

HONEY BUN (1982) LIMITED
Unaudited Financial Statements for the
Nine Months ended 30 June 2012

MANAGEMENT COMMENTARY

We are pleased to present the unaudited financial report for Honey Bun (1982) Limited for the 9 months ending 30 June, 2012.

The year to date unaudited financials show profits before tax for 9 months as \$41.1M compared with \$46.1M for the corresponding period last year. Pretax profit for the three months ending 30th June 2012 was \$7.5M compared with \$16.8M for the corresponding period last year.

The decline in profit is mainly due to increases in administrative costs including staff costs, non-recoverable GCT and depreciation. Management is reviewing all the costs to reduce them wherever possible.

Honey Bun's School Dayz program 2012 came to an end in June. The top school, Moneague Primary and Junior High in St. Ann was awarded with new computers, internet access, printers and personal laptops for students and principal. Several new accounts are opened every year as a result of this program.

We believe that strategic decisions taken earlier by the company were timely in the company maintaining its financial position in a very competitive and extremely difficult economic climate. Our management team has worked hard to control costs and to maintain sales. Their efforts are thoroughly acknowledged.

We also wish to thank all our stakeholders including customers, distributors, shareholders and employees for their continued support.



Michelle Chong
CEO

HONEY BUN (1982) LIMITED
Unaudited Financial Statements for the
Nine Months ended 30 June 2012

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HONEY BUN (1982) LIMITED
Statement of comprehensive income
Nine Months ended 30 June 2012

	<u>Unaudited</u> <u>3 months</u> <u>ended 30</u> <u>June 2012</u>	<u>Unaudited</u> <u>3 months</u> <u>ended 30</u> <u>June 2011</u>	<u>Unaudited</u> <u>9 months</u> <u>ended 30</u> <u>June 2012</u>	<u>Unaudited</u> <u>9 months</u> <u>ended 30</u> <u>June 2011</u>	<u>Audited</u> <u>12 months</u> <u>ended 30</u> <u>September</u> <u>2011</u>
<u>Note</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenue	152,433,223	*154,371,678	458,233,095	*439,626,939	560,847,134
Cost of Sales	84,934,208	*85,963,422	247,712,530	*246,111,565	324,970,327
Gross Profit	67,499,015	68,408,256	210,520,565	193,515,374	235,876,807
Finance income - interest	249,840	*536,557	1,097,293	*1,109,190	1,713,669
Other gains	191,049	*214,831	435,845	*214,831	1,038,467
	67,939,904	69,159,644	212,053,703	194,839,395	238,628,943
Less expenses					
Administrative and other expenses	37,951,832	*30,276,671	107,456,655	*84,647,128	97,280,387
Selling & distribution costs	21,783,962	*20,965,780	61,256,549	*60,295,902	99,822,502
	59,735,794	51,242,451	168,715,204	144,943,030	197,102,889
Profit from operations	8,204,110	17,917,193	43,338,499	49,896,365	41,526,054
Finance costs	715,150	*1,080,178	2,216,144	*3,808,661	4,531,222
Profit before taxation	7,488,960	16,837,015	41,122,355	46,087,704	36,994,832
Taxation	-	2,835,130	-	12,676,214	9,365,005
Net Profit	7,488,960	14,001,885	41,122,355	33,411,490	27,629,827
Other Comprehensive Income:					
Unrealized gain on investments	-	-	-	-	512,008
Total comprehensive income for the period/year	7,488,960	14,001,885	41,122,355	33,411,490	28,141,835
Earning per stock unit	\$0.08	\$0.17	\$0.44	\$0.43	\$0.34

