



# **HONEY BUN (1982) LIMITED**

**UNAUDITED FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 31st March, 2014

---

## **MANAGEMENT COMMENTARY**

We are pleased to present the Interim Financial Report for the 6 months ended 31<sup>st</sup> March 2014.

The six month period ending March 31, 2014 showed an increase in sales of 2.4% while profits decreased by 14% to \$33.2 million.

The three month period ending March 31, 2014 showed sales of \$205.8 million, an increase of 8.5%. This yielded a profit of \$12.4 million, a decline of 46% over the comparative prior period. While local sales remained flat, export sales increased by 52% over the comparative quarter last year.

Profits were mainly affected by a 32% increase in the cost of distribution due to one-off incidents which are expected to be resolved in the future.

Increasing costs of material inputs due to the devaluation of the J\$ could not be fully recovered from our customers. Our strategies to identify more export markets and contract manufacturing remain viable and results are promising.

While material input costs increased, the company is developing a leaner manufacturing environment to reduce other costs. This has been realized through a decrease of 2% in the cost of direct labour. Labour represents our largest expense after raw material. Utilities increased by 40% year over year with electricity contributing the most significant dollar value increase. There are plans to reduce energy costs through the implementation of recommendations of an energy audit.

In October 2013, the company purchased the property at 22 Retirement Crescent. We have now signed the agreement to purchase the adjacent property. This purchase should be completed in August, 2014. On completion of this purchase, the three properties will be combined and will result in greater efficiencies and capacity in the upcoming years.

**Michelle Chong**  
**CEO**

**HONEY BUN (1982) LIMITED****Statement of comprehensive income for Six Months ended 31 March, 2014**

	Unaudited 3 mt. ended 31 March 2014	Unaudited 3 mt. ended 31 March 2013	Unaudited 6 mt. ended 31 March 2014	Unaudited 6 mt. ended 31 March 2013	Audited 12 mt. ended 30 Sept 2013
<b>Revenue</b>	<b>205,779,921</b>	<b>189,601,131</b>	<b>390,594,814</b>	<b>381,523,484</b>	<b>701,712,140</b>
Cost of sales	118,682,717	103,897,112	218,433,970	216,704,386	406,361,643
<b>Gross profit</b>	<b>87,097,204</b>	<b>85,704,019</b>	<b>172,160,844</b>	<b>164,819,098</b>	<b>295,350,497</b>
Finance income	10,823	250,225	13,524	578,201	431,394
Other Gains/(losses)	539,759	2,305,070	1,273,364	2,885,090	6,523,017
	87,647,786	88,259,314	173,447,732	168,282,389	302,304,908
<b>Expenses</b>					
Administrative	43,975,408	41,559,302	85,244,641	83,904,372	173,957,788
Selling & distribution costs	29,998,632	22,777,738	52,938,371	44,406,228	90,126,901
Total Expenses	73,974,040	64,337,040	138,183,012	128,310,600	264,084,689
<b>Profit from operations</b>	<b>13,673,746</b>	<b>23,922,274</b>	<b>35,264,720</b>	<b>39,971,789</b>	<b>38,220,219</b>
Finance costs	1,229,226	700,455	2,060,930	1,534,186	2,903,003
<b>Profit before taxation</b>	<b>12,444,520</b>	<b>23,221,819</b>	<b>33,203,790</b>	<b>38,437,603</b>	<b>35,317,216</b>
Taxation	-	-	-	-	-
<b>Net profit for the year</b>	<b>12,444,520</b>	<b>23,221,819</b>	<b>33,203,790</b>	<b>38,437,603</b>	<b>35,317,216</b>
<b>Other comprehensive income</b>					
Unrealised gain on investment					113,375
<b>Total comprehensive income for the year</b>	<b>12,444,520</b>	<b>23,221,819</b>	<b>33,203,790</b>	<b>38,437,603</b>	<b>35,430,591</b>
<b>Earning per stock unit</b>	0.13	0.25	0.35	0.41	0.38

**HONEY BUN (1982) LIMITED**  
**Statement of financial position for Six Months ended 31 March 2014**

	<u>31 March</u> <u>2014</u> <u>\$</u>	<u>31 March</u> <u>2013</u> <u>\$</u>	<u>30 September</u> <u>2013</u> <u>\$</u>
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	265,277,516	178,803,997	190,403,117
Investment	4,151,679	2,428,491	4,151,679
Intangible assets	6,347,088	4,409,885	8,680,500
	<u>275,776,283</u>	<u>185,642,373</u>	<u>203,235,296</u>
<b>CURRENT ASSETS:</b>			
Inventories	44,690,040	28,540,180	33,735,814
Receivables	66,031,848	85,386,981	78,086,936
Taxation Recoverable	4,506,587	112,493	112,493
Cash & cash equivalents	26,703,406	70,089,347	77,667,022
	141,931,881	184,129,001	189,602,265
<b>CURRENT LIABILITIES:</b>			
Payables	63,941,480	53,568,052	74,591,530
Taxation	-	-	-
Bank Overdraft	5,296,608	6,626,444	13,533,304
Current Portion of Long Term Loan	6,371,592	3,714,276	3,714,276
	<u>75,609,680</u>	<u>63,908,772</u>	<u>91,839,110</u>
<b>Net current assets</b>	<u>66,322,201</u>	<u>120,220,229</u>	<u>97,763,155</u>
	<u>342,098,484</u>	<u>305,862,602</u>	<u>300,998,451</u>
<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	206,149,276	176,065,872	172,945,485
	<u>324,607,028</u>	<u>294,410,250</u>	<u>291,403,238</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	17,491,456	11,452,352	9,595,213
Deferred tax Liabilities	-	-	-
	<u>17,491,456</u>	<u>11,452,352</u>	<u>9,595,213</u>
	<u>342,098,484</u>	<u>305,862,602</u>	<u>300,998,451</u>

