in progress. The depreciation is charged over the useful life of the assets as follows:

Buildings	40 years
Furniture and fixtures	10 years
Bakery fixtures	2 to 5 years
Computers	4 years
Motor vehicles	5 years
Plant and machinery	10 years

Depreciation methods, useful lives and residual values are reassessed annually.

(f) Investment securities:

Investment securities classified as available-for-sale are carried at fair value. Unrealised gains and losses arising from movement in the fair value of investments classified as available-for-sale are recognised 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 value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company on the date they commit to purchase or sell the investments.

Investments securities classified as held-to-maturity, comprises securities with fixed or determinable payments and fixed maturities that the company has the positive intent and ability to hold to maturity.

On initial recognition these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the company from classifying investment securities as held-to-maturity for the financial year in which the sale or reclassification occurs and the following two financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(g) Intangible assets:

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 on a straight line basis.

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

(h) Inventories:

Inventories are measured at the lower of cost, determined principally on a first-in-first-out (FIFO) basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

(i) Trade and other receivables:

Trade and other receivables are measured at amortised cost less impairment losses.

(j) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits with maturity of three months or less from the date of placement. For the purpose of the statement of cash flows, bank overdraft, if any, that is repayable on demand and form an integral part of cash management activities, is included as part of cash and cash equivalents.

(k) Trade and other payables:

Trade and other payables are measured at cost.

(l) Borrowings:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between proceeds (net of transaction costs) and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(m) Share capital:

Ordinary shares are classified as equity where there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds of the share issue.

(n) Dividends:

Dividends on ordinary shares are recognised in equity in the period in which they are approved.

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. Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

(o) Revenue:

Revenue from sale of goods represents the invoiced value of goods and services, and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

(p) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(q) Related parties:

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" in this case the company).

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

(i) has control or joint control over the company;

(ii) has significant influence over the company; or

(iii) is a member of the key management personnel of the company or of a parent of the company.

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

(i) The entity and the company 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 a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

(c) Related party transaction is a transfer of resources, services or obligations between a related parties, regardless of whether a price is charged.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(r) Foreign currencies:

Foreign currency balances at the reporting date are translated at the exchange rates ruling at that date. Transactions in foreign currencies are converted at the exchange rates ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movement in the relevant balances.

(s) Impairment:

The carrying amount of the company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at the reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of the other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Impairment (cont'd):

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(iii) Financial assets:

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and the event has a negative impact on the estimated cash flows of the financial asset and the loss can be reliably estimated.

The amount of the impairment loss recognised is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Impairment (cont'd):

(iii) Financial assets (cont'd):

If, in a subsequent period, the amount of the impairment loss of a financial asset other than the accounts receivable decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(t) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

3. Property, plant and equipment

	Buildings	Construction in-progress	Land	Furniture and fixtures	Bakery fixtures	Computers	Motor vehicles	Plant and machinery	Total
Cost or valuation:									
September 30, 2016	124,165,649	12,973,477	39,342,071	10,271,698	42,873,789	14,245,722	77,891,257	190,536,760	512,300,423
Additions	1,357,867	51,230,200	-	553,985	3,632,783	3,606,279	19,972,811	6,911,213	87,265,138
Disposals	-	-	-	-	-	-	(1,017,500)	-	(1,017,500)
September 30, 2017	125,523,516	64,203,677	39,342,071	10,825,683	46,506,572	17,852,001	96,846,568	197,447,973	598,548,061
Additions	65,930,152	-	-	4,483,126	13,023,248	4,158,465	11,378,191	50,357,703	149,330,885
Transfers	64,203,677	(64,203,677)	-	-	-	-	-	-	-
Transfer from inventories	-	-	-	-	-	-	-	6,553,158	6,553,158
Disposals	-	-	-	(1,287,891)	(770,750)	-	-	(7,047,645)	(9,106,286)
September 30, 2018	255,657,345	-	39,342,071	14,020,918	58,759,070	22,010,466	108,224,759	247,311,189	745,325,818
Depreciation:									
September 30, 2016	11,033,550	-	-	4,260,361	22,707,967	9,845,226	42,825,482	77,703,106	168,375,692
Charge for the year	3,147,600	-	-	801,766	7,704,472	2,024,581	12,432,161	17,690,769	43,801,349
Eliminated on disposals	-	-	-	-	-	-	(576,579)	-	(576,579)
September 30, 2017	14,181,150	-	-	5,062,127	30,412,439	11,869,807	54,681,064	95,393,875	211,600,462
Charge for the year	3,885,575	-	-	901,496	7,828,368	2,762,186	14,961,266	18,042,951	48,381,842
Eliminated on disposals	-	-	-	(366,074)	(556,667)	-	-	(5,278,061)	(6,200,802)
September 30, 2018	18,066,725	-	-	5,597,549	37,684,140	14,631,993	69,642,330	108,158,765	253,781,502
Net book value:									
September 30, 2018	237,590,620	-	39,342,071	8,423,369	21,074,930	7,378,473	38,582,429	139,152,424	491,544,316
September 30, 2017	111,342,366	64,203,677	39,342,071	5,763,556	16,094,133	5,982,194	42,165,504	102,054,098	386,947,599

