

HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2022

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 three months ended March 31, 2022 saw the company earning net profits of \$41.2m or 46% below the prior year. Gross revenues were \$708.7m or 34% more than last year. The decline in net profits was attributable to a number of factors, the rise in raw material costs absorbed by the company and re-positioning to increase distribution channels being two major factors. Gross profit for the quarter came in at \$292.2m or 13% over prior year.

Total Sales for the first six months was \$1,373m which is 39% better than prior year.

The first half of the year saw the company generating net profits of \$86.8m. This result was 22% below prior year. The company's margins declined for the quarter, due to continuous global price increases in key ingredients from suppliers mainly due to supply shortage and shipping challenges. Flour prices increased again in late March.

Our new products contributed to increased sales with tremendous demand. Investments we have made to increased distribution have also had a significant contribution to revenues and making our products more easily available island wide.

In our continued focus on improving manufacturing technologies and expanding our distribution network, the six months-to-date the company investing an additional \$63.3 million in property plant and equipment and intangible assets. This was mainly for additional distribution vehicles and software/business intelligence upgrades. Overall receivables increased by \$47 million to close at \$154.8 million, whilst overall trade and other payables increased by \$56.9 million to close at \$252.7 million.

The increase in receivables is a reflection of our growth strategy, as \$47.7 million of this amount relates to deposits on trucks & production machinery (J\$36.7m) and raw material orders (J\$11m). Other prepayments and interest receivable on investments closed at J\$15 million. Net trade receivables stood at J\$80.9 million representing 11 days of sale, in comparison to prior year J\$58.6 million, also representing 11 days of sale. A positive indicator is that despite the growth in receivables and payables, net current assets closed the period at \$394.5 million, or 21% over the prior year.

In January 2022, the Honey Bun Foundation engaged 10 SME companies' to provide advisory committees in keeping with strengthening their business. This was accomplished through qualified volunteers. These companies employ over 40 employees.

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 March 31, 2022

STATEMENT OF COMPREHENSIVE INCOME

HONEY BUN (1982) LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the Six months ended March 31, 2022

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited Three months ended March 2022	Unaudited Three months ended March 2021	Unaudited Six (6) months ended March 2022	Unaudited Six (6) months ended March 2021
Gross operating revenue	708,712,680	527,401,495	1,373,412,071	988,718,758
Cost of operating revenue	(410,572,419)	(273,679,906)	(810,685,013)	(516,940,451)
Gross profit	298,140,260	253,721,589	562,727,058	471,778,307
Other Gains/(losses)	(5,861,222)	4,355,934	1,109,523	3,841,026
	292,279,039	258,077,523	563,836,582	475,619,333
Administrative, selling and distribution expenses	42.1%	48.1%	41.0%	47.7%
Administrative	(150,771,193)	(109,152,733)	(282,840,194)	(216,410,650)
Selling & distribution costs	(84,592,352)	(59,324,600)	(165,186,800)	(128,105,331)
	(235,363,545)	(168,477,333)	(448,026,994)	(344,515,981)
Operating profit before finance costs and taxation	56,915,493	89,600,190	115,809,588	131,103,352
Finance income- interest	1,043,953	33,602	1,811,913	59,165
Finance costs	(2,798,656)	(1,849,594)	(6,180,882)	(3,635,660)
Increase/(Decrease) in value of investments classified as fair value through profit or loss	-	231,963	350,725	231,963
Profit before taxation	55,160,790	88,016,161	111,791,344	127,758,820
Taxation	(13,890,000)	(11,191,000)	(25,013,000)	(16,180,000)
Net profit for the period	41,270,790	76,825,161	86,778,344	111,578,820
Total comprehensive income for the period	41,270,790	76,825,161	86,778,344	111,578,820
Earnings Per Share	0.09	0.16	0.18	0.24

HONEY BUN (1982) LIMITED
Unaudited Financial Statements
For the Three Months Ended March 31, 2022

STATEMENT OF FINANCIAL POSITION

HONEY BUN (1982) LIMITED
Statement of Financial Position
as at March 31, 2022

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited March 2022	Unaudited March 2021	Audited September 2021
NON-CURRENT ASSETS			
Property, plant and equipment	616,555,512	588,089,226	583,871,161
Right-of-Use Asset	1,933,296	4,511,025	3,222,160
Investments	98,593,296	64,632,359	95,602,465
Intangible assets	8,056,631	1,919,228	5,325,879
Total non-current assets	<u>725,138,735</u>	<u>659,151,838</u>	<u>688,021,666</u>
CURRENT ASSETS			
Inventories	158,412,918	74,731,572	121,399,079
Receivables	154,796,802	81,007,930	107,753,383
Taxation recoverable	4,292,668	2,789,868	4,034,001
Cash & cash equivalents	353,667,500	347,589,834	404,250,464
Total current assets	<u>671,169,889</u>	<u>506,119,204</u>	<u>637,436,927</u>
CURRENT LIABILITIES			
Trade and other payables	252,667,207	161,076,681	195,772,361
Taxation Payable	18,185,472	13,901,902	28,338,290
Current Portion of Long Term Loans	3,017,202	2,892,307	2,974,982
Current Portion of Lease Liability	2,810,633	2,130,267	2,757,004
	<u>276,680,514</u>	<u>180,001,157</u>	<u>229,842,638</u>
Net current assets	<u>394,489,375</u>	<u>326,118,047</u>	<u>407,594,289</u>
Total assets less current liabilities	<u><u>1,119,628,110</u></u>	<u><u>985,269,885</u></u>	<u><u>1,095,615,955</u></u>
NON-CURRENT LIABILITIES			
Long term loans	13,835,393	16,852,595	15,344,144
Lease liability	(682,246)	2,649,252	724,290
Deferred tax Liabilities	50,674,475	27,041,906	50,674,475
Total non-current liabilities	<u>63,827,621</u>	<u>46,543,753</u>	<u>66,742,909</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	955,466,931	838,392,573	928,539,488
Total equity	<u>1,055,800,489</u>	<u>938,726,132</u>	<u>1,028,873,046</u>
Total non-current liabilities and equity	<u><u>1,119,628,110</u></u>	<u><u>985,269,885</u></u>	<u><u>1,095,615,955</u></u>

