



2022 ANNUAL REPORT





COMPANY HISTORY

Honey Bun was founded in 1982 by Herbert Chong, now Executive Chairman, and Michelle Chong, the CEO. The company has grown exponentially from a small retail bakery, to a wholesale bakery publicly listed on the Jamaica Junior Stock Exchange.

Specializing in individually packaged pastries and baked snacks, Honey Bun produces several variations of over a dozen products resulting in a range of over 40 SKUs from three brands: Honey Bun, Island Bites and Buccaneer Jamaica Rum Cakes.

Honey Bun was the first Jamaican bakery to be HACCP certified, in 2016. Since its listing on the JSE in 2011, the company is continuously recognized by the JSE for innovation, operations and leadership. The Company has built a strong reputation for transparency and good Corporate Governance, having won the JSE award for Corporate Disclosure and Investor Relations seven times, and the Governor General's Award for Best practices five times, among many others.

The 24/7 baking operation, located in Kingston, Jamaica with over 400 employees, embodies its mission statement; "We are bound to LEAD through Innovation, ACHIEVE Prosperity for our stakeholders and SERVE the greater good of Mankind". In 2019, the CEO founded The Honey Bun Foundation, focused on the growth of SMEs and the Creative Industry, to help grow the Jamaican economy.

Honey Bun exports through the Caribbean region and the USA, along with UK and Canada. Our products can be found in major chains including Publix in USA, ASDA and Tesco in the UK and Loblaws in Canada, as well as small independent stores.



MISSION, VISION AND CORPORATE VALUES

VISION

Making Life more delicious for everyone everywhere!

MISSION

We are bound to LEAD through Innovation, ACHIEVE Prosperity for our stakeholders and SERVE the greater good of Mankind.

CORPORATE VALUES

I am committed to the Vision, Mission, success and core values of Honey Bun. Our core values serve our stakeholders:

Customers • Employees • Shareholders • Suppliers • Community at large

TEAM WORK: I am a team player and team leader. I do whatever it takes to stay together and achieve team goals. I focus on co-operation and always come to a resolution, not a compromise. I am flexible in my work and able to change if what I am doing is not working. I ask for help when I need it and I am compassionate to others who ask me.

RESPECT: I will consistently do what is right, always show respect and display the right attitude towards everyone and my surrounding environment.

ACCOUNTABILITY: I am truly responsible for my choices, actions and outcomes.

APPRECIATION: I am a truly grateful person. I say thank you and show appreciation often and in many ways.

CONTINUOUS IMPROVEMENT: Good is not enough. I always deliver products and services of exceptional quality that add value

to all involved for the long term. I will strive to always improve on current processes through innovation and communication. I learn from my mistakes and will embrace learning and personal development for myself and others around me. If a challenge arises, I use a system correction before I look for a people correction.

COMMUNICATION: I speak positively of my fellow team members and my clients in both public and private. I speak with good purpose using empowering and positive conversation. I never use or listen to sarcasm or gossip. I acknowledge what is being said as true for the speaker at that moment. I make every effort to greet people using their name. I always apologize for any upsets and then look for a solution. I only discuss concerns in private with the person involved.

INTEGRITY: I will always be open and honest and uphold strong moral values.



4TH Honey Bun



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NOTICE OF ANNUAL GENERAL MEETING

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

DATE: Wednesday, March 8, 2023

TIME: 10:00 am

PLACE: Courtleigh Hotel & Suites, Somerset Suite, 85 Knutsford Boulevard, 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, 2022.
2. To re-appoint Herbert Chong and Michelle Chong, 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 ratify a dividend of \$0.127 per share paid on January 5, 2022, to shareholders on record as at December 8, 2021.
7. To ratify a dividend of \$0.028 per share paid on June 13, 2022, to shareholders on record as at May 31, 2022.

Dated this 31st day of December, 2022

BY ORDER OF THE BOARD OF DIRECTORS



Michelle Chong
COMPANY SECRETARY

The following 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.



CORPORATE DATA

DIRECTORS

EXECUTIVE CHAIRMAN

Mr. Herbert V. Chong

EXECUTIVE

Mrs. Michelle Chong - CEO

Mr. Daniel Chong - COO

INDEPENDENT

Mr. Paul Moses

Mr. Charles Heholt

Mr. Wayne Wray

Mrs. Yaneek Page

LIST OF SENIOR OFFICERS

Mr. Herbert Chong - Chairman

Mrs. Michelle Chong - CEO

Mr. Daniel Chong - COO

Ms. Paula Cameron - FC

Mr. Dustin Chong - CSMO

Ms. Paula Graham-Haynes - Corporate Secretary

ATTORNEYS-AT-LAW

Levy Cheeks & Company

2nd Floor

1 Barbados Avenue

Kingston 5

BANKERS

Bank of Nova Scotia Jamaica Limited

2 Knutsford Boulevard • Kingston 5

Sagicor Bank Limited

24-28 Barbados Avenue • Kingston 5

National Commercial Bank

37 Duke Street • Kingston

BANKERS (Cont'd.)

Victoria Mutual Building Society

73-75 Half Way Tree Road • Kingston 10

JMMB Group

6-8 Grenada Way • Kingston 5

AUDITOR

BDO Chartered Accountants

26 Beechwood Avenue

Kingston 5

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.

 (876) 960-9851-2

www.honeybunja.com



Honeybunja

SHAREHOLDERS PROFILE

AS AT 30TH SEPTEMBER, 2022

TEN LARGEST SHAREHOLDERS	No. of Stock Units	% Holding
Next Incorporated	258,447,977	54.84
Herbert Chong	54,091,000	11.48
Michelle Chong	51,691,000	10.97
JMMB Securities Ltd. (House Account #2)	14,459,000	3.07
Mayberry Managed Client Account	10,950,291	2.32
CAL'S Manufacturing Limited	6,644,122	1.41
Argyle Industries Inc.	4,000,000	0.85
Sagikor Select Fund Limited (Mfg. & Distrib.)	3,780,227	0.80
Jamaica Money Market Brokers Ltd.	3,487,000	0.74
QWI Investments Limited	3,484,492	0.74
SHAREHOLDINGS OF DIRECTORS		
Herbert Chong	54,091,000	11.48
Michelle Chong	51,691,000	10.97
Daniel Chong	2,747,635	0.58
Paul Moses	2,000,000	0.42
Charles Heholt	260,000	0.06
Wayne Wray	110,000	.02
Yaneek Page	0	0.00
SHAREHOLDINGS OF SENIOR OFFICERS		
Herbert Chong	54,091,000	11.48
Michelle Chong	51,691,000	10.97
Daniel Chong	2,747,635	0.58
Dustin Chong	2,479,035	0.53
Paula Cameron	0	0.00
Paula Graham-Haynes	0	0.00





ANNIVERSARY MESSAGE

This year as a company we have celebrated 40 years of being in business. Established 1982, these 40 years were nothing short of making life a lot more delicious for everyone. Over the years, we have grown and transformed. From changing locations to adopting and adhering to the highest international standards. We have extended our product lines and opened numerous wholesale locations in order to connect with our customers.

We have come a far way, succeeding in ways we never could have imagined. Becoming a publicly traded company listed on the Jamaica Junior Stock

Exchange in 2011 - the growth has been fruitful and invigorating. Much has changed, but what has not is our unwavering commitment to providing delicious, high-quality products to our loyal consumers at home and abroad. As we look towards another 40 years and beyond, we are inspired and committed to making our consumers happy, ensuring that what we produce is the very best, because our people deserve nothing less. We'll continue to innovate and bring joy to our consumers while creating value for our shareholders.

Thank you for taking this sweet journey with us. Looking forward to many more successful years!

EXECUTIVE CHAIRMAN'S STATEMENT

REVENUES GREW TO
J\$2.953 billion
AN INCREASE OF
38% ”



For the Financial Year 2021/22, Honey Bun (1982) Limited, achieved another record performance. Revenues grew to J\$2.953 billion, an increase of 38%. However, pre-tax profits decreased by 12% to close at \$254 million.

Exports grew by 21% over prior year. The increase is a direct result of our expenditures in marketing, and distribution.

Increased focus on merchandising and branding, distribution, repairs and wages and other expenses resulted in a 25% increase in expenses. This is a direct response to the growth in sales, competition, and economic conditions.

Another year has passed and at Honey Bun, our management and staff strive for excellence, transparency, and good governance. We are therefore pleased to announce that, at the Jamaica Stock Exchange Best Practices Award for 2021, Honey Bun was awarded in five categories. This included the Governor General award for Best Practises Overall in the Junior Market, which the Company has received for six years. We are grateful and humbled at the achievement.

We are also pleased to announce that Honey Bun has attained Safe Quality Food (SQF) certification which is an internationally recognized Global

Food Safety Initiative. Honey Bun is the first company in Jamaica to be certified to the SQF Quality Code, in addition to the Food Safety Code. Honey Bun continues to strive to be the place to work, and to that end we continue to engage our staff, and provide avenues for their growth. We are pleased with the caliber of excellence and drive displayed by our team.

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 want to thank all our stakeholders including our dedicated and loyal staff. We especially express appreciation to our customers for continuing to choose Honey Bun brands as the brands they love and trust.



Herbert V. Chong
Executive Chairman

BOARD OF DIRECTORS



HERBERT CHONG

EXECUTIVE CHAIRMAN

Herbert who is a co-founder of Honey Bun (1982) Limited, along with his wife Michelle, is the Executive Chairman. Herbert gained much of his entrepreneurial skills in Toronto, Canada as a Business Operator in the Food Industry. Herbert is an astute business man and a respected mentor in and outside of the business community, who lives by the ethos that his word is his bond. He has a vast knowledge and experience in construction and manufacturing equipment. With this knowledge, he continuously provides hands-on refresher instructions to production workers.

A graduate of the University of Technology, Jamaica where he completed studies in Technical Engineering, Herbert is also a proud past-student of Campion College, and a co-founder of the Campion College Alumni. He is a prominent and very active member of his community as a Justice of the Peace, and a member of the St. Andrew North Police Civic Committee.





MICHELLE CHONG

EXECUTIVE DIRECTOR/
CHIEF EXECUTIVE OFFICER

Michelle is a co-founder of Honey Bun (1982) Limited with nearly 40 years' experience in manufacturing. She is a graduate of York University, Toronto, Canada, where she gained a Bachelor

of Arts degree in Psychology. She is a certified HACCP consultant through BRI International, Canada, and the Bureau of Standards, Jamaica. Michelle is also a Quality Ambassador for the Jamaica Bureau of Standards. Her many awards and accomplishments include: being named among the “Most Influential & Powerful Business Women” and “Top Chief Executive Officers in the Caribbean” by Business Suite Online; and a “Woman of Distinction” for contribution in business, by the Jamaica Gleaner. Michelle is the immediate past president of the Jamaica Exporters Association, now merged with the Jamaica Manufacturers Association, to form the JMEA.

Michelle’s strengths include strategic planning and team building. Her passion for developing people, helping them to reach their highest potential, has created a unique and dynamic culture that continues to be one of Honey Bun’s key competitive features. In 2019, Michelle founded the Honey Bun Foundation, which is guided by the Mission Statement, “Creating Powerful Business Models for SMEs and the Creative Industries to become transformational industries for Jamaica’s economy”. Additionally, she routinely provides mentorship to small business owners. This contributed to her receiving the “Thought Leader of the Year” award from the Canadian based International School of Greatness.



DANIEL CHONG
EXECUTIVE DIRECTOR/
CHIEF OPERATIONS OFFICER

Daniel graduated from the University of Waterloo with an Honours Degree in Civil Engineering. He also completed the American Institute of Baking programme in Preventative Maintenance. A pragmatic and enterprising professional with over six years' experience in Engineering and Distribution Logistics and over twelve years' experience in Bakery Management, Daniel is highly proficient in baking, engineering, accounting, and management systems.

His ability to apply sustainable practical measures to the improvement of the Company's operations influenced the Board's decision to appoint him as a Director for Honey Bun (1982) Limited.

In his current capacity as Chief Operations Officer, he oversees the strategic planning for the factory and day-to-day operations. With his keen eye for details and technical planning capabilities, he has contributed significantly to the creation of various systems to improve efficiencies.

Daniel was instrumental in setting up the Enterprise Recourse Management software system and maintaining the back-end functionality. In addition to his software skills, he also led the accounting and finance department before the employment of the company's Financial Controller.



PAUL MOSES

INDEPENDENT DIRECTOR

Paul holds a Bachelor of Science degree in Economics from the University of the West Indies, and is the founder and Managing Director of Checker International Limited. He has acted as a consultant to the Company since 2000, imparting his vast knowledge and wealth of experience, which have assisted with various strategic initiatives for the company since then. Paul is a former Director of the Jamaica Exporters Association. He was also part of the management team for Kem Products Limited, having started his career at Seprod as a management trainee. Paul is also a Director of Capacity Concepts Limited founded in 2016. Capacity Concepts Limited is a business consultancy company with an emphasis on helping companies build Sales platforms.

He has served as an advisor to Honey Bun since 1998 and was instrumental in several changes which put Honey Bun on track for future success. He transitioned to being a director when the company went public in 2011.



WAYNE WRAY

INDEPENDENT DIRECTOR/MENTOR

Honey Bun's Mentor and Chair of the Audit & Risk Management Committee, Wayne 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.

Licensed by the Financial Services Commission as an investment advisor, Wayne is the principal director of Wiltshire Consulting & Advisory Limited, a business advisory firm with local and international clientele.

As a Justice of the Peace, he is committed to nation building, and serves as a Mentor and Director on the Boards of several publicly-listed and privately-held companies as well as community development organisations.



CHARLES HEHOLT

INDEPENDENT DIRECTOR

Charles is the Operations Manager of I.G.L. Limited. He has previously held various senior management roles within the GraceKennedy Group of Companies.