During the year ended September 30, 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 and Management Consultants at fair Market Value-Installed. The company's plant and machinery acquired from a company in liquidation at fire sale values were initially recorded at cost but subsequently revalued as noted. The surplus arising on the revaluation of the building and plant and machinery during 2010, were credited to capital reserves (Note 13).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

4. Investments

Investments comprise:

	2018	2017
Held to maturity:		
Mayberry Investments Limited (US$)	37,011	35,878
Stocks and Securities Limited (JA$)	63,008	578,279
Victoria Mutual Building Society (US$)	40,643,575	39,147,000
Victoria Mutual Building Society (US$)	27,029,819	26,315,067
Digicel Group Bond 7.125% 2022 (US$)	2,352,088	2,281,159
	70,125,501	68,357,383
Available-for-sale investments:		
Quoted shares:		
General Accident Insurance Company Jamaica Limited	312,228	236,401
Lasco Manufacturing Limited	2,242,000	2,088,600
Caribbean Cream Limited	4,034,100	3,039,600
Pan Jam Investment Limited	3,173,725	2,056,529
Jamaican Teas Limited	-	236,070
NCB Financial Group Limited	3,357,428	2,065,324
Caribbean Cement Company Limited	684,735	-
JMMB Group Limited	636,990	-
Wisynco Group Limited	477,332	-
	14,918,538	9,722,524
	85,044,039	78,079,907

The Victoria Mutual Building Society US$ investments are held as collateral against loans from the same financial institution that were used to acquire a real estate property to expand the operations of the Company (note 10).

5. Intangible assets

	2018	2017
Cost:		
October 1	18,209,925	17,576,925
Additions	1,445,400	633,000
September 30	19,655,325	18,209,925

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

5. Intangible assets (cont'd)

	2018	2017
Amortisation:		
October 1	16,552,492	15,776,376
Charge for the year	612,977	776,116
September 30	17,165,469	16,552,492
Carrying value at September 30	2,489,856	1,657,433

6. Inventories

	2018	2017
Raw and packaging materials	39,401,555	39,184,247
Work-in-progress	1,795,601	2,738,446
Sundry equipment spares	-	5,212,773
Finished goods	702,129	803,595
	41,899,285	47,939,061

Inventory write-offs recognised in profit or loss is $24,514,175 (2017: $17,787,897).

7. Trade and other receivables

	2018	2017
Trade receivables (a)	80,130,373	86,824,765
Less provision for impairment	(21,627,270)	(13,964,287)
	58,503,103	72,860,478
Prepayments	3,749,143	4,723,124
Other receivables	3,881,521	4,118,687
	66,133,767	81,702,289

Included in trade and other receivable is $97,332 (2017: $265,858) due from a related party in the ordinary course of business (see note 18).

