

# **HONEY BUN (1982) LIMITED**

## **UNAUDITED FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED JUNE 30, 2019

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## MANAGEMENT DISCUSSION AND ANALYSIS

The company's third quarter results saw stronger performance relative to the same period last year. The quarter's revenues of \$394.4 million were up 19% over prior year, due to increased capacity from our plant and machinery upgrades. Gross profit of \$189.0 million was up on prior year by 29%, whilst the gross profit ratio closed at 47.9%, compared to 44.1% in the prior year. Operating expenses were \$153.7 million, a 12% increase over prior year. Profit before tax for the quarter was \$32.3 million, or 258% more than the same period last year.

For the nine-month period, total revenues amounted to \$1.17 billion, or 16% over the prior year, whilst gross profits were \$565.5 million or 24% over the same period last year. The Gross profit ratio also saw improvements, closing the period at 48.3% compared to 45.2% last year. Operating expenses of \$421.9 million were up 15% over prior year, due mainly to increased sales and marketing spend as well as staff training and development costs. Export sales for the nine months increased by 157% over prior year period. Profit before tax for the period amounted to \$144.5 million, an 80% increase over the same period last year.

Total non-current assets of the company at the end of the period stood at \$589.4 million, a \$69.5 million increase over the same period last year. Of this amount, \$54.8 million was due to spend on property plant and equipment. Total cash and cash equivalents were \$147.5 million, or \$63.4 million over prior year, whilst shareholders' equity closed the period at \$729.7 million or 22% over prior year.

At a board meeting held on June 12, 2019, the Board of Directors approved a dividend of \$0.03 per share, payable on July 9, 2019, to shareholders on record at June 25, 2019.

In May of this year, Honey Bun launched its support and recognition of Teachers island wide with our 'Donuts for Teachers' campaign. We plan to continue this program as a signature of our support for education.

In June, we introduced a new line of burger buns, the Shorty burger bun, packaged for the retail sales market. The product is doing well and we look forward to further build out of this line. We also launched new packaging on our primary products to give them a new look and feel, but the same deliciousness our customers have come to know and enjoy. We are very optimistic about the future, and continue to build on our capacity and business intelligence to meet the opportunities ahead.

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 Nine Months Ended June 30, 2019

**STATEMENT OF COMPREHENSIVE INCOME**

**Statement of Profit or Loss and Other Comprehensive Income  
 For the Nine Months Ended June 30, 2019**

*(Expressed in Jamaican Dollars except otherwise stated)*

	Unaudited Three months ended June 2019	Unaudited Three months ended June 2018	Unaudited Nine Months Ended June 2019	Unaudited Nine Months Ended June 2018
<b>Gross operating revenue</b>	394,488,700	331,727,994	1,169,971,143	1,006,469,016
Cost of operating revenue	<u>(205,506,560)</u>	<u>(185,572,639)</u>	<u>(604,433,126)</u>	<u>(551,663,576)</u>
<b>Gross profit</b>	188,982,140	146,155,355	565,538,017	454,805,440
Other Gains/(losses)	<u>(1,857,728)</u>	<u>915,951</u>	<u>5,168,726</u>	<u>(4,432,335)</u>
	187,124,411	147,071,306	570,706,743	450,373,105
<b>Administrative, selling and distribution expenses</b>				
Administrative	(86,015,481)	(75,324,457)	(231,555,980)	(202,080,657)
Selling & distribution costs	<u>(67,673,498)</u>	<u>(61,293,802)</u>	<u>(190,322,178)</u>	<u>(164,130,312)</u>
	(153,688,979)	(136,618,259)	(421,878,158)	(366,210,969)
Operating profit before finance costs and taxation	33,435,432	10,453,047	148,828,584	84,162,136
Finance income- interest	311,611	241,936	1,038,653	625,481
Finance costs	<u>(1,418,748)</u>	<u>(1,676,335)</u>	<u>(5,379,540)</u>	<u>(4,389,920)</u>
<b>Profit before taxation</b>	32,328,296	9,018,648	144,487,698	80,397,697
Taxation	<u>(15,639,350)</u>	<u>695,215</u>	<u>(18,783,401)</u>	<u>(8,293,644)</u>
Net profit for the period	<u>16,688,945</u>	<u>9,713,863</u>	<u>125,704,297</u>	<u>72,104,053</u>
<b>Total comprehensive income for the period</b>	<u>16,688,945</u>	<u>9,713,863</u>	<u>125,704,297</u>	<u>72,104,053</u>
Earnings Per Share	0.04	0.02	0.27	0.15