*Reclassified for comparative purposes

HONEY BUN (1982) LIMITED
Statement of financial position
30 June 2012

		<u>Unaudited 30</u> <u>June 2012</u>	<u>Unaudited 30</u> <u>June 2011</u>	<u>Audited</u> <u>30 September</u> <u>2011</u>
		\$	\$	\$
ASSETS:				
NON-CURRENT ASSETS:				
	<u>Note</u>			
Property, plant and equipment	10	179,828,818	*174,483,778	179,900,984
Investments	5	38,082,733	19,206,583	46,208,571
Intangible assets	10	2,654,670	*3,162,008	3,780,881
		<u>220,566,221</u>	<u>196,852,369</u>	<u>229,890,436</u>
CURRENT ASSETS				
Inventories		28,234,187	20,611,630	21,589,323
Receivables		42,800,513	*47,761,188	46,324,713
Taxation recoverable		491,247	-	-
Cash & cash equivalents		19,415,045	*49,520,769	10,720,232
		<u>90,940,992</u>	<u>117,893,587</u>	<u>78,634,268</u>
CURRENT LIABILITIES:				
Payables		23,500,911	*31,819,966	39,426,036
Taxation		-	*9,337,488	5,621,707
Bank overdraft		-	*6,343,307	2,437,053
Current portion of long term loans	12	3,714,276	*4,738,891	4,208,093
		<u>27,215,187</u>	<u>52,239,652</u>	<u>51,692,889</u>
Net Current Assets/(Liabilities)		<u>63,725,805</u>	<u>65,653,935</u>	<u>26,941,379</u>
		<u>284,292,026</u>	<u>262,506,304</u>	<u>256,831,815</u>
EQUITY & LIABILITIES:				
Shareholders' equity				
Share capital	13	46,514,770	45,004,600	46,514,770
Capital Reserves		71,758,384	47,389,944	47,849,944
Retained earnings		151,346,845	121,510,894	115,781,239
		<u>269,619,999</u>	<u>213,905,438</u>	<u>210,145,953</u>
NON-CURRENT LIABILITIES				
Long term loans	12	14,672,027	*18,938,769	17,023,765
Deferred tax liabilities	14	-	*29,662,097	29,662,097
		<u>14,672,027</u>	<u>46,600,866</u>	<u>46,685,862</u>
		<u>284,292,026</u>	<u>262,506,304</u>	<u>256,831,815</u>

* Reclassified for comparative purposes

Approved for issue by the Board of Directors on 10 August 2012 and signed on its behalf by:



Herbert Chong
Director



Charles Heholt
Director

HONEY BUN (1982) LIMITED
Statement of changes in shareholders' equity
30 June 2012

	<u>Capital Reserves</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$
Balance at 1 October 2010	47,849,944	40,000	88,099,404	135,989,348
Capitalization of reserves	(460,000)	460,000	-	-
Issue of shares net of transaction costs	-	44,504,600	-	44,504,600
Total comprehensive income	-	-	33,411,490	33,411,490
Balance: 30 June 2011 (un-audited)	47,389,944	45,004,600	121,510,894	213,905,438

	<u>Capital Reserves</u>	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
	\$	\$	\$	\$
Balance at 1 October 2011	47,849,944	46,514,770	115,781,239	210,145,953
Dividends	-	-	(11,310,406)	(11,310,406)
Deferred tax reversal	23,908,440	-	5,753,657	29,662,097
Total comprehensive income	-	-	41,122,355	41,122,355
Balance: 30 June 2012 (un-audited)	71,758,384	46,514,770	151,346,845	269,619,999