(a) The aging of trade receivables at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
Current	48,515,068	-	49,613,704	-
30 - 60 days	2,357,213	-	1,880,751	-
61 - 90 days	7,627,191	-	1,911,869	845,739
Over 90 days	21,630,901	21,627,270	33,418,441	13,118,548
	80,130,373	21,627,270	86,824,765	13,964,287

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

7. Trade and other receivables (cont'd)

The movement in the allowance for impairment losses as at the reporting date was:

	2018	2017
Balance at beginning of year	13,964,287	9,107,544
Additional provision, net of recoveries	7,662,983	4,856,743
	21,627,270	13,964,287

8. Cash and cash equivalents

	2018	2017
Cash in hand	323,126	297,000
Bank balances	51,538,033	55,533,988
	51,861,159	55,830,988
Local currency bank balance:		
Short-term bank deposits	47,693,053	45,813,365
	99,554,212	101,644,353

9. Trade and other payables

	2018	2017
Trade payables	93,226,521	78,974,643
Accrued staff vacation pay	6,211,609	6,211,609
Other payables	11,574,272	1,251,812
Distributors' deposits	830,171	829,581
	111,842,573	87,267,645

10. Long-term loans

	2018	2017
(i) Victoria Mutual Building Society (VMBS)	3,687,723	7,449,865
(ii) Victoria Mutual Building Society (VMBS)	26,095,429	28,676,157
	29,783,152	36,126,022
Less current portion	(6,166,530)	(6,519,369)
	23,616,622	29,606,653

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

10. Long-term loans (cont'd)

(i) This loan is repayable in monthly installments by July 2019 with fixed interest rate of 6.5% per annum. The primary collateral is a US$ investment being held with VMBS (note 4).

(ii) This loan is repayable in monthly installments by February 2027 with fixed interest rate of 5.65% per annum. The primary collateral is a US$ investment being held with VMBS (note 4).

11. Deferred taxation

Deferred tax liability is attributable to the following:

	2016	Recognised in profit or loss [note 19(a)]	2017	Recognised in profit or loss [note 19(a)]	2018
Property, plant and equipment	24,855,836	(533,633)	24,322,203	3,191,416	27,513,619
Trade and other payables	(753,298)	(799,604)	(1,552,902)	-	(1,552,902)
Unrealised foreign exchange gain	-	-	-	266,541	266,541
	24,102,538	(1,333,237)	22,769,301	3,457,957	26,227,258

12. Share capital

	2018	2017
Authorised:		
487,500,000 ordinary shares of no par value		
Issued and fully paid:		
471,266,950 ordinary shares of no par value	46,514,770	46,514,770

13. Capital reserves

	2018	2017
Property, plant and equipment – 2009	33,000	33,000
Property, plant and equipment – 2010	50,109,435	50,109,435
Property, plant and equipment – 2010	21,615,949	21,615,949
Deferred tax on revaluation at 25%	(17,939,596)	(17,939,596)
	53,818,788	53,818,788
Unrealised gains on available-for-sale investments	10,529,409	6,061,950
	64,348,197	59,880,738

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

13. Capital reserves (cont'd)

Capital reserve comprises revaluation surplus on certain property, plant and equipment (see note 3). The unrealised gain on available-for-sale investments comprises the cumulative net change in the fair value.

14. Gross operating revenue

Gross operating revenue represents the invoiced value of sales, after deduction of returns, discounts allowed, and General Consumption Tax.

