



# **HONEY BUN (1982) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**  
FOR THE THREE MONTHS ENDED 31st December, 2013

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## MANAGEMENT COMMENTARY

We are pleased to present the Interim Financial Report for the 3 months ended 31 December, 2013.

Profits for the three month period ending December 31, 2013 increased by 30.5% or \$4.6 million over the prior year. This was mainly as a result of significant improvements in manufacturing costs. As a result the earnings per stock unit increased from 16 cents at December 31, 2012 to 21 cents at December 31, 2013.

The three month period showed sales of \$185 million, a decrease of 4% when compared with the same period for the prior year at \$192 million. While local sales remained flat, export sales increased by 74%. The local economic situation has resulted in reduced spending power of our consumers.

Honey Bun is beginning to see the results of improved software usage both in the manufacturing and the distribution of our goods. Cost of sales showed a decrease of more than 3% in spite of price increases on raw materials. This was mainly due to planned strategies to improve on efficiencies. Administrative costs showed a decline of 2.5%. These improvements in efficiencies are driven by the company's commitment to lean manufacturing in an environment of increasing costs.

This quarter represents another landmark for Honey Bun. In October 2013, we acquired a new property in the same area as our current plant on Retirement Crescent. As such our manufacturing has been consolidated at one location and our distribution and marketing area also consolidated and expanded. This will result in further efficiencies in management and cost improvements in the future.

The previous leased location at East Street was put up for sale by the owners in 2013 and although not yet sold, we have successfully relocated our manufacturing. We continue to use that facility for outlet sales. The new property on Retirement Crescent required only minor changes to facilitate our operations. The consolidation of manufacturing was handled mainly by our maintenance team. Hence the company's cost of relocation was minimal.

The new property at Retirement Crescent was financed through the company's cash reserves and so no financial costs will be incurred as a result. It has however, reduced the company's investment portfolio and the finance income.

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This quarter we were the proud recipients of the Jamaica Stock Exchange 2012 Award for Junior Market Best Investor Relations and the Jamaica Manufacturers' Association 2012 Special Award for Technology. We will continue in our efforts to meet International Best Practice Standards through our Quality Management Programs.

Our School Days program's 9<sup>th</sup> year is back once again with a Peace theme for this year. We also continue to support our feeding program and once again visited with the residents at Jacob's Well for a Christmas Treat in December.

During this quarter our dynamic Marketing Officer Krystal Chong migrated to pursue other opportunities. She was replaced by Elizabeth Swaby previously of Events 2 Events Limited and a graduate of the University of the West Indies with a Bachelor of Science Degree in Management Studies and Marketing. Krystal will continue to pursue the interests of Honey Bun in her new location as a family member.

The Head of Manufacturing was replaced this quarter by Mr. Robert Evelyn who has been retained as Consultant for Manufacturing and Business Development.

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

**Michelle Chong**  
**CEO**

**HONEY BUN (1982) LIMITED**  
**Statement of comprehensive income**  
**Three Months ended 31 December 2013**

	Unaudited 3 months ended 31st December 2013	Unaudited 3 months ended 31st December 2012
<b>Revenue</b>	184,814,893	191,922,353
<b>Cost of sales</b>	100,647,237	112,748,794
<b>Gross profit</b>	84,167,656	79,173,559
Finance income	2,675	327,977
Other Gains/(losses)	642,526	580,021
	84,812,857	80,081,557
<b>Expenses</b>		
Administrative	41,269,234	42,351,245
Selling & Distribution costs	22,939,738	21,628,490
<b>Total Expenses</b>	64,208,972	63,979,735
Profit from operations	20,603,885	16,101,822
Finance costs	789,626	833,731
<b>Profit before taxation</b>	<b>19,814,259</b>	<b>15,268,091</b>
Taxation	0	0
<b>Net Profit for the year</b>	<b>19,814,259</b>	<b>15,268,091</b>
<b>Earning per stock unit</b>	\$0.21	\$0.16

**HONEY BUN (1982) LIMITED**  
**Statement of financial position**  
**Three Months ended 31 December 2013**

	Unaudited 3 months ended Dec.31, 2013	Unaudited 3 months ended Dec. 2012	Audited Sept.2013
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	271,337,963	182,068,138	190,403,117
Investments	4,151,679	19,358,222	4,151,679
Intangible assets	7,171,636	4,110,343	8,680,500
	282,661,278	205,536,703	203,235,296
<b>CURRENT ASSETS:</b>			
Inventories	43,379,485	26,644,305	33,735,814
Receivables	66,567,902	71,325,881	78,086,936
Taxation Recoverable	4,506,587	112,493	112,493
Cash & cash equivalents	9,266,612	39,434,756	77,667,022
	123,720,586	137,517,435	189,602,265
<b>CURRENT LIABILITIES:</b>			
Payables	53,083,955	35,033,377	74,591,530
Taxation		-	
Bank Overdraft	16,780,132	6,546,818	13,533,304
Current Portion of Long Term Loan	6,371,592	3,714,276	3,714,276
	76,235,679	45,294,471	91,839,110
<b>Net current assets</b>	47,484,907	92,222,964	97,763,155
	330,146,185	297,759,667	300,998,451
<b>EQUITY &amp; LIABILITIES:</b>			
<b>Shareholders' equity</b>			
Share capital	46,514,770	46,514,770	46,514,770
Capital reserves	71,942,982	71,829,608	71,942,983
Retained earnings	192,759,745	167,034,369	172,945,485
	311,217,497	285,378,747	291,403,238
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	18,928,688	12,380,920	9,595,213
Deferred tax Liabilities			
	18,928,688	12,380,920	9,595,213
	330,146,185	297,759,667	300,998,451

