



# **HONEY BUN (1982) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 31st MARCH, 2016

## MANAGEMENT COMMENTARY

In the second quarter of financial year 2015-2016, sales increased by 27%. Profit before taxes for the quarter was \$52 million. This represents a 69% increase over the prior year.

The significant increase in profit resulted from increased revenue and control on cost-to-revenue ratios. While revenue increased by 27%, administrative expenses and selling and distribution costs increased by 22% combined.

Year to date records reflect sales increased by 34% while Net Profit before taxes increased by \$51 million or 110% over the prior year.

Compared with the corresponding period last year, the cash balance increased by \$26 million and investments increased by \$5 million. Payables and inventories increased by 45% and 43% respectively. Receivables increased by 16%.

The company's Non-Current Assets increased by \$40 million due to the investment in capacity building equipment and fleet.

Year to date export sales continue to increase; showing a 20% increase over the corresponding period.

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.

For year to date, Honey Bun received the following Awards:

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

During this quarter Honey Bun was the only Jamaican company to receive a gold award in the Caribbean Advertising Federation (CAF) tier of the American Advertising Awards or "ADDY" Awards, for its Cinnamon Roll TV commercial entitled 'Serve' which depicts a humorous take on the authentic Jamaican 'shop' experience, in line with their new "Life's Just More Fun with Honey Bun" campaign.

We wish to thank all our stakeholders especially our customers and dedicated staff for continuing to choose Honey Bun as the company they can trust.

**Michelle Chong**  
**CEO**

**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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**STATEMENT OF COMPREHENSIVE INCOME**

	Unaudited 3 Months ended March 2016	Unaudited 3 Months ended March 2015	Unaudited 6 Months ended March 2016	Unaudited 6 Months ended March 2015
<b>Revenue</b>	<b>314,655,498</b>	<b>247,650,604</b>	<b>607,263,942</b>	<b>454,058,530</b>
Cost of sales	(169,006,427)	(139,695,617)	(323,744,841)	(252,408,821)
<b>Gross profit</b>	<b>145,649,071</b>	<b>107,954,987</b>	<b>283,519,101</b>	<b>201,649,709</b>
Investment Income	32,777	17,925	686,872	35,807
Other Gains/(losses)	1,275,745	1,130,173	3,374,663	934,497
	<b>146,957,593</b>	<b>109,103,085</b>	<b>287,580,636</b>	<b>202,620,013</b>
<b>Expenses</b>				
Administrative	(61,421,006)	(44,793,026)	(116,340,008)	(89,851,883)
Selling & distribution costs	(32,260,907)	(32,027,406)	(68,962,305)	(62,311,688)
Total Expenses	(93,681,913)	(76,820,432)	(185,302,314)	(152,163,571)
<b>Profit from operations</b>	<b>53,275,680</b>	<b>32,282,653</b>	<b>102,278,322</b>	<b>50,456,442</b>
Finance costs	(1,707,655)	(1,712,365)	(3,363,438)	(3,401,808)
<b>Profit before taxation</b>	<b>51,568,025</b>	<b>30,570,288</b>	<b>98,914,884</b>	<b>47,054,634</b>
Taxation	(2,148,668)		(4,121,454)	
<b>Net profit for the period</b>	<b>49,419,358</b>	<b>30,570,288</b>	<b>94,793,431</b>	<b>47,054,634</b>
<b>Total comprehensive income for the period</b>	<b>49,419,358</b>	<b>30,570,288</b>	<b>94,793,431</b>	<b>47,054,634</b>
Earnings per share	\$0.52	\$0.32	\$1.01	\$0.50

**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

**STATEMENT OF FINANCIAL POSITION**

	Unaudited 6 Months ended 31 March 2016	Unaudited 6 Months ended 31 March 2015	Audited Sept. 30 2015
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	322,217,137	284,549,506	278,775,252
Investments	29,602,210	24,622,246	28,291,806
Intangible assets	1,548,532	3,852,401	1,902,611
	<u>353,367,879</u>	<u>313,024,153</u>	<u>308,969,669</u>
<b>CURRENT ASSETS:</b>			
Inventories	64,311,626	45,131,499	45,419,998
Receivables	83,883,042	72,269,389	68,880,502
Taxation Recoverable	112,493	112,493	112,493
Cash & cash equivalents	63,403,865	37,400,389	64,017,625
	<u>211,711,026</u>	<u>154,913,770</u>	<u>178,430,618</u>
<b>CURRENT LIABILITIES:</b>			
Payables	80,938,495	55,775,933	68,398,911
Bank Overdraft	-	8,915,700	
Current Portion of Long Term Loan	10,462,494	10,097,387	8,464,618
	<u>91,400,989</u>	<u>74,789,020</u>	<u>76,863,529</u>
<b>Net current assets</b>	<b><u>120,310,037</u></b>	<b><u>80,124,750</u></b>	<b><u>101,567,089</u></b>
	<b><u>473,677,916</u></b>	<b><u>393,148,903</u></b>	<b><u>410,536,758</u></b>
<b>EQUITY &amp; LIABILITIES:</b>			
<b>Shareholders' equity</b>			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	72,759,535	70,948,972	72,759,535
Retained earnings	333,755,866	238,587,481	248,387,774
	<u>453,030,172</u>	<u>356,051,223</u>	<u>367,662,079</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	20,647,745	37,097,680	42,874,679
Deferred tax Liabilities			
	<u>473,677,916</u>	<u>393,148,903</u>	<u>410,536,758</u>

