



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30th JUNE, 2016

MANAGEMENT COMMENTARY

In the third quarter of financial year 2015-2016, sales increased by 36%. Profit before taxes for the quarter was \$38 million. This represents a 124% 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 36%, administrative expenses and selling and distribution costs increased by 17% combined.

Year to date records reflect sales increased by 34% while net profit before taxes increased by \$74 million or 116% 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 8% and 56% respectively. Receivables increased by 22%. Long term loans decreased from \$38 million to \$16 million due to prepayments of loans.

The company's Non-Current Assets increased by \$50 million due to the investment in capacity building equipment and fleet.

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 marked 5 years of being listed and also marked 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% of the normal corporate income tax rate.

During this quarter Honey Bun became the first Jamaican bakery to be HACCP certified, representing our commitment to international food safety standards. Honey Bun was also recognized by the Jamaica Exporters' Association among the top 50 exporters.

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

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STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 Months ended June 2016 ₹	Unaudited 3 Months ended June 2015 ₹	Unaudited 9 Months ended June 2016 ₹	Unaudited 9 Months ended June 2015 ₹
Revenue	296,190,945	217,547,318	903,454,507	671,605,848
Cost of sales	<u>(163,525,701)</u>	<u>(118,602,171)</u>	<u>(487,270,439)</u>	<u>(371,010,992)</u>
Gross profit	132,665,244	98,945,147	416,184,068	300,594,856
Finance income	70,934	47,174	757,993	82,981
Other Gains/(losses)	<u>2,500,847</u>	<u>(129,520)</u>	<u>5,875,510</u>	<u>804,977</u>
	135,237,025	98,862,801	422,817,571	301,482,814
Expenses				
Administrative	(59,296,863)	(48,014,768)	(175,685,095)	(137,866,651)
Selling & Distribution	<u>(35,115,302)</u>	<u>(32,406,784)</u>	<u>(104,029,384)</u>	<u>(94,718,473)</u>
Total Expenses	<u>(94,412,165)</u>	<u>(80,421,552)</u>	<u>(279,714,479)</u>	<u>(232,585,124)</u>
Profit from operations	40,824,860	18,441,249	143,103,092	68,897,691
Finance costs	<u>(1,195,620)</u>	<u>(1,432,624)</u>	<u>(4,566,030)</u>	<u>(4,834,433)</u>
Profit before taxation	39,629,240	17,008,625	138,537,062	64,063,258
Taxation	<u>(1,651,218)</u>	<u>(30,000)</u>	<u>(5,772,672)</u>	<u>(30,000)</u>
Net profit for the period	37,978,022	16,978,625	132,764,390	64,033,258
Unrealised gain on investment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>37,978,022</u>	<u>16,978,625</u>	<u>132,764,390</u>	<u>64,033,258</u>
Earnings per share	0.08	0.04	0.28	0.14

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STATEMENT OF FINANCIAL POSITION

	Unaudited 9 months ended 30 June 2016	Unaudited 9 months ended 30 June 2015	Audited 30 Sept. 2015
	\$	\$	\$
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	325,392,658	279,176,893	278,775,252
Investments	31,079,613	25,674,822	28,291,806
Intangible assets	1,518,990	2,947,501	1,902,611
	<u>357,991,261</u>	<u>307,799,216</u>	<u>308,969,669</u>
CURRENT ASSETS:			
Inventories	70,985,695	45,294,508	45,419,998
Receivables	68,221,004	55,757,994	68,880,502
Taxation Recoverable	112,493	4,506,587	112,493
Cash & cash equivalents	73,090,884	46,593,139	64,017,625
	<u>212,410,076</u>	<u>152,152,228</u>	<u>178,430,618</u>
CURRENT LIABILITIES:			
Payables	63,657,061	58,938,816	68,398,911
Taxation	-	-	-
Bank Overdraft	-	65,062	-
Current Portion of Long Term Loan	7,353,530	8,255,399	8,464,618
	<u>71,010,591</u>	<u>67,259,277</u>	<u>76,863,529</u>
Net current assets	<u>141,399,485</u>	<u>84,892,951</u>	<u>101,567,089</u>
	<u>499,390,746</u>	<u>392,692,167</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	71,775,333	72,759,535
Retained earnings	371,726,825	244,255,699	248,387,774
	<u>491,001,130</u>	<u>362,545,802</u>	<u>367,662,079</u>
NON-CURRENT LIABILITIES			
Long term loans	8,389,616	30,146,365	42,874,679
	<u>499,390,746</u>	<u>392,692,167</u>	<u>410,536,758</u>

