

HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

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MANAGEMENT DISCUSSION AND ANALYSIS

The company's first quarter results saw stronger performance relative to the same period last year. The quarter's revenues of \$422.5 million were up 14% over prior year, due to increased capacity and new markets penetration. Gross profit of \$211.6 million was up on prior year by 21%, whilst the gross profit ratio closed at 50.1%, compared to 47.4% in the prior year. Operating expenses were \$155.0 million, a 15% increase over prior year. This was driven mainly by increased spend on marketing activities. Profit before tax for the quarter was \$56.1 million or 41% more than the same period last year. Export continues to grow, and realized a revenue increase of 149% over the prior year.

Total non-current assets of the company at the end of the period stood at \$612.6 million, a \$34.5 million increase over the same period last year. This was primarily due to spend on property plant and equipment. Total cash and cash equivalents were \$245.7 million or \$119.0 million over prior year, whilst shareholders' equity closed the period at \$780.6 million or 19% over prior year.

At a board meeting held on December 5, 2019, the Board of Directors approved a dividend of \$0.05 per share, payable on January 2, 2020 to shareholders on record at December 19, 2019.

In November 2019, Honey Bun launched The Honey Bun Foundation whose mission it is to support SMEs and the Creative Sector, through the development of strategic business models. The foundation is a program of corporate social responsibility, which places our interest squarely on support for companies based on our own experience of growth. We believe that our intervention will provide the support to positively impact Jamaica's economic growth through the development of the country's entrepreneurial ecosystem.

Our school days program with The Gleaner, which commenced in September 2019, contributed to increased brand awareness.

We take this opportunity to thank our loyal customers, directors, employees and other stakeholders for their continued support.



Michelle Chong
Chief Executive Officer



Herbert Chong
Chairman

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2019

STATEMENT OF COMPREHENSIVE INCOME

HONEY BUN (1982) LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the Three Months Ended December 31, 2019

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited Three months ended December 2019	Unaudited Three months ended December 2018
Gross operating revenue	422,473,134	369,014,329
Cost of operating revenue	<u>(210,851,148)</u>	<u>(194,146,398)</u>
Gross profit	211,621,986	174,867,931
Other Gains/(losses)	<u>186,604</u>	<u>1,817,176</u>
	211,808,590	176,685,107
Administrative, selling and distribution expenses		
Administrative	(88,830,953)	(71,995,465)
Selling & distribution costs	<u>(66,217,415)</u>	<u>(62,896,334)</u>
	(155,048,369)	(134,891,799)
Operating profit before finance costs and taxation	56,760,221	41,793,308
Finance income- interest	725,259	89,155
Finance costs	<u>(1,432,808)</u>	<u>(2,214,184)</u>
Profit before taxation	56,052,672	39,668,279
Taxation	<u>(6,934,093)</u>	<u>(1,572,025)</u>
Net profit for the period	<u>49,118,578</u>	<u>38,096,254</u>
Total comprehensive income for the period	<u>49,118,578</u>	<u>38,096,254</u>
Earnings Per Share	0.10	0.08



HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2019

STATEMENT OF FINANCIAL POSITION

HONEY BUN (1982) LIMITED
Statement of Financial Position
as at December 31, 2019

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited December 2019	Unaudited December 2018	Audited September 2019
NON-CURRENT ASSETS			
Property, plant and equipment	518,208,637	489,615,414	510,604,375
Investments	91,952,025	85,064,253	91,952,025
Intangible assets	2,434,493	3,425,717	2,663,308
Total non-current assets	<u>612,595,155</u>	<u>578,105,384</u>	<u>605,219,708</u>
CURRENT ASSETS			
Inventories	75,761,005	60,552,406	62,647,619
Receivables	128,424,963	74,683,828	94,384,765
Taxation recoverable	3,084,206	-	2,925,461
Cash & cash equivalents	245,743,753	126,788,894	192,764,772
Total current assets	<u>453,013,927</u>	<u>262,025,128</u>	<u>352,722,617</u>
CURRENT LIABILITIES			
Trade and other payables	213,419,191	129,642,057	150,644,481
Taxation Payable	20,138,882	-	14,776,814
Current Portion of Long Term Loan	2,670,326	6,621,945	2,657,812
	<u>236,228,399</u>	<u>136,264,002</u>	<u>168,079,107</u>
Net current assets	<u>216,785,528</u>	<u>125,761,126</u>	<u>184,643,510</u>
Total assets less current liabilities	<u>829,380,683</u>	<u>703,866,510</u>	<u>789,863,218</u>
NON-CURRENT LIABILITIES			
Long term loans	20,468,067	21,672,065	21,131,056
Deferred tax Liabilities	28,217,397	26,227,258	28,217,397
Total non-current liabilities	<u>48,685,464</u>	<u>47,899,323</u>	<u>49,348,453</u>
EQUITY			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	53,818,788	64,348,197	53,818,788
Retained earnings	680,361,661	545,104,220	640,181,207
Total equity	<u>780,695,219</u>	<u>655,967,187</u>	<u>740,514,765</u>
Total non-current liabilities and equity	<u>829,380,683</u>	<u>703,866,510</u>	<u>789,863,218</u>

Approved for issue by the Board of Directors on February 12, 2019 and signed on its behalf by:



Herbert Chong (Chairman)



Charles Heholt (Director)

