



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31st DECEMBER, 2015

MANAGEMENT COMMENTARY

In the first quarter of financial year 2015-2016, sales increased by 42%. Profit before taxes for the quarter was \$47 million. This represents a 187% increase over the prior year.

The significant increase in profit is a result of increased revenue and control on cost-to-revenue ratios and fixed expenses. While revenue increased by 42%, administrative expenses and selling and distribution costs increased only by 22% combined.

Compared with the corresponding period last year, the balance sheet shows an increase of \$72 million in cash while investments increased by \$4 million. Payables and inventories increased over prior year as a result of increased sales. These increases are 57% and 29% respectively. Receivables increased by 35%.

Export sales continue to increase; showing a 75% increase over the corresponding period.

While we expect performance to continue to show improvements over prior year, it should be noted that due to seasonal variations the first and second quarters are normally more profitable than the third and fourth quarters.

The Company listed on the Jamaica Stock Exchange Junior Market on 3 June 2011. Therefore, 2 June 2016 will mark 5 years of being listed and also mark the end of our 100% exemption from corporate income tax. From 3 June 2016 onward for 5 years, the Company's earnings will be subjected to 50% corporate income tax.

In this quarter, Honey Bun received the following Awards:

- 2014 Jamaica Stock Exchange Best Practice Award for Corporate Disclosure and Investor Relations (Junior Market)
- 2014 Private Sector Organization Jamaica Award for Corporate Governance
- 2014 Jamaica Stock Exchange 2nd Runner up Award for Best Practices – Website (Junior Market)
- 2014 Jamaica Exporters' Association National Export Award 2nd Runner up for Champion Manufacturer Category 1

Our program to reduce our carbon footprint continued with the completion of the first phase of our solar project and a more aggressive solid waste recycling program. We are also in the final planning phase to break ground for the expansion of our current production facility.

Michelle Chong
CEO

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STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 Months ended 31 December 2015	Unaudited 3 Months ended 31 December 2014
Revenue	292,608,444	206,407,926
Cost of Sales	154,738,414	112,713,204
Gross Profit	137,870,030	93,694,722
Investment Income	654,095	17,883
Other Gains	2,098,918	-195,676
	140,623,043	93,516,929
Expenses		
Administrative	54,919,002	45,058,857
Selling & Distribution	36,701,399	30,284,282
Total Expenses	91,620,401	75,343,139
Profit from Operations	49,002,642	18,173,790
Finance Costs	1,655,783	1,689,443
Profit before Taxation	47,346,859	16,484,347
Taxation	1,972,786	0
Total Comprehensive Income for the Period	45,374,073	16,484,347
Earnings per Stock Unit	J\$ 0.48	J\$ 0.17

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STATEMENT OF FINANCIAL POSITION

	UNAUDITED 3 months ended Dec. 31 2015	UNAUDITED 3 months ended Dec. 31 2014	AUDITED Sept. 30 2015
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	280,130,221	289,543,133	278,775,252
Investment	29,340,330	25,293,522	28,291,806
Intangible assets	1,507,189	4,757,295	1,902,611
	<u>310,977,740</u>	<u>319,593,951</u>	<u>308,969,669</u>
CURRENT ASSETS:			
Inventories	60,185,345	46,683,053	45,419,998
Receivables	83,559,092	61,841,332	68,880,502
Taxation Recoverable	112,493	112,493	112,493
Cash & cash equivalents	80,374,928	8,517,131	64,017,625
	<u>224,231,858</u>	<u>117,154,009</u>	<u>178,430,618</u>
CURRENT LIABILITIES:			
Payables	73,641,673	46,881,204	68,398,911
Bank Overdraft	0	14,255,594	0
Current Portion of Long Term Loan	11,410,130	10,097,387	8,464,618
	<u>85,051,803</u>	<u>71,227,800</u>	<u>76,863,529</u>
Net current assets	<u>139,180,055</u>	<u>45,926,209</u>	<u>101,567,089</u>
	<u>450,157,795</u>	<u>365,520,159</u>	<u>410,536,758</u>
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	72,759,535	70,948,972	72,759,535
Retained earnings	293,761,847	208,017,194	248,387,774
	<u>413,036,152</u>	<u>325,480,936</u>	<u>367,662,079</u>
NON-CURRENT LIABILITIES			
Long term loans	37,121,642	40,039,223	42,874,679
Deferred tax Liabilities			
	<u>37,121,642</u>	<u>40,039,223</u>	<u>42,874,679</u>
	<u>450,157,794</u>	<u>365,520,159</u>	<u>410,536,758</u>

