



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31st March, 2017



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MANAGEMENT COMMENTARY

In the second quarter of financial year 2017 sales increased by \$53 million or 17% over the corresponding period last year. Profit before taxes for the quarter was \$45 million, \$6 million less than in the prior year. Gross margin, as a percentage of sales was 3% less.

Administrative, selling and distribution costs combined increased by 20% mainly due to the investment in capacity building programmes to facilitate business growth.

Net Profit after tax for year to date was \$77 million compared with \$95 million for the same period last year. On June 3, 2016 Honey Bun's corporate income tax incentive was reduced from 100% to 50%.

Compared with the corresponding period last year, the balance sheet shows an increase of \$53 million in cash while investments increased by \$48 million.

Honey Bun's HACCP programme (International Food Safety) was recertified in February of this year.

We welcome Director Yaneek Page as a member of the Audit and Risk Management committee and wish to thank all our stakeholders for their continued support.

Michelle Chong
CEO

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STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months ended		Unaudited 6 months ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Revenue	367,901,182	314,655,498	680,342,660	607,263,942
Cost of sales	209,835,680	169,006,427	383,637,201	323,744,841
Gross profit	<u>158,065,503</u>	<u>145,649,071</u>	<u>296,705,459</u>	<u>283,519,101</u>
Finance income	775,055	32,777	971,471	686,872
Other Gains/(losses)	33,180	1,275,745	-93,163	3,374,663
	<u>158,873,739</u>	<u>146,957,593</u>	<u>297,583,768</u>	<u>287,580,636</u>
Expenses				
Administrative	72,405,410	61,421,006	133,244,178	116,340,008
Selling & distribution costs	39,983,938	32,260,907	73,456,947	68,962,305
Total Expenses	<u>112,389,348</u>	<u>93,681,913</u>	<u>206,701,124</u>	<u>185,302,313</u>
Profit from operations	46,484,391	53,275,680	90,882,644	102,278,323
Finance costs	1,224,073	1,707,655	2,333,560	3,363,438
Profit before taxation	<u>45,260,318</u>	<u>51,568,025</u>	<u>88,549,084</u>	<u>98,914,885</u>
Taxation	5,688,996	2,148,668	11,091,462	4,121,454
Net profit after Tax	39,571,322	49,419,357	77,457,622	94,793,431
Earnings Per Stock unit	0.08	0.10	0.16	0.20

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STATEMENT OF FINANCIAL POSITION

	UNAUDITED Mar. 31, 2017	UNAUDITED Mar. 31, 2016	AUDITED 30 Sep. 2016
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	351,318,921	322,217,137	343,924,732
Investments	78,018,311	29,602,210	39,494,528
Intangible assets	1,412,490	1,548,532	1,800,549
	<u>430,749,722</u>	<u>353,367,879</u>	<u>385,219,809</u>
CURRENT ASSETS:			
Inventories	52,005,444	64,311,626	49,629,962
Receivables	112,180,265	83,883,042	77,412,216
Taxation Recoverable	112,493	112,493	112,493
Cash & cash equivalents	116,760,611	63,403,865	73,263,386
	<u>281,058,813</u>	<u>211,711,026</u>	<u>200,418,057</u>
CURRENT LIABILITIES:			
Payables	98,816,492	80,938,495	71,172,561
Taxation	9,655,142	-	3,959,304
Bank Overdraft	-	-	1,246,209
Current Portion of Long Term Loan	12,043,245	10,462,494	6,051,314
	<u>120,514,879</u>	<u>91,400,989</u>	<u>82,429,388</u>
Net current assets	<u>160,543,934</u>	<u>120,310,037</u>	<u>117,988,669</u>
	<u>591,293,656</u>	<u>473,677,916</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	432,418,418	333,755,866	364,386,136
	<u>539,305,754</u>	<u>453,030,171</u>	<u>471,273,472</u>
NON-CURRENT LIABILITIES			
Long term loans	27,885,364	20,647,745	7,832,468
Deferred tax Liabilities	24,102,538	-	24,102,538
	<u>51,987,902</u>	<u>20,647,745</u>	<u>31,935,006</u>
	<u>591,293,656</u>	<u>473,677,916</u>	<u>503,208,478</u>

Approved for issue by the Board of Directors on 2 May, 2017 and signed on its behalf by



Herbert Chong (Director)



Charles Heholt (Director)

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Capital Reserve	Retained Earnings	Totals
	\$	\$	\$	\$
Balance at 30th September 2015	46,514,770	72,759,535	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	-	-	94,793,431	94,793,431
Balance at 31 March (un-audited)	46,514,770	72,759,535	333,755,866	453,030,171
Balance at 1 October, 2016	46,514,770	60,372,566	364,386,136	471,273,472
Unrealized Gains on Securities	-	-	-	-
Reversal of Deferred Taxation	-	-	-	-
Dividends	-	-	(9,425,339)	(9,425,339)
Total Comprehensive Income for the Period	-	-	77,457,622	77,457,622
Balance at 31 March 2017 (un-audited)	46,514,770	60,372,566	432,418,419	539,305,755*

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

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STATEMENT OF CASH FLOWS

	Six months ended 31 Mar, 2017	Six months ended 31 Mar, 2016
Cash flows from Operating Activities		
Profit before taxation	77,457,622	98,914,884
Adjustments for:		
Depreciation	21,212,641	18,667,855
Amortization	388,059	790,839
Gain on disposal of plant and equipment	-	(300,000)
Other non-cash items		
Investment income	(971,471)	(686,872)
Finance Costs Paid	2,333,560	3,363,438
Operating cash flows before movement in working capital	100,420,410	120,750,144
Movements in working capital:		
Inventories	(2,375,482)	(18,891,628)
Receivables	(34,768,049)	(15,002,540)
Payable	38,734,541	12,539,584
Taxation Paid	(5,394,772)	(4,121,454)
Net Change in working Capital	(3,803,762)	(25,476,038)
NET CASH FROM OPERATING ACTIVITY	96,616,649	95,274,106
Cash Flows from Investing Activities:		
Sales proceeds from disposal of asset	-	300,000
Payment for property plant and equipment	(28,606,830)	(62,109,741)
Payment for intangible assets	-	(436,760)
Interest Received	971,471	686,872
Sale/(purchase) of investments	(38,523,783)	(1,310,403)
NET CASH USED IN FINANCING ACTIVITIES	(66,159,141)	(62,870,032)
Cash flows from financing activities:		
Loans Received	30,000,000	-
Repayment of long term borrowings	(3,955,173)	(20,229,058)
Finance Costs paid	(2,333,560)	(3,363,438)
Dividends paid	(9,425,339)	(9,425,339)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	14,285,928	(33,017,835)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	44,743,435	(613,761)
Net cash balances at beginning of year	72,017,177	64,017,625
Net cash and cash equivalent at end of period	116,760,612	63,403,864

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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, 2017 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 March, 2017

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	11,869,764
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	1,186,365
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	333,000
Daniel Chong (Next Incorporated)	13,787,900
Dustin Chong (Next Incorporated)	13,787,900