HONEY BUN (1982) LIMITED
Statement of cash flows
30 June 2012

	<u>Nine months ended 30 June 2012</u> \$	<u>Nine months ended 30 June 2011</u> \$
Cash flows from operating activities:		
Profit before taxation	41,122,355	33,411,490
Adjustments for:		
Depreciation	19,342,089	12,995,829
Amortization	1,363,968	-
Operating cash flows before movements in working capital	<u>61,828,412</u>	<u>46,407,319</u>
Movements in working capital:-		
Inventories	(6,644,864)	(3,104,273)
Receivables	3,524,200	(15,753,365)
Payables	(15,925,123)	(4,179,466)
Taxation	(6,112,954)	9,854,554
Net cash from operating activities	<u>36,669,671</u>	<u>33,224,769</u>
Cash flows from investing activities:-		
Payment for property, plant and equipment	(19,269,923)	(28,509,105)
Additions to software	(237,757)	(3,022,008)
Disposal of investment	8,125,838	8,026,193
Net cash used in investing activities	<u>(11,381,842)</u>	<u>(23,504,920)</u>
Cash flows from financing activities:-		
Repayment of long term borrowings	(2,845,557)	(7,710,461)
Dividend paid	(11,310,406)	(6,450,000)
Issue of shares	-	44,504,600
Net cash from financing activities	<u>(14,155,963)</u>	<u>30,344,139</u>
Net increase/ (decrease) in cash and cash equivalents	11,131,866	40,063,988
Net cash balances at beginning of year	<u>8,283,179</u>	<u>3,113,474</u>
Net cash and cash equivalents at end of year	<u><u>19,415,045</u></u>	<u><u>43,177,462</u></u>
Represented by:		
Cash and cash equivalent	19,415,045	49,520,769
Short-term borrowing	-	(6,343,307)
Net cash and cash equivalents at end of year	<u><u>19,415,045</u></u>	<u><u>43,177,462</u></u>

HONEY BUN (1982) LIMITED
Notes to the interim financial information
Nine Months ended 30 June 2012

1. GENERAL INFORMATION

Honey Bun 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 market. 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 30 June 2012 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 2011, 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 2011.

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 2011.

(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.

HONEY BUN (1982) LIMITED
Notes to the interim financial information
Nine Months ended 30 June 2012

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. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements as at 30 September 2011.

There have been no changes in the risk management department or policies since the date of the last audited financial statements as at 30 September 2011.

(b) Liquidity risk

Compared to year ended 30 September 2011, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The Company does not expect any early settlement of liabilities in the next six months as a consequence of its continuing positive cash flows from operating activities.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Company's assets and liabilities that are measured at **fair value at 30 June 2012**.

Assets	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
- Equity securities	662,720	-	-	662,720
- Debt investments		37,420,013	-	37,420,013
Total Assets	662,720	37,420,013	-	38,082,733

6. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the Company's revenue streams, operating profits are usually expected in the first half of the year to be higher. The Christmas and Easter holidays fall within the first six months of the year to 31 March 2012 where sale of the Company's products reflect increased revenue in these periods.

7. INCOME TAXES

Taxation is based on profit for the period adjusted for taxation purposes and comprises income tax at 33 1/3%.

	<u>Nine months ended 30 June 2012</u> \$	<u>Nine months ended 31 June 2011</u> \$
Current period taxation charge	-	9,365,005
Deferred tax	-	-
Taxation charged in income statement	-	9,365,005

Remission of income tax:

By notice dated 13 August 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Stock Exchange (JSE). Effective 3 June 2011, the Company's shares were listed on the JSE and consequently, the Company is entitled to a remission of income taxes for ten years in the proportion set out below,

Years 1 to 5 (3 June 2011– 31 May 2016) – 100%

Years 6 to 10 (1 June 2016 – 31 May 2021) – 50 %

8 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 94,253,390 (2011 - 75,000,000). The number of shares for both years reflects the increase by 610,000 shares to 650,000 shares and subsequent 150 for 1 split in the number of shares in issue up to 13 April 2011.

The number of shares for the current period also reflects the 18,750,000 shares which were issued as part of the Initial Public Offer (IPO) effective 3 June 2011 and the 503,390 shares from an option exercised by Mayberry Investments Limited effective 30 September 2011. The audited 12 months ended 30 September 2011 EPS was based on a weighted average number of shares in issue for the year of 81,250,000.

9. DIVIDENDS

An interim dividend of 7 cents per share was proposed by the board of directors and approved by shareholders at the AGM on 21 March 2012. It was paid on 6 January 2012 to shareholders who were on the register at 20 December 2011. This dividend relates to the period 30 September 2011 amounting to \$6,597,737.