A qualified Materials Engineer, Charles is a graduate of McMaster University in Hamilton, Canada. He holds professional certifications in Project Management, Health and Safety Management, and received training in leadership and management, among other areas.

Charles was selected as a director based on his vast knowledge of productivity, problem-solving and operational skills, as well as other business management skills.





YANEK PAGE

INDEPENDENT DIRECTOR

A certified entrepreneurship trainer & international business coach of managers and leaders spanning 6 continents and over 100 countries. Yaneek is the conceptualizer and program lead for Market Entry USA, an accelerator for Caribbean entrepreneurs to penetrate the US Market. For over a decade, she has helped growth-focused enterprises across the Latin America & the Caribbean (LAC) region to create diverse revenue streams and expand to new markets. The former market lead for WEConnect International for the Caribbean, Yaneek was responsible for the certification of women-owned businesses across the region as market-ready and eligible to do business with global corporations.

Yaneek is the founder of the Caribbean's first litigant support company, Future Services International Limited and the creator & executive producer of The Innovators business reality TV series which was broadcast in over 18 countries. She is also the creator of Let's Make Peace TV Series. A business columnist for the Jamaica Gleaner since 2013. Yaneek was also recruited to write for MasterCard Caribbean Business Blog in 2016. She has received numerous awards for her contributions to nation-building, entrepreneurship development and enterprise, including the US-based Enterprising Women of the Year (2015), Female Business Leader of the Year (2013), and the Nation Builder in the Women in Business category (2011). She was also awarded the Gleaner/PSOJ 50UnderFifty awards in 2012, which honored business leaders under 50 shaping Jamaica's future. In November 2015, she became the first Caribbean person to receive a prestigious TIAW World of Difference award in the entrepreneurship category.

An academic scholar, Yaneek was the recipient of the Sir Arthur Lewis Institute of Social and Economic Studies Scholarship (2003). She holds a Bachelor of Science degree in Management Studies and Psychology and a Master's degree in Development Studies with a concentration on Social Policy.



DIRECTORS' REPORT

The Directors are pleased to present their report for Honey Bun (1982) Limited for the year ending 30th September, 2022”.

FINANCIAL REPORT

The Statement of Comprehensive Income shows pretax profit of \$254.4 Million in revenue. Details of these results, along with a comparison of the previous year’s performance and the state of affairs of the Company are set out in the Management Discussion and Analysis and the Financial Statements which are included as part of this Annual Report.

DIRECTORS

The Directors of the Company as at 30th September, 2022 are:

- Mr. Herbert Chong (Executive Chairman)
- Mrs. Michelle Chong (CEO/ Executive Director)
- Mr. Daniel Chong (COO)/Executive Director)
- Mr. Wayne Wray (Independent Director/Mentor)
- Mr. Paul Moses (Independent Director)
- Mr. Charles Heholt (Independent Director)
- Mrs. Yaneek Page (Independent Director)

The Directors to retire by rotation in accordance with the Articles of Incorporation are Herbert Chong and Michelle Chong. Both being eligible will offer themselves for re-election.

AUDITORS

The auditors of the Company are BDO Chartered Accountants, 26 Beechwood Avenue, Kingston 5.

DIVIDENDS

A dividend of \$0.127 per share was paid on January 5, 2022 to shareholders on record as at December 8, 2021. This dividend was paid as final payment in respect of the financial year ended September 30, 2021. An interim dividend of \$0.028 per share was paid on June 13, 2022 to shareholders on record as at May 31, 2022 for the financial year ended September 30, 2022”.

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

Dated December 31, 2022
FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



Michelle Chong
COMPANY SECRETARY

CORPORATE GOVERNANCE

BOARD MISSION

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

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

In addition to fulfilling its obligations for increased stockholder value, the Board has a responsibility to deliver holistic performance embracing corporate

responsibility towards Honey Bun's stakeholders all of whom are essential to a successful business.

BOARD 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



SPECIFIC RESPONSIBILITIES

CHAIRMAN

The Chairman is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed judgments. He also provides support to the CEO, particularly in relation to external affairs.

COMPANY SECRETARY

The Company Secretary is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision-making and governance. She is appointed by, and can only be removed by the Board. She is also responsible for ensuring that new Directors receive appropriate training and induction into Honey Bun. She ensures compliance with laws, rules and regulations and timely filing of all documents with the respective bodies including the JSE.

COMPANY MENTOR

Each company that joins the Junior Market is required to appoint a mentor who acts as a compliance adviser to the Board of Directors. The mentor must be a suitably experienced person, and he must enter into the standard form Mentor Agreement and be approved by the JSE for the purposes of the Company's admission to the Junior Market.

The duties and the responsibilities of the mentor as it relates to governance include overseeing of establishing procedures and controls for the purposes of compliance with good standard of corporate governance, among them: holding regular board meetings, establishment of board committees - audit and remuneration, good fiscal discipline, and adhering to junior market rules.

BOARD MEMBERS

Each Board Member is expected to commit sufficient time for preparing and attending meetings of the Board and its Committees. Regular attendance at Board meetings is a prerequisite unless explicitly agreed upfront; a Director should not miss two consecutive regular Board meetings. Because in-depth knowledge of the particulars of the Company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. Similarly, management also is to communicate to Board members opportunities to interact in strategy and day-to-day business settings. Board members are strongly encouraged to take advantage of such opportunities as frequently as feasible. The Directors have complete access to the Leadership of the

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

The company maintains a record of the attendance of each Board Member at all meetings.

SELECTION AND COMPOSITION OF THE BOARD

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

The Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed. Any Director so appointed shall hold office only until the next following annual general meeting, when he shall retire but shall be eligible for re-election. New Directors are considered for appointment based on:

1. The boards determination that there is a need for appointment based on resignations, death, rotation or to enlarge the knowledge base of the company.
2. The diversity of experience they provide to the board
3. The experience they possess in their field
4. The confirmation that they are not involved in another capacity which might be considered a conflict of interest

New Directors considered for appointment must:

1. Provide professional CV for the boards consideration
2. Provide references from professional bodies

Each newly appointed Director of the company shall be inducted by the Secretary as outlined by the Company in the Orientation Procedures of Directors.

SIZE OF THE BOARD

Unless otherwise determined by a general meeting, the number of directors of the Company shall be not more than ten (10) in numbers.



EXECUTIVE AND NON-EXECUTIVE/ INDEPENDENT DIRECTORS

An Executive Director is one who is employed to the Company and is normally responsible for aspects of its day-to-day operations. 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 free of any interest or relationship that might influence their independent judgement in executing their responsibilities.

CONFLICTS OF INTEREST/ DISCLOSURE

A Director who has an interest in the Company or in any transactions with the Company which could create or appear to create a conflict of interest must disclose such interests to the Company. These would include:

1. Any Interest in contracts or proposed contracts with the company
2. General disclosure on interest in a firm, which does business with the company
3. Interest in securities held in the Company
4. Emoluments received by the Company
5. Loans or Guarantees granted by the Company to/for the Director.

Disclosure shall be made at the first opportunity at a Board Meeting and such disclosure shall be recorded in the Minutes of the Board Meeting. The Director shall then excuse himself from the Board meetings when the Board is deliberating over any such contract/matter and shall not vote on any such issue. The disclosure of Director's interest shall include interests of his family and affiliates.

DISCLOSURE ON RELATED PARTY TRANSACTIONS

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

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

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

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

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

The financial statements of the company shall report on detailed financial transactions with any related party and the balances.

TRADING IN SECURITIES

A director/officer should not deal in any of the securities of Honey Bun at any time when he is in possession of unpublished price-sensitive information in relation to those securities.

After the end of each accounting quarter and the year, the directors and officers of the company shall not purchase or sell shares of the company until after the release of the financial results to the Jamaica Stock Exchange.

Further details are covered in the company document on Code on Trading in Securities.

ELECTION, TERMS, RE-ELECTION AND RETIREMENT

Election, terms, re-election and retirement of each Board member is conducted in line with the articles of association of the Company, articles 92 to 100. Equally the maximum number of terms of the Chairman should not exceed 10 successive years, unless a resolution of exemption of this rule is passed by the Board.

BOARD COMPENSATION

The level of compensation of the Non-Executive Directors reflects the time, commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and



motivate Non-Executive Directors of the quality required. The compensation is competitive and subject to regular review to what is paid in comparable situations elsewhere. A review by the Board of the remuneration policies for all Directors and the members of the management team will take place during a regular Compensation and Nomination Committee meeting annually.

DIRECTOR INDUCTION AND TRAINING

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

All Directors will make continuous efforts to keep themselves up to date regarding economic, social and

corporate developments, laws/rules/regulations, stock market, accounting and financial matters, etc affecting the company's operational and future plans. The Company Secretary will provide necessary up dates/documents to the Directors on a continuous basis to help them to keep abreast of the developments. The company will, from time to time, sponsor the directors/secretary for attending appropriate training courses/seminars to enable them to keep abreast of the developments.

ACCESS TO OUTSIDE ADVISORS AND FUNDS

The Company will make such funds available to the Board and in particular the Non-Executive Directors as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access outside advisors and cover cost associated with travel and the gathering of relevant information for the execution of their responsibilities.

CODE OF CONDUCT

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all Honey Bun's codes and policies. The Board will not permit any waiver of any of these policies for any Director or Executive officer. If an actual or

potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman. If a conflict exists and cannot be resolved, the Director should resign.

BOARD COMMITTEES

The Board has established 2 Committees, each with clearly defined terms of reference, procedures, responsibilities and powers:

Audit and Risk Management Committee

The primary purpose of the company's Audit & Risk Management Committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. (See HB Audit & Risk Management Committee Charter).

Compensation, Nomination and Corporate Governance Committee

The Compensation, Nomination and Corporate Governance Committee's purpose is to assist the Board in ensuring that the composition, structure, policies and processes of Honey Bun (1982) Limited meet all relevant legal and regulatory requirements and global Corporate Governance best practice standards. Its additional purpose is to develop, recommend and review Corporate Governance Principles applicable to listed companies.

It also has the responsibility for the initiation of the evaluation of the Board and its committees and to make recommendations with respect to the structure and effectiveness of each. (See HB Compensation, Nomination and Corporate Governance Charter).

The members of the Committees, as appointed by the Board of Directors are listed on the schedule of the Board and Committee members (REF: Schedule of Directors and Committee Members).

BOARD MEETINGS

Frequency of Meetings

During each financial year, there will be a minimum of 4 regular Board meetings. Special Board meetings may occur at such other times as any member of the Board may request. These meetings are held after the quarterly financial reports are available but before submission to the JSE. A calendar of dates for board meetings should be circulated to the board members at the beginning of each financial year by the Company Secretary.

Operational Review

To further engage the Board and strengthen its in-depth knowledge of the particulars of the Company's business a monthly Income Statement is prepared for the board by the 15th



of each month. A detailed quarterly management report is also provided by the CEO and each department head describing the achievements and challenges within their department for that period. From these reports the Non Executive Directors may request further information to allow for direct involvement and review of operational activities.

Discussions and Decisions

At all meetings of the Board and its Committees, the members are expected to express their opinions/ views frankly and openly. Decisions will be taken after hearing and discussing the views of all members. Efforts will be made to arrive at a consensus but when it is not possible to do so, decisions will be taken based on the majority votes. Minutes of the meeting will record the votes cast.

Strategy and Operating Plan Setting Meeting

The Board is consulted on a regular basis on matters which are of strategic importance to the Company. Annually at the company budget and strategic planning sessions the board members meet with the company executive and management team to review the Company's strategy in depth prior to final agreement of such strategy and annual operating plans.

Selection of Agenda Items for Board Meetings

The Chairman and Company Secretary will establish the agenda for each Board meeting. Each Board member may suggest the inclusion of item(s) on the agenda. Information important to the Board's understanding of the business will be distributed electronically and or in writing to the Board before the Board meetings. As a general rule, presentations on specific subjects should be sent to the Board members in advance to save time at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed at the meeting.

Additional Attendees to the Meeting The Board encourages the Management

to, where it can assist the ability of the Board members to execute their responsibilities, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

BOARD EVALUATIONS

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

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

Evaluations will be facilitated on an annual basis. The board shall review the results and consider any recommendations to assist in the development of the Board and its members.

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

EVALUATION OF CHAIRMAN, DIRECTORS AND CHIEF EXECUTIVE OFFICER

It is the policy of the Board of Directors that the non-executive Directors meet in an executive session no less than once per year to review and evaluate the performance of the board members. The evaluation will be based on objective and subjective criteria, including an assessment of the performance of the business, accomplishment of long-term strategic objectives, and management development. A clear understanding between the non-executive Directors and the Chief Executive Officer regarding the Company's expected performance and how that performance is to be measured is critical to the process.

ANNUAL GENERAL MEETINGS

General meetings with shareholders are held annually and communication with shareholders in 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. The Directors convene for an AGM debrief during which shareholders' concerns and views are discussed to determine actions. Minutes of the Annual General Meetings are posted on the Company's website.



AUDIT AND RISK MANAGEMENT COMMITTEE OF THE BOARD

PURPOSE

The primary purpose of a company's audit committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations.

COMPOSITION

The committee will consist of at least three members that are independent of the organisation. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk and control.

The Audit and Risk Management Committee shall consist of Non-Executive/Independent Directors of the Company duly appointed by the Board. The Chairman of the Audit and Risk Management Committee shall also be appointed by the Board. The Board Chairman and CEO shall not be a member of the Committee. The Committee shall consist of not less than three members.

From time to time, non-Committee members may be invited to attend meetings of the Committee, if it is considered appropriate.

