



# **HONEY BUN (1982) LIMITED**

## **UNAUDITED FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED JUNE 30<sup>TH</sup> 2014

## MANAGEMENT ANALYSIS 3rd QUARTER 2014

We are pleased to present the Interim Financial Report for the 9 months ended 30<sup>th</sup> June, 2014.

The three month period ending June 30, 2014 showed an increase in sales of 14% while profits increased for that period by 406% over the prior year period to \$11.8 million dollars. This improvement was mainly as a result of significant improvement in the management of inventory and greater efficiencies in production.

Administrative costs for the period were controlled at a 3.5% increase over the prior year.

The nine month period ending June 30, 2014 showed an increase in sales of 5.8% while profits remained flat at \$40.6 million.

Honey Bun's strategy to grow export remains viable with new markets emerging. Export Sales increased by over 245% for the 3 month period and 78% for year to date. The company's Balance Sheet shows improvements in the reduction of receivables from the prior year, moving from \$61 million in June 2013 to \$55.5 million at June 2014. Payables increased by 41%. In June of this year, Honey Bun received the 2013 Award for Runner up Champion Exporter in Category 1 from the Jamaica Exporters' Association. This followed the Award in December 2013 from the Jamaica Stock Exchange for Best Investor Relations for 2012.

We have committed ourselves to continue to contribute to building positive values through our marketing programs. In July of this year we will begin a new program to encourage positive family values through our 'Family First Campaign'. This campaign follows our very popular 'School Days' program, which has been running for 9 years promoting education as the key.

We will continue to contribute to nation building by building Export and through our Corporate Social Programs.

**Michelle Chong**  
**CEO**

## STATEMENT OF INCOME FOR THE NINE MONTHS ENDED 30 JUNE 2014

	Unaudited 3 months ended 30 June 2014 \$	Unaudited 3 months ended 30 June 2013 \$	Unaudited 9 months ended 30 June 2014 \$	Unaudited 9 months ended 30 June 2013 \$
<b>Revenue</b>	<b>180,786,462</b>	<b>158,387,845</b>	<b>571,381,277</b>	<b>539,911,328</b>
Cost of sales	101,240,576	93,304,194	324,033,053	310,008,580
<b>Gross profit</b>	<b>79,545,886</b>	<b>65,083,651</b>	<b>247,348,224</b>	<b>229,902,748</b>
Finance income	30,223	24,151	43,747	602,352
Other Gains/(losses)	4,451,408	2,205,044	5,725,431	5,090,134
	84,027,517	67,312,846	253,117,402	235,595,234
<b>Expenses</b>				
Administrative	42,246,509	40,806,545	127,504,396	124,737,103
Selling & dist costs	28,542,832	23,527,816	81,491,752	67,934,043
Total Expenses	70,789,341	64,334,361	208,996,148	192,671,146
<b>Profit from operations</b>	<b>13,238,176</b>	<b>2,978,485</b>	<b>44,121,254</b>	<b>42,924,088</b>
Finance costs	1,385,739	637,014	3,507,603	2,144,924
<b>Profit before taxation</b>	<b>11,852,437</b>	<b>2,341,471</b>	<b>40,613,651</b>	<b>40,779,164</b>
Taxation	-	-	-	-
<b>Net profit for the year</b>	<b>11,852,437</b>	<b>2,341,471</b>	<b>40,613,651</b>	<b>40,779,164</b>
<b>Other comprehensive income</b>				
Unrealized gain on investment	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>11,852,437</b>	<b>2,341,471</b>	<b>40,613,651</b>	<b>40,779,164</b>
<b>Earning per stock unit</b>	<b>\$0.13</b>	<b>\$0.02</b>	<b>\$0.43</b>	<b>\$0.43</b>

