

# **HONEY BUN (1982) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 31st March, 2018

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#### **MANAGEMENT COMMENTARY**

For the three months ended March 31, 2018 sales amounted to \$352 million dollars representing a 4% decrease in sales relative to the prior year period. Profit before tax of \$39.8 million was 12% lower than the corresponding prior year period. Honey Bun's production and sales have been restricted due our operating at maximum capacity.

Year to date sales were \$675 million representing a 1% decrease in sales relative to the same period for 2017. Profit before tax of \$71 million was 19% lower than the corresponding prior year period.

Year to date selling and distribution costs combined increased by 11%, mainly due to the strategic restructuring of our distribution network.

The company has investing in the expansion of facilities hence the increase in property, plant, and equipment. The completion of our new building will allow us to take advantage of the strong market demand for our products and significantly increase our output.

The company's cash balance stood at \$83 million when compared to prior year's \$117 million as a result of the investment in property.

The Earnings per shares at the end of the period was 8 cents.

Honey Buns HACCP certification was renewed in April as we continue to enjoy International Food Safety certification status.

We expect that our CSR program in support of the Creative Industry will be realized in the upcoming quarter. We have sponsored Jamaica's young talents to product a movie, 'Heart of the city' which will air in the upcoming months.

Honey Bun also launched its newest 'Pocket Size' Rum Cakes at EXPO in April at the Jamaica EXPO with resounding acceptance from both local and International buyers and will commence exports in May. Our other new products include our Strawberry and Black Forest Goldie's and our Goodie cupcakes.

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

**Michelle Chong**  
CEO



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**STATEMENT OF COMPREHENSIVE INCOME**

	Unaudited 3 months ended		Unaudited 6 months ended	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
<b>Revenue</b>	351,911,212	367,901,182	674,741,022	680,342,660
Cost of sales	<u>187,223,240</u>	<u>209,835,680</u>	<u>366,090,937</u>	<u>383,637,201</u>
<b>Gross profit</b>	164,687,972	158,065,503	308,650,085	296,705,459
Finance income -interest	69,253	775,055	383,545	971,471
Exchange gains and other income	<u>(5,024,782)</u>	<u>33,180</u>	<u>(5,348,286)</u>	<u>(93,163)</u>
	159,732,443	158,873,739	303,685,344	297,583,768
<b>Expenses</b>				
Administrative and other expenses	65,135,046	72,405,410	126,298,200	133,244,178
Selling & distribution costs	<u>53,207,871</u>	<u>39,983,938</u>	<u>103,294,510</u>	<u>73,456,947</u>
	<u>118,342,917</u>	<u>112,389,348</u>	<u>229,592,710</u>	<u>206,701,124</u>
<b>Profit from operations</b>	41,389,526	46,484,391	74,092,634	90,882,644
Finance costs	<u>1,522,504</u>	<u>1,224,073</u>	<u>2,713,585</u>	<u>2,333,560</u>
<b>Profit before taxation</b>	39,867,022	45,260,318	71,379,050	88,549,084
Taxation	<u>5,062,413</u>	<u>5,688,996</u>	<u>8,988,859</u>	<u>11,091,462</u>
<b>Net profit after Tax</b>	34,804,609	39,571,322	62,390,190	77,457,622
Earnings per stock unit	0.07	0.08	0.13	0.16



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**STATEMENT OF FINANCIAL POSITION**

	UNAUDITED 3 months ended Mar. 31, 2018	UNAUDITED 3 months ended Mar. 31, 2017	AUDITED Sep. 30, 2017
	\$	\$	\$
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	437,348,130	351,318,921	386,947,599
Investments	75,282,560	78,018,311	78,079,907
Intangible assets	2,289,690	1,412,490	1,657,433
	<u>514,920,380</u>	<u>430,749,722</u>	<u>466,684,939</u>
<b>CURRENT ASSETS:</b>			
Inventories	51,001,013	52,005,444	47,939,061
Receivables	106,873,598	112,180,265	81,702,289
Taxation Recoverable	6,660,500	112,493	6,660,500
Cash & cash equivalents	83,492,327	116,760,611	101,644,353
	<u>248,027,438</u>	<u>281,058,813</u>	<u>237,946,203</u>
<b>CURRENT LIABILITIES:</b>			
Payables	94,616,366	98,816,492	87,267,645
Taxation	13,232,977	9,655,142	12,636,747
Bank Overdraft	-	-	-
Current Portion of Long Term Loan	6,320,073	12,043,245	6,519,369
	<u>114,169,416</u>	<u>120,514,879</u>	<u>106,423,761</u>
<b>Net current assets</b>	<u>133,858,022</u>	<u>160,543,934</u>	<u>131,522,442</u>
	<u>648,778,402</u>	<u>591,293,656</u>	<u>598,207,381</u>
<b>EQUITY &amp; LIABILITIES:</b>			
<b>Shareholders' equity</b>			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	59,880,738	60,372,566	59,880,738
Retained earnings	492,642,234	432,418,418	439,435,919
	<u>599,037,742</u>	<u>539,305,754</u>	<u>545,831,427</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	26,971,359	27,885,364	29,606,653
Deferred tax Liabilities	22,769,301	24,102,538	22,769,301
	<u>49,740,660</u>	<u>51,987,902</u>	<u>52,375,954</u>
	<u>648,778,402</u>	<u>591,293,656</u>	<u>598,207,381</u>

