



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30th June, 2017



HONEY BUN (1982) LIMITED
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FOR NINE MONTHS ENDED 30th JUNE, 2017

MANAGEMENT COMMENTARY

For the nine months ended June 30th, 2017 year to date sales were \$969 million representing a 7% increase in sales relative to prior year. The nine months' profit before tax in 2017 was \$97 million or a 43% reduction over the same period for 2016.

In the third quarter of financial year 2017 sales decreased by \$7 million or 2% over the corresponding period last year. Profit before taxes for the quarter was \$8 million; \$31 million less than in the prior year. An overall gross profit reduction of 8% for the quarter was as a result of increase in direct cost for materials, water, fuel and electricity.

Administrative, selling and distribution costs combined increased by 13% over the corresponding year to date period. The main areas of increase came from significant increases in the cost of sanitation, electricity and water. For the period the company also invested heavily in building human capacity by way of contracts for consultation on key strategic areas of the business. We expect that this will have significant long term value.

Compared with the corresponding period last year, the balance sheet shows \$35 million increase in cash and \$47 million in investment.

Construction of a new warehouse has commenced and is expected to be completed by November 2017.

We wish to thank all our customers, suppliers, agents, employees and shareholders for their continued support.

Michelle Chong
CEO

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STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 3 months ended		Unaudited 9 months ended	
	30-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Revenue	289,078,026	296,190,945	969,420,686	903,454,507
Cost of sales	166,516,349	163,525,701	550,157,685	487,270,439
Gross profit	122,561,677	132,665,244	419,263,001	416,184,068
Finance income	140,985	70,934	1,112,456	757,993
Other Gains/(losses)	382,555	2,500,847	283,563	5,875,510
	123,085,217	135,237,026	420,659,020	422,817,571
Expenses				
Administrative	66,725,804	59,296,863	199,969,982	175,685,095
Selling & distribution costs	46,578,350	35,115,302	120,036,657	104,029,384
Total Expenses	113,304,155	94,412,165	320,006,639	279,714,479
Profit from operations	9,781,062	40,824,860	100,652,381	143,103,092
Finance costs	1,224,073	1,707,655	3,900,319	4,566,030
Profit before taxation	8,556,990	39,117,205	96,752,062	138,537,062
Taxation	1,003,635	2,148,668	12,095,097	5,772,672
Net profit after Tax	7,553,355	36,968,537	84,656,965	132,764,390
Earnings Per Stock unit	0.02	0.08	0.18	0.28

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STATEMENT OF FINANCIAL POSITION

	UNAUDITED 9 months ended Jun. 30, 2017	UNAUDITED 9 months ended Jun. 30, 2016	AUDITED 30 Sep, 2016
ASSETS:			
NON-CURRENT ASSETS:			
Property, plant and equipment	367,504,329	325,392,658	343,924,732
Investments	78,018,311	31,079,613	39,494,528
Intangible assets	1,218,460	1,518,990	1,800,549
	<u>446,741,100</u>	<u>357,991,261</u>	<u>385,219,809</u>
CURRENT ASSETS:			
Inventories	57,879,292	70,985,695	49,629,962
Receivables	96,295,822	68,221,004	77,412,216
Taxation Recoverable	112,493	112,493	112,493
Cash & cash equivalents	108,107,538	73,090,884	73,263,386
	<u>262,395,145</u>	<u>212,410,076</u>	<u>200,418,057</u>
CURRENT LIABILITIES:			
Payables	97,792,125	63,657,061	71,172,561
Taxation	12,095,097		3,959,304
Bank Overdraft			1,246,209
Current Portion of Long Term Loan	7,515,426	7,353,530	6,051,314
	<u>117,402,649</u>	<u>71,010,591</u>	<u>82,429,388</u>
Net current assets	<u>144,992,496</u>	<u>141,399,485</u>	<u>117,988,669</u>
	<u>591,733,596</u>	<u>499,390,746</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	430,192,421	371,726,825	364,386,136
	<u>537,079,757</u>	<u>491,001,130</u>	<u>471,273,472</u>
NON-CURRENT LIABILITIES			
Long term loans	30,551,301	8,389,616	7,832,468
Deferred tax Liabilities	24,102,538		24,102,538
	<u>54,653,839</u>	<u>8,389,616</u>	<u>31,935,006</u>
	<u>591,733,596</u>	<u>499,390,746</u>	<u>503,208,478</u>

Approved for issue by the Board of Directors on 2 August, 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	-	-	132,764,390	132,764,390
Balance at 30 June, 2016 (un-audited)	46,514,770	72,759,535	371,726,825	491,001,130
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	-	-	(18,850,678)	(18,850,678)
Total Comprehensive Income for the Period	-	-	84,656,964	84,656,964
Balance at 30 June, 2017 (un-audited)	46,514,770	60,372,566	430,192,422	537,079,758

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



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STATEMENT OF CASH FLOWS

	Nine months ended 30 June, 2017	Nine months ended 30 June, 2016
Cash flows from Operating Activities		
Profit before taxation	96,752,062	138,537,062
Adjustments for:		
Depreciation	32,466,298	28,217,878
Amortization	582,089	1,186,261
Gain on disposal of plant and equipment	-	(300,000)
Other non-cash items		
Investment income	(1,112,456)	(757,993)
Finance Costs Paid	3,900,319	4,566,030
Operating cash flows before movement in working capital	132,588,312	171,449,238
Movements in working capital:		
Inventories	(8,249,330)	(25,565,697)
Receivables	(18,771,113)	659,498
Payable	34,755,358	(4,741,850)
Taxation Paid	(12,095,098)	(5,772,672)
Net Change in working Capital	(4,360,183)	(35,420,721)
NET CASH FROM OPERATING ACTIVITY	128,228,129	136,028,517
Cash Flows from Investing Activities:		
Sales proceeds from disposal of asset	-	300,000
Payment for property plant and equipment	(56,158,388)	(74,835,285)
Payment for intangible assets	-	(802,640)
Interest Received	1,112,456	757,993
Sale/(purchase) of investments	(38,523,783)	(2,787,806)
NET CASH USED IN FINANCING ACTIVITIES	(93,569,715)	(77,367,738)
Cash flows from financing activities:		
Loans Received	30,000,000	-
Repayment of long term borrowings	(5,817,056)	(35,596,151)
Finance Costs paid	(3,900,319)	(4,566,030)
Dividends paid	(18,850,678)	(9,425,339)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	1,431,947	(49,587,520)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	36,090,361	9,073,259
Net cash balances at beginning of year	72,017,177	64,017,625
Net cash and cash equivalent at end of period	108,107,538	73,090,884

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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 nine months ended 30th June, 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>Jun 2017</u>	<u>Jun 2016</u>
<u>Authorized:</u>	\$	\$
487,500,000 shares (2016 – 487,500,000 shares)		
<u>Issued and fully paid:</u>		
471,266,950 shares (2016 - 471,266,950 shares)	46,514,770	46,514,770
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INFORMATION REGARDING SHAREHOLDERS
AS AT 30TH June, 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	16,071,339
Mayberry West Indies Limited	11,821,761
Bamboo Group Holding Limited	6,170,280
JCSD Trustee Services Ltd- Sigma Venture	3,616,120
Apex Pharmacy	3,600,245
Kenneth Lyn	2,500,000
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
Sushil Jain	956,065
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