

# **HONEY BUN (1982) LIMITED**

## **UNAUDITED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED MARCH 31, 2020

## CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS.....	1
STATEMENT OF COMPREHENSIVE INCOME .....	2
STATEMENT OF FINANCIAL POSITION .....	3
STATEMENT OF CASHFLOWS .....	4
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY .....	5
NOTES TO THE INTERIM FINANCIAL STATEMENTS.....	6
INFORMATION REGARDING SHAREHOLDERS.....	8

**HONEY BUN (1982) LIMITED**  
Unaudited Financial Statements  
For the Six Months Ended March 31, 2020

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## MANAGEMENT DISCUSSION AND ANALYSIS

The quarter ended March 31, 2020 saw the company earning gross revenues of \$453.5 million, a 12% increase over the same period last year. Profit before tax was \$51.5 million or a 29% decline from prior year, whilst gross profit was \$214.4 million or 6% above prior year. Administrative expenses of \$94.9 million grew by 29%, owing mainly to increased salaries and marketing expenses. Net Profit for the quarter came in at \$43.3 million compared to \$70.9 million in the prior year.

For the six months ended March 31, 2020, the company's total revenues were \$876.0 million or 13% more than the prior year. This was a result of increased capacity from production equipment upgrades. Profit before tax was \$107.6 million or 4% below the prior year. Other gains and losses for the period showed a loss of \$1.7 million, when a gain of \$7.0 million was recorded in the prior year. The prior year gain included an asset-disposal gain \$5.1m when none was recorded in the current year. The current year also saw revaluation losses of \$7.1 million on the company's holdings of quoted securities, due mainly to market response to the national COVID-19 containment efforts. Net Profit for the six-month period came in at \$92.4 million, compared to \$109.0 million in the prior year.

On the statement of financial position, the company recorded a \$34.1 million growth in property, plant and equipment. These were acquisitions made to expand production capacity, which have contributed to the 13% year over year sales growth. Investments decline of \$24.9 million were mainly due to transfers from long-term deposits to short-term repo instruments. These repos are reported on the financial statements as cash and cash equivalents. Shareholders' equity closed the period at \$810.1 million or 14% over prior year, whilst the return on equity was 25%, compared to 35% in the prior year.


Subsequent to the end of the quarter, the World Health Organization has declared Covid-19 to be a pandemic. This has resulted in a significant downturn in worldwide commercial activity. As a consequence, we have taken every instruction from the Ministry and implemented even further measures than those recommended. This will have a negative impact on our third quarter results.

Our Marketing teams plans had to be redirected for the period and its primary focus has been on utilizing the digital platform to increase market penetration. We implemented several programs to bolster sales and continue to build our brand on this platform.

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 Six Months Ended March 31, 2020

**STATEMENT OF COMPREHENSIVE INCOME**

**HONEY BUN (1982) LIMITED**

**Statement of Profit or Loss and Other Comprehensive Income  
 For the Six Months ended March 31, 2020**

*(Expressed in Jamaican Dollars except otherwise stated)*

	Unaudited Three months ended March 2020	Unaudited Three months ended March 2019	Unaudited Six months ended March 2020	Unaudited Six months ended March 2019
<b>Gross operating revenue</b>	453,503,955	406,468,114	875,977,090	775,482,443
Cost of operating revenue	(239,132,710)	(204,780,168)	(449,983,858)	(398,926,566)
<b>Gross profit</b>	214,371,245	201,687,946	425,993,231	376,555,877
Other Gains/(losses)	(1,935,880)	5,209,278	(1,749,277)	7,026,454
	212,435,365	206,897,224	424,243,955	383,582,331
<b>Administrative, selling and distribution expenses</b>				
Administrative	(94,864,848)	(73,545,034)	(183,695,801)	(145,540,499)
Selling & distribution costs	(62,994,755)	(59,752,346)	(129,212,170)	(122,648,680)
	(157,859,603)	(133,297,380)	(312,907,971)	(268,189,179)
Operating profit before finance costs and taxation	54,575,762	73,599,844	111,335,984	115,393,152
Finance income- interest	67,540	637,887	792,799	727,042
Finance costs	(3,138,361)	(1,746,608)	(4,571,169)	(3,960,792)
<b>Profit before taxation</b>	51,504,942	72,491,123	107,557,614	112,159,402
Taxation	(8,200,000)	(1,572,025)	(15,134,093)	(3,144,051)
<b>Net profit for the period the period</b>	43,304,942	70,919,097	92,423,521	109,015,351
Earnings Per Share	0.09	0.15	0.20	0.23