15. Expenses by nature

	2018	2017
Cost of operating revenue:		
Depreciation	18,030,351	17,690,769
Other costs of operating revenue	27,655,537	25,559,336
Raw materials and consumables	517,963,117	522,235,284
Staff costs (note 17)	122,130,214	114,718,655
Utilities	30,112,263	26,715,883
	715,891,482	706,919,927

	2018	2017
Administrative:		
Audit fees	2,344,000	1,760,000
Repairs and maintenance, cleaning and sanitation	22,321,306	31,579,047
Depreciation	30,351,591	26,110,580
Amortisation	612,977	776,116
Directors' emoluments		
- Fees	5,229,829	6,654,133
- Management remuneration	24,653,841	13,119,127
Other administrative expenses	29,296,113	42,477,884
Security	5,906,080	5,884,472
Staff costs (note 17)	126,608,676	120,428,953
Utilities	21,621,616	15,563,553
	268,946,029	264,353,865

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

15. Expenses by nature (cont'd)

	2018	2017
Selling and distribution:		
Advertising and promotion	27,255,829	11,144,506
Property rental	8,975,917	8,972,765
Other distribution costs	74,621,028	51,300,408
Staff costs (note 17)	105,800,247	88,434,076
Other expenses	16,012,131	13,609,259
	232,665,152	173,461,014
Total administrative and selling and distribution expenses	501,611,181	437,814,879

Expenses by nature include the total of cost of sales, administrative, selling and distribution expenses.

16. Other income

	2018	2017
Foreign exchange gains	1,578,922	1,936,260
(Loss)/gain on disposal of property, plant and equipment	(632,171)	9,079
Dividend received	401,025	1,196,649
Gain on sale of shares	238,505	-
	1,586,281	3,141,988

17. Staff costs

	2018	2017
Salaries wages and other staff benefits	292,765,246	263,691,923
Employer's statutory contribution	33,098,772	29,638,039
Other staff costs	28,675,119	30,251,723
	354,539,137	323,581,685

Included in profit or loss as follows:

	2018	2017
Administration (note 15)	126,608,676	120,428,953
Selling and distribution (note 15)	105,800,247	88,434,076
Direct labour (note 15)	122,130,214	114,718,655
	354,539,137	323,581,684

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

18. Related party balances and transactions

The statements of financial position, and profit or loss and other comprehensive income include balances and transactions arising in the ordinary course of business during the year, with related parties as follows:

		2018 $	2017 $
(i)	Payments net of purchases	168,527	125,084
(ii)	Due from Next Incorporation (note 7)	97,332	265,858

19. Taxation

(a) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	2018	2017
Current tax expenses:		
Current tax expense @ 25%	16,431,500	25,393,494
Remission of income tax @ 50%	(8,215,750)	(12,696,747)
	8,215,750	12,696,747
Deferred tax expense:		
Origination and reversal of temporary differences (note 11)	3,457,957	(1,333,237)
Total income tax expense for the year	11,673,707	11,363,510

(b) Reconciliation of expected tax expense and actual tax expense

	2018	2017
Profit before taxation	98,096,432	105,265,853
Computed "expected" tax expense @ 25%	24,524,108	26,316,463
Difference between profit for financial statements and tax reporting purposes on		
Depreciation and capital allowances	(7,563,237)	(4,684,805)
Net effect of other charges for tax purposes	2,928,586	(1,016,520)
Adjustment for the effect of remission of tax [note 19(c)]	(8,215,750)	(9,682,268)
Other net tax reversal adjustment	-	430,640
Actual tax charged	11,673,707	11,363,510

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

19. Taxation (cont'd)

(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 Market of the Jamaica Stock Exchange (JMJSE) if certain conditions were achieved after the date of initial admission.

Effective June 3, 2011, the company's shares were listed on the JMJSE. 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 (June 1, 2011- May 31, 2016) – 100%
Years 6-10: (June 1, 2016 - May 31, 2021) – 50%.

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

20. Earnings per share

	2018	2017
Earnings per share	0.18	0.19

Earnings per share is computed by dividing the profit for the year by 471,266,950 (2017: 471,266,950, the number of shares in issue during the year.

21. Dividends

	2018	2017
Declared and paid:		
First interim @ 0.02 (2017: 0.02) cents per share	9,425,339	9,425,339
Second interim @ 0.02 (2017: 0.02) cents per share	9,425,339	9,425,339
Total dividends to shareholders	18,850,678	18,850,678

22. Financial risk management

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

22. Financial risk management (cont'd)

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally on trade and other receivables, cash and cash equivalents and investments. There is no significant concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(i) Accounts receivable

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base has less of an influence on credit risk.

