

HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

CONTENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

The first quarter of the year saw the company earning revenues of \$461.3 million, up 9% over prior year and gross profits of \$218.1 million, up 3% over prior year. Net profit however closed the period at \$34.8 million or 29% below the prior year. The cost of production has seen a sharp increase in recent months particularly in some key raw materials. Whilst the economy continues to recover from the effects of lockdowns, disposable incomes and consumer activity remain muted. This has meant increased marketing activities, which has contributed to operating expenses closing the period at \$176.0 million or 14% over prior year.

The company continues to focus on improving manufacturing technologies and efficiencies. The quarter saw the company investing an additional \$39.6 million in property plant and equipment, up 199% over the prior year. Overall receivables fell by \$53.7 million to close at \$74.7 million, whilst overall trade and other payables fell by \$84.0 million to close at \$129.4 million. Net current assets closed the period at \$305.8 million, or 41% over the prior year.

In October 2020, the company introduced the Hot Dog Rolls under Honey Bun's Shorty brand, joining the Shorty Loaf Bread (Bran and White) and the Shorty Burger Bread. The Hot Dog Roll was launched to satisfy consumers baking needs especially during the COVID-19 pandemic, as it was an easy snack to make at home. The product is tastefully covered in sesame seeds, and available in packets of eight.

In November, the company launched a staff wellness program to help team members cope with the psychosocial effects of the pandemic. The response has been positive and encouraging.

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



Michelle Chong
Chief Executive Officer

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2020

STATEMENT OF COMPREHENSIVE INCOME

HONEY BUN (1982) LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the Three months ended December 31, 2020

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited Three months ended December 2020	Unaudited Three months ended December 2019
Gross operating revenue	461,317,263	422,473,134
Cost of operating revenue	<u>(243,260,544)</u>	<u>(210,851,148)</u>
Gross profit	218,056,718	211,621,986
Other Gains/(losses)	<u>(1,013,705)</u>	<u>186,604</u>
	217,043,013	211,808,590
Administrative, selling and distribution expenses		
Administrative	(107,257,917)	(88,830,953)
Selling & distribution costs	<u>(68,780,731)</u>	<u>(66,217,415)</u>
	(176,038,648)	(155,048,369)
Operating profit before finance costs and taxation	41,004,365	56,760,221
Finance income- interest	25,563	725,259
Finance costs	(1,786,066)	(1,432,808)
Appreciation in value of investments classified as fair value through profit or loss	<u>498,797</u>	<u>-</u>
Profit before taxation	39,742,659	56,052,672
Taxation	<u>(4,989,000)</u>	<u>(6,934,093)</u>
Net profit for the period	<u>34,753,659</u>	<u>49,118,578</u>
Total comprehensive income for the period	<u>34,753,659</u>	<u>49,118,578</u>
Earnings Per Share	0.07	0.10

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2020

STATEMENT OF FINANCIAL POSITION

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

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited December 2020	Unaudited December 2019	Audited September 2020
NON-CURRENT ASSETS			
Property, plant and equipment	576,398,130	518,208,637	553,448,405
Right-of-Use Asset	5,155,457	-	5,799,889
Investments	62,828,954	91,952,025	61,326,234
Intangible assets	1,548,580	2,434,493	1,748,534
Total non-current assets	<u>645,931,121</u>	<u>612,595,155</u>	<u>622,323,062</u>
CURRENT ASSETS			
Inventories	83,529,969	75,761,005	71,274,544
Receivables	74,703,891	128,424,963	72,992,313
Taxation recoverable	2,789,317	3,084,206	2,789,071
Cash & cash equivalents	292,014,788	245,743,753	296,979,198
Total current assets	<u>453,037,964</u>	<u>453,013,927</u>	<u>444,035,126</u>
CURRENT LIABILITIES			
Trade and other payables	129,354,930	213,419,191	129,920,088
Taxation Payable	12,404,912	20,138,882	12,676,799
Current Portion of Long Term Loans	2,851,835	2,670,326	2,811,929
Current Portion of Lease Liability	2,596,966	-	2,545,711
	<u>147,208,643</u>	<u>236,228,399</u>	<u>147,954,527</u>
Net current assets	<u>305,829,321</u>	<u>216,785,528</u>	<u>296,080,599</u>
Total assets less current liabilities	<u><u>951,760,442</u></u>	<u><u>829,380,683</u></u>	<u><u>918,403,661</u></u>
NON-CURRENT LIABILITIES			
Long term loans	14,994,061	20,468,067	18,319,126
Lease liability	5,409,478	-	3,481,294
Deferred tax Liabilities	27,041,906	28,217,397	27,041,906
Total non-current liabilities	<u>47,445,446</u>	<u>48,685,464</u>	<u>48,842,326</u>
EQUITY			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	53,818,788	53,818,788	53,818,788
Retained earnings	803,981,438	680,361,661	769,227,777
Total equity	<u>904,314,997</u>	<u>780,695,219</u>	<u>869,561,336</u>
Total non-current liabilities and equity	<u><u>951,760,442</u></u>	<u><u>829,380,683</u></u>	<u><u>918,403,661</u></u>