Approved for issue by the Board of Directors on 12<sup>h</sup> February, 2014 and signed on its behalf by:



Herbert Chong Director



Charles Heholt Director

**HONEY BUN (1982) LIMITED**  
**Statement of changes in shareholders' equity**  
**Three Months ended 31 September 2013**

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	Capital Reserve	Share Capital	Retained Earnings	Totals
	\$	\$	\$	\$
<b>Balance at 30 September 2012</b>	71,829,608	46,514,770	151,766,278	270,110,656
Unrealised gains on securities available for sale			-	-
Reversal of deferred taxation			-	-
Dividends			-	-
Total comprehensive income for the quarter			15,268,091	15,268,091
<b>Balance at 31 December 2012</b>	<u>71,829,608</u>	<u>46,514,770</u>	<u>167,034,369</u>	<u>285,378,747</u>
<b>Balance at 30 September 2013</b>	71,942,983	46,514,770	172,945,485	291,403,238
Unrealised gains on securities available for sale			-	-
Reversal of deferred taxation			-	-
Dividends			-	-
Net Profit			19,835,788	19,835,788
<b>Balance at 31 December 2013</b>	<u>71,942,983</u>	<u>46,514,770</u>	<u>192,781,273</u>	<u>311,239,026</u>

**HONEY BUN (1982) LIMITED**  
**Statement of cash flows**  
**Three Months ended 31 December 2013**

	Three months ended 31 December 2013	Three months ended 31 December 2012
	\$	\$
<b>Cash flows from operating activities</b>		
Profit before taxation	19,814,259	15,268,091
Adjustments for:		
Depreciation	7,409,498	6,911,514
Amortization	921,734	826,311
Gain on disposal of plant and equipment	(223,971)	-
Investment income	(2,675)	(327,977)
Finance Costs paid	789,626	833,731
<b>Operating cash flows before movement in working capital</b>	<b>28,708,471</b>	<b>23,511,670</b>
<b>Movements in working capital:</b>		
Inventories	(9,647,982)	956,268
Receivables	1,204,106	(15,497,902)
Payables	(11,188,336)	(5,032,756)
	<b>(19,632,212)</b>	<b>(19,574,390)</b>
Finance costs paid	(789,626)	(833,731)
Income taxes paid	(4,394,094)	-
<b>Net changes in working capital</b>	<b>(24,815,932)</b>	<b>(20,408,121)</b>
<b>Net cash from operating activities</b>	<b>3,892,539</b>	<b>3,103,549</b>
<b>Cash flows from investing activities:</b>		
Payment for property, plant and equipment	(88,344,344)	(5,823,360)
Proceeds from disposal of property plant and equipment	223,971	-
Payment for intangible assets	587,130	-
Investment Income	2,675	327,977
Sale/(purchase) of investments	-	14,817,777
<b>Net cash used in investing activities</b>	<b>(87,530,568)</b>	<b>9,322,394</b>
Cash flows from financing activities:		
Issue of shares net of expenses		
Repayment of long term borrowings		(928,569)
Proceeds from long term borrowings	11,990,791	
Dividends paid		
<b>Net cash (used in)/provided by financial activities</b>	<b>11,990,791</b>	<b>(928,569)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(71,647,238)</b>	<b>11,497,374</b>
Net cash balances at beginning of year	64,133,718	21,390,564
Net cash and cash equivalents at end of year	<b>(7,513,520)</b>	<b>32,887,938</b>
<b>Represented by:</b>		
Cash and cash equivalents	9,266,612	39,434,756
Short term borrowings	(16,780,132)	(6,546,818)
	<b>(7,513,520)</b>	<b>32,887,938</b>

**HONEY BUN (1982) LIMITED**  
**Notes to the interim financial information**  
**Three months ended 31 September 2013**

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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, 2013 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 2013, 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 2013.

**4. USE OF ESTIMATES AND JUDGMENTS**

The preparation of interim financial statements requires management to make judgements, 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 judgements 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 2013.

(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**  
**Three Months ended 31 September 2013**

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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 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 94,253,390.

**8. SHARE CAPITAL**

	<u>2013</u>	<u>2012</u>
<b><u>Authorized:</u></b>	<b>\$</b>	<b>\$</b>
97,500,000 shares (2012 – 97,500,000 shares)		
<b><u>Issued and fully paid:</u></b>		
94,253,390 shares	46,514,770	46,514,770

**9. INFORMATION REGARDING SHAREHOLDERS**

	<b>No. of Units</b>
<b>TEN LARGEST SHAREHOLDERS</b>	
<b>at 31 December 2013</b>	
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Mayberry Managed Clients' Account	3,484,326
Daniel V. Chong & Dustin Chong	2,060,600
Krystal T. Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,911,067
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1	443,318
Paul H. Moses & Joan Moses	400,000
<b>SHAREHOLDINGS OF DIRECTORS</b>	
<b>at 31 December 2013</b>	
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	443,318
Charles Heholt	252,000
<b>SHAREHOLDINGS OF SENIOR OFFICERS</b>	
<b>at 31 December 2013</b>	
Daniel Chong	2,060,600