A credit policy has been established under which each customer is analysed individually for creditworthiness. Credit is granted to customers on the approval of management. During the credit approval process, the customer is assessed for certain indicators of possible delinquency. In monitoring customer credit risk, customers are grouped according to the ageing of their debt.

The company does not require collateral in respect of trade and other receivables.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the ageing of the receivables and the customer's ability to pay.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

22. Financial risk management (cont'd)

(a) Credit risk (cont'd):

(ii) Cash and cash equivalents and investments

The company limits its exposure to credit risk by maintaining these balances with financial institutions which management considered to be stable and only with counterparties that are appropriately licensed and regulated. Management does not expect any counterparty to fail to meet its obligations.

There was no change to the company's exposure to credit risk during the year, or the manner in which it measures and manages the risk.

(b) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

The following are the contractual maturities of financial liabilities measured at amortised cost. The tables show the undiscounted cash flows of non-derivative financial liabilities, including interest payments, based on the earliest date on which the company can be required to pay.

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Long-term loans	29,783,152	37,213,205	7,710,024	15,735,030	13,768,151
Trade and other payables	111,842,573	111,842,573	111,842,573	-	-
	141,625,725	149,055,778	119,552,597	15,735,030	13,768,151

	2017				
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years	Over 5 years
Long-term loans	36,126,022	45,678,482	8,465,277	19,511,296	17,701,908
Trade and other payables	87,267,645	87,267,645	87,267,645	-	-
	123,393,667	132,946,127	95,732,922	19,511,296	17,701,908

There was no change to the company's exposure to liquidity risk during the year, or the manner in which it measures and manages the risk.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

22. Financial risk management (cont'd)

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk.

(i) Currency risk:

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

The company is exposed to currency risk on transactions that are denominated in a currency other than its functional currency. The main currency giving rise to this risk is the United States dollar (US$).

The company ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in US$ as a hedge against adverse fluctuations in exchange rates.

Exposure to currency risk:

The company's exposure to foreign currency risk at the reporting date was as follows:

	2018		2017	
	J$ Equivalent	US$	J$ Equivalent	US$
Financial assets	126,364,775	946,836	141,975,411	1,088,685
Financial liabilities	(1,914,776)	(14,220)	(1,516,668)	(11,630)
Net assets/(liabilities)	124,449,999	932,616	140,458,743	1,077,055

Exchange rates as at the reporting date were US$1: J$133.46 (2017: US$1: J$130.41).

Sensitivity analysis:

A 4% (2017: 10%) weakening of the US$ against the J$ would increase profit for the year by $4,978,677 (2017: $14,045,874).

A 2% (2017: 1%) strengthening of the US$ against the J$ would decrease profit for the year by $2,489,339 (2017: $1,404,587).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

22. Financial risk management (cont'd)

(c) Market risk (cont'd):

(ii) Interest rate risk:

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

The company minimises interest rate risk by investing mainly in fixed rate instruments and contracting liabilities at fixed rates, where possible. The company's interest rate risk arises mainly from bank loans.

At the reporting date, the interest profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2018	2017
Fixed rate:		
Financial assets	70,025,482	67,743,226
Financial liabilities	(29,783,152)	(36,126,022)
	40,242,330	31,617,204
Variable rate:		
Financial assets	46,758,975	61,287,955

Fair value sensitivity analysis for financial instruments:

The company does not account for any interest bearing financial instrument at fair value, therefore a change in interest rates at the reporting date would not affect the carrying value of the company's financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase/(decrease) in profit before taxation	
	2018	2017
1% (2017: 1%) increase	467,590	612,879
1% (2017: 1%) decrease	(467,590)	(612,879)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

22. Financial risk management (cont'd)

(c) Market risk (cont'd):

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 10% (2017: 10%) increase in the market price at the reporting date would cause an increase in other comprehensive income of $1,491,853 (2017: $972,252). A 10% (2017: 10%) decrease would have an equal but opposite effect on other comprehensive income.

