



(1982) LIMITED

**UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31st December, 2017**



MANAGEMENT COMMENTARY

For the three months ended December 31st, 2017 sales amounted to \$323M representing a 3% increase in sales relative to 2016. Profit before tax of \$31M was 27% lower than the \$43M in the corresponding prior year period.

Selling and distribution costs increased mainly due to investment in marketing initiatives and the restructuring of our distribution network. We will begin to see the benefits of the restructure in the upcoming quarter.

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

During the quarter, the following awards were received at the JSE Award ceremony for Best Practice.

- JSE 2016 Governor General Overall Best Junior Market Company Award
- JSE 2016 Best Practice Award for Corporate Disclosure and Investor Relations
- JSE 2016 PSOJ Awards for Corporate Governance

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

Michelle Chong
CEO

Honey Bun (1982) Limited
Unaudited Financial Statements
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Jamaica's 1st HACCP Certified Bakery

STATEMENT OF COMPREHENSIVE INCOME

	1Q 2018	1Q 2017
	\$	\$
Revenue	322,825,214	312,441,478
Cost of sales	178,867,697	173,801,522
Gross profit	143,957,517	138,639,956
Finance income interest	314,292	196,416
Exchange gains and other income	(323,504)	(126,343)
	143,948,305	138,710,030
Expenses		
Administrative and other expenses	(60,159,490)	(60,838,767)
Selling & distribution costs	(51,085,706)	(33,473,009)
	(111,245,197)	(94,311,776)
Profit from operations	32,703,109	44,398,254
Finance costs	(1,291,542)	(1,109,487)
Profit before taxation	31,411,567	43,288,766
Taxation	(3,926,446)	(5,402,466)
Net profit for the period	27,485,121	37,886,300
Earnings per stock unit	0.06	0.08


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STATEMENT OF FINANCIAL POSITION

	<u>ended Dec. 31, 2017</u>	<u>ended Dec. 31, 2016</u>	<u>AUDITED 30 Sep. 2017</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	428,693,263	340,652,300	386,947,599
Investments	78,079,907	39,494,528	78,079,907
Intangible assets	2,442,933	1,606,519	1,657,433
	<u>509,216,103</u>	<u>381,753,348</u>	<u>466,684,939</u>
CURRENT ASSETS:			
Inventories	59,034,465	73,183,912	47,939,061
Receivables	92,604,098	97,745,310	81,702,289
Taxation Recoverable	6,660,500	-	6,660,500
Cash & cash equivalents	79,143,977	86,823,531	101,644,353
	<u>237,443,040</u>	<u>257,752,753</u>	<u>237,946,203</u>
CURRENT LIABILITIES:			
Payables	101,232,986	94,236,682	87,267,645
Taxation	13,092,074	-	12,636,747
Bank Overdraft	-	-	-
Current Portion of Long Term Loan	8,465,292	4,877,346	6,519,369
	<u>122,790,353</u>	<u>99,114,028</u>	<u>106,423,761</u>
Net current assets	<u>114,652,687</u>	<u>158,638,725</u>	<u>131,522,442</u>
	<u>623,868,790</u>	<u>540,392,073</u>	<u>598,207,381</u>
EQUITY & LIABILITIES:			
Shareholders' equity			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	59,880,738	60,372,566	59,880,738
Retained earnings	466,921,040	402,272,435	439,435,919
	<u>573,316,548</u>	<u>509,159,771</u>	<u>545,831,427</u>
NON-CURRENT LIABILITIES			
Long term loans	26,449,704	7,129,764	29,606,653
Deferred tax Liabilities	24,102,538	24,102,538	22,769,301
	<u>623,868,790</u>	<u>540,392,073</u>	<u>598,207,381</u>

Approved for issue by the Board of Directors on 6 February, 2018 and signed on its behalf by



Herbert Chong (Director)



Charles Heholt (Director)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Reserve \$	Share Capital \$	Retained Earnings \$	Totals \$
Balance at 30th September 2016	60,372,566	46,514,770	364,386,136	471,273,472
Unrealized gain on securities	-	-	-	-
Reversal of deferred taxation	-	-	-	-
Dividends	-	-	-	-
Total comprehensive income for the period	-	-	37,886,300	37,886,300
Balance at 31st December 2016	<u>60,372,566</u>	<u>46,514,770</u>	<u>402,272,435</u>	<u>509,159,772</u>
Balance at 30th September 2017	59,880,738	46,514,770	439,435,919	545,831,427
Unrealized gain on securities	-	-	-	-
Reversal of deferred taxation	-	-	-	-
Dividends	-	-	-	-
Total comprehensive income for the period	-	-	27,485,121	27,485,121
Balance at 31st December 2017	<u>59,880,738</u>	<u>46,514,770</u>	<u>466,921,040</u>	<u>573,316,548</u>

* \$1 difference in balance is result of rounding

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STATEMENT OF CASH FLOWS

	Three months ended 31 Dec. 2017 \$	Three months ended 31 Dec. 2016 \$
Cash flows from Operating Activities		
Profit before taxation	27,485,121	43,288,766 *
Adjustments for:		
Depreciation	11,917,606	10,358,065
Amortization	153,245	194,030
Other non-cash items		
Investment income	(314,292)	(196,416)
Finance costs paid	1,291,542	1,109,487
Operating cash flows before movement in working capital	40,533,222	54,753,932
Movements in working capital:		
Inventories	(11,095,403)	(23,553,950)
Receivables	(10,901,809)	(20,220,602)
Payables	13,965,341	19,104,817
Taxation paid	(3,926,446)	(5,402,466)
Net Change in working Capital	(11,958,317)	(30,072,201)
NET CASH FROM OPERATING ACTIVITY	28,574,905	24,681,732
Cash Flows from Investing Activities:		
Net Proceeds from disposal of asset	893,857	-
Payment for property plant and equipment	(50,822,640)	(7,085,633)
Payment for intangible assets	(938,745)	-
Interest Received	314,292	196,416
Sale/(purchase) of investments	-	-
NET CASH USED IN FINANCING ACTIVITIES	(50,553,236)	(6,889,217)
Cash flows from financing activities:		
Loans Received	-	-
Repayment of long term borrowings	(3,156,949)	(1,876,672)
Finance Costs paid	(1,291,542)	(1,109,487)
Dividends paid	-	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(4,448,491)	(2,986,159)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	(26,426,821)	14,806,353
Net cash balances at beginning of year	101,644,353	72,017,177
Net cash and cash equivalent at end of period	75,217,531	86,823,530

**Restated to profit before tax*

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 December, 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 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS cont'

(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 2017</u>	<u>Dec 2016</u>
<u>Authorized:</u>	<u>\$</u>	<u>\$</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)	<u>46,514,770</u>	<u>46,514,770</u>

**INFORMATION REGARDING SHAREHOLDERS
AS AT 31ST December, 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	15,498,787
Mayberry West Indies Limited	12,356,964
Bamboo Group Holding Limited	6,170,280
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

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	1,260,000
Sushil Jain	924,916
Yaneek Page	0

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	391,300
Daniel Chong (Next Incorporated)	13,787,900
Dustin Chong (Next Incorporated)	13,787,900