The Company Secretary may act as the secretary of the Committee. The secretary shall be required to:

1. circulate the notices and minutes of the Committee meetings;
2. distribute to the Committee, all agenda of items to be considered, together with supporting papers and/or related documents which are prepared for consideration by the Committee at least five (5) working days before the meeting;
3. keep detailed records of the Committee meetings; and
4. have such other duties as may be assigned by the Committee from time to time.

QUORUM

The quorum necessary for the transaction of business shall be fifty per cent plus one (50% + 1) of its members, the majority of whom shall be independent. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities,

powers and discretions vested in or exercisable by the Committee. A member participating in a meeting by video link or audio link shall be counted for the purposes of a quorum.

DECISIONS AND MEETING FREQUENCY

Decisions

Decisions are taken by simple majority. In the event of equality of votes, the chairperson shall have a second or casting vote. The committee shall provide updates to the board as a recommendation to be voted on at Board meetings.

Frequency of Meetings

The Audit and Risk Management Committee shall meet at least four times a year following the end of each quarter and at such other times as any member of the Committee or the external/internal auditors may request.

Notice of meetings

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairperson or any other member of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be considered, together with supporting papers, shall be forwarded to each member of the

Committee and any other person required to attend at least five (5) working days before the date of the meeting. Circulation of documents may be effected by electronic mail.

The Committee chairperson should attend the Annual General Meeting to answer shareholders' questions on the Committee's activities.

AUDIT DUTIES

Audit and Risk Management Committee Charter

On behalf of the Board, the Audit and Risk Management Committee shall:

1. monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
2. review the Company's annual and interim financial statements and related policies and assumptions and any accompanying reports or related policies and statements.
3. review and recommend approval of the Company's annual Operational and Capital Budgets.
4. review and recommend approval of the Audited Financial Statements for release to the Jamaica stock exchange.
5. monitor and review the effectiveness of the Company's internal audit function.



6. monitor and review the external auditor's independence, objectivity and effectiveness.
7. develop and implement policy on the engagement of the external auditor to supply non audit services.
8. ensure that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.

RISK MANAGEMENT DUTIES

1. The Audit and Risk Management Committee shall review the Risk Register of the company and provide feedback and guidance.
2. Monitor the adequacy and effectiveness of the Company's systems of risk management and control, the Business Risk Assurance function and external auditors.
3. Review the External Auditors Management Letter to the company and address all matters.

RESOURCES TO FULFIL COMMITTEE MANDATE

The Committee shall:

1. Have access to sufficient resources in order to carry out its duties, including access to

the requisite legal expertise, chartered company secretarial and any other resources, expertise, and assistance as required.

2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
3. Give due consideration to laws and regulations, the provisions of the Corporate Governance Principles and any other applicable rules, as appropriate
4. Arrange for periodic reviews of its own performance and, review its constitution and terms of reference to ensure it is operating at maximum effectiveness; and recommend any changes it considers necessary to the Board or approval.



COMPENSATION, NOMINATION AND CORPORATE GOVERNANCE COMMITTEE OF THE BOARD

PURPOSE

The Committee's purpose is to assist the Board in ensuring that the composition, structure, policies and processes of Honey Bun (1982) Limited meet all relevant legal and regulatory requirements and global Corporate Governance best practice standards. Its additional purpose is to develop, recommend and review Corporate Governance Principles applicable to listed companies. It also has the responsibility for the initiation of the evaluation of the Board and its committees and to make recommendations with respect to the structure and effectiveness of each.

COMPOSITION

The Committee shall consist of at least three (3) members of the Board chosen for their competence and experience and the majority shall be independent directors as so defined in the Company's Corporate Governance Principles.

Members of the Committee and the Committee chairperson shall be appointed and removed by the Board in its sole discretion and shall serve until the end of their tenure, resignation or removal.

The Committee chairperson shall be an independent director and may serve for a maximum of five consecutive years.

In the absence of the committee chairperson, the remaining members present shall elect one (1) of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.

The chairperson of the Board shall not be chairperson of the committee.

SECRETARY

1. The Company Secretary may act as the secretary of the Committee. The secretary shall be required to:
2. circulate the notices and minutes of the Committee meetings;
3. distribute to the Committee, all agenda of items to be considered, together with supporting papers



and/or related documents which are prepared for consideration by the Committee at least five (5) working days before the meeting;

4. keep detailed records of the Committee meetings; and
5. have such other duties as may be assigned by the Committee from time to time.

QUORUM

The quorum necessary for the transaction of business shall be fifty per cent plus one (50% + 1) of its members, the majority of whom shall be independent. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. A member participating in a meeting by video link or audio link shall be counted for the purposes of a quorum.

DECISIONS & MEETING FREQUENCY

Decisions

Decisions are taken by simple majority. In the event of equality of votes, the chairperson shall have a second or casting vote. The committee shall provide updates to the board as a recommendation to be voted on at Board meetings. Ultimately, the Board has final decision on all matters as

noted below, while the subcommittees of the board review and recommends to the board what decisions should be made based on their review to the matter. Ultimately, the Board has final decision on all matters as noted below, while the subcommittees of the board review and recommends to the board what decisions should be made based on their review of the matter.

Frequency of Meetings

The Committee shall meet at least four (4) times per year.

Notice of meetings

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairperson or any other member of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be considered, together with supporting papers, shall be forwarded to each member of the Committee and any other person required to attend at least five (5) working days before the date of the meeting. Circulation of documents may be effected by electronic mail.

The Committee chairperson should attend the Annual General Meeting to answer shareholders' questions on the Committee's activities.

COMPENSATION DUTIES

Board Compensation

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

This committee also approves the annual wage increase on the budget.

NOMINATION DUTIES

Evaluation of Chairman, Directors and Chief Executive Officer

It is the policy of the Board of Directors that the non-executive Directors meet in an executive session no less than once per year to review and evaluate the performance of the board members. The evaluation will be based on objective and subjective criteria, including an assessment of the performance of the business, accomplishment of long-term strategic objectives, and management development. A clear understanding between the non-executive Directors and the Chief Executive Officer regarding the Company's expected performance

and how that performance is to be measured is critical to the process.

Director Induction and Training

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

All Directors will make continuous efforts to keep themselves up to date regarding economic, social and corporate developments, laws/rules/regulations, stock market, accounting and financial matters, etc affecting the company's operational and future plans. The Company Secretary will provide necessary up dates/documents to the Directors on a continuous basis to help them to keep abreast of the developments. The company will, from time to time, sponsor the directors/secretary for attending appropriate training courses/seminars to enable them to keep abreast of the developments.



1. The Committee shall at least once per year review the structure, size, and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
2. Give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.
3. Keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.
4. Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
5. Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
6. Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - a) Consider the use of open advertising or the services of external advisers to facilitate the search;
 - b) consider candidates from a wide range of backgrounds;
 - c) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.
 - d) For the appointment of a chairperson, the Committee should prepare a job specification, including the time commitment expected. A proposed chairperson's other significant commitments should be disclosed to the Board before appointment and any changes to the chairperson's commitments should be reported to the Board as they arise.
 - e) Prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.

- f) Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside of Board meetings.
- g) Review the results of the Board performance the evaluation process that relates to the composition of the Board.
- h) Review the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties.
- i) Report to the Board on the advisability of permitting a member of the Board to become a member of another company's Board and develop a policy on whether and how to cap the number of directorships a director may hold.
- j) Report to the Board on any conflicts of interest that may arise if a member of the Board accepts a position on another company's Board. The Committee shall also make recommendations to the board concerning: (i) formulating plans for succession for both executive and non executive directors and in

particular for the key roles of chairperson and chief executive; (ii) membership of the audit and remuneration committees, and any other Board Committees as appropriate, in consultation with the chairpersons of those Committees; (iii) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service of the contract; and (iv) the appointment of any director to executive or other officer.

CORPORATE GOVERNANCE DUTIES

In order to fulfil its purpose, the Committee shall carry out the duties below as appropriate:

1. Review for the Board's approval and or update the Company's Corporate Governance Policy.
2. Develop for the Board's approval and review the chart of authorities and delegation of authorities to management.
3. Consider possible conflicts of interests of directors and any related party transactions of directors and make relevant proposals to the Board in accordance with the Company's Corporate Governance Policy.
4. Review any change in status



- (including fulfilment of independence requirements) and professional affiliation of current directors and make relevant proposals to the Board in accordance with the Company's Corporate Governance Policy.
5. Review, every two (2) years, Honey Bun (1982) Limited's Articles of Incorporation and overall Corporate Governance policy and practices and submit to the Board any suitable recommendations in relation to its amendment.
 6. Review at least every two (2) years, the adequacy of the charters of the Board and its various subcommittees and submit to the Board any suitable recommendations in relation to any amendments.
 7. Oversee the development and implementation of a Board induction process for new directors and a programme of continuing directors' development as needed.
 8. Develop a process for evaluating Board effectiveness as well as to coordinate the Board effectiveness evaluation.
 9. Monitor trends and best practices in corporate governance and nomination practices in order to properly discharge its duties.
 10. Ensure adequacy of communication with shareholders
 11. Perform any other activities relevant to these Terms of Reference, at the request of the Board or as required by the Company's Corporate Governance Policy.

RESOURCES TO FULFIL COMMITTEE MANDATE

The Committee shall:

1. Have access to sufficient resources in order to carry out its duties, including access to the requisite legal expertise, chartered company secretarial and any other resources, expertise, and assistance as required.
2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
3. Give due consideration to laws and regulations, the provisions of the Corporate Governance Principles and any other applicable rules, as appropriate
4. Arrange for periodic reviews of its own performance and, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

COMPETENCE, COMPENSATION & ATTENDANCE

DIRECTORS' AREAS OF COMPETENCE	HERBERT CHONG	MICHELLE CHONG	DANIEL CHONG	PAUL MOSES	CHARLES HEHOLT	YANEK PAGE	WAYNE WRAY
FINANCE							
SALES & MARKETING							
HUMAN RESOURCE							
LEGAL							
BUSINESS							
GOVERNANCE							
RISK MANAGEMENT							
MANUFACTURING							
ENVIRONMENT MANAGEMENT							

DIRECTORS FEES 2021/22				
DIRECTORS	PAUL MOSES	CHARLES HEHOLT	YANEK PAGE	WAYNE WRAY
Directors	\$ 330,000	\$ 330,000	\$ 330,000	\$ 330,000
Board	\$ 165,000	\$ 165,000	\$ 165,000	\$ 123,750
Audit & Risk Management	\$ 103,125	\$ 137,500	\$ 137,500	\$ 137,500
Compensation, Nomination & Corporate Governance	\$ 103,125	\$ 137,500	\$ 137,500	\$ 137,500
Mentorship				\$ 1,526,250
TOTAL FEES	\$ 701,250	\$ 770,000	\$ 770,000	\$ 2,255,000

ATTENDANCE AT MEETINGS FOR THE YEAR 2020/2021	BOARD	AUDIT & RISK MANAGEMENT COMMITTEE	COMPENSATION, NOMINATION & CORPORATE GOVERNANCE COMMITTEE
NUMBER OF MEETINGS HELD	6	4	4
Herbert Chong* - Executive Chairman	6 (Chair)	4 (as Invitee)	4 (as Invitee)
Michelle Chong* - Executive Director	6	4 (as Invitee)	4 (as Invitee)
Daniel Chong* - Executive Director	6	4 (as Invitee)	4 (as Invitee)
Paul Moses -Independent Director/Member	6	3	3
Charles Heholt -Independent Director/Member	6	4	4
Yaneek Page -Independent Director/Member	6	4	4 (Ctee. Chair)
Wayne Wray -Independent Director/Member	5	4 (Ctee. Chair)	4

*Herbert Chong, Michelle Chong and Daniel Chong - Attend Committee meetings as Invitees.



OUTLETS

Retirement Crescent

22-26 Retirement Crescent
Kingston 5
Tel: 876 960 9851

Half Way Tree

Shop #2 Park Plaza
8 Constant Spring
Kingston 10
Tel: 876 351 5753

Cross Roads Outlet

Shop #5 1-3 & 5 Old
Hope Road Kingston
Tel: 876 855 0902

East Street Outlet

85 East Street
Kingston
Tel: 876 371 01 99

Princess Street

92-92a Prince Street
Kingston
Tel: 876 371 0199

Papine Outlet

Shop #1a, 4 Papine Market Place
Kingston 7
Tel: 876 564 0274

Ocho Rios Outlet

Shop B11, Pineapple Shopping Centre
Main Street, Ocho Rios, St. Ann
Tel: 876 579 7836

Old Harbour

Shop #3, 16 East Street,
Old Harbour, St. Catherine
Tel: 876 442 6601

Spanish Town

Spanish Town Taxi Stand & Bus Park
Burke Road, Spanish Town

SENIOR MANAGEMENT TEAM

HERBERT CHONG

Executive Chairman



MICHELLE CHONG

Chief Executive Officer/
Executive Director





DANIEL CHONG

Chief Operations Officer/
Executive Director



DUSTIN CHONG

Chief Sales & Marketing Officer

SENIOR MANAGEMENT TEAM

PAULA GRAHAM-HAYNES

Corporate Secretary



PAULA CAMERON

Financial Controller





SYDONI KNIGHT

Human Resource
Operations Manager



LORIANN TATER

Business Development Manager

SENIOR MANAGEMENT TEAM

WUNLYM SHIM

Information Technology
Consultant



NASHAUNA LALAH

General Manager,
Honey Bun Foundation



TRY OUR
NEW



Shorty CINNAMON RAISIN LOAF

RIGHT SIZE • JUST THE RIGHT



Taste the mmmh!

HONEYBUNJA

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE SUMMARY

For the Financial Year 2022 revenues grew by 38%, relative to the same period last year, to close at \$2.95 billion. Pre-tax profits decreased by 12% to close at \$254.4 million.