Approved for issue by the Board of Directors on February 3, 2021 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, 2020

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

HONEY BUN (1982) LIMITED

Statement of Changes in Equity

For the Three months ended December 31, 2020

(Expressed in Jamaican Dollars except otherwise stated)

	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Totals \$
Balances as at September 30, 2019	46,514,770	53,818,788	640,181,207	740,514,766
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	680,361,660	780,695,219
Balances as at September 30, 2020	46,514,770	53,818,788	769,227,779	869,561,338
Total comprehensive income for the period	-	-	34,753,659	34,753,659
Balances as at December 31, 2020	46,514,770	53,818,788	803,981,438	904,314,996



HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended December 31, 2020

STATEMENT OF CASHFLOWS

HONEY BUN (1982) LIMITED

Statement of Cashflows

For the period ended December 31, 2020

(Expressed in Jamaican Dollars except otherwise stated)

	Three months ended December 2020	Three months ended December 2019
CASH FROM OPERATING ACTIVITIES		
Net Profit	34,753,659	49,118,578
Adjustments for items not affecting cash:		
Depreciation	17,292,540	5,647,317
Amortization	199,954	76,273
Revaluation of Quoted Securities	(498,797)	-
Interest income	(25,563)	(5,681)
Interest expense	295,247	112,006
Taxation expense	4,989,000	4,027,270
Changes in non-cash working capital components:		
Inventories	(12,255,425)	(13,113,386)
Trade and other receivables	(2,605,124)	(34,040,198)
Trade and other payables	(565,157)	62,774,710
Tax paid	<u>(5,261,132)</u>	<u>1,176,052</u>
Net cash (used in)/provided by operating activities:	<u>36,319,203</u>	<u>75,772,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(39,597,834)	(13,251,579)
Additions to intangible assets	-	152,542
Investments, net	(289,728)	-
Interest received	25,563	5,681
Net cash used in investing activities	<u>(39,861,999)</u>	<u>(13,093,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(1,305,720)	(650,475)
Dividends paid	(0)	(8,938,125)
Interest Paid	(295,247)	(112,006)
Net cash (used)/provided by financing activities	<u>(1,600,967)</u>	<u>(9,700,606)</u>
Net increase in cash and cash equivalents	(5,143,763)	52,978,980
Cash and cash equivalents at beginning of year	<u>297,158,550</u>	<u>192,764,772</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>292,014,788</u>	<u>245,743,753</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 2020, 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 2020.

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 2020.

(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 Three Months Ended December 31, 2020

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 2020	December 2019
Authorized:		
487,500,000 shares (2019 – 487,500,000 shares)		
Issued and fully paid:		
471,266,950 shares (2019 - 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, 2020

INFORMATION REGARDING SHAREHOLDERS

As at December 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 Managed Clients' Account	12,186,075
Mayberry Jamaican Equities Limited	9,940,532
Sagicor Select Fund	3,780,227
QWI Investments	3,086,031
Andrew Mahfood	2,982,810
Kenneth Lyn	2,780,092
Daniel Chong	2,689,335

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	2,689,335
Dustin Chong	2,479,035
Paula Graham-Haynes	0
Alex Balogun	0