

Jamaica Broilers Group Ltd

Commentary on un-audited 2nd quarter results

The Directors of Jamaica Broilers Group Ltd now release the un-audited financial results for the quarter ended November 1, 2014, which have been prepared in accordance with International Financial Reporting Standards.

The Group's revenues for the quarter amounted to \$8.7billion which, when compared to the \$7.5billion in the corresponding period last year, represents a 16% increase. Gross profits for the quarter amounted to \$1.75billion, which is 17% above the \$1.49billion of the corresponding quarter last year.

The US Operations continue to grow and has become a significant contributor to the profits in the Group, with good prospects for further growth. The year to date segment profit reflects \$572million, compared to \$202million last year, which represents a 183% increase.

The opportunity to do new business in the Ethanol Division looks promising with income already received for October and November. Long term agreements in this respect are being negotiated.

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

The capital expenditure on the silos at the Feed Mill in Jamaica, the expansion in the US Operations and the depreciation in the Jamaican currency called for increased working capital funding. Between Oct 2013 and Oct 2014 the company's cost of funds also increased by 200 basis points representing a 22% increase in nominal terms. This resulted in the increase in finance costs shown.

The increase noted in the marginal tax rate is mainly due to the higher tax charges incurred in the US Operations.

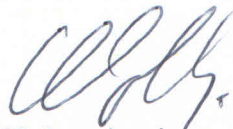
Profits attributable to stockholders for this quarter were affected by lack of income in the ethanol operation in the first 2 months, along with general market conditions in Jamaica brought about by the high levels of imported poultry products, tightening of the economy and low consumer spending. Against this background, profits for this quarter amounted to \$103 million which equates to earnings per share of 8.56 cents as against \$184 million or 15.31 cents in the corresponding period last year.

The sale of shares in Aquaculture Jamaica Ltd was completed this quarter at a transaction value of \$90mln.

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

December 15, 2014

Ja Broilers Group Limited

Interim Group Statement of Comprehensive Income for Quarter ended November 1, 2014

	Quarter ended November 1, 2014 \$000	Quarter ended October 26, 2013* \$000	Six months ended November 1, 2014 \$000	Six months ended October 26, 2013* \$000
Revenue	8,676,238	7,481,128	16,562,886	14,501,660
Cost of Sales	(6,927,211)	(5,991,137)	(13,076,930)	(11,688,312)
Gross Profit	1,749,027	1,489,991	3,485,956	2,813,348
Other operating (expense)/income	(6,952)	43,966	30,046	85,841
Distribution costs	(237,995)	(191,417)	(464,392)	(335,447)
Administrative and other expenses	(1,185,980)	(1,067,612)	(2,475,934)	(2,041,661)
Operating Profit	318,100	274,928	575,676	522,081
Finance income	7,689	2,195	12,921	7,485
Finance costs	(180,891)	(87,965)	(281,140)	(167,437)
Profit before taxation	144,898	189,158	307,457	362,129
Taxation	(45,954)	(16,422)	(97,161)	(61,442)
Net Profit after tax	98,944	172,736	210,296	300,687
Other comprehensive income / (loss)				
Item that will be reclassified to profit or loss				
Currency translation differences on foreign subsidiaries	39,733	94,696	60,412	121,818
Total Comprehensive Income	138,677	267,432	270,708	422,505
Net Profit attributable to Stockholders of the company	102,627	183,603	216,179	323,665
Non-controlling interests	(3,683)	(10,867)	(5,883)	(22,978)
Net Profit	98,944	172,736	210,296	300,687
Earnings per Stock Unit-cents	8.56	15.31	18.03	26.99

*Restated

Segment Reporting Information-Consolidated Six Months ended November 01, 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	7,976,629	4,162,631	41,068	3,586,497	796,062	-	16,562,886
Inter-Segment Sales	263,235	20,959	-	1,082,214	497,108	(1,863,516)	-
Total revenue	8,239,864	4,183,590	41,068	4,668,710	1,293,170	(1,863,516)	16,562,886
RESULT							
Segment Result	390,107	310,824	(143,786)	571,934	(51,344)		1,077,734
Corporate expenses							(502,058)
Operating Profit							575,676
Finance Income							12,921
Finance costs							(281,140)
Profit before Taxation							307,457
Taxation							(97,161)
Net Profit							210,296

Balance Sheet

	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Division \$000	US Operations \$000	Other Current and Non Current Assets \$000	Group Total \$000
Segment assets	1,717,672	985,790	3,653,914	3,201,039	12,026,697	21,585,112
Segment liabilities			2,070,529	1,463,315	7,355,407	10,889,251

Segment Reporting Information-Consolidated Six Months ended October 26, 2013

	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	7,121,550	4,200,014	444,502	2,146,326	589,268	-	14,501,660
Inter-Segment Sales	210,921	40,289	-	1,106,899	493,588	(1,851,697)	-
Total revenue	7,332,471	4,240,303	444,502	3,253,225	1,082,857	(1,851,697)	14,501,660
RESULT							
Segment Result	436,330	309,876	26,512	202,457	87,619		1,062,794
Corporate expenses							(540,714)
Operating Profit							522,080
Finance Income							7,485
Finance costs							(167,437)
Profit before Taxation							362,128
Taxation							(61,442)
Net Profit							300,686
Balance Sheet							
	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Division \$000	US Operations \$000	Other Current and Non Current Assets \$000		Group Total \$000
Segment assets	1,194,788	884,635	3,623,623	3,971,538	9,420,182		19,094,766
Segment liabilities			1,904,427	997,292	6,378,035		9,279,754