Our brand's popularity continues to grow both locally and internationally. All distribution channels recorded double digit growth, with the highest and lowest growth, seen in contract manufacturing and export being 59% and 21%, respectively.

The financial year proved to be a challenging one in terms of margins. As a result of the economic impact due to the COVID-19 pandemic, and the war in Ukraine, several supply chains have been disrupted. This has resulted in continued increase in the direct cost of raw materials.



MICHELLE CHONG
EXECUTIVE DIRECTOR/
CHIEF EXECUTIVE OFFICER



The company implemented strategies to reduce the impact on the margins and the public. As a result, our gross margins decreased by 8%, closing at 40%.

Administrative and selling & distribution expenses, increased by 32% and 17%, respectively. With increased sales and an above 9% CPI rate for Jamaica, significant increases were seen in branding, merchandising and marketing, transportation, wages, repairs and utilities.

In our continued drive to deliver fresh products and allow ease of access to our products, an additional two outlets were opened in Old Harbour and Spanish Town, along with the addition of six (6) trucks.

The Company has passed the SQF certification. Safe Quality Food (SQF) certification is a Global Food Safety Initiative, which enables companies to build consumers' trust and opens foreign markets for their products. This certification is a step in our strategy to increase our export sales.

For six years, The Company has been awarded the Governor General Award for the Overall Best Junior Market Company for the Jamaica Stock Exchange Best Practices awards 2021. In addition, Honey

Bun (1982) Limited, was the recipient for the PSOJ/JSE Corporate Governance award, for the fourth consecutive year. The Company was also winners for the Corporate Disclosure & Investor Relations award and second runners up for the Best Annual Report and Best Performing company.

CASH FLOW AND BALANCE SHEET

For this financial year, cash on hand decreased by \$57.3 million, closing the year at \$346.9 million. Our trade and other receivables grew by \$58.6 million to close at \$166.3 million. Inventory increased by \$57.9 million to close at \$179.3million, while trade payables increased by \$29.6 million to close at \$225.3 million. The changes in receivables, payables and inventory are a direct result of management's efforts to meet the needs of increased sales and reduce the impact of the supply chain disruptions. Continued efforts are being made in reducing the over 90-days balances in Accounts receivables, and we are happy to report another write back in the provision for bad debt in the amount of \$7.5 million. Although our cash balance decreased by 14% over prior year, Honey Bun (1982) Limited, continues to maintain a solid cash position as a hedge for our plans for further expansion and automation and against the unknown.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Total Non-Current Assets stood at \$827.6 million at year end 2022, a 20% increase over previous year. An additional \$165.7 million in fixed assets was purchased, \$74.8 million in plant and machinery, \$42.9 million in vehicles and \$33.5 million in baking equipment. IFRS 16 (right of use assets) increased by \$52.8 million. Rights of use assets encompass rental of outlet space and lease of additional vehicles.

Long-term loans (current and long-term portions) closed the year at \$15.3 million compared to \$18.3 million in the prior year.

Shareholders' equity closed at \$1.16 billion, an increase of 18% over prior year. Returns on equity came in at 18.5% compared to 23% in the prior year, and earnings per share closed at .43 cents, down from .46 cents in the prior year. During the year, the company paid shareholders a total of \$73 million in dividends. This represented a \$13.67 million or 23% increase over the prior year. The dividend payment is consistent with our Mission to achieve greater success for our stakeholders.

The Honey Bun Foundation rolled out its Advisory Committee model, accepting eight (8) SME's and partnering them with three mentors each. The Foundation also participated on the panel for "The Trust for the America's" 2022 Summit, a discussion on the Jamaica's Entrepreneurial Landscape.

For the upcoming year 2023 our plans are geared towards increased export and distribution, improved efficiencies, staff retention and further automation of production.

FUTURE PLANS

Significant growth is again projected for the upcoming year, and to that end, additional outlets are being planned country-wide, along with additional vehicles to our current fleet. The Company will continue to make in-roads in the overseas market, and as such our plans are to increase our marketing strategy and obtain additional distributors overseas. Our goal is to make Honey Bun (1982) Limited, the first in mind and within easy reach to our customers.



The COVID-19 pandemic has significantly changed the work force, and Honey Bun continues to develop plans to retain, develop, train, and encourage staff members. The Company is committed to provide greater social interactions, opportunities for the staff, and to invest in a human resource management software to better manage staff development and interaction.

For our valued shareholders, our goal for even greater transparency and governance, will see us engaging

internal auditors. We have already engaged a subcontractor to provide some of the duties of an internal auditor. One of our primary focus areas is on greater efficiency and automation in order to increase our margins and as a mitigation to continue in-roads caused by the current economic and political climate. Honey Bun is committed to providing great returns and value to our shareholders.

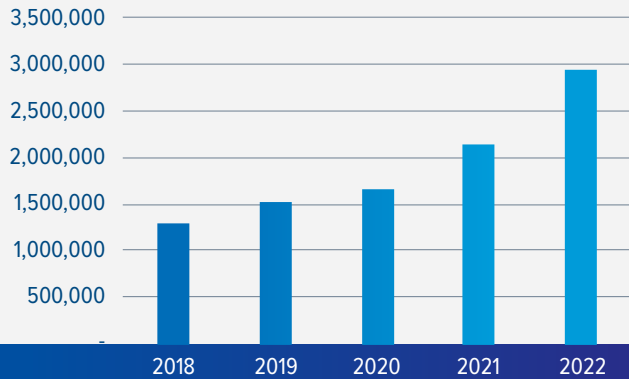
FINANCIAL DATA

FIVE YEAR FINANCIAL REVIEW

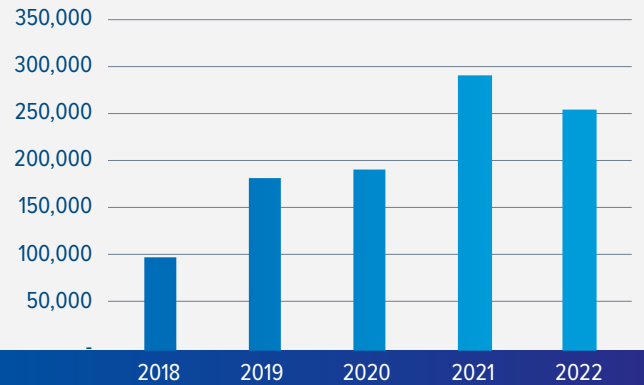
PROFIT AND LOSS ACCOUNT	2018	2019	2020	2021	2022
	['000]	['000]	['000]	['000]	['000]
Sales Revenue J\$-'000	1,317,179	1,543,975	1,674,779	2,145,398	2,953,317
Percentage increase over prior year	5%	17%	8%	28%	38%
Cost of Sales	715,891	799,170	875,505	1,123,208	1,777,509
Percentage of Sales	54.4%	51.8%	52.3%	52.4%	60.1%
Gross Profit	601,287	744,806	799,275	1,022,190	1,175,807
Percentage increase over prior year	10%	24%	7%	28%	15%
		48%	48%	48%	40%
Administrative Expenses J\$-'000	279,669	299,273	333,747	402,054	531,029
Percentage increase over prior year	6%	7%	12%	20%	32%
Selling & Distribution Expenses J\$-'000	214,279	277,462	292,484	348,067	408,056
Percentage increase over prior year	24%	29%	5%	19%	17%
Financial Expenses J\$-'000	4,997	1,514	1,886	1,563	3,257
Percentage increase over prior year	-15%	-70%	25%	-17%	108%
Pretax Profit J\$-'000	98,096	182,580	191,040	290,199	254,441
Percentage increase over prior year	-7%	86%	5%	52%	-12%
Earnings Per Share (EPS) J\$	0.18	0.33	0.35	0.46	0.43
Dividends Paid J\$-'000	18,851	28,276	37,701	59,380	73,046
Percentage increase over prior year	0%	50%	33%	58%	23%
Taxation	11,674	26,111	24,292	71,507	50,955
Depreciation and Amortisation	48,995	60,762	72,432	71,519	85,071
Net Profit after Tax J\$-'000	86,422	156,469	166,748	218,691	203,486
Efficiency ratio (Admin/Revenue)	21%	19%	20%	19%	18%
COS as a % of Revenue	54%	52%	52%	52%	60%
Sales and Distribution expenses as a % of Revenue	16%	18%	17%	16%	14%
EBITDA J\$-'000	152,088	244,856	265,358	363,281	342,770



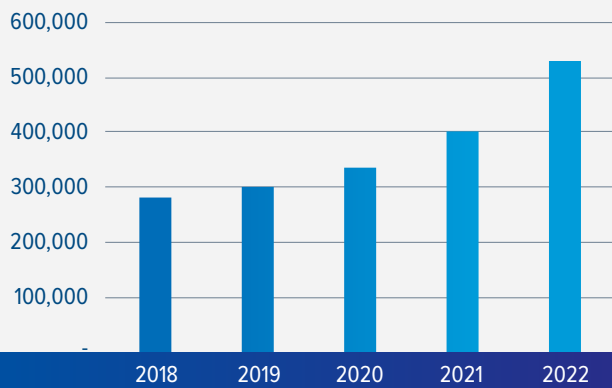
SALES REVENUE



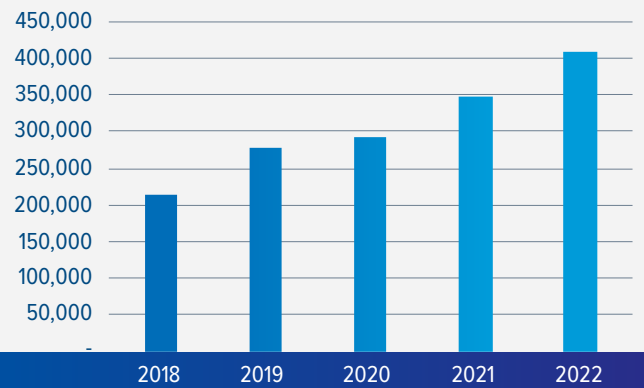
PRE TAX PROFIT



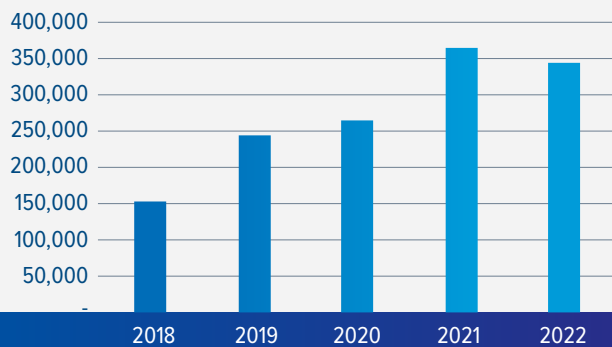
ADMINISTRATIVE EXPENSES



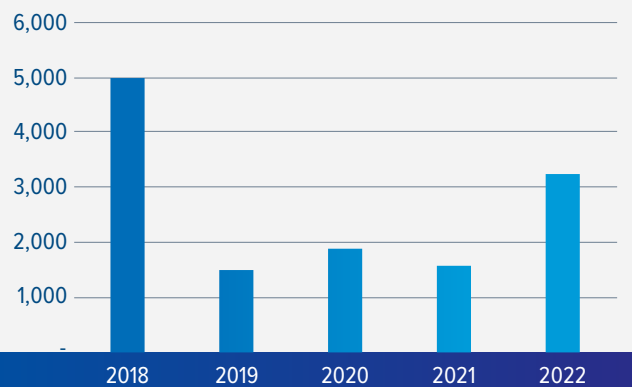
SELLING AND DISTRIBUTION EXPENSES



EARNINGS BEFORE INTEREST, TAX AND DEPRECIATION



FINANCIAL EXPENSES - INTEREST



HUMAN RESOURCES

In keeping with the Human Resource department mission, 'To Recruit, Reward and Retain the Right Staff', our Human Resource team of talent-seekers, advocates, coaches, resource experts, mediators, negotiators and out-of-the-box thinkers support the professional growth and well-being of each employee. One of the department's objectives is to develop employees' talents so they are sufficiently capable of managing and operating the business as well as providing benefits and other programmes to attract, develop and retain the right staff



EMPLOYEE TESTIMONIAL

CLAUDITTLE EDWARDS

(RAW MATERIAL STOREROOM SUPERVISOR

"It's been 27 years working at Honey Bun and it has been indeed an enriching experience for me. Honey Bun is an organization which offers opportunities for everyone to foster and grow both professionally and

personally. I have learnt a lot over the years. There has also been a lot of cross functional learning exposure which has helped me in my overall growth. My peers are extremely supportive, encouraging, talented and overall, like one big family. One thing that impresses me the most is the attitude of all the employees! So caring and work together as a team. I always get to see a sense of company loyalty in most members and mixed with a bonafide job satisfaction. Another great thing about working at Honey Bun is that a 'typical day' is never typical, there is always something challenging happening and every day is filled with new learning opportunities."



TRAINING AND DEVELOPMENT

Honey Bun is committed to staff development with a goal of creating a climate of opportunities for employee growth which has benefitted the company and employees at large. Our Human Resource team oversees various best practice trainings in food safety which includes GMP, HACCP and Personal Hygiene starting with new recruits right across all departments. Being a Company in the food manufacturing industry, we operate at the highest food safety standards where our employees are captivated with continuous learning opportunities in food safety programs. The Company prides itself in being the first bakery to be HACCP certified in Jamaica. Our Quality Department reminds Honey Bun of its motto consistently: “Each of us at Honey Bun has a moral obligation to prepare safe food at the highest quality”.



Employee performance assessment is measured twice per year and is aligned with training and development programs and succession planning. These programs also lead to promotions and hold employees accountable for meeting measurable corporate objectives. Arising from these assessments, targets are implemented in order to enhance employee performance.