Approved for issue by the Board of Directors on 3 May, 2018 and signed on its behalf by

Herbert Chong (Director)

Charles Heholt (Director)



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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	<u>Capital</u> <u>Reserve</u> \$	<u>Share</u> <u>Capital</u> \$	<u>Retained</u> <u>Earnings</u> \$	<u>Totals</u> \$
<b>Balance at 30th September 2016</b>	60,372,566	46,514,770	364,386,136	471,273,472
Unrealized gain 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
<b>Balance at 31st March 2017 (unaudited)</b>	<u>60,372,566</u>	<u>46,514,770</u>	<u>432,418,419</u>	<u>539,305,755</u>
<b>Balance at 30th September 2017</b>	59,880,738	46,514,770	439,435,919	545,831,427
Unrealized gain on securities	-	-	-	-
Reversal of deferred taxation	-	-	-	-
Dividends	-	-	(9,183,875)	(9,183,875)
Total comprehensive income for the period	-	-	62,390,190	62,390,190
<b>Balance at 31st March 2018 (unaudited)</b>	<u>59,880,738</u>	<u>46,514,770</u>	<u>492,642,234</u>	<u>599,037,742</u>



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**STATEMENT OF CASH FLOWS**

	Six months ended Mar. 31, 2018	Six months ended Mar. 31, 2017
	\$	\$
<b>Cash flows from Operating Activities</b>		
Profit before taxation	71,379,049	77,457,622
<b>Adjustments for:</b>		
Depreciation	23,726,805	21,212,641
Amortization	306,488	388,059
<b>Other non-cash items</b>		
Investment income	(383,545)	(971,471)
Finance costs Paid	2,713,585	2,333,560
<b>Operating cash flows before movement in working capital</b>	<u>97,742,382</u>	<u>100,420,410</u>
<b>Movements in working capital:</b>		
Inventories	(3,061,952)	(2,375,482)
Receivables	(25,171,308)	(34,768,049)
Payables	7,348,721	38,734,541
Taxation paid	(8,988,859)	(5,394,772)
Net Change in working Capital	<u>(29,873,398)</u>	<u>(3,803,762)</u>
<b>NET CASH FROM OPERATING ACTIVITY</b>	<u>67,868,984</u>	<u>96,616,649</u>
<b>Cash Flows from Investing Activities</b>		
Net proceeds from disposal of asset	723,216	-
Payment for property plant and equipment	(75,193,067)	(28,606,830)
Payment for intangible assets	-	-
Interest Received	383,545	971,471
Sale/(purchase) of investments	2,797,347	(38,523,783)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(71,288,959)</u>	<u>(66,159,141)</u>
<b>CASH FROM FINANCING ACTIVITY</b>		
Loans Received	-	30,000,000
Repayment of long term borrowings	(2,834,591)	(3,955,173)
Finance Costs paid	(2,713,585)	(2,333,560)
Dividends paid	(9,183,875)	(9,425,339)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(14,732,051)</u>	<u>14,285,928</u>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT</b>	<u>(18,152,026)</u>	<u>44,743,435</u>
Net cash balances at beginning of year	<u>101,644,353</u>	<u>72,017,177</u>
Net cash and cash equivalent at end of period	<u>83,492,327</u>	<u>116,760,612</u>
<b>Represented by:</b>		
Cash and cash equivalents	83,492,327	116,760,635
Short term borrowings	-	-
	<u>83,492,327</u>	<u>116,760,635</u>



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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<sup>st</sup> March, 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 2017, 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 2017.

**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 2017.

(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>Mar 2018</u>	<u>Mar 2017</u>
<b><u>Authorized:</u></b>	\$	\$
487,500,000 shares (2015 – 97,500,000 shares)		
<b><u>Issued and fully paid:</u></b>		
471,266,950 shares (2015 - 94,253,390 shares)	46,514,770	46,514,770
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**INFORMATION REGARDING SHAREHOLDERS**  
**AS AT 31<sup>ST</sup> March, 2018**

<b>TEN LARGEST SHAREHOLDERS</b>	<b>No. of Stock Units</b>
Next Incorporated	275,758,000
Michelle Chong	58,691,000
Herbert Chong	54,091,000
Mayberry Managed Clients' Account	15,386,169
Mayberry Jamaican Equites Limited	10,972,404
Bamboo Group Holding Limited	6,120,280
JCSD Trustee Services Ltd- Sigma Venture	3,616,120
Apex Pharmacy	3,600,245
Kenneth Lyn	2,780,092
Sagicor Pooled Equity Fund	2,500,000

<b>SHAREHOLDINGS OF DIRECTORS</b>	
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	1,260,000
Sushil Jain	924,916
Yaneek Page	0

<b>SHAREHOLDINGS OF SENIOR OFFICERS</b>	
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