(d) 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 equity inclusive of unappropriated profits and capital 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Debt is the total of long-term loans and bank overdraft less related party loans, if any. Total capital is calculated as equity as shown in the company's statement of financial position plus debt. The gearing ratios at the year-end based on these calculations were as follows:

	2018	2017
Debt: long-term loans	29,783,152	36,126,022
Equity	617,870,933	545,831,427
Total capital	647,654,085	581,957,449
Gearing ratio	4.59%	6.20%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED SEPTEMBER 30, 2018

(Expressed in Jamaica dollar unless otherwise stated)

22. Financial risk management (cont'd)

(d) Capital management (cont'd):

During 2018, the company's strategy, which was unchanged from 2017, was to maintain the gearing ratio below 25%.

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.

(e) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company's equities are the only financial instrument that is carried at fair value, also where fair value of financial instruments approximates carrying value, no fair value computation is done.

The carrying values reflected in the financial statements for cash and cash equivalent, trade and other receivables, and trade and other payables are assumed to approximate fair value due to their relatively short-term nature.

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other conditions are at market terms.

Quoted equities fair values are based on the bid prices published by the Jamaica Stock Exchange *Determination of fair value and fair values hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes financial assets with fair values based on broker quotes.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The company considers relevant and observable market prices in its valuations where possible.

A part from the quoted shares which are classified as level 1, the other investments are level 2 investments.

1

Transport & Mining Minister, Robert Montague (centre) enjoys the pocket-size Buccaneer Rum Cake launched at the 19th staging of Expo Jamaica on April 20, 2018. Looking on are Michelle Chong, CEO and Dustin Chong, Sales & Distribution Manager.

2

Life's more fun at Honey Bun!

3

Aerial Photo of new Distribution Warehouse

4

Director Wayne Wray receiving the Governor General's Award for Excellence (Junior Market) on behalf of Honey Bun

5

Director Wayne Wray receiving the award for 2nd Runner Up for PSOJ/JSE Corporate Governance (Junior Market) on behalf of Honey Bun

CORPORATE HIGHLIGHTS


Honey Bun
22-26
Honey Bun
3


4


5
Certificate of Award
HONEY BUN (1982) LIMITED

RISK MANAGEMENT

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

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

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

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

TYPES OF RISK

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

DISASTERS

Our Disaster Recovery Plan identifies our exposure to threats and ensures that systems are in place so that the business activities can function in the event of any disruption. We continuously focus on improving key processes that will enhance our responses to this risk and conduct systems testing to ensure continuance in the event of disruptions.

Disruptions can be described as disruptions due to natural disasters such as earthquakes weather extremes like hurricanes or floods, or company-specific disasters such as industrial accidents. Disaster planning addresses many aspects of a response, including:

1. Emergency procedures to evacuate people and important assets,
2. Special responsibilities for crisis management, availability of alternate sites, information and communication technology and other necessary infrastructure, alternate supply chain scenarios, emergency staff planning, emergency liquidity planning, communication strategies, product callback, exchange procedures, and the like.
3. The company provides for various drills and checklists for pre and post disasters.
4. We also provide for adequate insurance in the event of loss of business or to allow for replacement of equipment in the event of loss. These insured amounts on selected policies are reviewed and adjusted on a monthly basis.

IT DISASTER RECOVERY PLAN

A separate document outlines the IT disaster Recovery Plan in the IT manual whereby the company is able to manage a system or back up, recovery and testing recovery of its database and programs. It also provides for protection for antivirus software and provides for the system security.