LEADERSHIP DEVELOPMENT

As the company continues to focus on leadership development, we take pride in developing our leaders, sharpening their skills to enable continuous growth and increase efficiency of the business. Ms. Andrea McGibbon, Personal Development Consultant, was engaged to focus on leadership development amongst the executive team and other core leaders from various departments





HONEY BUN LIMITED LEADERSHIP DEVELOPMENT

LEADERS LEAD



who participated in one-on-one wellbeing and professional sessions. Each executive member is assigned to mentor a leader through our internal mentorship program giving each leader the necessary support and guidance both professionally and personally.

EMPLOYEE WELL-BEING SAFETY AND PERSONAL CARE

While at work, the health and wellbeing of our staff is paramount. Counselling plays a vital role in different aspects of managing human resources like career planning and development, performance management, stress management, and other areas which may affect employees emotionally whether it be work related or in their personal lives. It is with this in mind, that we have partnered with Choose Life International to offer counselling and mentorship for employees. We have seen where this initiative is being

well received and appreciated by our staff. We gain feedback on employee satisfaction through annual employee opinion surveys.

As we continue to strive for a zero occurrence of accidents/incidents, our Occupational Safety and Health committee focuses on employee safety company-wide ensuring that the safest working conditions are enforced. Safety talks and various safety drill exercises are practiced right throughout the year.

As a part of Honey Bun commitment to the improvement of the lives of our employees and their families, the organization once gain has awarded two GSAT scholarships to a top girl and boy. Omarie Campbell, son of employee Lesia Clarke (Production Worker) and Latina Robinson Grand Daughter of employee Gem Bartley (Accounts Receivable Clarke).

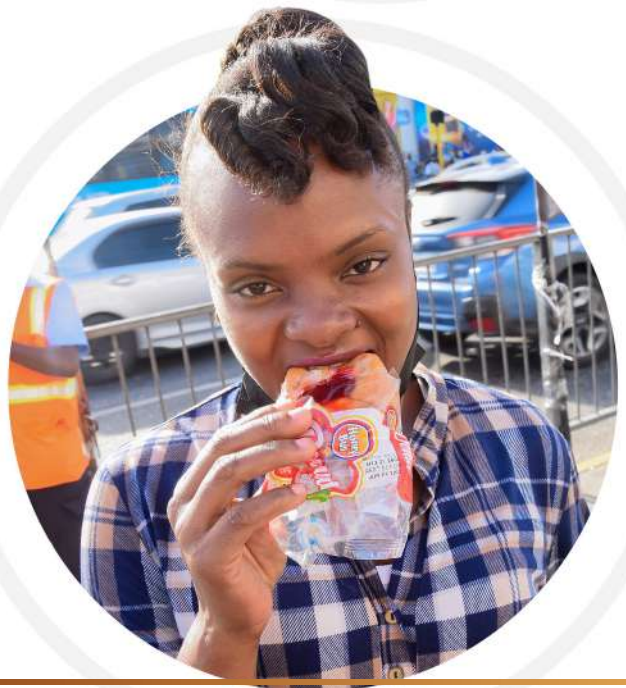


MARKETING HIGHLIGHTS

For the 2022 financial year, the company continued to connect with consumers at multiple touchpoints to build brand equity, increase brand awareness and grow consumer loyalty for our major brands.

40TH ROAD TOUR

Several activities and promotions took place during the year centred around celebrating the momentous milestone. These activities kicked off with a staff celebration followed by outdoor celebrations in Half Way Tree square in Kingston & St. Andrew.



We then took the 40th Anniversary celebration on the road, travelling from parish to parish and visiting major locations in each zone. It gave us a chance to give back and connect to our loyal customers and consumers that have continuously supported us.





NEW WHOLESALE OUTLETS

During the year, we opened two new wholesale outlets:

- Spanish Town, St. Catherine - Spanish Town Bus and Taxi Park, Burke Road, Spanish Town St. Catherine
- Old Harbour, St. Catherine - Shop #3, 16 East Street, Old Harbour St. Catherine

This has brought our outlet count to nine locations island-wide.



SPONSORSHIP

JAMAICA PREMIER LEAGUE

To further broaden the awareness of our Honey Bun Shorty Bread brand and connect with a whole new sport-loving segment of the market, we sponsored the Jamaica Premier League 2022 staging.

As a truly Jamaican company, our sponsorship allows us to support the development of professional football in Jamaica. The league has exposed tremendous talent that is so prevalent in our nation, and we are glad for the opportunity to help transform more lives.



FUNFEST

We hopped on board for the Emancipation Day staging of the Funfest Family Event. With over 8,000 patrons in attendance, we were able to give back on a large scale. We even offered products for sale at discounted prices..



CORPORATE SOCIAL RESPONSIBILITY

Grounded in philanthropy, we continued to extend support to various charities, foundations, fundraising exercises, educational institutions and other outreach programmes. Each week we made a weekly donation of products to Missionaries of the Poor as well as other charities in need.

DONUTS FOR NURSES

It has been our mandate for the past three consecutive years to gift nurses

across the island with freshly-baked donuts in celebration of International Nurses Day which is celebrated on May 12 each year.

The initiative started to show gratitude and appreciation to our nation's nurses who were on the front lines during the COVID-19 crisis. It has then become a tradition for us to celebrate and support the nurses each year.



Director of Nursing Services at Kingston Public Hospital Joan Walker-Nicholson (centre) collects a special gift from marketing and business development manager at Honey Bun, Loriann Tater, in celebration of International Nurses Day at the Kingston Public Hospital (KPH) recently. Looking on is Nicolette Prince, departmental nurse manager at KPH.





Britannia Gordon (left), marketing assistant at Honey Bun, joins (from second left) Patsy Edwards-Henry, president of the Nurses Association of Jamaica; Loriann Tater, marketing and business development manager at Honey Bun; Laverna Campbell, general secretary, Nurses Association of Jamaica; and Inga Hunter-Martin, assistant recording secretary, NAJ, during last Thursday's International Nurses Day celebration at the Terra Nova All-Suite Hotel



“We are proud to continue supporting and showing our appreciation to our nurses year after year. Outside of the pandemic, our nurses have worked tirelessly for the health of our nation. We want to congratulate, recognise and encourage you each day! But, mostly, we want to thank you”.
– Michelle Chong, Chief Executive Officer.

THE HONEY BUN FOUNDATION

The Honey Bun Foundation significantly and purposefully strengthened its relationship with the Ministry of Industry, Investment and Commerce in 2022. This relationship has cemented a plan for the Foundation and the Ministry's websites to be linked, and the Foundation will be added to the Ministry's catalogue of service providers for the industry. This is a meaningful achievement for the Foundation and an important milestone in its unrelenting drive to empower SMEs and the Creative Industry.

The Foundation continues to deliver its thoughtfully crafted models which include the GAPP App, the Advisory Committee, and the National Training Calendar for SMEs. The GAPP App has shown the Foundation the general strengths and weaknesses in the industry for SMEs, showing that while our greatest strength is marketing, export has much room for improvement. The GAPP App shows SMEs where their areas of weaknesses are in their business, and where to go to fill them.



In 2022, The Honey Bun Foundation launched its first cohort of eight (8) SMEs who received mentorship from twenty-one (21) highly qualified mentors. These SMEs each had three (3) advisors who supported Jamaica's first standardised recommended model for mentorship. Prior, advisors were provided without documented standards to support SMEs. This demonstrates the growth and continuous buildout of the Foundation's mission and focus.

Participants who completed their 12 months of support had the following to say:

“
Being a part of The Honey Bun Foundation's Advisory Committee has been life transforming. My advisors have helped me to be more strategic. As a result, I have seen significant increase in our sales, and I have been able to get a lot more done in a more systematic way.”
- Candice Gordon: Shevielle Naturals.

“
My three advisors have helped my company from where it was months ago to where it is now. They took the time to learn about my business and helped me through the challenges. They showed me how to improve and held me be accountable, which is so important. I have grown tremendously personally, in restoring certain discipline and getting some activities that needed to be done for the company done.”
- Andrea McGibbon Founder and CEO Disidentify



“
My time with The Honey Bun Foundation’s Advisory Committee was nothing short of amazing! They have helped me tremendously in giving me useful advice to expand my business. One thing I will take away from this programme is the Strategic Road Map that has helped me achieve my goals and is something that I will use in my business going forward”
- Jodi Miler Mirage: Puk r up cosmetics



Partnerships

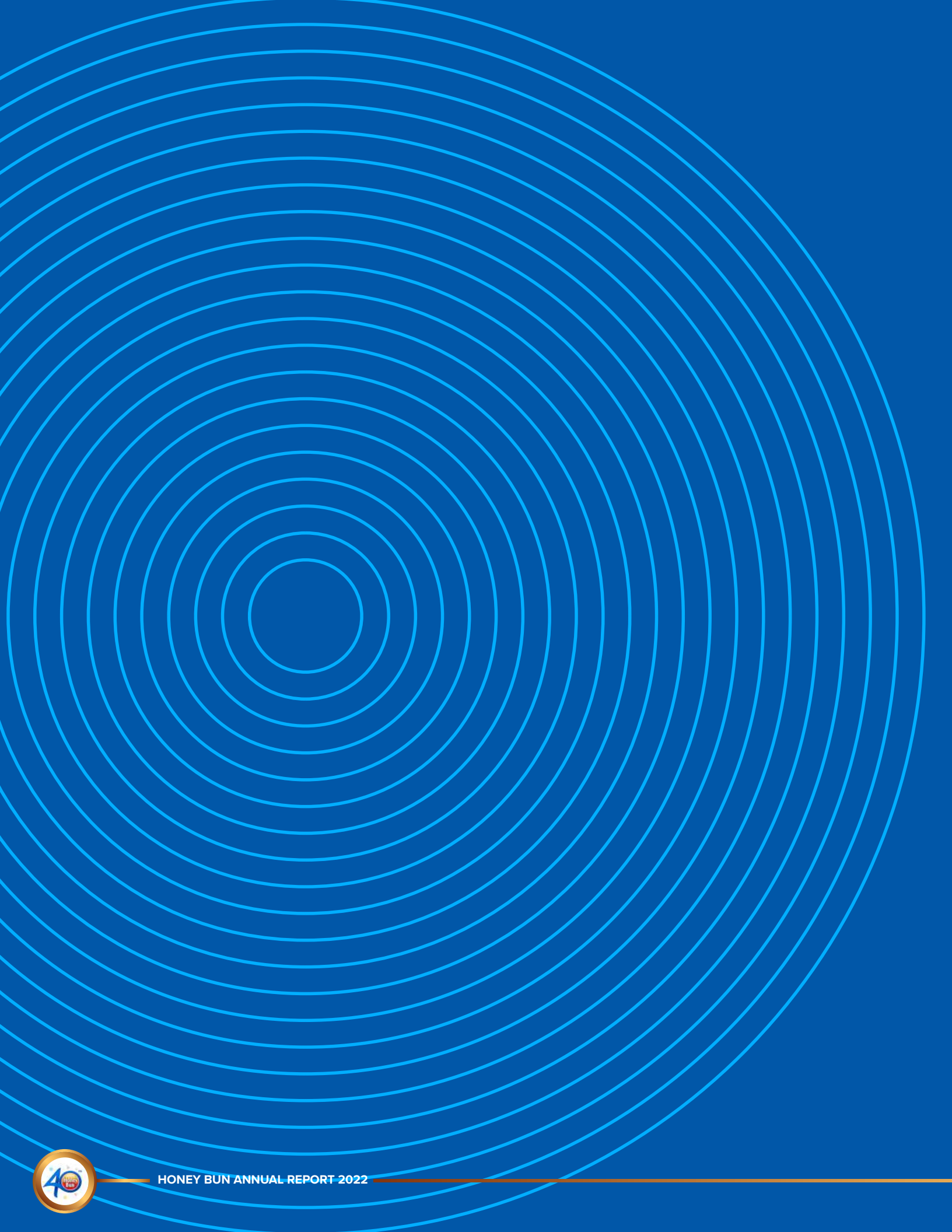
The year also featured greater engagement in initiatives supporting SMEs, one of which saw The Honey Bun Foundation participating in the Trust for the America's 2022 Summit on November 9th at the University College of the Caribbean (UCC). The Foundation was represented by its General Manager Nashauna Lalah, in a panel discussion focusing on the local entrepreneurial landscape. Also participating on the panel were: Professor Rosalea Hamilton, CEO of Lasco Chin Foundation; Kamal Brown, Founder of Digita Global Group; and Randy Makk, co-founder, and CEO of Bresheh.

In December, the Montego Bay Chamber of Commerce signed a MOU with The Honey Bun Foundation to adopt

the Advisory Committee model and offer to their members for 2023. The Foundation will continue to market the model to other support organisations, to reach SMEs across the island. This is another key achievement for the still-young Foundation and signals the growing profile of the Michelle Chong-conceptualised not-for-profit organisation.

Looking forward to 2023, The Honey Bun Foundation will be creating more models to support SMEs as it works with another cohort for its very effective Advisory Committee model. This is purposeful execution of its mandate of, "Creating powerful business models for SMEs and the Creative Industry to become transformational industries for Jamaica's economy."





