



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31st DECEMBER, 2016



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MANAGEMENT COMMENTARY

In the first quarter of financial year 2016-2017 sales increased by 7% or almost \$20 million. Profit before taxes for the quarter was \$43 million, \$4 million less than in the prior year. Gross margin, as a percentage of sales, was 3% lower mainly due to rising costs while price increases were withheld.

While revenue increased by 7%, administrative expenses and selling and distribution costs increased by 3% combined.

Compared with the corresponding period last year, the balance sheet shows an increase of \$6.5 million in cash while investments increased by \$10 million. The long term loans were reduced by \$36.5 million as a result of a decision of the directors to reduce the company debt.

In this quarter, Honey Bun received the following Awards:

- Jamaica Stock Exchange (JSE) 2015 Best Practice Awards – Governor General Award for the Overall Best Junior Market Company
- JSE 2015 Award for Corporate Disclosure and Investor Relations
- JSE 2015 PSOJ Certificate for Corporate Governance for the second year in a row
- JSE 2015 Runner up for Best Annual Report
- JSE 2015 Runner up for Best Website

During the quarter, Honey Bun launched its newly packaged Honey Bun Christmas Cake which received resounding feedback on quality and price.

Michelle Chong
CEO

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STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 Months ended 31 December 2016	Unaudited 3 Months ended 31 December 2015
Revenue	312,441,478	292,608,444
Cost of sales	173,801,522	154,738,414
Gross profit	<u>138,639,956</u>	<u>137,870,030</u>
Finance income	196,416	654,095
Other Gains/(losses)	-126,343	2,098,918
	<u>138,710,030</u>	<u>140,623,043</u>
Expenses		
Administrative	60,838,767	54,919,002
Selling & distribution costs	33,473,009	36,701,399
Total Expenses	<u>94,311,776</u>	<u>91,620,401</u>
Profit from operations	44,398,253	49,002,642
Finance costs	1,109,487	1,655,783
Profit before taxation	<u>43,288,766</u>	<u>47,346,859</u>
Taxation	5,402,466	1,972,786
Net profit for the period	37,886,300	45,374,073
Other comprehensive income		
Earnings per stock unit	0.08	0.10

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STATEMENT OF FINANCIAL POSITION

	UNAUDITED 3 month ended Dec. 31, 2016	UNAUDITED 3 month ended Dec. 31, 2015	AUDITED 30 Sep. 2016
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	340,652,300	280,130,221	343,924,732
Investments	39,494,528	29,340,330	39,494,528
Intangible assets	1,606,519	1,507,189	1,800,549
	<u>381,753,348</u>	<u>310,977,740</u>	<u>385,219,809</u>
CURRENT ASSETS:			
Inventories	73,183,912	60,185,345	49,629,962
Receivables	97,745,310	83,559,092	77,412,216
Taxation Recoverable	0	112,493	112,493
Cash & cash equivalents	86,823,531	80,374,928	73,263,386
	<u>257,752,753</u>	<u>224,231,858</u>	<u>200,418,057</u>
CURRENT LIABILITIES:			
Payables	94,236,682	73,641,673	71,172,561
Taxation			3,959,304
Bank Overdraft			1,246,209
Current Portion of Long Term Loan	4,877,346	11,410,130	6,051,314
	<u>99,114,028</u>	<u>85,051,803</u>	<u>82,429,388</u>
Net current assets	<u>158,638,725</u>	<u>139,180,055</u>	<u>117,988,669</u>
	<u>540,392,073</u>	<u>450,157,795</u>	<u>503,208,478</u>
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	60,372,566	72,759,535	60,372,566
Retained earnings	402,272,435	293,761,847	364,386,136
	<u>509,159,771</u>	<u>413,036,152</u>	<u>471,273,472</u>
NON-CURRENT LIABILITIES			
Long term loans	7,129,764	37,121,642	7,832,468
Deferred tax Liabilities	24,102,538		24,102,538
	<u>31,232,302</u>	<u>37,121,642</u>	<u>31,935,006</u>
	<u>540,392,073</u>	<u>450,157,794</u>	<u>503,208,478</u>

Approved for issue by the Board of Directors on 8 February, 2017 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 30th September 2015	72,759,535	46,514,770	248,387,774	367,662,079
Unrealized 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 (un-audited)	<u>72,759,535</u>	<u>46,514,770</u>	<u>293,761,847</u>	<u>413,036,152</u>
Balance at 30th September 2016	60,372,566	46,514,770	364,386,136	471,273,472
Unrealized Gains on Securities	-	-	-	-
Reversal of Deferred Taxation	-	-	-	-
Dividends	-	-	-	-
Total Net Comprehensive Income for the Period	-	-	37,886,300	37,886,300
Balance at 31 December 2016 (un-audited)	<u>60,372,566</u>	<u>46,514,770</u>	<u>402,272,435</u>	<u>509,159,772 *</u>

* \$1 difference in Balance is as a result of rounding

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STATEMENT OF CASH FLOWS

	Three months ended 31 Dec. 2016	Three months ended 31 Dec. 2015
Cash flows from Operating Activities		
Profit after taxation	37,886,298	45,374,073 *
Adjustments for:	-	
Depreciation	10,358,065	9,000,651
Amortization	194,030	395,422
Gain on disposal of plant and equipment	-	(300,000)
Other non-cash items	-	
Investment income	(196,416)	(654,095)
Finance Costs Paid	1,109,487	1,655,783
Operating cash flows before movement in working capital	49,351,464	55,471,834
Movements in working capital:		
Inventories	(23,553,950)	(14,765,347)
Receivables	(20,220,602)	(14,678,590)
Payable	19,104,817	5,242,762
Taxation	-	
Net Change in working Capital	(24,669,735)	(24,201,175)
NET CASH FROM OPERATING ACTIVITY	24,681,729	31,270,659
Cash Flows from Investing Activities:		
Sales proceeds from disposal of asset	-	300,000
Payment for property plant and equipment	(7,085,633)	(10,355,619)
Payment for intangible assets	-	
Interest Received	196,416	654,095
Sale/(purchase) of investments	-	(1,048,524)
NET CASH USED IN FINANCING ACTIVITIES	(6,889,217)	(10,450,048)
Cash flows from financing activities:		
Loans Received		
Repayment of long term borrowings	(1,876,672)	(2,807,525)
Finance Costs paid	(1,109,487)	(1,655,783)
Dividends paid		
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(2,986,159)	(4,463,308)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	14,806,353	16,357,303
Net cash balances at beginning of year	72,017,177	64,017,625
Net cash and cash equivalent at end of period	86,823,530	80,374,928

* Restated to Profit after Tax

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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, 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 2016, 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 2016.

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 2016.

(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 471,266,950.

8. SHARE CAPITAL

	<u>Dec 2016</u>	<u>Dec 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
	=====	=====

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INFORMATION REGARDING SHAREHOLDERS
AS AT 31ST DECEMBER, 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	16,191,339
Mayberry West Indies Limited	12,305,232
Bamboo Group Holding Limited	6,170,280
JCSD Trustee Services Ltd- Sigma Venture	6,116,120
Apex Pharmacy	3,600,245
Kenneth Lyn	2,500,000
Paul H. 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	1,178,091
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