Approved for issue by the Board of Directors on 4 August, 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	191,532,848	308,996,590
Unrealized Gains on Securities	826,361	-	-	826,361
Reversal of Deferred Taxation	-	-	-	-
Dividends	-	-	(11,310,407)	(11,310,407)
Total Comprehensive Income for the Period	-	-	64,033,258	64,033,258
Balance at 30 June 2015 (un-audited)	71,775,333	46,514,770	244,255,699	362,545,802
Balance at 1 October 2015	72,759,535	46,514,770	248,387,774	367,662,079
Unrealized Gains on Securities	-	-	-	-
Reversal of Deferred Taxation	-	-	-	-
Dividends	-	-	(9,425,339)	(9,425,339)
Total Comprehensive Income for the Period	-	-	132,764,390	132,764,390
Balance at 30 June 2016 (un-audited)	72,759,535	46,514,770	371,726,825	491,001,130

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STATEMENT OF CASH FLOWS

	Nine months ended 30 June 2016 ₹	Nine months ended 30 June 2015 ₹
Cash flows from Operating Activities		
Profit before taxation	138,537,062	64,033,258
Adjustments for:		
Depreciation	28,217,878	27,233,162
Amortization	1,186,261	2,714,694
Gain (loss) on disposal of plant and equipment	(300,000)	(1,214,446)
Other non-cash items:		
Investment income	(757,993)	(82,981)
Finance costs paid	4,566,030	4,834,433
Operating cash flows before movement in working capital	171,449,238	97,518,120
Movements in working capital:		
Inventories	(25,565,697)	(6,882,633)
Receivables	659,498	13,425,569
Payables	(4,741,850)	(15,711,887)
Taxation	(5,772,672)	(4,394,094)
Net cash from operating activities	136,028,517	83,955,075
Cash flows from investing activities:	-	
Sales proceeds from disposal of asset	300,000	1,214,446
Payment for property plant and equipment	(74,835,285)	(9,798,403)
Payment for intangible assets	(802,640)	-
Interest received	757,993	82,981
Sale/(purchase) of investments	(2,787,806)	(331,401)
Net cash used in investing activities	(77,367,738)	(8,832,377)
Cash flows from financing activities:		
Loans Received	-	-
Repayment of long term borrowings	(35,596,151)	(17,642,412)
Finance costs paid	(4,566,030)	(4,834,433)
Dividends paid	(9,425,339)	(11,310,407)
Net cash (used in)/provided by financing activities	(49,587,520)	(33,787,252)
Net increase/(decrease) in cash and cash equivalents	9,073,259	41,335,446
Net cash balances at beginning of year	64,017,625	5,192,631
Net cash and cash equivalent at end of period	73,090,884	46,528,077
Represented by:		
Cash and cash equivalents	73,090,884	46,593,139
Short term borrowings	-	(65,062)
	73,090,884	46,528,077

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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 nine months ended 30 June 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.

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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 471,266,950 (94,253,390 prior to June 1, 2016).

8. SHARE CAPITAL

	<u>June 2016</u>	<u>June 2015</u>
<u>Authorized:</u>	\$	\$
487,500,000 shares (2015 – 97,500,000 shares)		
<u>Issued and fully paid:</u>		
471,266,950 shares (2015 - 94,253,390 shares)	46,514,770	46,514,770
	<hr/>	<hr/>

An Extraordinary General Meeting was held on May 26, 2016 and the following resolution was passed:

“Effective 1st June 2016, each ordinary share of the company be subdivided into five shares resulting in the Authorized Share Capital of the company increasing from 97,500,000 shares to 487,500,000 shares of no par value and the issued and fully paid capital of the company increasing from 94,253,390 shares to 471,266,950 of no par value.”

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INFORMATION REGARDING SHAREHOLDERS

AS AT 30TH JUNE, 2016

TEN LARGEST SHAREHOLDERS

No. of Stock Units

Next Incorporated	275,758,000
Michelle Chong	58,691,000
Herbert Chong	54,091,000
Mayberry Managed Clients Account	16,695,099
Mayberry West Indies Bank Limited	13,757,201
Bamboo Group Holdings Limited	6,170,280
JCSD Trustee Serv. Ltd. -Sigma Venture	5,855,670
Apex Pharmacy	3,600,245
Kenneth Lyn	2,500,000
Paul Moses & Joan Moses	2,000,000

SHAREHOLDINGS OF DIRECTORS

Michelle Chong	58,691,000
Michelle Chong (Next Incorporated)	115,818,360
Herbert Chong	54,091,000
Herbert Chong (Next Incorporated)	104,788,040
Paul Moses	2,000,000
Sushil Jain	1,946,516
Charles Heholt	1,260,000

SHAREHOLDINGS OF SENIOR OFFICERS

Michelle Chong	58,691,000
Michelle Chong (Next Incorporated)	115,818,360
Herbert Chong	54,091,000
Herbert Chong (Next Incorporated)	104,788,040
Daniel Chong	833,000
Daniel Chong (Next Incorporated)	13,787,900
Dustin Chong (Next Incorporated)	13,787,900
Janelle Brown (Ideal Portfolio Services)	1,692