Group Statement of Financial Position as at November 1,2014

	November 1 2014 \$000	May 3 2014 \$000 (Audited)	October 26 2013* \$000
Non-Current Assets			
Property, plant and equipment	9,470,981	9,395,304	9,015,795
Intangible assets	908,901	931,016	693,357
Investment property	58,988	58,098	58,988
Investments	66,399	65,669	62,168
Deferred income tax	2,369	14,510	2,070
Post-employment benefit assets			64,991
	<u>10,507,638</u>	<u>10,464,597</u>	<u>9,897,369</u>
Current Assets			
Inventories	4,493,305	3,693,396	3,269,581
Biological assets	2,399,076	2,267,869	1,982,768
Receivables & Prepayments	2,880,258	2,822,029	2,792,634
Taxation recoverable		4,057	
Financial assets at fair value through P&L	379,663	436,046	374,449
Cash and short term investments	925,172	670,757	777,965
	<u>11,077,474</u>	<u>9,894,154</u>	<u>9,197,397</u>
Current Liabilities			
Payables	2,941,832	2,825,867	2,838,382
Dividend payable	95,943		95,943
Taxation payable	144,393	155,523	63,098
Bank overdraft	266,261	156,129	143,960
Short term borrowings	1,584,680	1,449,686	1,068,275
Current portion of long term borrowings	1,115,371	1,030,034	1,103,693
	<u>6,148,480</u>	<u>5,617,239</u>	<u>5,313,351</u>
Net Current Assets	<u>4,928,994</u>	<u>4,276,915</u>	<u>3,884,046</u>
	<u>15,436,632</u>	<u>14,741,512</u>	<u>13,781,415</u>
Stockholders'Equity			
Share Capital	765,137	765,137	765,137
Capital Reserve	1,805,656	1,746,374	1,551,079
Retained Earnings	8,165,966	8,045,730	7,563,753
	<u>10,736,759</u>	<u>10,557,241</u>	<u>9,879,969</u>
Non-controlling interest	<u>(40,776)</u>	<u>(36,023)</u>	<u>(75,288)</u>
	<u>10,695,983</u>	<u>10,521,218</u>	<u>9,804,681</u>
Non-Current Liabilities			
Borrowings	4,041,000	3,568,071	3,558,390
Deferred income taxes	578,249	530,823	403,544
Employee Benefit Obligations	121,400	121,400	14,800
	<u>15,436,632</u>	<u>14,741,512</u>	<u>13,781,415</u>

*Restated re IAS19 revised

Group Statement of Changes in Stockholders' Equity as at November 1, 2014

	Attributable to the Company's Stockholders				Non- controlling Interests \$000	Total \$000
	Number of Shares 000's	Share Capital \$000	Capital Reserves \$000	Retained Earnings \$000		
Balance at April 28, 2013	1,199,277	765,137	1,432,828	7,505,931	(55,877)	9,648,019
IAS 19 Revised adjustment re Pension Fund Surplus				(169,900)		(169,900)
Balance at April 28, 2013-Restated*	1,199,277	765,137	1,432,828	7,336,031	(55,877)	9,478,119
Exchange differences on translating foreign operations			118,251		3,567	121,818
Net profit				323,665	(22,978)	300,687
Dividend				(95,943)		(95,943)
Balance at October 26, 2013	1,199,277	765,137	1,551,079	7,563,753	(75,288)	9,804,681
Balance at May 3, 2014	1,199,277	765,137	1,746,374	8,045,730	(36,023)	10,521,218
Exchange differences on translating foreign operations			59,282		1,130	60,412
Net Profit				216,179	(5,883)	210,296
Dividend				(95,943)		(95,943)
Balance at November 1, 2014	1,199,277	765,137	1,805,656	8,165,966	(40,776)	10,695,983

*Restated re IAS19 Revised

Group Statement of Cash Flows (condensed) for quarter ended November 1, 2014

	November 1	October 26
	2014	2013
	\$000	\$000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Net Profit	210,296	300,687
Items not affecting cash resources	820,804	531,570
	<u>1,031,100</u>	<u>832,257</u>
Changes in non-cash working capital components	(891,500)	129,500
Cash provided by/(used in) operations	139,600	961,757
Cash (used in)/ provided by investing activities	(296,500)	(1,758,600)
Cash provided by/(used in) financing activities	305,500	142,415
Increase /(decrease) in net cash and cash equivalents	148,600	(654,428)
Effect of changes in exchange rates	(4,317)	(37,354)
Net cash and cash equivalents at beginning of year	514,628	1,325,787
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>658,911</u>	<u>634,005</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, and co-generation energy supply. In Haiti: production and sale of baby chicks, table eggs, processed chicken and layer pullets

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 \$2.399billion as at November 1, 2014 (\$2.268billion at May 3, 2014).

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