An interim dividend of \$0.05c per stock unit was paid to shareholders on record as at May 16, 2012. Payment was made on May 31, 2012. This amounted to \$4,712,669.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<u>Property, plant and equipment</u>	<u>Intangible assets</u>
	\$	\$
Nine months ended 30 June 2011		
Opening net book amount as at 1 October 2010	158,970,502	140,000
Additions	28,509,105	3,022,008
Disposals	-	-
Depreciation and amortization	(12,955,829)	-
Closing net book amount as at 30 June 2011	174,483,778	3,162,008
Nine months ended 30 June 2012		
Opening net book amount as at 1 October 2011	179,900,984	3,780,881
Additions	19,269,923	237,757
Disposals	-	-
Depreciation and amortization	(19,342,089)	(1,363,968)
Closing net book amount as at 30 June 2012	179,828,818	2,654,670

11. RELATED PARTY TRANSACTIONS

Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

<u>30 June 2012</u>	<u>30 June 2011</u>
\$	\$
1,472,013	1,922,013

The net balance represents advances from Honey Bun (1982) Limited and expenses paid on its behalf to support its working capital requirements. The related company is owned and controlled by the principal shareholders of Honey Bun (1982) Limited. The Company agreed with the management of the related party to charge interest at 6% per annum on the balance which should be repaid by monthly payments of \$50,000 until liquidated in September 2015.

12. BORROWINGS AND LOANS

	<u>30 June 2012</u>	<u>30 June 2011</u>	<u>30 Sept. 2011</u>
	\$	\$	\$
Non current : due after 12 months	14,672,027	18,938,769	17,023,765
Current portion due within 12 months	3,714,276	4,738,891	4,208,093

13. SHARE CAPITAL

	<u>2012</u>	<u>2011</u>
	\$	\$
<u>Authorized:</u> 97,500,000 shares (2011 – 40,000 shares)		
<u>Issued and fully paid:</u> 94,253,390 shares	<u>46,514,770</u>	<u>45,004,600</u>

14. DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3 %.

The movement in deferred taxation is as follows:

	<u>Six months ended</u> <u>30 June 2012</u>	<u>Six months ended 30</u> <u>June 2011</u>
Balance at start of the year	29,662,097	29,662,097
Credited to retained earnings	(5,753,657)	-
Credited to capital reserve	(23,908,440)	-
Balance at end of year	-	29,662,097

Deferred tax brought forward has been eliminated against equity and capital reserve because the Company was listed on the JSE, effective 3 June 2011 and will be relieved from income tax for the next ten (10) years, following the listing. (See note 7)

15. PROVISION FOR OTHER LIABILITIES AND CHARGES

Apart from provisions of \$1,258,133 for impaired receivables at 30 June 2012 (2011 - \$1,238,133), there were no other provisions.

The management was not aware of any significant legal claims against the Company and the Company's attorneys did not indicate that there were any significant claims against the Company by employees or external parties.

16. CONTINGENT LIABILITIES

No claim for unspecified damages was lodged against the Company during the period. There were no contingent liabilities except for the matter noted in the following paragraph as at 30 June 2012 or as at 30 September 2011.

During the last financial year, the Company was audited by Tax Administration Jamaica (TAJ) in regard to the method used in calculating the Company's General Consumption Tax monthly liability. The Company's method of calculation was different from that of TAJ and as such an objection has been filed. The directors are of the opinion that because of the uncertainty involved, the matter will be ultimately settled in the Company's favour and therefore no provision is considered necessary in the financial statements.

17. RECLASSIFICATIONS

Certain comparative figures and totals have been reclassified in order to conform to classifications used for the nine (9) months income statement ended 30 June 2012 and the balance sheet as at that date.

18. INFORMATION REGARDING SHAREHOLDERS

	No. of Units
TEN LARGEST SHAREHOLDERS	
at 30 June 2012	
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Mayberry Managed Clients' Account	3,009,148
Daniel V. Chong & Dustin Chong	2,060,600
Krystal T. Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,531,852
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1	453,318
(Connected party: Sushil Jain)	
Paul H. Moses & Joan Moses	400,000
SHAREHOLDINGS OF DIRECTORS	
at 30 June 2012	
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	453,318
Charles Heholt	252,000
SHAREHOLDINGS OF SENIOR OFFICERS	
at 30 June 2012	
Daniel Chong	2,060,600
Krystal Chong	1,970,600
Paul D. Watson	20,800