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INDEPENDENT AUDITORS' REPORT

To the Members of
Honey Bun (1982) Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Honey Bun (1982) Limited set out on pages 76 to 113, which comprise the statement of financial position as at 30 September 2022, and 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 30 September 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were 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 these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Honey Bun (1982) Limited

Key Audit Matters (cont'd)

Measurement of expected credit losses

Key Audit Matter	How the matter was addressed in our audit
<p>IFRS 9, <i>Financial Instruments</i>, requires the company to recognize expected credit losses (ECL) on financial assets measured at amortised cost. The determination of ECL is subjective and requires management to make significant judgements and estimates and the application of forward-looking information.</p> <ul style="list-style-type: none"> • The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12 month or lifetime allowance is recorded. • IFRS 9 requires the company to incorporate forward-information, reflecting a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios and management overlay. • These estimates involve increased judgment as a result of the economic impact of COVID-19 on the company's trade receivables. Management considered the following: <ul style="list-style-type: none"> - Qualitative factors that create COVID-19 related changes in the business and economic environment in which specific customers operate. - Increased uncertainty about potential future economic scenarios and their impact on credit losses. 	<p>Our audit procedures in response to this matter included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the model used by management for the calculation of expected credit losses on accounts receivable. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records. • Review the ECL model, assess the appropriateness of the company's impairment methodology, management's assumptions and compliance with the new requirements of IFRS 9, <i>Financial Instruments</i>. • Evaluate the appropriateness of economic parameters including the use of forward looking information. • Test the company's recording and ageing of trade receivables.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Honey Bun (1982) Limited

Report on the Audit of the Financial Statements (continued)

Measurement of expected credit losses (continued)

Key Audit Matter	How the matter was addressed in our audit
<p>We therefore determined that the estimates of impairment in respect of trade receivables have a high degree of estimation uncertainty.</p> <p><i>See note 5(c) (ii) of the financial statements.</i></p>	<p>Assessing the adequacy of the disclosures of the key assumptions and judgements as well as compliance with IFRS 9.</p> <p>Based on the audit procedures performed, no adjustments to the financial statements were deemed necessary.</p>

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Honey Bun (1982) Limited

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

Management is responsible for the preparation of the 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.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Honey Bun (1982) Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 presents a true and fair view.

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 to 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.

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 kept, 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 Sonia McFarlane.



Chartered Accountants

29 November 2022

HONEY BUN (1982) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2022

	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
REVENUE	6	2,953,316,659	2,145,397,847
COST OF SALES		<u>(1,777,509,447)</u>	<u>(1,123,207,983)</u>
GROSS PROFIT		1,175,807,212	1,022,189,864
Other operating income	7	<u>2,538,962</u>	<u>4,778,048</u>
		<u>1,178,346,174</u>	<u>1,026,967,912</u>
EXPENSES:			
Administrative		(531,029,046)	(402,054,188)
Selling and distribution		<u>(408,055,802)</u>	<u>(348,067,202)</u>
	8	<u>(939,084,848)</u>	<u>(750,121,390)</u>
Movement on impairment losses on financial assets	8	<u>7,537,841</u>	<u>8,272,813</u>
OPERATING PROFIT		246,799,167	285,119,335
Finance income - interest		12,563,725	5,770,341
Finance costs	10	<u>(3,257,435)</u>	<u>(1,563,410)</u>
		256,105,457	289,326,266
Appreciation/(depreciation) in value of investments classified as fair value through profit or loss		<u>(1,664,083)</u>	<u>872,524</u>
PROFIT BEFORE TAXATION		254,441,374	290,198,790
Taxation	11	<u>(50,955,193)</u>	<u>(71,507,443)</u>
NET PROFIT, BEING TOTAL COMPREHENSIVE INCOME		<u>203,486,181</u>	<u>218,691,347</u>
EARNINGS PER STOCK UNIT	12	<u>0.43</u>	<u>0.46</u>

HONEY BUN (1982) LIMITED
STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2022

	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	665,708,575	583,871,161
Investments	14	98,347,866	95,602,465
Intangible assets	15	7,485,525	5,325,879
Right-of-use assets	16	<u>56,093,973</u>	<u>3,222,160</u>
		<u>827,635,939</u>	<u>688,021,665</u>
CURRENT ASSETS:			
Inventories	17	179,346,068	121,399,079
Receivables	18	166,351,636	107,753,383
Taxation recoverable		6,765,770	4,034,001
Cash and cash equivalents	19	<u>346,916,144</u>	<u>404,250,464</u>
		<u>699,379,618</u>	<u>637,436,927</u>
		<u>1,527,015,557</u>	<u>1,325,458,592</u>
<u>EQUITY AND LIABILITIES</u>			
EQUITY:			
Share capital	20	46,514,770	46,514,770
Capital reserve	21	53,818,788	53,818,788
Retained earnings		<u>1,058,979,291</u>	<u>928,539,488</u>
		<u>1,159,312,849</u>	<u>1,028,873,046</u>
NON-CURRENT LIABILITIES:			
Deferred taxation	22	56,561,842	50,674,475
Long term loans	23	12,196,653	15,344,144
Lease liability	16	<u>42,743,947</u>	<u>724,290</u>
		<u>111,502,442</u>	<u>66,742,909</u>
CURRENT LIABILITIES:			
Payables	24	225,373,963	195,772,361
Taxation payable		13,874,773	28,338,290
Current portion of long term loans	23	3,147,491	2,974,982
Current portion of lease liability	16	<u>13,804,039</u>	<u>2,757,004</u>
		<u>256,200,266</u>	<u>229,842,637</u>
		<u>1,527,015,557</u>	<u>1,325,458,592</u>

Approved for issue by the Board of Directors on 29 November 2022 and signed on its behalf by:



Herbert Chong - Chairman



Wayne Wray - Director



HONEY BUN (1982) LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 SEPTEMBER 2022

	<u>Note</u>	<u>Share Capital</u> \$	<u>Capital Reserve</u> \$	<u>Retained Earnings</u> \$	<u>Total</u> \$
BALANCE AT 30 SEPTEMBER 2020		46,514,770	53,818,788	769,227,777	869,561,335
TOTAL COMPREHENSIVE INCOME					
Profit for the year		-	-	218,691,347	218,691,347
TRANSACTION WITH OWNERS					
Dividends	25	<u>-</u>	<u>-</u>	<u>(59,379,636)</u>	<u>(59,379,636)</u>
BALANCE AT 30 SEPTEMBER 2021		46,514,770	53,818,788	928,539,488	1,028,873,046
TOTAL COMPREHENSIVE INCOME					
Profit for the year		-	-	203,486,181	203,486,181
TRANSACTION WITH OWNERS					
Dividends	25	<u>-</u>	<u>-</u>	<u>(73,046,378)</u>	<u>(73,046,378)</u>
BALANCE AT 30 SEPTEMBER 2022		<u>46,514,770</u>	<u>53,818,788</u>	<u>1,058,979,291</u>	<u>1,159,312,849</u>

HONEY BUN (1982) LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2022

	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		203,486,181	218,691,347
Items not affecting cash resources:			
Depreciation	13	83,928,868	70,719,353
(Gain)/loss on disposal of property, plant and equipment		-	(1,008,038)
Amortisation	15	1,142,211	799,815
Adjustment on intangible assets	15	-	-
Amortisation - right-of-use assets	16	7,442,775	2,577,729
Effect of exchange rate translation		(4,156,249)	(2,838,427)
Interest income		(12,563,725)	(5,770,341)
Interest expense		882,508	1,173,249
Interest expense - right-of-use assets		2,374,927	390,161
Taxation expense	11	<u>50,955,193</u>	<u>71,507,443</u>
		<u>333,492,689</u>	<u>356,242,291</u>
Changes in operating assets and liabilities:			
Inventories		(57,946,989)	(50,124,535)
Receivables		(58,322,727)	(34,070,716)
Payables		<u>29,564,235</u>	<u>65,852,273</u>
		<u>246,787,208</u>	<u>337,899,313</u>
Taxation paid		<u>(62,263,110)</u>	<u>(33,458,313)</u>
Cash provided by operating activities		<u>184,524,098</u>	<u>304,441,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		-	1,304,350
Additions to property, plant and equipment	13	(165,766,282)	(101,438,421)
Additions to intangible assets	15	(3,301,857)	(4,377,160)
Investments (net)	14	1,338,981	(34,276,231)
Interest received		<u>12,367,022</u>	<u>5,079,987</u>
Cash used in investing activities		<u>(155,362,136)</u>	<u>(133,707,475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of long-term loans		(2,974,982)	(2,811,929)
Dividends paid	25	(73,046,378)	(59,379,636)
Interest paid		(882,508)	(1,173,249)
Lease payment		<u>(9,622,825)</u>	<u>(2,935,872)</u>
Cash used in financing activities		<u>(86,526,693)</u>	<u>(66,300,686)</u>
(Decrease)/increase in cash and cash equivalents		(57,364,731)	104,432,839
Exchange effect on foreign cash balances		30,411	2,838,427
Cash and cash equivalents at beginning of year		<u>404,250,464</u>	<u>296,979,198</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (note 19)		<u><u>346,916,144</u></u>	<u><u>404,250,464</u></u>



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Honey Bun (1982) Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 26 Retirement Crescent, Kingston 5, Jamaica. The company is listed on the Junior Market of the Jamaica Stock Exchange since 3 June 2011. Next Incorporated, a company registered under the Belize IBC Act 2000 owns 56.5% of the issued shares of the company.
- (b) The principal activities of the company are the manufacturing and distribution of baked products to the local and export markets.

2. REPORTING CURRENCY:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention as modified by the revaluation of certain freehold land and buildings and plant and machinery. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments are immediately relevant to its operations.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New, revised and amended standards and interpretations that became effective during the year (cont'd)

The company has adopted the following new and amended standards and interpretations as of 1 October 2021:

Amendment to IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 April 2021). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. This amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. There was no impact on the company's financial statements from the adoption of this amendment as the company did not receive rent concessions.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (effective for accounting periods beginning on or after 1 January 2021). These address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). Major changes:

- Added a practical expedient that enables a company to account for a change in the contractual cash flows that are required by the reform by updating the effective interest rate to reflect, for example, the change in an interest rate benchmark from IBOR to an alternative benchmark rate.
- Provide relief from specific hedge accounting requirements.

There was no impact from the adoption of this amendment.

New standards, amendments and interpretations not yet effective and not early adopted

The following new standards, amendments and interpretation which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the company's future financial statements:

Amendments to IAS 1 and IAS 8 on the definition of material (effective for accounting periods beginning on or after 1 January 2023). These amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The adoption of this standard is not expected to have a significant impact on the company.



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Amendments to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities (effective for accounting periods beginning on or after 1 January 2023). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectation of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The company will assess the impact of future adoption of this amendment on its financial statements.

Amendment to IAS 16, 'Property, Plant and Equipment' (effective for accounting periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is function properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The company will assess the impact of future adoption of this amendment on its financial statements.

Amendments to IAS 12 'Income Taxes', (effective for annual reporting periods beginning on or after 1 January 2023). The main change in deferred tax related to assets and liabilities from a single transaction is an exemption from the initial recognition exemption provided in IAS 12.15 and IAS 12.24. accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Annual improvements to IFRS Standards 2018-2021 cycle (effective for accounting periods beginning on or after 1 January 2022). These amendments include minor changes to the following applicable standards:

- (i) IFRS 9, 'Financial Instruments' amendment clarifies that - for the purpose of performing the '10 per cent test' for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- (ii) IFRS 16, 'Leases' amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The company is assessing the impact the amendment will have on its 2022 financial statements.

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

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

(c) Property, plant and equipment

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

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 capitalised as part of that equipment.



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, plant and equipment (cont'd)

Depreciation on all items of property, plant and equipment is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in profit or loss. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

Equity instruments at FVTPL are not subject to an impairment assessment.

(d) Inventories

Inventories are stated at the lower of cost and fair value less costs to sell. Cost is determined as follows:

Finished goods	-	Cost of product plus all indirect costs to bring the item to a saleable condition.
Raw material	-	Cost of product plus duty and related cost in bringing the inventories to their present location.
Goods-in-transit	-	Cost of goods converted at the year end exchange rate.

Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

(e) Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Provisions (cont'd)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(f) Revenue recognition

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over a good or service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15.
Sale of baked products	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognized at that point in time.	Revenue is recognised when the goods are delivered and have been accepted by the customers.
	Invoices are usually payable within 30 days.	

Interest income

Interest income is recognised in profit or loss using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.



HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows.

(h) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Borrowing costs incurred for the construction of the qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(i) **Current and deferred income taxes**

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

(j) **Trade and other payables**

Trade payables are stated at amortised cost.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) 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 amortised over the estimated useful life of three (3) years on a straight line basis.

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

(l) Financial instruments

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

Financial assets

(i) Classification

The company classifies its financial assets as amortised cost and fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's financial assets measured at amortised cost comprise cash and cash equivalents, receivables, due from related company and short term deposits.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of three months or less.



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) Financial instruments (cont'd)

Financial assets (cont'd)

(i) Classification (cont'd)

Fair value through profit or loss(FVTPL)

The company has made an irrevocable election to classify its investments at fair value through profit or loss rather than through other comprehensive income as the company considers this measurement to be the most representative of the business model for those assets. They are carried at fair value with changes in fair value recognized in profit or loss.

The company's financial assets measured at FVTPL are its investments securities which includes equity instruments in the statement of financial position.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss.

(iii) Impairment

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses (ECL).

During this process the probability of the non-payment of the trade receivables is assessed by taking into consideration historical rates of default for each segment of trade receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) Financial instruments (cont'd)

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following were classified as financial liabilities: long term loans, payables and lease liability.

(m) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operation Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

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.

(n) Share capital

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

(o) Other receivables

Other receivables are stated at amortised cost less impairment losses, if any.

(p) Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In the case of interim dividends, this is recognized when declared by the directors.

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



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(q) **Leases**

All leases are accounted for by recognizing a right-of-use asset and a lease liability for all leases with a term greater than 12 months.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes amounts expected to be payable under any residual value guarantee, the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option, any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognized where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, whichever is shorter.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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



HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Fair value estimation

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, fair value.

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.

The fair value measurement of the company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are; the 'fair value hierarchy:

- Level 1 Quoted prices in active markets for identical assets or liabilities. (unadjusted)
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. The fair values of quoted instruments are based on the spread between the bid and ask prices at valuation date.