Approved for issue by the Board of Directors on 8<sup>th</sup> May, 2014 and signed on its behalf by:



Herbert Chong Director



Charles Heholt Director

**HONEY BUN (1982) LIMITED****Statement of changes in shareholders' equity for Six Months ended 31 March 2014**

	<b>Capital Reserves</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Totals</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 October 2012</b>	71,829,608	46,514,770	151,766,278	270,110,656
Deferred tax reversal	-		-	-
Dividends			(14,138,009)	(14,138,009)
Total comprehensive income for the year			38,437,603	38,437,603
<b>Balance at 31 March 2013 (un-audited)</b>	71,829,608	46,514,770	176,065,872	294,410,250
<b>Balance at 1 October 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			33,203,790	33,203,790
<b>Balance at 31 March 2014 (un-audited)</b>	71,942,983	46,514,770	206,149,275	324,607,028

**HONEY BUN (1982) LIMITED****Statement of cash flows for Six Months ended 31 March 2014**

	<u>Six months ended 31-Mar-14</u>	<u>Six months ended 31-Mar-13</u>
	<u>\$</u>	<u>\$</u>
<b>Cash flows from operating activities</b>		
Profit before taxation	33,203,790	38,437,603
Adjustments for:		
Depreciation	14,715,834	12,858,563
Amortization	1,746,282	913,900
Gain on disposal of plant and equipment	(785,903)	
Other non-cash items		
Investment income	(13,524)	(578,201)
Finance Costs paid	2,060,775	1,534,186
<b>Operating cash flows before movement in working capital</b>	<u>50,927,254</u>	<u>53,166,051</u>
<b>Movements in working capital:</b>		
Inventories	(10,958,535)	(939,607)
Receivables	12,059,397	(29,559,003)
Payables	(10,650,050)	13,501,919
Taxation	-	-
	<u>(9,549,188)</u>	<u>(16,996,691)</u>
Finance costs paid	(2,060,775)	(1,534,186)
Income taxes paid	(4,394,094)	-
<b>Net changes in working capital</b>	<u>(16,004,057)</u>	<u>(18,530,877)</u>
<b>Net cash from operating activities</b>	<b>34,923,197</b>	<b>34,635,174</b>
<b>Cash flows from investing activities:</b>		
Payment for property, plant and equipment	(89,590,233)	(8,506,268)
Proceeds from disposal of property plant and equipment	785,903	
Payment for intangible assets	587,130	(387,131)
Investment Income	13,524	578,201
Sale/(purchase) of investments	-	31,747,509
<b>Net cash used in investing activities</b>	<u>(88,203,676)</u>	<u>23,432,311</u>
<b>Cash flows from financing activities:</b>		
Issue of shares net of expenses		
Repayment of long term borrowings	-	(1,857,137)
Proceeds from long term borrowings	10,553,559	-
Dividends paid	-	(14,138,009)
<b>Net cash (used in)/provided by financina activities</b>	<u>10,553,559</u>	<u>(15,995,146)</u>
<b>Net increase in cash and cash equivalent</b>	<b>(42,726,920)</b>	<b>42,072,339</b>
Net cash balances at beginning of year	64,133,718	21,390,564
<b>Net cash and cash equivalent at end of year</b>	<u><b>21,406,798</b></u>	<u><b>63,462,903</b></u>
<b>Represented by:</b>		
Cash and cash equivalents	26,703,406	70,089,347
Short term borrowings	(5,296,608)	(6,626,444)
	<u><b>21,406,798</b></u>	<u><b>63,462,903</b></u>

**HONEY BUN (1982) LIMITED****Notes to the interim financial information for Six Months ended 31 March 2014**

---

**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 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 six months ended 31 March, 2014 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 for Six Months ended 31 March 2014**

---

**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>2014</u>	<u>2013</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****TEN LARGEST SHAREHOLDERS****at 31 March 2014**

	<b>No. of Units</b>
Herbert Chong	37,500,000
Michelle Chong	37,500,000
Mayberry Managed Clients' Account	3,499,527
Daniel V. Chong & Dustin Chong	2,060,600
Krystal T. Chong & Dylan Chong	1,970,600
Mayberry West Indies Limited	1,931,067
Bamboo Group Holding Limited	1,184,855
Apex Pharmacy	711,449
VMWM – Client 1	443,318
Paul H. Moses & Joan Moses	400,000

**SHAREHOLDINGS OF DIRECTORS****at 31 March 2014**

Herbert Chong	37,500,000
Michelle Chong	37,500,000
Paul Moses	400,000
Sushil Jain	443,318
Charles Heholt	252,000

**SHAREHOLDINGS OF SENIOR OFFICERS****at 31 March 2014**

Daniel Chong	2,060,600
--------------	-----------