

Jamaica Broilers Group Ltd

Commentary on un-audited 1st quarter results

The Directors of Jamaica Broilers Group Ltd now release the un-audited financial results for the quarter ended August 2, 2014, which have been prepared in accordance with International Financial Reporting Standards.

The Group's revenues for the quarter amounted to \$7.9billion which, when compared to the \$7.00billion in the corresponding period last year, represents a 13% increase. Gross profits for the quarter amounted to \$1.74billion, which is 31% above the \$1.32billion of the corresponding quarter last year.

We continue to record solid growth in our US operations with the August 2013 purchase of England Farms in Arkansas. The segment results for this quarter reflect \$287million, compared to \$76million last year.

Our Best Dressed and HIPRO-ACE divisions have performed as anticipated, given the market environment with the continuing depreciation of the Jamaican currency and sluggish consumer demand.

Overall results were negatively impacted by the performance this quarter in the Ethanol Division. We are responding to approaches from a number of parties who have expressed interest in entering new fuel processing contracts.

Distribution and administrative expenses, quarter-over-quarter, essentially reflect inflation increases along with significantly increased activities in the US Operations.

The expansion in the US Operations and the depreciation in the Jamaican currency have also led to increased working capital funding requirements with attendant finance costs.

Against this background, we recorded profits attributable to stockholders amounting to \$114million which equates to earnings per share of 9.47cents, as against \$140million or 11.68cents in the corresponding period last year.

The Staff, Management and Directors continue to trust in the Lord's guidance for our company and are grateful for His blessings and provisions.



Robert Levy
Chairman



Christopher Levy
President & Chief Executive Officer

September 15, 2014

Interim Group Statement of Comprehensive Income for quarter ended August 2, 2014

	Quarter ended August 2, 2014 \$'000	Quarter ended July 27, 2013* \$'000
Revenue	7,886,648	7,020,532
Cost of Sales	<u>(6,149,719)</u>	<u>(5,697,175)</u>
Gross Profit	1,736,929	1,323,357
Other operating income	36,998	41,875
Distribution costs	(226,397)	(144,029)
Administrative and other expenses	<u>(1,289,954)</u>	<u>(974,050)</u>
Operating Profit	257,576	247,153
Finance income	5,232	5,290
Financing costs	<u>(100,249)</u>	<u>(79,472)</u>
Profit before taxation	162,559	172,971
Taxation	<u>(51,207)</u>	<u>(45,020)</u>
Net Profit	111,352	127,951
Other comprehensive income / (loss)		
Item that will be reclassified to profit or loss		
Currency translation differences on foreign subsidiaries	20,679	27,122
Total comprehensive income for the quarter	<u>132,031</u>	<u>155,073</u>
Net Profit	111,352	127,951
Non-controlling interests	<u>2,200</u>	<u>12,111</u>
Net Profit attributable to Stockholders of the company	<u>113,552</u>	<u>140,062</u>
Earnings per Stock Unit	9.47 cents	11.68 cents

* Restated

Segment Reporting Information-Consolidated Three Months ended August 02, 2014

	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Division \$000	US Operations \$000	Other \$000	Eliminations \$000	Group Total \$000
REVENUE							
External Sales	3,815,533	2,100,820	15,821	1,581,460	373,015	-	7,886,648
Inter-Segment Sales	128,319	10,817	-	579,043	250,762	(968,941)	-
Total revenue	3,943,852	2,111,636	15,821	2,160,504	623,777	(968,941)	7,886,648
RESULT							
Segment Result	234,800	156,608	(88,750)	287,251	(20,558)		569,351
Corporate expenses							(311,773)
Operating Profit							257,577
Finance Income							5,232
Finance costs							(100,249)
Profit before Taxation							162,560
Taxation							(51,207)
Net Profit							111,353