**HONEY BUN (1982) LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**

**HONEY BUN (1982) LIMITED**  
**Statement of Financial Position**  
**as at June 30, 2019**

*(Expressed in Jamaican Dollars except otherwise stated)*

	Unaudited June 2019	Unaudited June 2018	Audited September 2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	501,801,328	441,197,050	491,544,316
Investments	84,715,701	76,112,763	85,044,039
Intangible assets	<u>2,917,442</u>	<u>2,643,099</u>	<u>2,489,856</u>
Total non-current assets	<u>589,434,471</u>	<u>519,952,912</u>	<u>579,078,211</u>
<b>CURRENT ASSETS</b>			
Inventories	69,300,046	49,405,743	41,899,285
Receivables	62,666,000	78,002,905	66,133,767
Taxation recoverable	2,016,007	0	1,767,693
Cash & cash equivalents	<u>147,521,617</u>	<u>84,162,072</u>	<u>99,554,212</u>
Total current assets	<u>281,503,671</u>	<u>211,570,720</u>	<u>209,354,957</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	77,349,347	77,536,428	111,842,573
Taxation Payable	12,861,508	0	2,709,252
Current Portion of Long Term Loan	<u>3,008,552</u>	<u>6,828,027</u>	<u>6,166,530</u>
	<u>93,219,407</u>	<u>84,364,455</u>	<u>120,718,355</u>
Net current assets	<u>188,284,263</u>	<u>127,206,266</u>	<u>88,636,602</u>
Total assets less current liabilities	<u>777,718,734</u>	<u>647,159,178</u>	<u>667,714,813</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	21,816,473	24,825,026	23,616,622
Deferred tax Liabilities	<u>26,227,258</u>	<u>22,769,301</u>	<u>26,227,258</u>
Total non-current liabilities	<u>48,043,731</u>	<u>47,594,327</u>	<u>49,843,880</u>
<b>EQUITY</b>			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	64,348,197	60,119,243	64,348,197
Retained earnings	<u>618,812,037</u>	<u>492,930,838</u>	<u>507,007,966</u>
Total equity	<u>729,675,004</u>	<u>599,564,851</u>	<u>617,870,933</u>
Total non-current liabilities and equity	<u>777,718,734</u>	<u>647,159,178</u>	<u>667,714,813</u>

Approved for issue by the Board of Directors on August 7, 2019 and signed on its behalf by



Herbert Chong (Chairman)



Charles Heholt (Director)

**HONEY BUN (1982) LIMITED**  
 Unaudited Financial Statements  
 For the Nine Months Ended June 30, 2019

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**HONEY BUN (1982) LIMITED**  
**Statement of Changes in Equity**  
**For the Nine Months Ended June 30, 2019**

*(Expressed in Jamaican Dollars except otherwise stated)*

	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Totals \$
<b>Balances as at September 30, 2017</b>	46,514,770	59,880,738	439,435,919	545,831,427
Total comprehensive income for the period	0	0	72,104,053	72,104,053
Unrealized gain on available for sale securities	0	238,505	0	238,505
Dividends	0	0	(18,609,134)	(18,609,134)
<b>Balances as at June 30, 2018</b>	<b>46,514,770</b>	<b>60,119,243</b>	<b>492,930,838</b>	<b>599,564,851</b>
<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	0	0	125,704,297	125,704,297
Dividends	0	0	(13,900,227)	(13,900,227)
<b>Balances as at June 30, 2019</b>	<b>46,514,770</b>	<b>64,348,197</b>	<b>618,812,037</b>	<b>729,675,004</b>



**HONEY BUN (1982) LIMITED**  
 Unaudited Financial Statements  
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**STATEMENT OF CASHFLOWS**

**HONEY BUN (1982) LIMITED**  
**Statement of Cashflows**  
**For the Nine Months Ended June 30, 2019**

*(Expressed in Jamaican Dollars except otherwise stated)*

	<b>Nine Months Ended June 2019 \$</b>	<b>Nine Months Ended June 2018 \$</b>
<b>CASH FROM OPERATING ACTIVITIES</b>		
<b>Net Profit</b>	125,704,297	72,104,053
<b>Adjustments for items not affecting cash:</b>		
Depreciation	44,559,969	36,015,622
Amortization	762,414	459,734
Loss/(gain) on disposal of property, plant and equipment	(4,804,576)	632,171
Interest income	(1,038,653)	(943,016)
Interest expense	1,063,027	4,389,920
Taxation expense	18,783,401	0
<b>Changes in non-cash working capital components:</b>		
Inventories	(27,400,761)	(1,466,681)
Trade and other receivables	3,467,767	10,359,885
Trade and other payables	(34,493,226)	(22,367,964)
<b>Tax paid</b>	(8,879,459)	0
<b>Net cash (used in)/provided by operating activities:</b>	<u>117,724,199</u>	<u>99,183,724</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	4,804,576	0
Additions to property, plant and equipment	(54,816,981)	(92,342,645)
Additions to intangible assets	(1,190,000)	0
Investments, net	328,338	0
Other gains/(losses)	0	2,205,648
Interest received	1,038,653	943,016
<b>Net cash used in investing activities</b>	<u>(49,835,413)</u>	<u>(89,193,981)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term loans	(4,958,127)	(4,472,970)
Dividends paid	(13,900,227)	(18,609,134)
Interest Paid	(1,063,027)	(4,389,920)
<b>Net cash (used)/provided by financing activities</b>	<u>(19,921,381)</u>	<u>(27,472,024)</u>
Net increase in cash and cash equivalents	47,967,405	(17,482,281)
Cash and cash equivalents at beginning of year	<u>99,554,212</u>	<u>101,644,353</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>147,521,617</u></u>	<u><u>84,162,072</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 2018, 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 2018.

### 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 and 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 2018.

(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**

	<b>June 2019</b>	<b>June 2018</b>
<b>Authorized:</b>		
487,500,000 shares (2015 – 97,500,000 shares)		
<b>Issued and fully paid:</b>		
471,266,950 shares (2015 - 94,253,390 shares)	<u>46,514,770</u>	<u>46,514,770</u>

**HONEY BUN (1982) LIMITED**  
Unaudited Financial Statements  
For the Nine Months Ended June 30, 2019

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**INFORMATION REGARDING SHAREHOLDERS**

**As at June 30, 2019**

**TEN LARGEST SHAREHOLDERS**

	<b>No. of Stock Units</b>
Next Incorporated	266,332,660
Michelle Chong	58,691,000
Herbert Chong	54,091,000
Mayberry Jamaican Equites Limited	15,899,868
Mayberry Managed Clients' Account	13,309,654
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