



# **HONEY BUN (1982) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**  
FOR THE THREE MONTHS ENDED 31<sup>ST</sup> DECEMBER, 2012

**HONEY BUN (1982) LIMITED**  
**Unaudited Financial Statements for the**  
**Three Months ended 31 December 2012**

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## **MANAGEMENT COMMENTARY**

We are pleased to present the unaudited financial report for Honey Bun (1982) Limited for the 3 months ending 31 December, 2012.

The 1<sup>st</sup> Quarter unaudited financials show a 32% increase in sales to \$192 million over \$145 million for the corresponding period last year. Profit before tax for the 3 months was \$15.2 million compared with \$9.8 million. This increase in profit represents an increase of 56% over the prior corresponding period.

The increase in profit is mainly due to increase in sales as a result of new products developed, and careful control of costs.

The launch of our new Goldie brand cream filled cakes contributed significantly to the increase in sales along with increased sales from contract manufacturing.

Honey Bun's annual School Days program for this year commenced in September. The top school will be awarded with new computers, internet access, printers and personal laptops for students and principal. We will continue to promote education among our youth.

In November 2012, Honey Bun was the recipient of the following three JSE Awards;

- 2011 Junior Market Best Practices Award – Joint Overall Winner
- 2011 Jamaica Stock Exchange Best Practices Award Corporate Disclosure and Investor Relations (Junior Market)
- 2011 Jamaica Stock Exchange Best Practices Award Website (Junior Market) 1<sup>st</sup> runner up

Honey Bun was also the recipient of the:

- 2012 Jamaica Manufacturers Award for 'Buy Jamaican, Build Jamaica.'

During 2013 Honey Bun plans to automate several of our sales processes to continue to improve our sales and distribution efficiencies. Our accounting system was successfully updated to an Enterprise Resource Planning (ERP) program on October 1, 2012 to incorporate our entire operations and planning.

We consider that we have begun to reap the benefits of strategic decisions taken earlier by the company in a very competitive and extremely difficult economic climate. Our management team has worked hard to control costs and to aggressively increase sales. Their efforts are thoroughly acknowledged.

**HONEY BUN (1982) LIMITED**  
**Unaudited Financial Statements for the**  
**Three Months ended 31 December 2012**

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

A handwritten signature in dark ink, appearing to read 'Michelle Chong', with a decorative flourish at the end.

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**Michelle Chong**  
**CEO**

**HONEY BUN (1982) LIMITED**  
**Unaudited Financial Statements for the**  
**Three Months ended 31 December 2012**

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**Unaudited Financial Statements**

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**HONEY BUN (1982) LIMITED**  
**Unaudited Statement of Comprehensive Income**  
**Three Months ended 31 December 2012**

	Unaudited 3 months ended 31 December 2012	Unaudited 3 months ended 31 December 2011
<b>Revenue</b>	191,922,353	145,580,774
<b>Cost of sales</b>	112,748,794	82,197,790
<b>Gross profit</b>	79,173,559	63,382,984
Finance income	327,977	453,277
Other Gains/(losses)	580,021	367,866
	80,081,557	64,204,127
<b>Expenses</b>		
Administrative	42,351,245	35,326,561
Selling & distribution costs	21,628,490	18,402,060
	63,979,735	53,728,621
Profit from operations	16,101,822	10,475,506
Finance costs	833,731	662,678
Profit before taxation	15,268,091	9,812,828
Taxation	0	0
Total comprehensive income for the year	15,268,091	9,812,828
Earning per stock unit -weighted average	\$ 0.16	\$ 0.10

