



HONEY BUN (1982) LIMITED

UNAUDITED FINANCIAL STATEMENTS

3rd QUARTER 2011 ENDED 30 JUNE 2011

CEO REPORT

The unaudited 3rd quarter results show a 27% increase in sales over the comparative quarter for 2010. Profit before tax for the quarter was \$16.4million and year-to-date profit was \$45.6 million for the 9 month period. Year to date profits exceeded those in 2010 by 124%.

The most significant landmark in this quarter was the company's successful listing on the Jamaica Junior Stock Exchange on June 3, 2011 raising gross proceeds of \$51,167,600 before brokerage and legal fees. Part of the proceeds from the IPO have been used to reduce long term loans with double digit interest rates and to terminate motor vehicle leases which will result in lower monthly lease cost for distribution and reduced finance costs on loans. These savings will be reflected in the upcoming quarters.

During this quarter, we continued controls on expenses. Administration costs have been maintained at last year's level.

The 3rd Quarter for last year reflected a loss for that period as it included several costs relating to strategic restructure of distribution, legal costs for valuation and the takeover of a local bakery in receivership. It was also during this period that loss of sales days due to the Tivoli riots and the economic downturn thereafter was experienced.

The increase in depreciation charge by over 2 million dollars for the quarter is due to a revaluation of the company assets in 2010 and a significant purchase of new equipment from a bakery in receivership.

During this quarter there was some significant organizational restructuring which saw the departure of the Production Manager, Mrs. Paulette Brown and the assignment of a new Head of Manufacturing, Mr. Paul Watson. Mr. Watson's wide experience in large bakeries both locally and internationally will be realized in improved product quality, product development and manufacturing processes. Mr. Watson operated as a bakery consultant to the company for four months prior to his appointment.

The company continued its promotional activities and School Dayz program.



Michelle Chong / CEO

HONEY BUN (1982) LIMITED
 UNAUDITED FINANCIAL STATEMENTS
 3rd QUARTER 2011 ENDED 30 JUNE 2011

Consolidated Income Statement
Third quarter ending 30 June 2011
Unaudited

| | 3rd Quarter | | Year to June | |
|--|-------------|-------------|--------------|-------------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Sales | 160,537,512 | 101,838,136 | 455,131,575 | 359,662,104 |
| Cost of Sales | 82,923,601 | 56,114,949 | 236,992,099 | 197,399,455 |
| Gross Profit | 77,613,911 | 45,723,187 | 218,139,476 | 162,262,649 |
| Other Income | 751,388 | (1,313,046) | 1,324,021 | (247,538) |
| Profit before expenses | 78,365,299 | 44,410,141 | 219,463,497 | 162,015,111 |
| Expenses | | | | |
| Administration | 28,024,180 | 28,580,969 | 77,444,550 | 71,028,615 |
| Sales & Distribution | 27,131,614 | 20,007,122 | 75,800,538 | 59,640,909 |
| Financial | 2,043,101 | 2,422,827 | 7,134,876 | 5,225,050 |
| Depreciation | 4,329,389 | 1,916,171 | 12,995,829 | 5,748,332 |
| Total Expenses | 61,528,284 | 52,927,089 | 173,375,793 | 141,642,906 |
| Profit before taxation | 16,837,015 | (8,516,948) | 46,087,704 | 20,372,205 |
| Taxation | 2,835,130 | - | 12,676,214 | 6,790,735 |
| Net Profit after tax | 14,001,885 | (8,516,948) | 33,411,490 | 13,581,470 |
| Earnings Per Share - Weighted average in cents (loss) | 17.2 | (11.4) | 43.3 | 18.1 |

HONEY BUN (1982) LIMITED
 UNAUDITED FINANCIAL STATEMENTS
 3rd QUARTER 2011 ENDED 30 JUNE 2011

Consolidated Statement of Financial Position
Third quarter as at 30 June 2011

| | UNAUDITED | | AUDITED |
|----------------------------------|--------------------|--------------------|--------------------|
| | 2011 | 2010 | 2010 |
| | \$ | \$ | \$ |
| Non-Current Assets | | | |
| Fixed Assets | 177,505,786 | 133,650,304 | 158,970,502 |
| Investments | 19,206,583 | 28,236,434 | 27,232,776 |
| Intangible Assets | 140,000 | 140,000 | 140,000 |
| Current Assets | | | |
| Inventory | 20,611,630 | 19,362,894 | 17,507,357 |
| Accounts Receivable | 46,922,203 | 23,467,795 | 32,007,823 |
| Cash and Cash equivalent | 43,177,462 | 10,364,170 | 3,113,474 |
| Other Current Assets | 838,985 | 308,466 | 517,066 |
| Total Current Assets | 111,550,280 | 53,503,325 | 53,145,720 |
| Current Liabilities | | | |
| Accounts Payable | 59,880,844 | 35,898,110 | 35,999,432 |
| Other Current Liabilities | 8,103,577 | 7,433,497 | 24,170,618 |
| Total Current Liabilities | 67,984,421 | 43,331,607 | 60,170,050 |
| Net Current Assets | 43,565,859 | 10,171,718 | (7,024,330) |
| | 240,418,228 | 172,198,456 | 179,318,948 |

