

HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31ST DECEMBER, 2018



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

MANAGEMENT COMMENTARY

For the three months ended December 31, 2018, gross operating revenue amounted to \$369.0 million dollars representing a 14.3% growth in sales relative to the prior year period. Profit before tax increased by 29%, recording \$41.8 million in the current quarter up from \$32.4 million in the correspondent quarter in 2017. A reduction in the cost of raw materials and an improved production capacity contributed to the quarter's performance.

Net profit after tax of \$38.1 million was 38% higher than the corresponding prior year period of December 31, 2017 resulting in earnings per share for the reporting period improving to \$0.08 up from \$0.06.

Total assets less current liabilities were \$702.8 million, an increase of \$78.9 million or 12.6% above last year. The company's cash position remains liquid as it continues along its capital investment programme with the addition of \$61.2 million in property, plant and equipment as a result of the investment in expanded facilities. This investment will allow the company to take advantage of the strong market demand for our products.

During this quarter, Honey Bun proudly received the following awards from the Jamaica Stock Exchange-

- Governor General's Award- Overall Winner for the 5th time in 6 years
- Corporate Disclosure & Investor Relations – Overall Winner for the 6th time in 6 years
- 1st Runner-Up for Annual Report
- 2nd Runner-Up for PSOJ/JSE Corporate Governance

We are humbled and appreciative of the acknowledgement of our continuous efforts to exercise best governance practices in all our operations.

We have engaged an international consultant to guide us through developing and implementing our strategic plan for 2019 to 2021 and in the process, updating our mission to 'Lead through Innovation, Achieve Prosperity and Serve the greater good of mankind'. Within the three-year corporate plans, 2019 has been declared as the Year of Proficiency for our people. The primary focus has been in providing significant training and instilling a culture of continuous improvement through mentorship and coaching for our management staff.

We wish to thank our loyal customers, our directors, employees and other stakeholders for their continued support.

Michelle Chong
CEO

HONEY BUN (1982) LIMITED

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Statement of Financial Position

December 31, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Period ended December 31, 2018	Period ended December 31, 2017	Audited Period ended September 30, 2018
NON-CURRENT ASSETS:			
Property, plant and equipment	489,615,414	428,693,263	491,544,316
Investments	85,064,253	78,079,907	85,044,039
Intangible assets	3,425,717	2,442,933	2,489,856
Total non-current assets	578,105,383	509,216,103	579,078,211
CURRENT ASSETS:			
Inventories	60,552,406	59,034,465	41,899,285
Trade and other receivables	74,683,829	92,604,098	66,133,767
Taxation Recoverable		6,660,500	1,767,693
Cash & cash equivalents	126,788,894	79,143,977	99,554,212
Total current assets	262,025,129	237,443,040	209,354,957
CURRENT LIABILITIES:			
Trade and other payables	129,642,057	101,232,986	111,842,573
Taxation payable		13,092,074	2,709,252
Current portion of long term loans	6,621,945	8,465,292	6,166,530
	136,264,002	122,790,352	120,718,355
Net current assets	125,761,126	114,652,688	88,636,602
Total Assets less current liabilities	703,866,510	623,868,790	667,714,813
NON-CURRENT LIABILITIES			
Long term loans	21,672,065	26,449,704	23,616,622
Deferred taxation	26,227,258	24,102,538	26,227,258
Total non-current liabilities	47,899,323	50,552,242	49,843,880
EQUITY			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	64,348,197	59,880,738	64,348,197
Unappropriated profits	545,104,220	466,921,040	507,007,966
Total Equity	655,967,187	573,316,548	617,870,933
Total non-current liabilities and equity	703,866,510	623,868,790	667,714,813

Approved for issue by the Board of Directors on January 30, 2018 and signed on its behalf by



Herbert Chong (Director)



Charles Heholt (Director)

HONEY BUN (1982) LIMITED

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Statement of Profit or Loss and Other Comprehensive Income

Three months ended December 31, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Three months ended December 31, 2018	Three months ended December 31, 2017
Gross operating revenue	369,014,329	322,825,214
Cost of operating revenue	<u>(194,146,398)</u>	<u>(178,867,697)</u>
Gross profit	174,867,931	143,957,517
Other income	<u>1,817,176</u>	<u>(323,504)</u>
	176,685,107	143,634,013
Administrative, selling and distribution expenses		
Administrative	(71,995,465)	(60,159,490)
Selling & distribution	<u>(62,896,334)</u>	<u>(51,085,706)</u>
	<u>(134,891,799)</u>	<u>(111,245,196)</u>
Operating profit before finance costs and taxation	41,793,308	32,388,817
Finance income-interest	89,155	314,292
Finance costs	(2,214,184)	(1,291,542)
Profit before taxation	39,668,279	31,411,567
Taxation	<u>(1,572,025)</u>	<u>(3,926,446)</u>
Net profit for the period	38,096,254	27,485,121
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Unrealised gain/(loss) on available for sale investments, net of tax		
Total comprehensive income for the period	<u><u>38,096,254</u></u>	<u><u>27,485,121</u></u>
Earnings per Share	<u><u>0.08</u></u>	<u><u>0.06</u></u>

