

HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross revenues for the third quarter came in at \$367.4 million, representing a 7% decline compared to the prior year. The revenue decline was mainly due to many customers in various distribution channels either being closed or significantly reducing their operations. Gross profits for the same quarter were \$174.0 million, an 8% decline compared to last year, however, gross profit margins ratio remained stable at 47.4%. Other Income comprising fair value gains on quoted securities and exchange gains on foreign currency denominated assets amounted to a gain of \$4.2 million compared to a loss of \$1.9 million in the prior year. Total operating expenses remained flat, at \$154.0 million. The quarter's profit before tax closed at \$22.9 million, a 29% reduction compared to the prior year.

The year-to-date results saw gross revenues come in at \$1.24 billion, or 6% over prior year. Total operating expenses of \$466.9 million were 11% over prior year, whilst profit before tax closed at \$130.4 million or 10% below prior year.

On the statement of financial position, total non-current assets stood at \$633.9 million, a \$44.5 million or 8% increase over the prior year. Cash and cash equivalents of \$234.7 million were up 59% over prior year, whilst shareholders' equity closed the period at \$829.6 million, compared to \$729.7 million in the prior year.

During the quarter, Honey Bun paid special homage to our Nurses, who are on the frontline of our fight against Covid-19 through our Donuts for Nurses program. We extend a special thank you to them at this time. We also 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 nine months ended June 30, 2020

STATEMENT OF COMPREHENSIVE INCOME

HONEY BUN (1982) LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the Nine months ended June 30, 2020

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited Three months ended June 2020	Unaudited Three months ended June 2019	Unaudited Nine months ended June 2020	Unaudited Nine months ended June 2019
Gross operating revenue	367,422,763	394,488,700	1,243,399,852	1,169,971,143
Cost of operating revenue	<u>(193,381,161)</u>	<u>(205,506,560)</u>	<u>(643,365,019)</u>	<u>(604,433,126)</u>
Gross profit	174,041,602	188,982,140	600,034,834	565,538,017
Other Gains/(losses)	<u>4,263,481</u>	<u>(1,857,728)</u>	<u>2,514,205</u>	<u>5,168,726</u>
	178,305,083	187,124,412	602,549,038	570,706,743
Administrative, selling and distribution expenses				
Administrative	(91,668,769)	(86,015,481)	(275,364,570)	(231,555,980)
Selling & distribution costs	<u>(62,291,614)</u>	<u>(67,673,498)</u>	<u>(191,503,784)</u>	<u>(190,322,178)</u>
	(153,960,383)	(153,688,979)	(466,868,354)	(421,878,158)
Operating profit before finance costs and taxation	24,344,700	33,435,433	135,680,684	148,828,585
Finance income- interest	15,894	311,611	808,693	1,038,653
Finance costs	<u>(1,509,592)</u>	<u>(1,418,748)</u>	<u>(6,080,761)</u>	<u>(5,379,540)</u>
Profit before taxation	22,851,003	32,328,296	130,408,617	144,487,698
Taxation	<u>(2,611,000)</u>	<u>(15,639,350)</u>	<u>(17,745,093)</u>	<u>(18,783,401)</u>
Net profit for the period	<u>20,240,003</u>	<u>16,688,946</u>	<u>112,663,523</u>	<u>125,704,297</u>
Total comprehensive income for the period	<u>20,240,003</u>	<u>16,688,946</u>	<u>112,663,523</u>	<u>125,704,297</u>
Earnings Per Share	0.04	0.04	0.24	0.27

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the nine months ended June 30, 2020

STATEMENT OF FINANCIAL POSITION

HONEY BUN (1982) LIMITED

Statement of Financial Position

as at June 30, 2020

(Expressed in Jamaican Dollars except otherwise stated)