2011 Reclassified for comparative purposes

**HONEY BUN (1982) LIMITED**  
**Unaudited Statement of Financial Position**  
**Three Months ended 31 December 2012**

	UNAUDITED		AUDITED
	Dec. 2012	Dec. 2011	Sept. 2012
<b>ASSETS:</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	182,068,138	182,493,109	183,156,292
Investments	19,358,222	31,579,262	34,175,999
Intangible assets	4,110,343	3,447,182	4,936,654
	<u>205,536,703</u>	<u>217,519,553</u>	<u>222,268,945</u>
<b>CURRENT ASSETS:</b>			
Inventories	26,644,305	24,643,725	27,600,573
Receivables	71,325,881	41,891,409	55,827,979
Taxation Recoverable	112,493	-	112,493
Cash & cash equivalents	39,434,756	24,024,247	23,950,653
	<u>137,517,435</u>	<u>90,559,381</u>	<u>107,491,698</u>
<b>CURRENT LIABILITIES:</b>			
Payables	35,033,377	34,537,675	40,066,133
Taxation	-	2,838,301	-
Bank Overdraft	6,546,818	715,192	2,560,089
Current Portion of Long Term Loan	3,714,276	1,052,023	3,714,276
	<u>45,294,471</u>	<u>39,143,191</u>	<u>46,340,498</u>
Net current assets	<u>297,759,667</u>	<u>268,935,743</u>	<u>283,420,145</u>
<b>EQUITY &amp; LIABILITIES:</b>			
Shareholders' equity			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	71,829,608	47,849,944	71,829,608
Retained earnings	167,034,369	125,594,068	151,766,278
	<u>285,378,747</u>	<u>219,958,782</u>	<u>270,110,656</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	12,380,920	48,976,961	13,309,489
Total Liabilities	<u>297,759,667</u>	<u>268,935,743</u>	<u>283,420,145</u>

**2011 Reclassified for comparative purposes**

Approved for issue by the Board of Directors on 7 February 2013 and signed on its behalf by:



Herbert Chong  
Director



Charles Heholt  
Director

**HONEY BUN (1982) LIMITED**  
**Unaudited Statement of Changes in Shareholders' Equity**  
**Three Months ended 31 December 2012**

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	Capital Reserves \$	Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 30 September 2011</b>	47,849,944	46,514,770	115,781,240	210,145,954
Capitalization of reserves			-	-
Issue of share net of transaction cost			-	-
Total comprehensive income for the year			9,812,828	9,812,828
<b>Balance at 30 December 2011</b>	<u>47,849,944</u>	<u>46,514,770</u>	<u>125,594,068</u>	<u>219,958,782</u>
<b>Balance at 30 September 2012</b>	71,829,608	46,514,770	151,766,278	270,110,656
Unrealized gains on securities available for sale			-	-
Reversal of deferred taxation			-	-
Dividends			-	-
Net Profit			15,268,091	15,268,091
<b>Balance at 30 December 2012</b>	<u>71,829,608</u>	<u>46,514,770</u>	<u>167,034,369</u>	<u>285,378,747</u>

**HONEY BUN (1982) LIMITED**  
**Unaudited Statement of Cash Flows**  
**Three Months ended 31 December 2012**

	Three months ended 31 December 2012 \$	Three months ended 31 December 2011 \$
<b>Cash flows from operating activities</b>		
Profit before taxation	15,268,091	9,812,828
Adjustments for:		
Depreciation	6,911,514	6,447,363
Amortization	826,311	454,656
Gain on disposal of plant and equipment		
Other non-cash items		
Investment income	(327,977)	(453,277)
Finance Costs paid	833,731	662,678
<b>Operating cash flows before movement in working capital</b>	<b>23,511,670</b>	<b>16,924,248</b>
<b>Movements in working capital:</b>		
Inventories	956,268	(3,054,401)
Receivables	(15,497,902)	4,433,306
Payables	(5,032,756)	(11,879,860)
	(19,574,390)	(10,500,955)
Finance costs paid	(833,731)	(662,678)
<b>Net changes in working capital</b>	<b>(20,408,121)</b>	<b>(11,163,633)</b>
<b>Net cash from operating activities</b>	<b>3,103,549</b>	<b>5,403,018</b>
<b>Cash flows from investing activities:</b>		
Payment for property, plant and equipment	(5,823,360)	(9,039,488)
Proceeds from disposal of property plant and equipment		-
Payment for intangible assets	-	(120,957)
Interest received	327,977	453,277
Sale/(purchase) of investments	14,817,777	14,629,308
<b>Net cash (used in)/provided by investing activities</b>	<b>9,322,394</b>	<b>5,922,140</b>
Cash flows from financing activities:		
Issue of shares net of expenses	-	-
Repayment of long term borrowings	(928,569)	3,343,121
Proceeds from long term borrowings		-
Dividends paid		-
<b>Net cash (used in)/provided by financing activities</b>	<b>(928,569)</b>	<b>3,343,121</b>
<b>Net increase in cash and cash equivalent</b>	<b>11,497,374</b>	<b>15,025,876</b>
Net cash balances at beginning of year	21,390,564	8,283,179
Net cash and cash equivalent at end of quarter	<b>32,887,938</b>	<b>23,309,055</b>
<b>Represented by:</b>		
Cash and cash equivalents	39,434,756	24,024,247
Short term borrowings	(6,546,818)	(715,192)
	<b>32,887,938</b>	<b>23,309,055</b>