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Statement of Changes in Equity

Three months ended December 31, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Share Capital	Capital Reserve	Unappropriated Profits	Totals
	\$	\$	\$	\$
Balances as at September 30, 2017	46,514,770	59,880,738	439,435,919	545,831,427
Total comprehensive income for the period	-	-	27,485,121	27,485,121
Unrealized gain on available for sale securities	-	-	-	-
Dividends	-	-	-	-
Balances as at December 31, 2017	46,514,770	59,880,738	466,921,040	573,316,548
Balances as at September 30, 2018	46,514,770	64,348,197	507,007,966	617,870,933
Total comprehensive income for the period	-	-	38,096,254	38,096,254
Unrealized gain on available for sale securities	-	-	-	-
Dividends	-	-	-	-
Balances as at December 31, 2018	46,514,770	64,348,197	545,104,220	655,967,187

HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

Statement of Cash Flows

Three months ended December 31, 2018

(Expressed in Jamaica dollar unless otherwise stated)

	Three months ended December 31, 2018	Three months ended December 31, 2017	
CASH FROM OPERATING ACTIVITIES			
Profit for the year	38,096,254	27,485,121	*
Adjustments for:			
Depreciation	14,421,463	11,917,606	
Amortization	254,139	153,245	
Other non-cash items			
Investment income	(111,328)	(314,292)	
Finance Costs Paid	<u>2,214,184</u>	<u>1,291,542</u>	
Operating profit before changes in working capital	54,874,712	40,533,222	
Inventories	(12,099,963)	(11,095,403)	
Trade and other receivables	(9,491,621)	(10,901,809)	
Trade and other payables	18,039,149	13,965,341	
	(3,552,435)	(8,031,871)	
Cash generated from operations	51,322,277	32,501,351	
CASH FLOWS FROM INVESTING ACTIVITY			
Prepayment Assets			
Payment for property plant and equipment	(20,475,380)	(50,867,528)	
Investment Income	111,328	314,292	
Sale/(purchase) of investments	<u>(20,215)</u>	<u></u>	
NET CASH USED IN INVESTING ACTIVITIES	<u>(20,384,267)</u>	<u>(50,553,236)</u>	
CASH FROM FINANCING ACTIVITY			
Loans Received			
Loans Repaid	(1,489,143)	(3,156,949)	
Finance Costs paid	(2,214,184)	(1,291,542)	
Dividends paid	<u></u>	<u></u>	
NET CASH (USED)/PROVIDED BY FINANCING ACTIVITIES	<u>(3,703,327)</u>	<u>(4,448,491)</u>	
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	27,234,682	(22,500,376)	
Net cash balances at beginning of year	<u>99,554,211</u>	<u>101,644,353</u>	
Net Cash at End of Period	<u><u>126,788,894</u></u>	<u><u>79,143,976</u></u>	

*2017's three months cash flow statement was restated due to profit after tax being used instead of profit before tax

HONEY BUN (1982) LIMITED

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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 31st Dec, 2018 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 2018, 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 2018.

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 2018.

(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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UNAUDITED FINANCIAL STATEMENTS

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 2018</u>	<u>Dec 2017</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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HONEY BUN (1982) LIMITED

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INFORMATION REGARDING SHAREHOLDERS

AS AT 31st December, 2018

TEN LARGEST SHAREHOLDERS

	No. of Stock Units
Next Incorporated	266,332,660
Michelle Chong	58,691,000
Herbert Chong	54,091,000
Mayberry Jamaican Equites Limited	16,545,544
Mayberry Managed Clients' Account	14,998,315
Daniel Chong	5,045,670
JCSD Trustee Services Ltd- Sigma Venture	3,616,120
Kenneth Lyn	2,780,092
Sagikor Pooled Equity Fund	2,500,000
Apex Pharmacy	2,417,229

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
Charles Heholt	260,000
Yaneek Page	0
Wayne Wray	100,000

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)	4,712,670
Dustin Chong (Next Incorporated)	4,712,670