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

HONEY BUN (1982) LIMITED

Statement of Changes in Equity

For the Three Months Ended December 31, 2019

(Expressed in Jamaican Dollars except otherwise stated)

	Share Capital	Capital Reserve	Retained Earnings	Totals
	\$	\$	\$	\$
Balances as at September 30, 2018	46,514,770	64,348,197	507,007,966	617,870,933
Total comprehensive income for the period	-	-	38,096,254	38,096,254
Balances as at December 31, 2018	46,514,770	64,348,197	545,104,220	655,967,187
Balances as at September 30, 2019	46,514,770	53,818,788	640,181,207	740,514,765
Total comprehensive income for the period	-	-	49,118,578	49,118,578
Dividends	-	-	(8,938,125)	(8,938,125)
Balances as at December 31, 2019	46,514,770	53,818,788	680,361,661	780,695,219



HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2019

STATEMENT OF CASHFLOWS

HONEY BUN (1982) LIMITED

Statement of Cashflows

For the period ended December 31, 2019

(Expressed in Jamaican Dollars except otherwise stated)

	Three months ended December 2019	Three months ended December 2018
CASH FROM OPERATING ACTIVITIES		
Net Profit	49,118,578	38,096,254
Adjustments for items not affecting cash:		
Depreciation	5,647,317	14,421,463
Amortization	76,273	254,139
Interest income	(5,681)	(111,328)
Interest expense	112,006	2,214,184
Taxation expense	4,027,270	-
Changes in non-cash working capital components:		
Inventories	(13,113,386)	(12,099,963)
Trade and other receivables	(34,040,198)	(9,491,622)
Trade and other payables	62,774,710	18,039,149
Tax paid	1,176,052	-
Net cash (used in)/provided by operating activities:	<u>75,772,942</u>	<u>51,322,276</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(13,251,579)	(20,475,380)
Additions to intangible assets	152,542	-
Investments, net	0	(20,215)
Interest received	5,681	111,328
Net cash used in investing activities	<u>(13,093,356)</u>	<u>(20,384,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(650,475)	(1,489,143)
Dividends paid	(8,938,125)	-
Interest Paid	(112,006)	(2,214,184)
Net cash (used)/provided by financing activities	<u>(9,700,606)</u>	<u>(3,703,327)</u>
Net increase in cash and cash equivalents	52,978,980	27,234,681
Cash and cash equivalents at beginning of year	192,764,772	99,554,212
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>245,743,753</u>	<u>126,788,893</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Honey Bun (1982) Limited (the “Company”) is a limited liability company incorporated under the laws of Jamaica. Its principal activities comprise the manufacture and distribution of baked products to the local and export markets. The Company operates within Jamaica from its registered office located at 26 Retirement Crescent, Kingston 5.

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

2. BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, Interim financial reporting.

The condensed interim financial information should be read in conjunction with the annual audited financial statements for the year ended 30 September 2019, which have been prepared in accordance with IFRSs and comply with the provisions of the Jamaican Companies Act.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these un-audited financial statements are consistent with those used in the audited financial statements for the year ended 30 September 2019.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 30 September 2019.

(i) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation.

USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(ii) Depreciation:

Depreciation is recognized on profit or loss on the straight line basis, over the estimated useful lives of property, plant and equipment.

(iii) Borrowings:

Borrowings are recognized initially as the proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method with any difference between proceeds net of transactions costs and the redemption value recognized in income along with regular interest charges over the period of the borrowings.

5. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the Company's revenue streams, operating profits are usually expected to be higher in the first half of the year. The Christmas and Easter holidays fall within the first nine months of the financial year when sale of the Company's products reflect uneven revenue.

6. EXCEPTIONAL ITEMS

Items that are material either because of their size or their nature that are non-recurring are highlighted separately in the income statement. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance.

7. EARNINGS PER STOCK UNIT

The Earnings per Stock Unit (EPS) is computed by dividing the profit for the period by the number of shares in issue for the period of 471,266,950.

8. SHARE CAPITAL

	December 2019	December 2018
Authorized:		
487,500,000 shares (2018 – 487,500,000 shares)		
Issued and fully paid:		
471,266,950 shares (2018 - 471,266,950 shares)	<u>46,514,770</u>	<u>46,514,770</u>

HONEY BUN (1982) LIMITED
Unaudited Financial Statements
For the Three Months Ended December 31, 2019

INFORMATION REGARDING SHAREHOLDERS

As at December 31, 2019

TEN LARGEST SHAREHOLDERS	No. of Stock Units
Next Incorporated	266,332,660
Michelle Chong	58,691,000
Herbert Chong	54,091,000
Mayberry Jamaican Equites Limited	14,587,530
Mayberry Managed Clients' Account	13,208,038
Daniel Chong	5,045,670
JCSD Trustee Services Ltd- Sigma Global Venture	3,616,120
Kenneth Lyn	2,780,092
Sagicor Pooled Equity Fund	2,500,000
Apex Pharmacy	2,417,229

SHAREHOLDINGS OF DIRECTORS

Michelle Chong	58,691,000
Herbert Chong	54,091,000
Paul Moses	2,000,000
Charles Heholt	260,000
Yaneek Page	0
Wayne Wray	110,000

SHAREHOLDINGS OF SENIOR OFFICERS

Michelle Chong	58,691,000
Herbert Chong	54,091,000
Daniel Chong	5,045,670
Dustin Chong	0
Paula Graham-Haynes	0
Alex Balogun	0