**HONEY BUN (1982) LIMITED**  
**Unaudited Financial Statements for the**  
**Three Months ended 31 December 2012**

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**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 three months ended 31 December 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 2012, 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 2012.

**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 2012.

(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**  
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**Three Months ended 31 December 2012**

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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. 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 2012.

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 2012.

**(b) Liquidity risk**

Compared to year ended 30 September 2012, 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).

**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 2013 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>Three months</u> <u>ended 31</u> <u>December 2012</u>	<u>Three months</u> <u>ended 31</u> <u>December 2011</u>
	\$	\$
Current period taxation charge	-	9,337,488
Deferred tax	-	-
Taxation charged in income statement	-	9,337,488

**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 - 81,250,000). 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.

**HONEY BUN (1982) LIMITED**  
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**9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

	<u>Property, plant and equipment</u> \$	<u>Intangible assets</u> \$
<b>Three months ended 31 December 2011</b>		
Opening net book amount as at 1 October 2011	179,900,984	3,780,881
Additions	9,039,488	120,957
Disposals	-	-
Depreciation and amortization	(6,447,363)	(454,656)
<b>Closing net book amount as at 31 December 2011</b>	<b>182,493,109</b>	<b>3,447,182</b>
<b>Three months ended 31 December 2012</b>		
Opening net book amount as at 1 October 2012	183,156,292	4,936,654
Additions	5,823,360	-
Disposals	-	-
Depreciation and amortization	(6,911,514)	(826,311)
<b>Closing net book amount as at 31 December 2012</b>	<b>182,068,138</b>	<b>4,110,343</b>

**10. 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>31 December 2012</u> \$	<u>31 December 2011</u> \$
1,122,013	1,772,012

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.

**11. BORROWINGS AND LOANS**

	<u>31 December 2012</u> \$	<u>31 December 2011</u> \$	<u>30 Sept. 2012</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	3,714,276

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**12. SHARE CAPITAL**

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

**13. 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 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.

**14. RECLASSIFICATIONS**

Certain comparative figures and totals have been reclassified in order to conform to classifications used for the three (3) months income statement ended 31 December 2012 and the balance sheet as at that date.

**15. INFORMATION REGARDING SHAREHOLDERS**

	<b>No. of Units</b>
<b>TEN LARGEST SHAREHOLDERS</b>	
<b>at 31 December 2012</b>	
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Mayberry Managed Clients' Account	3,354,523
Daniel V. Chong & Dustin Chong	2,060,600
Krystal T. Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,537,896
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1 (Connected party: Sushil Jain)	453,318
Paul H. Moses & Joan Moses	400,000
<b>SHAREHOLDINGS OF DIRECTORS</b>	
<b>at 31 December 2012</b>	
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	458,318
Charles Heholt	252,000
<b>SHAREHOLDINGS OF SENIOR OFFICERS</b>	
<b>at 31 December 2012</b>	
Daniel Chong	2,060,600
Krystal Chong	1,970,600
Paul D. Watson	20,800