Approved for issue by the Board of Directors on 3 February, 2016 and signed on its behalf by



Herbert Chong (Director)



Charles Heholt (Director)

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Reserve \$	Share Capital \$	Retained Earnings \$	Totals \$
Balance at 1 October 2014	70,948,972	46,514,770	191,532,847	308,996,589
Unrealised Gains on Securities			-	-
Reversal of Deferred Taxation			-	-
Dividends			-	-
Total Comprehensive Income for the Period			16,484,347	16,484,347
Balance at 31 December 2014	<u>70,948,972</u>	<u>46,514,770</u>	<u>208,017,194</u>	<u>325,480,936</u>
Balance at 1 October 2015	72,759,535	46,514,770	248,387,774	367,662,079
Unrealised Gains on Securities			-	-
Reversal of Deferred Taxation			-	-
Dividends			-	-
Total Comprehensive Income for the Period			45,374,073	45,374,073
Balance at 31 December 2015	<u>72,759,535</u>	<u>46,514,770</u>	<u>293,761,847</u>	<u>413,036,152</u>

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STATEMENT OF CASH FLOWS

	Three months ended 31 December 2015	Three months ended 31 December 2014
Cash flows from operating activities		
Profit before taxation	47,346,859	16,484,347
Adjustments for:		
Depreciation	9,000,651	9,457,134
Amortization	395,422	904,900
Gain on disposal of plant and equipment	(300,000)	35,554
Investment income	(654,095)	(17,883)
Finance Costs paid	1,655,783	1,689,443
Operating cashflow	57,444,620	28,553,495
Movements in working capital:		
Inventories	(14,765,347)	(8,271,178)
Receivables	(14,678,590)	16,017,926
Payables	5,242,762	(27,775,884)
Taxation	(1,972,786)	112,493
Net change in working capital	(26,173,961)	(19,916,643)
NET CASH FROM OPERATING ACTIVITIES	31,270,659	(1,840,656)
Cash flows from investing activities:		
Payment for property, plant and equipment	(10,355,619)	(2,388,615)
Proceeds from disposal of property plant and equipment	300,000	(35,554)
Payment for intangible assets	-	-
Investment Income	654,095	17,883
Sale/(purchase) of investments	(1,048,524)	49,899
NET CASH USED IN INVESTMENT ACTIVITIES	(10,450,048)	(2,356,388)
Cash flows from financing activities:		
Loans Received	-	-
Loans Repaid	(2,807,525)	(6,734,050)
Finance Costs paid	(1,655,783)	(1,689,443)
Dividends paid	-	-
NET CASH PROVIDED BY FINANCIAL ACTIVITIES	(4,463,308)	(6,734,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,357,303	(10,931,094)
Net cash balances at beginning of year	64,017,625	5,192,631
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	80,374,928	(5,738,463)

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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 for the three months ended 31 December, 2015 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 2015, 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 2015.

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 2015.

(i) Property, plant and equipment:

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(ii) Depreciation:

Depreciation is recognized on profit or loss on the straight line basis, over the estimated useful lives of property, plant and equipment.

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4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(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 94,253,390.

8. SHARE CAPITAL

	<u>Dec 2015</u>	<u>Dec 2014</u>
<u>Authorized:</u>	\$	\$
97,500,000 shares (2014 – 97,500,000 shares)		
<u>Issued and fully paid:</u>		
94,253,390 shares	46,514,770	46,514,770
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INFORMATION REGARDING SHAREHOLDERS

AS AT 31ST DECEMBER, 2015

TEN LARGEST SHAREHOLDERS

**No. of Stock
Units**

Next Incorporated	55,161,600
Herbert Chong	11,818,200
Michelle Chong	11,818,200
Mayberry Managed Clients' Account	3,416,790
Mayberry West Indies Limited	3,208,316
Bamboo Group Holding Limited	1,185,855
Apex Pharmacy	711,449
VMWM – Client 1	460,318
Paul H. Moses & Joan Moses	400,000
Jamaica Money Market Brokers Ltd	291,033

SHAREHOLDINGS OF DIRECTORS

Herbert Chong	11,818,200
Michelle Chong	11,818,200
Paul Moses	400,000
Sushil Jain	460,318
Charles Heholt	252,000

SHAREHOLDINGS OF SENIOR OFFICERS

Herbert Chong	11,818,200
Michelle Chong	11,818,200
Daniel Chong	166,600