FOOD SAFETY

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

1. Food safety standards are clearly defined in our Good Manufacturing Practices (GMP) policy

2. Conformance to international food safety standards such as, Hazards Analysis Control Points (HACCP). Through this process, each ingredient and each process is carefully reviewed to identify potential hazard and clearly describes the preventative measure or the type of control required at the stage control is required. These procedures are clearly documented and bi annual training conducted.
3. An Orientation program is also provided for employees to initiate them into the culture of food safety at the plant.
4. The company is regulated by the local Bureau of Standards who provides certification for local food manufacturers operating at the required standards.
5. Registration with the US Food and Drug Administration pursuant to the Federal Drug and Cosmetics Act and is subject to random plant audits for export to the USA.
6. Food Storage and Prevention of Infestation audits

HEALTH AND SAFETY

At Honey Bun Safety comes first and this is communicated at the entry to and throughout the plant. All employees have a responsibility to ensuring safety. Steps taken to ensure same include:

1. Internal Department safety audits conducted twice annually
2. External audits from our insurers
3. External audits and certification from the local bodies including:
   a. Ministry of Health
   b. Ministry of Labour
4. The Company SOPs also contain a section on Corrective Action which details the procedure to be followed in the event there is a non-conformance in the prescribed method and the action to correct and prevent another breach defined.
5. First Aid Training of internal personnel to respond in the event of accident or sickness. The names of trained individuals are clearly posted at each plant.
6. \Emergency measures are documented for hurricanes and other natural disasters in the company manual and checklists provided.
7. The company provides for an annual health fair where staff has the opportunity, either free or at a minimal cost for various health checks. We may also provide for Aids testing, blood pressure and other onsite tests.
8. Through our annual training calendar, drivers are provided with driving safety tips on a set frequency.

At Honey Bun we will establish a designated safety monitor whose primary and sole responsibility is to monitor safety throughout the operations and make recommendations for improvement.

FINANCIAL

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

1. As part of the company's policy to provide documented systems and procedures and their compliance, each SOP contains a section on Verification whereby the system is subjected to review at a pre determined level. Each SOP also contains a section on Corrective action which details the procedure to be followed in the event there is non-conformance in the prescribed method and the action to correct and prevent another breach defined.
2. A biannual internal department audit provides an opportunity to review procedure adherence.
3. Submission to the Jamaica Stock Exchange and the Financial Securities Commission provide an opportunity for our shareholders to view the financial performance of the company.
4. The external financial auditors review the financials of the company on the accuracy of the information in accordance with International Standards on Auditing.
5. Insurance Policy on Consequential Loss provides for insurance against loss of profits from natural disasters.
6. The company manages customer credit by way of a credit policy and reports on performance on the quarterly management report.
7. In order to manage the risk of loss due to foreign exchange exposure, invoices billed in FE are promptly settled by the accounting department

DISTRIBUTION

Distribution in the process by which Honey Bun makes its products available to the market both locally and globally. This process has 2 major risks:

1. Financial Risks are covered under the financial Risks policy
2. Motor damages risks are covered under the company motor vehicle insurance policy

INFORMATION TECHNOLOGY

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

The company's critical software is backed up offsite each night. This software includes accounting, payroll and manuals. The accounting software is also backed up by 2 hard drives alternatively each week, logged and stored at another location by the CEO.

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

INDUSTRIAL DISPUTES

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

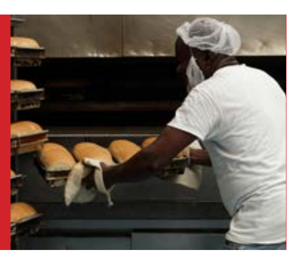
1. The fair and legal treatment of our employees.
2. We recognize that while risks might arise from Industrial disputes that there are several risks that can be managed through a culture of motivation and satisfying employees and that we must be responsible for strategically managing this desired culture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

REPUTATIONAL RISK

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

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

In managing Honey Bun's reputational risk - we shall do everything in our power to ensure that the relationship we enjoy between ourselves and our stakeholders is ethical.



INTELLECTUAL PROPERTY

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

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

SECURITY RISK (INCLUDING CRIMINAL OR TERRORIST ACTIVITIES)

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

1. Our policy on Biological Terrorism refers to the treatment of visitors and employee screening.
2. Security procedures are audited twice annually to ensure policy provides for potential risks and that gaps in the process are brought into conformance.

