HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

2ND QUARTER 2011 ENDED 31 MARCH 2011

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MANAGEMENT DISCUSSION

2ND QUARTER REVIEW AGAINST PREVIOUS YEAR 2ND QUARTER

Gross Profits are up by 15.5 million dollars (25.1%) for the second quarter compared with prior year. Net profits before tax improved by 62.8% or just over 9.2 million dollars. The decision the company took in 2010 to invest in distribution increased margins and improved their availability of products in the market.

Reduction in cost of sales of 5.3% was also the result of improvement in efficiencies as a result of new equipment and processes.

2011 SIX MONTH YEAR TO DATE REVIEW

Profits before tax for the six months of the current year were below budget. Basic raw material prices increased; flour increased by 12%, sugar increased by 20.4% and eggs increased by 6.5% in the first quarter. A decision was taken not to increase prices to the consumer just before the holiday season but to control expenses. Prices on all Honey Bun products were increased in January 2011 by approximately 7%. There was a further price increase on flour in March by 17%. With major raw material prices increasing, the company considers that they've done well to contain expenses.

The increase in depreciation charge by over 4.8 million dollars is due to a revaluation of the company assets in 2010 and a significant purchase of new equipment. This equipment is not yet fully utilized to realize the full benefits of the investment.

Investments have increased by over 25 million dollars which will be utilized to repay some of the company's loans, reducing finance charges.

As the company moves into the public arena, the initial plans are to continue to improve on efficiencies and to provide the public with more variety in snack products.

Michelle Chong / CEO

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Consolidated Income Statement
Second Quarter Ending 31 March 2011

	2nd Quarter		Year to March	
	2011	**2010**	**2011**	**2010**
SALES	152,705,143	136,412,171	294,594,063	257,823,968
COST OF SALES	75,429,038	74,652,612	154,068,472	141,284,506
GROSS PROFIT	77,276,105	61,759,559	140,525,591	116,539,462
OTHER INCOME	298,329	281,306	572,633	1,065,507
EXPENSES				
ADMINISTRATION	23,522,560	23,341,498	49,150,935	42,447,646
SALES & DISTRIBUTION	23,558,200	20,249,802	48,665,822	39,627,410
FINANCIAL	2,190,255	1,824,022	5,091,774	2,802,222
DEPRECIATION	4,333,220	1,916,171	8,666,441	3,832,161
TOTAL EXPENSES	53,604,235	47,331,492	111,574,972	88,709,439
NET PROFIT	23,970,199	14,725,363	29,523,252	28,889,152
TAXATION	7,990,066	4,908,454	9,841,084	9,629,717
NET PROFIT AFTER TAX	15,980,133	9,816,909	19,682,168	19,259,435
EPS	$399.50	$245.42	$492.05	$481.49

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Consolidated Statement of Financial Position
at 31 March 2011

	UNAUDITED	
	31 March 2011	**31 March 2010**
Non-Current Assets		
Fixed Assets	163,581,376	107,488,411
Investments	32,424,116	6,737,807
Intangible Assets	140,000	140,000
TOTAL	196,145,493	114,366,218
Current Assets		
Inventory	17,632,684	12,205,158
Accounts Receivable	34,127,961	34,002,197
Cash and Cash equivalent	16,416,251	14,666,848
Other Current Assets	1,520,923	304,887
TOTAL CURRENT ASSETS	69,697,818	61,179,090
Current Liabilities		
Accounts Payable	37,147,729	24,358,637
Other Current Liabilities	13,443,771	11,672,505
TOTAL LIABILITIES	50,591,500	36,031,143
NET	215,251,811	139,514,166
CAPITAL EMPLOYED		
Share Capital	40,000	40,000
Captial Reserves	47,849,944	26,104,254
Retained Income	107,781,572	104,645,630
Shareholders Loans	-781,090	-1,714,771
Long Term Borrowings	60,361,385	10,439,053
TOTAL	215,251,811	139,514,166
BALANCE	215,251,811	139,514,166