HONEY BUN (1982) LIMITED
UNAUDITED FINANCIAL STATEMENTS
3rd QUARTER 2011 ENDED 30 JUNE 2011

| Capital & Reserves | | | |
|--------------------------------|--------------------|--------------------|--------------------|
| Issued Share Capital | 45,004,600 | 40,000 | 40,000 |
| Capital Reserves | 47,389,944 | 50,109,435 | 47,849,944 |
| Retained Earnings | 121,510,894 | 90,883,468 | 88,099,404 |
| | <u>213,905,438</u> | <u>141,032,903</u> | <u>135,989,348</u> |
| Non-Current Liabilities | | | |
| Shareholders Loans | (136,568) | (2,486,126) | 393,880 |
| Deferred Tax Liabilities | 2,835,130 | - | 29,662,097 |
| Long Term Borrowings | 23,814,228 | 33,651,679 | 13,273,623 |
| | <u>240,418,228</u> | <u>172,198,456</u> | <u>179,318,948</u> |

Approved for Issue by the Board of Directors on August 12, 2011 and signed on its behalf by:



HERBERT CHONG / CHAIRMAN



MICHELLE CHONG / CEO

HONEY BUN (1982) LIMITED
 UNAUDITED FINANCIAL STATEMENTS
 3rd QUARTER 2011 ENDED 30 JUNE 2011

Statement of Cash Flows
For the nine months ended 30 June 2011
Unaudited

| | June 30 2011 | June 30 2010 |
|--|--------------|--------------|
| | \$ | \$ |
| Net profit for the period to date | 33,411,490 | 13,581,470 |
| Adjustments for: | | |
| Non cash items | 12,995,829 | 5,748,332 |
| Movement in Working Capital | (10,526,200) | 13,262,410 |
| Cash provided by Operating Activities | 35,881,119 | 32,592,212 |
| Cash used in Investing Activities | (23,504,922) | (98,194,723) |
| Cash provided by Financing Activities | 27,687,792 | 69,799,741 |
| Net Increase in Cash | 40,063,988 | 4,197,230 |
| Cash at the beginning of the period | 3,113,474 | 6,166,940 |
| Cash and Cash Equivalent at end of period | 43,177,462 | 10,364,170 |
| Represented by: | | |
| Cash and cash equivalents | 43,177,462 | 10,364,170 |
| | 43,177,462 | 10,364,170 |

Consolidated Statement of Changes in Equity
Third Quarter Ending 30 June 2011
Unaudited

| 2011 | | | | | |
|-------------------------------------|-------------------------------------|----------------------|-------------------------------|---------------------------------|---------------------|
| | Number of Shares (Units) | Shares \$ | Capital Reserve \$ | Retained Earnings \$ | Total \$ |
| Balance at 30 September 2010 | 40,000 | 40,000 | 47,849,944 | 88,099,404 | 135,989,348 |
| Other movement in equity: | | | | | - |
| Capitalization of reserves | 460,000 | 460,000 | (460,000) | - | - |
| Subdivision of Shares | 74,500,000 | | | | |
| Issue of new shares | 18,750,000 | 44,504,600 | | | 44,504,600 |
| Dividends | | | | | - |
| Net profit for the period | | | | 33,411,490 | 33,411,490 |
| Balance at 30 June 2011 | 93,750,000 | 45,004,600 | 47,389,944 | 121,510,894 | 213,905,438 |

| 2010 | | | | | |
|-------------------------------------|-------------------------------------|----------------------|-------------------------------|---------------------------------|---------------------|
| | Number of Shares (Units) | Shares \$ | Capital Reserve \$ | Retained Earnings \$ | Total \$ |
| Balance at 30 September 2009 | 40,000 | 73,000 | - | 77,301,998 | 77,374,998 |
| Other movement in equity: | | | | | - |
| Reclassification | | (33,000) | 33,000 | | - |
| Dividends | | | | | - |
| Net profit for the period | | | | 13,581,470 | 13,581,470 |
| Balance at 30 June 2010 | 40,000 | 40,000 | 50,109,435 | 90,883,468 | 141,032,903 |

COMPANY IDENTIFICATION AND PRINCIPAL ACTIVITY

The Company's principal activities comprise the manufacture and retail of baked products. The Company operates within Jamaica from its registered office located at 26 Retirement Crescent, Kingston 5.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB).