Approved for issue by the Board of Directors on 5 May, 2016 and signed on its behalf by



Herbert Chong (Director)



Charles Heholt (Director)

**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	<b>Capital Reserve</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Totals</b>
	\$	\$	\$	\$
<b>Balance at 1 October 2014</b>	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			47,054,634	47,054,634
<b>Balance at 31 March 2015 (un-audited)</b>	<b>70,948,972</b>	<b>46,514,770</b>	<b>238,587,481</b>	<b>356,051,223</b>
<b>Balance at 1 October 2015</b>	72,759,535	46,514,770	248,387,774	367,662,079
Unrealised Gains on Securities			-	0
Reversal of Deferred Taxation			-	0
Dividends			(9,425,339)	(9,425,339)
Total Comprehensive Income for the Period			94,793,431	94,793,431
<b>Balance at 31 March 2016 (un-audited)</b>	<b>72,759,535</b>	<b>46,514,770</b>	<b>333,755,866</b>	<b>453,030,171</b>

**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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**STATEMENT OF CASH FLOWS**

	Six months ended 31 March 2016	Six months ended 31 March 2015
<b>Cash flows from Operating Activities</b>		
Profit before taxation	98,914,884	47,054,634
<b>Adjustments for:</b>		
Depreciation	18,667,855	18,093,828
Amortization	790,839	1,809,794
Gain on disposal of plant and equipment	(300,000)	(1,214,498)
<b>Other non-cash items</b>	-	
Investment income	(686,872)	(35,807)
Finance Costs Paid	3,363,438	3,401,808
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<b>Operating cash flows before movement in working capital</b>	120,750,144	69,109,759
<b>Movements in working capital:</b>		
Inventories	(18,891,628)	(6,719,624)
Receivables	(15,002,540)	(3,085,826)
Payable	12,539,584	(18,874,770)
Taxation	(4,121,454)	-
	<hr/>	<hr/>
Net Change in working Capital	(25,476,038)	(28,680,220)
<b>NET CASHFLOW FROM OPERATING ACTIVITIES</b>	<b>95,274,106</b>	<b>40,429,539</b>
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Cash Flows from Investing Activities:		
Sales proceeds from disposal of assets	300,000	1,214,498
Payment for property plant and equipment	(62,109,741)	(6,031,683)
Payment for intangible assets	(436,760)	-
Interest Received	686,872	35,807
Sale(Purchase) of investments	(1,310,403)	721,176
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<b>NET CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>(62,870,032)</b>	<b>(4,060,202)</b>
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**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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Cash flows from financing activities:

Loans Received		
Repayment of long term borrowings	(20,229,058)	(9,675,593)
Finance Costs	(3,363,438)	(3,401,808)
Dividend	(9,425,339)	
<b>NET CASHFLOW FROM FINANCING ACTIVITES</b>	<b>(33,017,835)</b>	<b>(13,077,401)</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT</b>	<b>(613,761)</b>	<b>23,291,936</b>
Net cash balances at beginning of year	64,017,626	5,192,753
Net cash and cash equivalents at end of period	<b>63,403,865</b>	<b>28,484,689</b>
<b>Represented by:</b>		
Cash and cash equivalents	63,403,865	37,400,389
Short term borrowings	-	(8,915,700)
	<b>63,403,865</b>	<b>28,484,689</b>

**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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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 six months ended 31 March 2016 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.



**HONEY BUN (1982) LIMITED**  
**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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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 Share 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>
<b><u>Authorized:</u></b>	<b>\$</b>	<b>\$</b>
97,500,000 shares (2014 – 97,500,000 shares)		
<b><u>Issued and fully paid:</u></b>		
94,253,390 shares	46,514,770	46,514,770
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**UNAUDITED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS ENDED 31st MARCH, 2016**

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**INFORMATION REGARDING SHAREHOLDERS**

AS AT 31<sup>ST</sup> March, 2016

**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	3,433,870
Mayberry West Indies Limited	2,849,223
Bamboo Group Holding Limited	1,185,855
Kenneth Lyn	500,000
VMWM – Client 1	454,818
Paul H. Moses & Joan Moses	400,000

**SHAREHOLDINGS OF DIRECTORS**

Herbert Chong	11,818,200
Herbert Chong (Next Incorporated)	20,961,408
Michelle Chong	11,818,200
Michelle Chong (Next Incorporated)	23,167,872
Paul Moses	400,000
Sushil Jain	454,818
Charles Heholt	252,000

**SHAREHOLDERS OF SENIOR OFFICERS**

Herbert Chong	11,818,200
Herbert Chong (Next Incorporated)	20,961,408
Michelle Chong	11,818,200
Michelle Chong (Next Incorporated)	23,167,872
Daniel Chong	166,600
Daniel Chong (Next Incorporated)	2,758,080
Dustin Chong (Next incorporated)	2,758,080