	Unaudited June 2020	Unaudited June 2019	Audited September 2019
NON-CURRENT ASSETS			
Property, plant and equipment	568,798,893	501,801,328	510,604,375
Investments	63,134,331	84,715,701	91,952,025
Intangible assets	1,976,865	2,917,442	2,663,308
Total non-current assets	<u>633,910,089</u>	<u>589,434,471</u>	<u>605,219,708</u>
CURRENT ASSETS			
Inventories	93,783,688	69,300,046	62,647,619
Receivables	55,959,391	62,666,000	94,384,765
Taxation recoverable	2,302,959	2,016,007	2,925,461
Cash & cash equivalents	234,733,064	147,521,617	192,764,772
Total current assets	<u>386,779,103</u>	<u>281,503,671</u>	<u>352,722,617</u>
CURRENT LIABILITIES			
Trade and other payables	124,002,584	77,349,347	150,644,481
Taxation Payable	10,215,072	12,861,508	14,776,814
Current Portion of Long Term Loan	5,268,050	3,008,552	2,657,812
	<u>139,485,706</u>	<u>93,219,407</u>	<u>168,079,107</u>
Net current assets	<u>247,293,396</u>	<u>188,284,263</u>	<u>184,643,510</u>
Total assets less current liabilities	<u>881,203,485</u>	<u>777,718,734</u>	<u>789,863,218</u>
NON-CURRENT LIABILITIES			
Long term loans	23,373,026	21,816,473	21,131,056
Deferred tax Liabilities	28,217,397	26,227,258	28,217,397
Total non-current liabilities	<u>51,590,423</u>	<u>48,043,731</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	729,279,504	618,812,037	640,181,207
Total equity	<u>829,613,063</u>	<u>729,675,004</u>	<u>740,514,765</u>
Total non-current liabilities and equity	<u>881,203,486</u>	<u>777,718,734</u>	<u>789,863,218</u>

Approved for issue by the Board of Directors on August 5, 2020 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, 2020

STATEMENT OF CASHFLOWS

HONEY BUN (1982) LIMITED
Statement of Cashflows
For the Nine months ended June 30, 2020

(Expressed in Jamaican Dollars except otherwise stated)

	Nine months ended June 2020	Nine months ended June 2019
CASH FROM OPERATING ACTIVITIES		
Net Profit	112,663,523	125,704,297
Adjustments for items not affecting cash:		
Depreciation	34,657,084	44,559,969
Amortization	686,444	762,414
Loss/(gain) on disposal of property, plant and equipment	0	(4,804,576)
Interest income	(808,693)	(1,038,653)
Interest expense	971,069	1,063,027
Taxation expense	17,745,093	18,783,401
 Changes in non-cash working capital components:		
Inventories	(31,136,069)	(27,400,761)
Trade and other receivables	38,425,374	3,467,767
Trade and other payables	(26,641,897)	(34,493,226)
 Tax paid	<u>(21,684,333)</u>	<u>(8,879,459)</u>
Net cash (used in)/provided by operating activities:	<u>124,877,595</u>	<u>117,724,199</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	0	4,804,576
Additions to property, plant and equipment	(92,851,603)	(54,816,981)
Additions to intangible assets	(0)	(1,190,000)
Investments, net	28,817,694	328,338
Interest received	808,693	1,038,653
Net cash used in investing activities	<u>(63,225,216)</u>	<u>(49,835,413)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Addition to/ (Repayment of) long-term loans	4,852,208	(4,958,127)
Dividends paid	(23,565,226)	(13,900,227)
Interest Paid	(971,069)	(1,063,027)
Net cash (used)/provided by financing activities	<u>(19,684,087)</u>	<u>(19,921,381)</u>
 Net increase in cash and cash equivalents	41,968,292	47,967,405
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>234,733,064</u>	<u>147,521,617</u>

HONEY BUN (1982) LIMITED
 Unaudited Financial Statements
 For the nine months ended June 30, 2020

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

HONEY BUN (1982) LIMITED

Statement of Changes in Equity

For the Nine months ended June 30, 2020

(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	-	-	125,704,297	125,704,297
Dividends	-	-	(13,900,227)	(13,900,227)
Balances as at June 30, 2019	46,514,770	64,348,197	618,812,036	729,675,003
Balances as at September 30, 2019	46,514,770	53,818,788	640,181,207	740,514,765
Total comprehensive income for the period	-	-	112,663,523	112,663,523
Dividends	-	-	(23,565,226)	(23,565,226)
Balances as at June 30, 2020	46,514,770	53,818,788	729,279,504	829,613,063



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 nine months ended June 30, 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

	June 2020	June 2019
Authorized:	\$	\$
487,500,000 shares (2015 – 97,500,000 shares)		
Issued and fully paid:		
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, 2020

INFORMATION REGARDING SHAREHOLDERS

As at June 30, 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	12,849,508
Mayberry Jamaican Equites Limited	10,116,532
Sagicor Select Fund Limited	3,780,227
QWI Investments Limited	3,086,031
Kenneth Lyn	2,780,092
Daniel Chong	2,689,335
Sagicor Pooled Equity Fund	2,500,000

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
Dustin Chong	2,378,335
Daniel Chong	2,689,335
Paula Graham-Haynes	0
A. Alex Balogun	0