New standards and interpretations effective during the year:

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effect for the current financial year. The adoption of these did not result in any change in accounting policies and did not have any significant effect on the financial statements.

New standards and interpretations not yet effective:

At the date of the authorization of the financial statements, certain new standards, amendments to standards and interpretations of existing standards, which have been issued, are not yet effective and the Company has not yet early-adopted. The Company has assessed the relevance of all such new standards, amendments, and interpretations with respect to its operations and has concluded that there will be no significant impact on the financial statements.

(b) Basis of Measurement

HONEY BUN (1982) LIMITED
UNAUDITED FINANCIAL STATEMENTS
3rd QUARTER 2011 ENDED 30 JUNE 2011

The financial statements are prepared on the historical cost basis, except for available-for-sale investments (other than those for which a reliable measure of fair value is not available), investment properties and certain classes of property, plant and equipment which are carried at fair value.

(c) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar, unless otherwise indicated.

i. Depreciation of property, plant and equipment

Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of estimated useful lives and the expected residual values of the assets require the use of estimates and judgments. Details of the estimated useful lives are noted in the policy notes relating to property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation:

These are non-consolidated financial statements as the Company has no subsidiaries.

(b) Depreciation:

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Depreciation is calculated on the straight line basis at such rates that will write off the carrying value of the assets over the period of their estimated

HONEY BUN (1982) LIMITED
UNAUDITED FINANCIAL STATEMENTS
3rd QUARTER 2011 ENDED 30 JUNE 2011

useful lives. Each financial year, the depreciation methods, useful lives and residual values are reassessed. Annual depreciation rates are as follows:

| | |
|-----------------------|------|
| Buildings | 2.5% |
| Furniture & fixtures | 10% |
| Machinery & equipment | 10% |
| Motor vehicle | 20% |
| Computers | 25% |
| Leasehold Improvement | 2.5% |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the income statement.

Repairs and maintenance expenditure are charged to the income statement during the financial period in which they are incurred.

(c) Borrowing:

Borrowings are recognized initially at fair value net of transaction costs incurred and subsequently stated at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

HONEY BUN (1982) LIMITED
 UNAUDITED FINANCIAL STATEMENTS
 3rd QUARTER 2011 ENDED 30 JUNE 2011

4. SHARE CAPITAL

| | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| | \$ | \$ |
| Authorized: | | |
| 97,500,000 (650,000 x 150) (2010 – 40,000 shares) | 97,500,000 | 40,000 |
| Issued and fully paid: | | |
| 93,750,000 (2010 – 40,000 shares) | 45,004,600 | 40,000 |

Effective April 13, 2011, the ordinary shareholders of the Company unanimously passed a resolution in accordance with Article 76 of the Articles of Association of the Company to re-register as a public company under Section 34 of the Companies Act 2004. In addition the following resolution was passed;

- The authorized share capital of the Company was increased by 610,000 ordinary shares, from 40,000 to 650,000 ordinary shares.
- That each of the ordinary shares in the authorized and issued capital of the Company be subdivided into 150 shares.
- That \$460,000 from the Company's reserves be capitalized and issued to the existing shareholders of the Company registered at the close of business on April 13, 2011. The shares are to rank pari passu in all respects with the existing ordinary shares in issue.
- In addition by resolution of the Board of Directors date April 13, 2011, 18,750,000 ordinary shares were offered to the general public based on the terms and conditions set out in the Prospectus dated 3rd May, 2011.

HONEY BUN (1982) LIMITED
UNAUDITED FINANCIAL STATEMENTS
3rd QUARTER 2011 ENDED 30 JUNE 2011

TEN LARGEST SHAREHOLDERS AND CONNECTED PERSONS

The ten largest shareholders of the company as at 30 June 2011 were:

| Name | Joint Holders | Volume | Percentage |
|---|----------------------|---------------|-------------------|
| Michelle Chong | | 37,500,000.00 | 40 |
| Herbert Chong | | 37,500,000.00 | 40 |
| Daniel V. Chong | Dustin Chong | 3,466,600.00 | 3.7 |
| Krystal T. Chong | Dylan Chong | 3,466,600.00 | 3.7 |
| Bamboo Group Holdings Ltd | | 842,934.00 | 0.9 |
| VMWM – Client 1 (Connected party: Sushil Jain) | | 466,827.00 | 0.5 |
| Charles A.S. Heholt | | 466,667.00 | 0.5 |
| Paul H. Moses | Joan Moses | 400,000.00 | 0.43 |
| Apex Pharmacy | | 396,208.00 | 0.42 |
| Brian Thelwell | Sonia Lyn | 337,162.00 | 0.36 |