Honey Bun Naturally Good

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Statement of Cash Flows
For the Six Months Ended 31 March 2011

	YTD2011	YTD2010
	$	$
Net profit for the period to date	19,682,168	19,259,435
Adjustments for:		
Non cash items	8,666,441	3,832,161
	28,348,608	23,091,596
Cash provided by Operating Activities	5,286,627	3,008,732
Cash used in Investing Activities	-18,468,655	-40,953,710
Cash used in Financing Activities	-1,863,804	23,353,289
	-15,045,832	-14,591,688
Net Increase in Cash	13,302,777	8,499,908
Cash at the beginning of the period	3,113,474	6,166,940
Cash and Cash Equivalent at end of period	16,416,251	14,666,848
	0	0
Represented by:		
Cash and cash equivalents	16,416,251	14,666,848
Bank overdraft		
Cash and Cash Equivalent at end of period	16,416,251	14,666,848

Approved for Issue by the Board of Directors on June 12, 2010 and signed on its behalf by:

HERBERT CHONG / CHAIRMAN

MICHELLE CHONG / CEO

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Consolidated Statement of Changes in Equity
Second Quarter Ending 31 March 2011

	Shares	Capital Reserves	Retained Earnings	Total
	$		$	$
Balance at 30 September 2009	73,000		85,386,195	85,459,195
Other movement in equity		26,104,254		26,104,254
Recassification	-33,000			-33,000
Net profit for the period			19,259,435	19,259,435
Dividends				0
Balance at 31 March 2010	40,000	26,104,254	104,645,630	130,789,884
Balance at 30 September 2010	40,000	47,849,944	88,099,404	135,989,348
Dividends				0
Net profit for the period			19,682,168	19,682,168
Balance at 31 March 2011	40,000	47,849,944	107,781,572	155,671,516

1. COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

The Company is a private company limited by shares, incorporated under the laws of Jamaica, and its principal activities comprise the manufacture and retail of baked products. The Company operates within Jamaica from its registered office located at 26 Retirement Crescent, Kingston 5.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB).

New standards and interpretations effective during the year:

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year. The adoption of these did not result in any change in accounting policies and did not have any significant effect on the financial statements.

New standards and interpretations not yet effective:

At the date of the authorization of the financial statements, certain new standards, amendments to standards and interpretations of existing standards, which have been issued, are not yet effective and the Company has not yet early-adopted. The Company has assessed the relevance of all such new standards, amendments, and interpretations with respect to its operations and has concluded that there will be no significant impact on the financial statements.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis, except for available-for-sale investments (other than those for which a reliable measure of fair value is not available), investment properties and certain classes of property, plant and equipment which are carried at fair value.

(c) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar, unless otherwise indicated.

i. Depreciation of property, plant and equipment

Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of estimated useful lives and the expected residual values of the assets require the use of estimates and judgments. Details of the estimated useful lives are noted in the policy notes relating to property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation:

These are non-consolidated financial statements as the Company has no subsidiaries.

(b) Depreciation:

Property, plant and equipment are **s**tated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated useful lives. Each financial year, the depreciation methods, useful lives and residual values are reassessed. Annual depreciation rates are as follows:

Buildings	2.5%
Furniture & fixtures	10%
Machinery & equipment	10%
Motor vehicle	20%
Computers	25%
Leasehold Improvement	2.5%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the income statement.

Repairs and maintenance expenditure are charged to the income statement during the financial period in which they are incurred.

(c) Borrowing:

Borrowings are recognized initially at fair value net of transaction costs incurred and subsequently stated at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

4. SHARE CAPITAL

	2010	2009
Authorized:	$	$
40,000 ordinary shares	40,000	40,000
Issued and fully paid:		
40,000 shares	40,000	40,000

(a) By ordinary resolution of the company dated in June 2010, the authorized share capital of the company was 40,000.