Balance Sheet

	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Operations \$000	US Operations \$000	Other Current and Non Current Assets \$000	Group Total \$000
Segment assets	1,903,025	894,313	3,723,581	3,194,491	11,145,695	20,861,105
Segment liabilities			2,068,944	1,120,849	7,426,195	10,615,987

Segment Reporting Information-Consolidated Three Months ended July 27, 2013

	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Division \$000	US Operations \$000	Other \$000	Consolidation eliminations \$000	Group Total \$000
REVENUE							
External Sales	3,501,553	2,156,241	248,222	804,713	309,803	-	7,020,532
Revenue from other segments	105,837	27,289	-	946,221	281,694	(1,361,041)	-
Total revenue	3,607,390	2,183,530	248,222	1,750,934	591,497	(1,361,041)	7,020,532
RESULT							
Segment Profit	233,717	148,865	15,711	76,177	38,656		513,125
Corporate expenses							(265,972)
Operating Profit							247,153
Financing Income							5,290
Financing costs							(79,472)
Profit before Taxation							172,971
Taxation							(45,020)
Net Profit							127,951
Balance Sheet							
	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Operations \$000	US Operations \$000	Other Current and Non Current Assets \$000		Group Total \$000
Segment assets	1,420,209	825,988	3,887,984	1,610,284	10,011,585		17,756,050
Segment liabilities			2,096,325	1,087,441	4,765,624		7,949,391

Group Statement of Financial Position as at August 2, 2014

	August 2 2014 \$'000	May 3 2014 \$'000 (Audited)	July 27 2013* \$'000
Non-Current Assets			
Property, plant and equipment	9,522,662	9,395,304	8,508,772
Intangible assets	944,425	931,016	94,197
Investment property	58,098	58,098	58,988
Available-for-sale investments	66,076	65,669	60,542
Deferred income tax	2,369	14,510	9,600
Post employment benefit assets			61,081
	<u>10,593,630</u>	<u>10,464,597</u>	<u>8,793,180</u>
Current Assets			
Inventories	4,798,939	3,693,396	3,512,829
Biological assets	2,150,451	2,267,869	1,312,078
Receivables & Prepayments	2,710,974	2,822,029	2,716,321
Taxation recoverable	-	4,057	-
Financial assets at fair value through P&L	400,421	436,046	346,570
Cash and short term investments	720,764	670,757	1,017,101
	<u>10,781,549</u>	<u>9,894,154</u>	<u>8,904,899</u>
Current Liabilities			
Payables	3,172,386	2,825,867	2,246,742
Taxation payable	201,252	155,523	74,492
Bank overdraft	377,843	166,800	137,480
Short term borrowings	1,479,572	1,379,105	814,560
Current portion of long term liabilities	1,019,207	1,089,944	1,128,826
	<u>6,250,260</u>	<u>5,617,239</u>	<u>4,402,100</u>
Net Current Assets	<u>4,531,289</u>	<u>4,276,915</u>	<u>4,502,799</u>
	<u><u>15,124,919</u></u>	<u><u>14,741,512</u></u>	<u><u>13,295,979</u></u>
Stockholders'Equity			
Share Capital	765,137	765,137	765,137
Capital Reserve	1,766,374	1,746,374	1,456,383
Retained Earnings	8,159,282	8,045,730	7,524,143
	<u>10,690,793</u>	<u>10,557,241</u>	<u>9,745,663</u>
Non-controlling interests	<u>(37,544)</u>	<u>(36,023)</u>	<u>(64,421)</u>
	<u>10,653,249</u>	<u>10,521,218</u>	<u>9,681,242</u>
Borrowings	3,819,449	3,568,071	3,231,922
Deferred income taxes	530,778	530,823	367,715
Employee Benefit Obligations	121,443	121,400	15,100
	<u>15,124,919</u>	<u>14,741,512</u>	<u>13,295,979</u>