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(ii) **Income taxes**

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

(iii) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in the statement of income through impairment or adjusted depreciation provisions.

(iv) **Net realizable value of inventories**

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

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

(v) **Measurement of the expected credit loss allowance**

Allowances are determined upon origination of the trade receivable based on a model that calculates the expected credit loss (ECL) of the trade receivables.

Under this ECL model, the company segments its trade receivables in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual loss experience over the last 12 months and analysis of future default, that is applied to the balance of the trade receivables.

The average ECL rate increases in each segment of days past due until the rate is 100% for the segment of 365 days or more past due. The use of assumptions make uncertainty inherent in such estimates.



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

5. FINANCIAL RISK MANAGEMENT:

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Receivables
- Cash and bank balances
- Investments
- Payables
- Long term loans
- Lease liability

(b) Financial instruments by category

Financial assets

	<u>Amortised cost</u>		<u>Fair value through profit or loss</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	\$	\$	\$	\$
Cash and bank balances	97,374,512	145,993,558	-	-
Short term investments	249,541,632	258,256,906	-	-
Receivables	111,036,536	62,766,636	-	-
Investments	<u>82,315,421</u>	<u>78,045,752</u>	<u>16,032,446</u>	<u>17,556,713</u>
Total financial assets	<u>540,268,101</u>	<u>545,062,852</u>	<u>16,032,446</u>	<u>17,556,713</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) **Financial instruments by category (cont'd)**

Financial liabilities

	Financial liabilities at amortised cost	
	<u>2022</u>	<u>2021</u>
	\$	\$
Payables	194,904,344	167,463,440
Long term loans	15,344,144	18,319,126
Lease liability	<u>56,547,986</u>	<u>3,481,294</u>
Total financial liabilities	<u>266,796,474</u>	<u>189,263,860</u>

(c) **Financial risk factors**

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Market risk**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from transactions for sales, purchases and US Dollar denominated investments. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximising foreign currency earnings.



5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Concentration of currency risk

The company's exposure to foreign currency risk was as follows:

	<u>2022</u> ₤	<u>2021</u> ₤
Cash and bank balances	10,308,450	15,190,044
Short term investments	180,191,179	190,524,060
Investments	50,511,708	47,663,199
Receivables	22,727,272	7,272,341
Payables	(5,086,343)	(3,126,707)
	<u>258,652,266</u>	<u>257,522,937</u>

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balance, short term and long term investments, accounts receivable balances and accounts payable balances, and adjusts their translation at the year-end for 4% (2021 - 8%) depreciation and a 1% (2021 - 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate <u>2022</u>	Effect on Profit before Tax 30 September <u>2022</u> ₤	% Change in Currency Rate <u>2021</u>	Effect on Profit before Tax 30 September <u>2021</u> ₤
Currency:				
USD	-4	10,346,091	-8	20,601,835
USD	<u>+1</u>	(2,586,523)	<u>+2</u>	(5,150,459)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is exposed to the equity securities price risk arising from its holding in financial assets at fair value through profit or loss. A 6% (2021 - 5%) increase in the price of equity stocks will result in a \$961,947 (2021 - \$877,836) increase and a 6% (2021 - 5%) decrease in the price of equity stocks will result in a \$961,947 (2021 - \$877,836) decrease in net results or stockholders equity.

HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Cash flow and fair value interest rate risk

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

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk.

Short term investments, fixed deposits and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term investments and fixed deposits are due to mature and re-price respectively, within three months to one year of the reporting date and the company's borrowings are fixed for a period and then revised.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings. A 2% increase/0.5% decrease (2021 - 3% increase/0.5% decrease) in interest rates on Jamaican dollar borrowings would result in a \$306,883 decrease \$76,721 increase (2021 - \$549,574 decrease/\$91,596 increase) in profit before tax for the company.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, short term investments, and cash and bank balances.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(ii) **Credit risk (cont'd)**

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

Trade receivables expected credit losses

The impairment requirements of IFRS 9 are based on the Expected Credit Loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

For trade receivables and contract assets that do not have a financing component, it is a requirement of IFRS 9 to recognize a lifetime expected credit loss. This was achieved in the current year by the development and application of historical data relating to trade receivables and write-offs, as well as forecasting payment probabilities based on historical payment pattern.

The company estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience. Based on the incurred loss analyses over delinquent accounts, the credit history, risk profile of each customer and aging of receivables, customers were placed in aging buckets and a default risk percentage calculated for each bucket of customers. The following table provides information about the ECLs for trade receivables.

Trade receivables impairment provision

30 September 2022

<u>Aging</u>	<u>Gross Carrying Amount</u> ₹	<u>Default Rate</u> %	<u>Lifetime ECL Allowance</u> ₹
0 - 30 days	97,625,404	0.88	859,435
31 - 60 days	11,678,692	0.68	79,836
61 - 90 days	2,728,754	2.09	57,043
Over 91 days	(20,896)	100	(20,896)
	<u>112,011,954</u>		<u>975,418</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables impairment provision (cont'd)

30 September 2021

<u>Aging</u>	<u>Gross Carrying Amount</u> ₹	<u>Default Rate</u> %	<u>Lifetime ECL Allowance</u> ₹
0 - 30 days	62,236,714	1.76	1,095,863
31 - 60 days	1,144,536	8.33	95,411
61 - 90 days	709,122	18.68	132,462
Over 91 days	<u>7,189,523</u>	100	<u>7,189,523</u>
	<u>71,279,895</u>		<u>8,513,259</u>

Movements in the provision for expected credit losses are as follows:

	<u>2022</u> ₹	<u>2021</u> ₹
At 1 October	8,513,259	16,786,072
Provision for expected credit losses	<u>(7,537,841)</u>	<u>(8,272,813)</u>
At 30 September	<u>975,418</u>	<u>8,513,259</u>

The creation and release of provision for expected credit losses have been included in expenses in profit or loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

(iii) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.



HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

Liquidity risk management process

The company's liquidity risk management process, as carried out within the company and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

	<u>Within 1 Year</u> \$	<u>2 to 5 Years</u> \$	<u>Over 5 Years</u> \$	<u>Total</u> \$
Payables	194,904,344	-	-	194,904,344
Long term loans	3,933,757	13,440,338	-	17,374,095
Lease liability	<u>18,543,662</u>	<u>49,934,437</u>	<u>-</u>	<u>68,478,099</u>
Total financial liabilities (contractual maturity dates)	<u>217,381,763</u>	<u>63,374,775</u>	<u>-</u>	<u>280,756,538</u>

	<u>Within 1 Year</u> \$	<u>2 to 5 Years</u> \$	<u>Over 5 Years</u> \$	<u>Total</u> \$
Payables	167,463,440	-	-	167,463,440
Long term loans	3,933,757	15,735,030	1,639,066	21,307,853
Lease liability	<u>2,935,873</u>	<u>733,968</u>	<u>-</u>	<u>3,669,841</u>
Total financial liabilities (contractual maturity dates)	<u>174,333,070</u>	<u>16,468,998</u>	<u>1,639,066</u>	<u>192,441,134</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Debt: long-term loans	71,892,130	21,800,420
Equity	<u>1,159,312,849</u>	<u>1,028,873,046</u>
Total capital	<u>1,231,204,979</u>	<u>1,050,673,466</u>
Gearing ratio	<u>5.84%</u>	<u>2.07%</u>

6. REVENUE:

Revenue represents the price of goods sold and transferred to customers at a point in time, after discounts and allowances.



7. OTHER OPERATING INCOME:

	<u>2022</u>	<u>2021</u>
	\$	\$
Foreign exchange gains	1,866,705	2,838,427
Gain on disposal of property, plant and equipment	-	1,008,038
Dividend received	<u>672,257</u>	<u>931,583</u>
	<u>2,538,962</u>	<u>4,778,048</u>

8. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	<u>2022</u>	<u>2021</u>
	\$	\$
COST OF SALES		
Depreciation	22,318,377	20,760,747
Other costs of operating revenue	32,376,934	26,270,805
Raw materials and consumables	1,383,607,526	871,252,293
Staff costs (note 9)	239,016,782	147,811,669
Utilities	<u>100,189,828</u>	<u>57,112,469</u>
	<u>1,777,509,447</u>	<u>1,123,207,983</u>
ADMINISTRATIVE		
Staff costs (note 9)	223,709,552	181,735,021
Directors' emoluments		
- Fees	4,496,250	4,723,563
- Management remuneration (note 9)	30,418,652	25,682,785
Auditors' remuneration - current year	3,022,500	2,407,300
- prior year	1,343,000	-
Repairs and maintenance	44,461,532	30,808,709
Depreciation	61,610,491	49,958,606
Amortisation - right-of-use assets	7,442,775	2,577,728
Amortisation	1,142,211	799,815
Security	8,730,957	5,342,859
Utilities	18,608,646	11,757,327
General insurance	10,522,856	8,968,480
Public company expenses	5,561,370	3,414,537
Payroll services	15,879,535	9,910,928
Rates and taxes	11,273,799	8,243,882
Bank charges	10,986,397	6,559,281
Other administrative expenses	<u>71,818,523</u>	<u>49,163,367</u>
	<u>531,029,046</u>	<u>402,054,188</u>
SELLING AND DISTRIBUTION		
Advertising and promotion	40,792,281	40,820,639
Property rental	12,346,156	8,756,185
Other distribution costs	170,428,432	137,133,321
Staff costs (note 9)	169,130,780	144,028,857
Other expenses	<u>15,358,153</u>	<u>17,328,200</u>
	<u>408,055,802</u>	<u>348,067,202</u>
Total administrative and selling and distribution	<u>939,084,848</u>	<u>750,121,390</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

8. EXPENSES BY NATURE (CONT'D):

Included in other operating expenses are expense categories amounting to less than \$5 million.

	<u>2022</u> \$	<u>2021</u> \$
Impairment losses on financial assets Trade receivables	(7,537,841)	(8,272,813)

9. STAFF COSTS:

	<u>2022</u> \$	<u>2021</u> \$
Salaries wages	545,930,011	406,624,739
Employer's statutory contributions	65,164,165	46,884,222
Other staff costs	<u>51,181,590</u>	<u>45,749,371</u>
	<u>662,275,766</u>	<u>499,258,332</u>

Included in profit or loss as follows:

	<u>2022</u> \$	<u>2021</u> \$
Direct labour (note 8)	239,016,782	147,811,669
Administrative - management (note 8)	30,418,652	25,682,785
Administrative - staff (note 8)	223,709,552	181,735,021
Selling and distribution (note 8)	<u>169,130,780</u>	<u>144,028,857</u>
	<u>662,275,766</u>	<u>499,258,332</u>

The average number of persons employed by the company during the year was two hundred and thirty-five (235), (2021 - two hundred and nineteen (219)).

10. FINANCE COSTS:

	<u>2022</u> \$	<u>2021</u> \$
Loan interest	857,969	1,121,829
Lease interest	2,374,927	390,161
Other	<u>24,539</u>	<u>51,420</u>
	<u>3,257,435</u>	<u>1,563,410</u>



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

11. TAXATION EXPENSE:

(a) Taxation is computed on the profit for the year, adjusted for tax purposes, and comprises income tax at 25%.

	<u>2022</u> \$	<u>2021</u> \$
Current taxation	45,067,826	72,434,776
Remission of income tax	-	(24,559,902)
Deferred taxation (note 22)	<u>5,887,367</u>	<u>23,632,569</u>
Taxation charge in income statement	<u>50,955,193</u>	<u>71,507,443</u>

(b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	<u>2022</u> \$	<u>2021</u> \$
Profit before taxation	<u>254,441,374</u>	<u>290,198,790</u>
Taxation calculated at 25%	63,610,344	72,549,698
Adjusted for the effects of:		
Depreciation and capital allowances	8,278,136	(996,386)
Net effect of other charges and allowances	<u>(20,933,287)</u>	<u>24,514,033</u>
Taxation charge in income statement	50,955,193	96,067,345
Adjustment for the effect of tax remission:		
Current tax	<u>-</u>	<u>(24,559,902)</u>
Taxation charge in income statement	<u>50,955,193</u>	<u>71,507,443</u>

(c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 3 June 2011. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5	100% (1 June 2011 - 31 May 2016)
Years 6 to 10	50% (1 June 2016 - 31 May 2021)

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

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

12. **EARNINGS PER SHARE:**

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year-end.

	<u>2022</u>	<u>2021</u>
	₹	₹
Earnings per share	<u>0.43</u>	<u>0.46</u>

Earnings per share is computed by dividing the profit for the year by 471,266,950 (2021: 471,266,950) the number of shares in issue during the year.