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

ENVIRONMENT

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

RESPONSIBILITY FOR POLICY

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

VERIFICATION

While the board has responsibility for policy and overall monitoring, the company also implements other internal systems to test our conformance to policy and procedures which are designed to mitigate risks. This is done through:

1. Job Descriptions
2. Documented training programs for new employees
3. Personal and 360 degree performance evaluations
4. Bi annual internal department audits
5. Training on a regular basis as outlined in the company's Training Calendar

CORRECTIVE ACTION

At Honey Bun we believe in providing proper guidelines and continuous improvement. Responsibility for exposing the organization to risks beyond our procedural guidelines requires that sanctions are taken at the highest level except where there are demonstrated efforts to alleviate risk at a lower level. [Example: where a manager might demonstrate adherence to the disciplinary guidelines then sanction will be delivered to his/her subordinate]. Where there is damage to the organization as a result of negligence exposing the organization, the person directly responsible will be expected to resign or his/her services terminated.

CORPORATE DATA

DIRECTORS

EXECUTIVE CHAIRMAN
Mr. Herbert V. Chong

EXECUTIVE
Mrs. Michelle Chong - CEO

NON-EXECUTIVE
Mr. Paul Moses
Mr. Charles Heholt
Mr. Wayne Wray
Mrs. Yaneek Page

SECRETARY
Mrs. Michelle Chong

LIST OF SENIOR OFFICERS
Mr. Herbert Chong – Chairman
Mrs. Michelle Chong - CEO
Mr. Daniel Chong – COO

ATTORNEYS-AT-LAW

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

BANKERS

BANK OF NOVA SCOTIA JAMAICA LIMITED
2 Knutsford Boulevard
Kingston 5
Jamaica W.I.

SAGICOR BANK LIMITED
24-28 Barbados Avenue
Kingston 5

NATIONAL COMMERCIAL BANK
37 Duke Street
Kingston

AUDITOR

KPMG
6 Duke Street
Kingston

REGISTRAR AND TRANSFER AGENT

JAMAICA CENTRAL SECURITIES DEPOSITORY
40 Harbour Street
Kingston
Jamaica W.I.

HONEY BUN (1982) LIMITED

REGISTERED OFFICE
22-26 Retirement Crescent
Kingston 5
Jamaica, W.I.

Telephone (876) 960-9851-2

Website: www.honeybunja.com

FORM OF PROXY

I/We____(insertname)

Of____(address)

Being a Shareholder(s) of the above-named Company, hereby appoint:

____(proxyname)

____(address)

Or failing him____(alternate proxy name)

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 29th day of March 2019 at Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5 and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

NO.	RESOLUTION DETAILS	VOTE FOR OR AGAINST (TICK AS APPROPRIATE)	
		FOR	AGAINST
1.	To receive and approve the Directors' Report, The Auditors' Report and the Audited Accounts for the year ended September 30, 2018.	☐	☐
2.	To re-appoint Paul Moses and Charles Heholt, as directors of the Company, who have retired and, being eligible, have consented to act on re-election.	☐	☐
3.	To authorize the Board to fix the remuneration of Directors.	☐	☐
4.	To authorize the Board of Directors to appoint the auditors.	☐	☐
5.	To Authorize the Board of Directors to fix the remuneration of the Auditors of the Company.	☐	☐
6.	To approve the dividend of 2 cents per share paid to shareholders on January 17, 2018 on record at January 4, 2018 to be ratified as the final dividend paid in respect of the year ended September 30, 2017.	☐	☐
7.	To approve the interim dividend of 2 cents per share in respect of the year ended 30th September, 2018; such dividend was paid on June 25, 2018 to shareholders on record at June 11, 2018.	☐	☐

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

NOTES:

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

[$100 POSTAGE STAMP]

SEND TO:

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

NOTES

Honey Bun

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Designed in Jamaica by: **Krystal Cameron Designs**