## STATEMENT OF FINANCIAL POSITION FOR THE NINE MONTHS ENDED 30 JUNE 2014

	<u>Unaudited</u> <u>30 June 2014</u> \$	<u>Unaudited</u> <u>30 June 2013</u> \$	<u>Audited</u> <u>30 Sept. 2013</u> \$
<b>ASSETS:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	264,890,363	186,878,693	190,403,117
Investment	4,055,027	4,367,224	4,151,679
Intangible assets	5,522,538	6,929,137	8,680,500
	274,467,928	198,175,054	203,235,296
<b>CURRENT ASSETS:</b>			
Inventories	51,309,609	28,498,039	33,735,814
Receivables	55,544,207	61,357,003	78,086,936
Taxation Recoverable	4,506,587	112,493	112,493
Cash & cash equivalents	30,288,859	71,478,012	77,667,022
	141,649,262	161,445,547	189,602,265
<b>CURRENT LIABILITIES:</b>			
Payables	55,094,276	39,031,366	74,591,530
Taxation	-	-	-
Bank Overdraft	11,297,214	9,599,457	13,533,304
Current Portion of Long Term Loan	6,371,592	3,714,276	3,714,276
	72,763,082	52,345,099	91,839,110
<b>Net current assets</b>	68,886,180	109,100,448	97,763,155
	343,354,108	307,275,502	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	71,829,607	71,942,983
Retained earnings	208,846,466	178,407,343	172,945,485
	327,304,218	296,751,720	291,403,238
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	16,049,890	10,523,782	9,595,213
Deferred tax Liabilities	-	-	-
	16,049,890	10,523,782	9,595,213
	343,354,108	307,275,502	300,998,451

Approved for issue by the Board of Directors on 12th August, 2014 and signed on its behalf by:



Herbert Chong -Chairman



Charles Heholt - Director

## STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 JUNE 2014

	Capital Reserves \$	Share Capital \$	Retained Earnings \$	Totals \$
<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			40,779,164	40,779,164
<b>Balance at 30 June 2013 (un-audited)</b>	71,829,608	46,514,770	178,407,433	296,751,811
<b>Balance at 1 October 2013</b>	71,942,983	46,514,770	172,945,485	291,403,238
Unrealized gains on securities available for sale			-	-
Reversal of deferred taxation			-	-
Dividends			(4,712,670)	(4,712,670)
Net Profit			40,613,651	40,613,651
<b>Balance at 30 June 2014 (un-audited)</b>	71,942,983	46,514,770	208,846,466	327,304,219

## STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 JUNE 2014

	<u>Nine Months ended 30</u> <u>June 2014</u>	<u>Nine Months ended 30</u> <u>June 2013</u>
<b>Cash flows from operating activities</b>		
Profit before taxation	40,613,651	40,779,164
Adjustments for:		
Depreciation	22,537,343	19,069,490
Amortization	2,570,832	1,368,786
Gain on disposal of plant and equipment	(785,903)	
Other non-cash items		
Investment income	(43,747)	(602,352)
Finance Costs paid	3,507,603	2,144,924
<b>Operating cash flows before movement in working capital</b>	<u>68,399,779</u>	<u>62,760,012</u>
<b>Movements in working capital:</b>		
Inventories	(17,573,796)	(901,584)
Receivables	22,542,729	(8,345,754)
Payables	(19,497,254)	1,785,975
Taxation	-	-
	<u>(14,528,321)</u>	<u>(7,461,363)</u>
Finance costs paid	(3,507,603)	(2,144,924)
Income taxes paid	(4,394,094)	-
<b>Net changes in working capital</b>	<u>(22,430,018)</u>	<u>(9,606,287)</u>
<b>Net cash from operating activities</b>	<b>45,969,761</b>	<b>53,153,725</b>
<b>Cash flows from investing activities:</b>		
Payment for property, plant and equipment	(97,024,589)	(22,791,891)
Proceeds from disposal of property plant and equipment	785,903	
Payment for intangible assets	587,130	(3,361,269)
Investment Income	43,747	602,352
Sale/(purchase) of investments	96,652	29,808,778
<b>Net cash used in investing activities</b>	<u>(95,511,157)</u>	<u>4,257,970</u>
Cash flows from financing activities:		
Issue of shares net of expenses		
Repayment of long term borrowings	-	(2,785,707)
Proceeds from long term borrowings	9,111,993	-
Dividends paid	(4,712,670)	(14,138,009)
<b>Net cash (used in)/provided by financina activities</b>	<u>4,399,323</u>	<u>(16,923,716)</u>
<b>Net increase in cash and cash equivalent</b>	<b>(45,142,073)</b>	<b>40,487,979</b>
Net cash balances at beginning of year	<u>64,133,718</u>	<u>21,390,576</u>
<b>Net cash and cash equivalent at end of year</b>	<u>18,991,645</u>	<u>61,878,555</u>

# NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 JUNE 2014

## 1. GENERAL INFORMATION

Honey Bun (1982) 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 nine months ended 30 June, 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 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 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.

(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**

	2014 \$	2013 \$
<b><u>Authorized</u></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	46,614,770



## INFORMATION REGARDING SHAREHOLDERS at 30 JUNE 2014

	<b>NO. UNITS</b>
<b>TEN LARGEST SHAREHOLDERS</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
<b>SHAREHOLDINGS OF DIRECTORS</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>	
Daniel Chong	2,060,600