* Restated

Group Statement of Changes in Stockholders' Equity as at August 2, 2014

	Attributable to the Company's Stockholders				Non-	Total
	Number	Share	Capital	Retained	controlling	
	of Shares	Capital	Reserves	Earnings	interests	
	000's	\$000	\$000	\$000	\$000	\$000
Balance at April 28, 2013*	1,199,277	765,137	1,432,828	7,384,081	(55,877)	9,526,169
Exchange differences on translating foreign operations			23,555		3,567	27,122
Net profit				140,062	(12,111)	127,951
Balance at July 27, 2013*	<u>1,199,277</u>	<u>765,137</u>	<u>1,456,383</u>	<u>7,524,143</u>	<u>(64,421)</u>	<u>9,681,242</u>
Balance at May 4, 2014	1,199,277	765,137	1,746,374	8,045,730	(36,023)	10,521,218
Exchange differences on translating foreign operations			20,000		679	20,679
Net profit				113,552	(2,200)	111,352
Balance at August 2, 2014	<u>1,199,277</u>	<u>765,137</u>	<u>1,766,374</u>	<u>8,159,282</u>	<u>(37,544)</u>	<u>10,653,249</u>

* Restated

Group Statement of Cash Flows (condensed) for quarter ended August 2, 2014

	August 2 2014 \$'000	July 27 2013 \$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Net Profit	111,352	127,951
Items not affecting cash resources	402,841	280,649
	<u>514,193</u>	<u>408,600</u>
Changes in operating assets and liabilities	(505,900)	(339,400)
Cash provided by/(used in) operating activities	8,293	69,200
Cash (used in) provided from investing activities	(136,600)	(94,500)
Cash provided by/(used in) financing activities	<u>(42,700)</u>	<u>(381,500)</u>
Increase /(decrease in net cash and cash equivalents	(171,007)	(406,800)
Effect of changes in exchange rates	(700)	(39,366)
Net cash and cash equivalents at beginning of year	514,628	1,325,787
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>342,921</u></u>	<u><u>879,621</u></u>

Notes to the Interim Consolidated Financial Statements

Accounting Periods

The company's financial year consists of 12 accounting periods ending on the Saturday closest to the calendar month end. The accounting year ends on the Saturday closest to April 30.

Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets. These financial statements are presented in Jamaican dollars unless otherwise indicated. The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended May 3, 2014.

Segment reporting

Management has determined the operating segments which are to be reported on. These reports are reviewed by the President and Chief Executive Officer to make strategic decisions.

Segment information is provided for reportable segments as follows:

- **Best Dressed Foods Division** - Sale of processed poultry and other products.
- **HIPRO-ACE Division** - Sale of manufactured feeds, baby chicks, layer pullets and other farm & household supplies.
- **Ethanol Division** - The processing and sale of fuel grade ethanol.
- **US Operations**- Production and sale of fertile (hatching) eggs and procurement services for customers in North America, Central America and the Caribbean.

The business is considered from a product perspective

Other operations of the Group include the sale of feed ingredients, cattle rearing, processing and sale of beef products, grow out and sale of fish and co-generation energy supply.

The accumulated segment results represent operating profits before deduction of corporate expenses.

Segment assets and liabilities are measured based on information provided to the Chief Operating Decision Maker-the President and Chief Executive Officer as follows:-

- **Best Dressed Foods Division** – Assets: Inventories and receivables.
- **HIPRO-ACE Division** - Assets: Inventories and receivables.
- **Ethanol Division** - Assets and Liabilities as shown on Balance Sheet of JB Ethanol Ltd subsidiary.
- **US Operations**- Assets and liabilities as shown on Balance Sheets of operations in the USA
- **Other** – Assets and liabilities not identified above.

Agriculture

Current assets include biological assets with a carrying value of \$2.150billion as at August 2, 2014 (\$2.268billion at May 3, 2014).

Biological assets include poultry breeder flocks, hatching eggs, baby chicks, chicken being grown out, cattle, fish and started pullets (layers).