HONEY BUN (1982) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2022

13. PROPERTY, PLANT AND EQUIPMENT:

	Land & Buildings \$	Plant & Machinery \$	Bakery Fixtures \$	Motor Vehicles \$	Furniture & Fixtures \$	Computers & Accessories \$	Total \$
At cost or valuation:							
30 September 2020	354,093,122	299,680,122	93,474,233	141,449,966	20,604,025	31,171,579	940,473,047
Additions	11,854,370	15,576,494	30,683,839	33,807,435	3,300,442	6,215,841	101,438,421
Disposal	-	-	-	(16,441,997)	-	-	(16,441,997)
30 September 2021	365,947,492	315,256,616	124,158,072	158,815,404	23,904,467	37,387,420	1,025,469,471
Additions	5,911,722	74,841,820	33,528,535	42,944,747	4,235,862	4,303,596	165,766,282
Adjustments	-	(2,665,307)	2,665,307	-	-	-	-
30 September 2022	371,859,214	387,433,129	160,351,914	201,760,151	28,140,329	41,691,016	1,191,235,753
Depreciation:							
30 September 2020	51,822,135	157,353,058	59,562,416	88,462,017	9,121,262	20,703,754	387,024,642
Charge for the year	7,099,031	20,760,747	13,774,855	23,409,671	1,802,380	3,872,669	70,719,353
Disposal	-	-	-	(16,145,685)	-	-	(16,145,685)
30 September 2021	58,921,166	178,113,805	73,337,271	95,726,003	10,923,642	24,576,423	441,598,310
Charge for the year	7,568,662	22,318,377	19,817,677	27,312,223	2,335,254	4,576,675	83,928,868
30 September 2022	66,489,828	200,432,182	93,154,948	123,038,226	13,258,896	29,153,098	525,527,178
Net Book Value:							
30 September 2022	305,369,386	187,000,947	67,196,966	78,721,925	14,881,433	12,537,918	665,708,575
30 September 2021	307,026,326	137,142,811	50,820,801	63,089,401	12,980,825	12,810,997	583,871,161

During the year ended 30 September 2010, the freehold land and buildings were revalued by the Directors at market value. The plant and machinery were revalued as at 12 April 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 was revalued as noted. The surplus arising on the revaluation of the building and plant and machinery during 2010, were credited to capital reserves (see note 21).



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

14. **INVESTMENTS:**

	2022		2021			
	FVTPL \$	Amortised Cost \$	Total \$	FVTPL \$	Amortised Cost \$	Total \$
Mayberry Investments Limited (US\$)		(164)	(164)	-	868,262	868,262
Victoria Mutual Buildings Society (US\$ (i))	48,326,568	48,326,568	48,326,568	-	45,640,471	45,640,471
Victoria Mutual Buildings Society (US\$(i))	2,152,194	2,152,194	2,152,194	-	1,045,584	1,045,584
Digicel Group 7.125% 2022 Bond (US\$)	33,110	33,110	33,110	-	108,882	108,882
Jamaica Money Market Brokers	418,228	418,228	418,228	-	382,553	382,553
Jamaica Money Market Brokers - income and growth fund	-	-	31,385,485	30,000,000	-	30,000,000
	<u>31,385,485</u>	<u>-</u>	<u>31,385,485</u>	<u>30,000,000</u>	<u>-</u>	<u>30,000,000</u>
	<u>31,385,485</u>	<u>50,929,936</u>	<u>82,315,421</u>	<u>30,000,000</u>	<u>48,045,752</u>	<u>78,045,752</u>
Quoted shares -						
General Accident Insurance Company Jamaica Limited	453,176	-	453,176	486,184	-	486,184
Pan Jam Investment Limited	3,064,945	-	3,064,945	3,292,302	-	3,292,302
NCB Financial Group Limited	2,358,174	-	2,358,174	3,345,360	-	3,345,360
Caribbean Cement Company Limited	880,476	-	880,476	1,565,211	-	1,565,211
JMMB Group Limited	788,823	-	788,823	745,724	-	745,724
Wisynco Group Limited	3,131,627	-	3,131,627	2,824,534	-	2,824,534
Seprod Limited	3,698,498	-	3,698,498	3,367,560	-	3,367,560
Kingston Properties Limited	1,656,726	-	1,656,726	1,929,838	-	1,929,838
	<u>16,032,445</u>	<u>-</u>	<u>16,032,445</u>	<u>17,556,713</u>	<u>-</u>	<u>17,556,713</u>
	<u>47,417,930</u>	<u>50,929,936</u>	<u>98,347,866</u>	<u>47,556,713</u>	<u>48,045,752</u>	<u>95,602,465</u>
Allowance for impairment loss (iii)	-	-	-	-	-	-
	<u>47,417,930</u>	<u>50,929,936</u>	<u>98,347,866</u>	<u>47,556,713</u>	<u>48,045,752</u>	<u>95,602,465</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

14. INVESTMENTS (CONT'D):

- (i) 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 13).
- (ii) The Jamaica Money Market Brokers Income and Growth Fund was incorrectly shown as carried at amortised cost in the prior year.
- (iii) Movement in allowance for impairment losses for investments is as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Balance at beginning of year	-	893,546
Impairment loss reversed (note 14)	<u>-</u>	<u>(893,546)</u>
Balance at end of year	<u>-</u>	<u>-</u>

15. INTANGIBLE ASSETS:

	<u>2022</u>	<u>2021</u>
	\$	\$
Cost:		
1 October	25,222,485	20,845,325
Additions	<u>3,301,857</u>	<u>4,377,160</u>
30 September	<u>28,524,342</u>	<u>25,222,485</u>
Amortisation:		
1 October	19,896,606	19,096,791
Charge for the year	<u>1,142,211</u>	<u>799,815</u>
30 September	<u>21,038,817</u>	<u>19,896,606</u>
Carrying value at 30 September	<u>7,485,525</u>	<u>5,325,879</u>

16. RIGHT-OF-USE ASSETS:

	<u>2022</u>	<u>2021</u>
	\$	\$
(a) Right-of-use assets:		
1 October	3,222,160	5,799,889
Additions	60,314,588	-
Amortisation	<u>(7,442,775)</u>	<u>(2,577,729)</u>
30 September	<u>56,093,973</u>	<u>3,222,160</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

16. RIGHT-OF-USE ASSETS (CONT'D):

(b) Lease liability:

	<u>2022</u> \$	<u>2021</u> \$
1 October	3,481,294	6,027,005
Additions	60,314,588	-
Interest expense	2,374,927	390,161
Lease payments	<u>(9,622,823)</u>	<u>(2,935,872)</u>
30 September	56,547,986	3,481,294
Less: current portion	<u>(13,804,039)</u>	<u>(2,757,004)</u>
	<u>42,743,947</u>	<u>724,290</u>

17. INVENTORIES:

	<u>2022</u> \$	<u>2021</u> \$
Raw materials	158,638,993	112,082,822
Finished goods	<u>4,178,280</u>	<u>1,718,289</u>
	162,817,273	113,801,111
Machinery spare parts	<u>16,528,795</u>	<u>7,597,968</u>
	<u>179,346,068</u>	<u>121,399,079</u>

18. RECEIVABLES:

	<u>2022</u> \$	<u>2021</u> \$
Trade receivables	112,011,954	71,279,895
Provision for expected credit losses	<u>(975,418)</u>	<u>(8,513,259)</u>
Net trade receivables	111,036,536	62,766,636
Prepayments	2,380,527	2,998,660
Other receivables	<u>52,934,573</u>	<u>41,988,087</u>
	<u>166,351,636</u>	<u>107,753,383</u>

Included in trade receivables is \$118,970 (2021: \$124,751) due from a related party in the ordinary course of business (see note 26).



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

19. CASH AND CASH EQUIVALENTS:

	<u>2022</u>	<u>2021</u>
	\$	\$
Cash and bank balances -		
Cash in hand	492,663	478,500
Bank balances	<u>96,881,849</u>	<u>145,515,058</u>
	97,374,512	145,993,558
Short term deposits	<u>249,541,632</u>	<u>258,256,906</u>
	<u>346,916,144</u>	<u>404,250,464</u>

Reconciliation of movements in cash flows from investing activities. Amounts represent investments at fair value through profit or loss and amortised cost.

	<u>2022</u>	<u>2021</u>
	\$	\$
1 October	95,602,465	61,326,234
Increase/(disposal) of investment	-	29,330,678
Fair value movements	(138,783)	872,524
Foreign exchange gain	2,848,509	4,073,029
Interest	<u>35,675</u>	<u>-</u>
	<u>98,347,866</u>	<u>95,602,465</u>

20. SHARE CAPITAL:

	<u>2022</u>	<u>2021</u>
	\$	\$
Authorised -		
487,500,000 ordinary shares of no par value		
Stated capital -		
Issued and fully paid -		
471,266,950 ordinary shares		
of no par value	<u>46,514,770</u>	<u>46,514,770</u>

21. CAPITAL RESERVE:

	<u>2022</u>	<u>2021</u>
	\$	\$
Revaluation surplus:		
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%	<u>(17,939,596)</u>	<u>(17,939,596)</u>
	<u>53,818,788</u>	<u>53,818,788</u>

Capital reserve comprises revaluation surplus on certain property, plant and equipment (see note 13).

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

22. DEFERRED TAXES:

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	<u>2022</u> \$	<u>2021</u> \$
Deferred tax liability	(56,561,842)	(50,674,475)

The movement in deferred tax is as follows:

	<u>2022</u> \$	<u>2021</u> \$
Balance at start of year	(50,674,475)	(27,041,906)
Charge to profit or loss (note 11)	(5,887,367)	(23,632,569)
Balance at end of year	(56,561,842)	(50,674,475)

Deferred tax is due to the following temporary differences:

	<u>2022</u> \$	<u>2021</u> \$
Accelerated capital allowances	(58,152,913)	(51,211,493)
Interest receivables	(534,005)	(172,589)
Accrued vacation leave	1,086,014	-
Unrealised foreign exchange gain	<u>1,039,062</u>	<u>709,607</u>
	(56,561,842)	(50,674,475)

23. LONG TERM LOANS:

	<u>2022</u> \$	<u>2021</u> \$
Victoria Mutual Building Society (VMBS)	15,344,144	18,319,126
Less: current portion	(3,147,491)	(2,974,982)
	<u>12,196,653</u>	<u>15,344,144</u>

This loan is repayable in monthly instalments by February 2027 with fixed interest rate of 5.65% per annum. The primary collateral is a US\$ investment being held with VMBS (note 14).



HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

24. PAYABLES:

	<u>2022</u>	<u>2021</u>
	\$	\$
Trade payables	173,854,921	150,609,334
Accrued staff vacation pay	12,217,772	7,873,714
Other payables	38,469,367	36,457,291
Distributors deposits	<u>831,903</u>	<u>832,022</u>
	<u>225,373,963</u>	<u>195,772,361</u>

25. DIVIDENDS:

	<u>2022</u>	<u>2021</u>
	\$	\$
Declared and paid:		
First interim @ 0.127 (2021: 0.09) per share	59,850,903	42,414,026
Final @ 0.028 (2021: 0.036 per share)	<u>13,195,475</u>	<u>16,965,610</u>
Total dividends to shareholders	<u>73,046,378</u>	<u>59,379,636</u>

By Board of Directors meeting dated 5 January 2022, dividend payment of \$0.127 per share was approved by the Board.

By Board of Directors meeting dated 13 June 2022, dividend payment of \$0.028 per share was approved by the Board of Directors.

26. RELATED PARTY TRANSACTIONS AND BALANCES:

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:

	<u>2022</u>	<u>2021</u>
	\$	\$
<u>Transactions during the year</u>		
Purchase of goods -		
Next Incorporation Limited	<u>2,376,570</u>	<u>1,774,968</u>
Donations -		
Honey Bun Foundation	<u>-</u>	<u>4,000,000</u>
<u>Year end balances</u>		
With related company -		
Due from -		
Next Incorporation Limited		
(included in trade receivables)	<u>534,137</u>	<u>263,441</u>

HONEY BUN (1982) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2022

26.	RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):	<u>2022</u>	<u>2021</u>
		<u>\$</u>	<u>\$</u>
	<u>Key management compensation</u>		
	Key management compensation (included in staff cost - (note 9)		
	Key Management includes directors, (executive and Senior managers) -		
	Salaries and other short-term employee benefits	<u>55,773,044</u>	<u>55,060,801</u>
	Directors' emoluments:		
	Fees	4,496,250	4,723,563
	Management remuneration (included above)	<u>30,418,652</u>	<u>25,682,785</u>

27. **IMPACT OF COVID-19:**

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2021. The pandemic and the measures to control its human impact have resulted in disruptions to economic activities, business operations and asset prices. This could have a negative financial effect on the company, depending on factors such as the duration and spread of the outbreak, the effects on the economy overall and the effects on the financial markets, all of which are highly uncertain and cannot be estimated reliably.

The company has performed various assessments and stress testing of its business plans under different scenarios, as part of its business continuity and contingency planning. However, at the date of approval of these financial statements, the company has determined that the situation will remain fluid for the foreseeable future, and as such, is unable to determine a reliable estimate of the financial impact on the overall business operations. Whilst world events such as Covid-19 and the war in Ukraine has negatively impacted on the company's supply chain of raw materials, management has endeavoured to reduce the impact on gross profit and the public at large. The company's revenue generation performance has improved year over year and management anticipates this trend to continue.



Form of Proxy

\$ 100
POSTAGE
STAMP

I/We _____ (insert name)

Of _____ (address)

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

_____ (proxy name)

_____ (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 8th day of March, 2023, at Courtleigh Hotel & Suites, Somerset Suite, 85 Knutsford Boulevard, 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 / 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, 2022.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-appoint Herbert Chong and Michelle Chong, as directors of the Company, who have retired and, being eligible, offer themselves for re-election.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To authorize the Board to fix the remuneration of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To authorize the Board of Directors to appoint the auditors.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To Authorize the Board of Directors to fix the remuneration of the Auditors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To ratify a dividend of \$0.127 per share paid on January 5, 2022, to shareholders on record as at December 8, 2021.	<input type="checkbox"/>	<input type="checkbox"/>
7.	To ratify a dividend of \$0.028 per share paid on June 13, 2022, to shareholders on record as at May 31, 2022.	<input type="checkbox"/>	<input type="checkbox"/>

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

NOTES:

- 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.
- The Proxy Form should bear stamp duty of \$100.00 which may be adhesive and duly cancelled by the person signing the proxy form.
- If the appointer is a Corporation, this Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorized in writing.

Send to:

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



JSE BEST PRACTICES AWARDS 2021

- Winner - Governor General Award/Junior Market Overall Winner
- Winner- JSE/PSOJ Corporate Governance
- Winner - Corporate Disclosure & Investor Relations
- Second Runner Up - Best Performing Company
- Second Runner Up - Annual Report