Approved for issue by the Board of Directors on May 4, 2022 and signed on its behalf by:



Herbert Chong (Chairman)



Charles Heholt (Director)

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the Three Months Ended March 31, 2022

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

HONEY BUN (1982) LIMITED

Statement of Changes in Equity

For the Six months ended March 31, 2022

(Expressed in Jamaican Dollars except otherwise stated)

	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Totals \$
Balances as at September 30, 2020	46,514,770	53,818,788	769,227,779	869,561,338
Total comprehensive income for the period	-	-	111,578,820	111,578,820
Dividends	-	-	(42,414,026)	(42,414,026)
Balances as at March 31, 2021	<u>46,514,770</u>	<u>53,818,788</u>	<u>838,392,573</u>	<u>938,726,132</u>
Balances as at September 30, 2020	46,514,770	53,818,788	928,539,491	1,028,873,049
Total comprehensive income for the period	-	-	86,778,344	86,778,344
Dividends	-	-	(59,850,904)	(59,850,904)
Balances as at March 31, 2022	<u>46,514,770</u>	<u>53,818,788</u>	<u>955,466,931</u>	<u>1,055,800,489</u>

HONEY BUN (1982) LIMITED
Unaudited Financial Statements
For the Three Months Ended March 31, 2022

STATEMENT OF CASHFLOWS

HONEY BUN (1982) LIMITED

Statement of Cashflows

For the period ended March 31, 2022

(Expressed in Jamaican Dollars except otherwise stated)

	Six months ended March 2022	Six months ended March 2021
CASH FROM OPERATING ACTIVITIES		
Net Profit	86,778,344	111,578,820
Adjustments for items not affecting cash:		
Depreciation	28,831,517	23,542,364
Amortization	380,736	266,604
Loss/(gain) on disposal of property, plant and equipment	0	-
Revaluation of Quoted Securities	0	(498,797)
Interest income	(776,892)	(36,699)
Interest expense	362,703	416,037
Taxation expense	11,123,000	8,049,000
	126,699,408	143,317,330
Changes in non-cash working capital components:		
Inventories	(37,013,839)	(3,457,028)
Trade and other receivables	(47,043,419)	(8,909,164)
Trade and other payables	56,894,847	31,156,595
Tax paid	(21,534,485)	(6,824,693)
Net cash (used in)/provided by operating activities:	<u>78,002,513</u>	<u>155,283,040</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment		
Additions to property, plant and equipment	(60,227,004)	(56,894,322)
Additions to intangible assets	(3,111,488)	(437,298)
Investments, net	(3,373,385)	(2,093,134)
Interest received	776,892	36,699
Net cash used in investing activities	<u>(65,934,984)</u>	<u>(59,388,055)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans	(2,817,558)	(2,633,640)
Dividends paid	(59,850,903)	(42,414,026)
Interest Paid	(362,703)	(416,037)
Net cash (used)/provided by financing activities	<u>(63,031,164)</u>	<u>(45,463,703)</u>
Net increase in cash and cash equivalents	(50,965,517)	50,431,283
Cash and cash equivalents at beginning of year	404,633,018	297,158,550
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>353,667,501</u></u>	<u><u>347,589,833</u></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 2021, 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 2021.

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.

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.

(iv) Impairment:

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

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 2021	December 2020
Authorized:		
487,500,000 shares (2020 – 487,500,000 shares)		
Issued and fully paid:		
471,266,950 shares (2020 - 471,266,950 shares)	<u>46,514,770</u>	<u>46,514,770</u>

INFORMATION REGARDING SHAREHOLDERS

As at March 31, 2022

TEN LARGEST SHAREHOLDERS

No. of Stock Units

Next Incorporated	262,447,977
Michelle Chong	55,691,000
Herbert Chong	54,091,000
JMMB Securities Ltd	11,706,307
Mayberry Managed Clients' Account	11,560,233
Cal's Manufacturing	6,644,122
Sagikor Select Fund	3,780,227
QWI Investments	3,484,492
Jamaica Money Market Brokers	3,150,000
Kenneth Lyn	2,780,092

SHAREHOLDINGS OF DIRECTORS

Michelle Chong	55,691,000
Herbert Chong	54,091,000
Daniel Chong	2,689,335
Paul Moses	2,000,000
Charles Heholt	260,000
Yaneek Page	0
Wayne Wray	110,000

SHAREHOLDINGS OF SENIOR OFFICERS

Michelle Chong	55,691,000
Herbert Chong	54,091,000
Daniel Chong	2,689,335
Dustin Chong	2,479,035
Paula Graham-Haynes	0
Taariq Abdul-Majeed	0