



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 11% lower than the corresponding prior year period. The company's production capacity constraint which has been impacting sales, has now been addressed with our factory expansion.

Year to date sales for the six month period were \$675 million representing a 1% decrease in sales relative over the corresponding period for 2017 and profit before tax amounted to \$71 million, 19% lower than last year. Higher selling and distribution costs of 5% have been affecting profitability as we restructure our distribution network for greater efficiencies. Earnings per shares at the end of the period was 8 cents.

The company's asset base has grown as a result of the investment in the expanded facilities. This investment will allow the company to take advantage of the strong market demand for our products.

Honey Bun's HACCP certification was renewed in April 2018 as we continue to enjoy International Food Safety certification. We launched our newest product – a pocket Size Rum Cake to resounding acceptance from both local and International distributors.

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 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
	\$	\$	\$	\$
Revenue	351,911,212	367,901,182	674,741,022	680,342,660
Cost of sales	187,223,240	209,835,680	366,090,937	383,637,201
Gross profit	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	(5,024,782)	33,180	(5,348,286)	(93,163)
	159,732,443	158,873,739	303,685,344	297,583,768
Expenses				
Administrative and other expenses	65,135,046	72,405,410	126,298,200	133,244,178
Selling & distribution costs	53,207,871	39,983,938	103,294,510	73,456,947
	118,342,917	112,389,348	229,592,710	206,701,124
Profit from operations	41,389,526	46,484,391	74,092,634	90,882,644
Finance costs	1,522,504	1,224,073	2,713,585	2,333,560
Profit before taxation	39,867,022	45,260,318	71,379,050	88,549,084
Taxation	5,062,413	5,688,996	8,988,859	11,091,462
Net profit after Tax	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
	\$	\$	\$
ASSETS:			
NON-CURRENT ASSETS:			
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>
CURRENT ASSETS:			
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>
CURRENT LIABILITIES:			
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>
Net current assets	<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>
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	492,642,234	432,418,418	439,435,919
	<u>599,037,742</u>	<u>539,305,754</u>	<u>545,831,427</u>
NON-CURRENT LIABILITIES			
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> \$
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	-	-	(9,425,339)	(9,425,339)
Total comprehensive income for the period	-	-	77,457,622	77,457,622
Balance at 31st March 2017 (unaudited)	60,372,566	46,514,770	432,418,419	539,305,755
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	-	-	(9,183,875)	(9,183,875)
Total comprehensive income for the period	-	-	62,390,190	62,390,190
Balance at 31st March 2018 (unaudited)	59,880,738	46,514,770	492,642,234	599,037,742

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STATEMENT OF CASH FLOWS

	Six months ended Mar. 31, 2018	Six months ended Mar. 31, 2017
	\$	\$
Cash flows from Operating Activities		
Profit before taxation	71,379,049	77,457,622
Adjustments for:		
Depreciation	23,726,805	21,212,641
Amortization	306,488	388,059
Other non-cash items		
Investment income	(383,545)	(971,471)
Finance costs Paid	2,713,585	2,333,560
Operating cash flows before movement in working capital	<u>97,742,382</u>	<u>100,420,410</u>
Movements in working capital:		
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>
NET CASH FROM OPERATING ACTIVITY	<u>67,868,984</u>	<u>96,616,649</u>
Cash Flows from Investing Activities		
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)
NET CASH USED IN INVESTING ACTIVITIES	<u>(71,288,959)</u>	<u>(66,159,141)</u>
CASH FROM FINANCING ACTIVITY		
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)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(14,732,051)</u>	<u>14,285,928</u>
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	<u>(18,152,026)</u>	<u>44,743,435</u>
Net cash balances at beginning of year	<u>10,164,353</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>
Represented by:		
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 31st 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>
<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, 2018

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	15,386,169
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

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	333,000
Daniel Chong (Next Incorporated)	13,787,900
Dustin Chong (Next Incorporated)	13,787,900