**HONEY BUN (1982) LIMITED**  
 Unaudited Financial Statements  
 For the Six Months Ended March 31, 2020

**STATEMENT OF FINANCIAL POSITION**

**HONEY BUN (1982) LIMITED**  
**Statement of Financial Position**  
**as at March 31, 2020**

*(Expressed in Jamaican Dollars except otherwise stated)*

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>March 2020</b>	<b>March 2019</b>	<b>September 2019</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	529,115,384	494,985,495	510,604,375
Investments	60,361,327	85,304,669	91,952,025
Intangible assets	2,205,680	3,171,581	2,663,308
Total non-current assets	<u>591,682,391</u>	<u>583,461,745</u>	<u>605,219,708</u>
<b>CURRENT ASSETS</b>			
Inventories	94,051,882	60,591,053	62,647,619
Receivables	119,144,757	61,996,239	94,384,765
Taxation recoverable	2,302,465	-	2,925,461
Cash & cash equivalents	258,045,418	165,624,957	192,764,772
Total current assets	<u>473,544,522</u>	<u>288,212,249</u>	<u>352,722,617</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	179,806,189	106,129,601	150,644,481
Taxation Payable	18,125,844	-	14,776,814
Current Portion of Long Term Loan	2,670,326	3,857,529	2,657,812
	<u>200,602,359</u>	<u>109,987,130</u>	<u>168,079,107</u>
Net current assets	<u>272,942,163</u>	<u>178,225,119</u>	<u>184,643,510</u>
Total assets less current liabilities	<u>864,624,554</u>	<u>761,686,864</u>	<u>789,863,218</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	27,034,097	22,711,330	21,131,056
Deferred tax Liabilities	28,217,397	26,227,258	28,217,397
Total non-current liabilities	<u>55,251,494</u>	<u>48,938,588</u>	<u>49,348,453</u>
<b>EQUITY</b>			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	53,818,788	64,348,197	53,818,788
Retained earnings	709,039,502	601,885,309	640,181,207
Total equity	<u>809,373,060</u>	<u>712,748,276</u>	<u>740,514,765</u>
Total non-current liabilities and equity	<u>864,624,554</u>	<u>761,686,864</u>	<u>789,863,218</u>

Approved for issue by the Board of Directors on May 13, 2020 and signed on its behalf by:



Herbert Chong (Chairman)



Charles Heholt (Director)

**HONEY BUN (1982) LIMITED**  
 Unaudited Financial Statements  
 For the Six Months Ended March 31, 2020

**STATEMENT OF CASHFLOWS**

**HONEY BUN (1982) LIMITED**

**Statement of Cashflows**

**For the Six Months ended March 31, 2020**

*(Expressed in Jamaican Dollars except otherwise stated)*

	<b>Six Months ended March 2020</b>	<b>Six Months ended March 2019</b>
<b>CASH FROM OPERATING ACTIVITIES</b>		
<b>Net Profit</b>	92,423,521	109,015,351
<b>Adjustments for items not affecting cash:</b>		
Depreciation	23,020,019	29,403,937
Amortization	457,629	508,275
Loss/(gain) on disposal of property, plant and equipment		(5,107,292)
Interest income	(792,799)	(817,921)
Interest expense	656,698	3,960,792
Taxation expense	15,134,093	-
<b>Changes in non-cash working capital components:</b>		
Inventories	(31,404,263)	(12,138,610)
Trade and other receivables	(24,759,992)	3,195,964
Trade and other payables	29,161,707	(5,473,308)
<b>Tax paid</b>	(11,162,067)	-
<b>Net cash (used in)/provided by operating activities:</b>	<u>92,734,547</u>	<u>122,547,188</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(41,531,028)	(35,720,639)
Additions to intangible assets	(0)	-
Investments, net	31,590,698	(260,631)
Interest received	792,799	817,921
<b>Net cash used in investing activities</b>	<u>(9,147,532)</u>	<u>(35,163,349)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term loans	5,915,555	(3,214,294)
Dividends paid	(23,565,226)	(14,138,009)
Interest Paid	(656,698)	(3,960,792)
<b>Net cash (used)/provided by financing activities</b>	<u>(18,306,369)</u>	<u>(21,313,094)</u>
Net increase in cash and cash equivalents	65,280,646	66,070,745
Cash and cash equivalents at beginning of year	<u>192,764,772</u>	<u>99,554,212</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>258,045,418</u></u>	<u><u>165,624,956</u></u>

**HONEY BUN (1982) LIMITED**  
 Unaudited Financial Statements  
 For the Six Months Ended March 31, 2020

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**HONEY BUN (1982) LIMITED**  
**Statement of Changes in Equity**  
**For the Six Months ended March 31, 2020**  
*(Expressed in Jamaican Dollars except otherwise stated)*

	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Totals \$
<b>Balances as at September 30, 2018</b>	46,514,770	64,348,197	507,007,966	617,870,933
Total comprehensive income for the period	-	-	109,015,351	109,015,351
Dividends	-	-	(14,138,009)	(14,138,009)
<b>Balances as at March 31, 2019</b>	<b>46,514,770</b>	<b>64,348,197</b>	<b>601,885,309</b>	<b>712,748,276</b>
<b>Balances as at September 30, 2019</b>	46,514,770	53,818,788	640,181,207	740,514,765
Total comprehensive income for the period	-	-	92,423,521	92,423,521
Dividends	-	-	(23,565,226)	(23,565,226)
<b>Balances as at March 31, 2020</b>	<b>46,514,770</b>	<b>53,818,788</b>	<b>709,039,502</b>	<b>809,373,060</b>

## 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.



**HONEY BUN (1982) LIMITED**  
Unaudited Financial Statements  
For the Six Months Ended March 31, 2020

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**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**

	<b>March 2020</b>	<b>March 2019</b>
<b>Authorized:</b>	\$	\$
487,500,000 shares (2018 – 487,500,000 shares)		
<b>Issued and fully paid:</b>		
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 Six Months Ended March 31, 2020

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**INFORMATION REGARDING SHAREHOLDERS**

**As at March 31, 2020**

**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