

Jamaica Broilers Group Ltd

Commentary on un-audited 3rd quarter results

The Directors of Jamaica Broilers Group Ltd now release the un-audited financial results for the quarter ended January 25, 2014, which have been prepared in accordance with International Financial Reporting Standards.

The Group's revenues for the quarter amounted to \$7.8billion which, when compared to the \$7.00billion in the corresponding period last year, represents a 10% increase. Gross profits for the quarter amounted to \$1.60billion, which is 7% above the \$1.49billion of the corresponding quarter last year.

We are greatly encouraged by the ongoing improvement in the performance of our US operations, now identified in the segment reporting information. With the expanded fertile egg production in Georgia and inclusion of the recently acquired England Farms in Arkansas, these operations continue to contribute in a meaningful way to our results. The segment results reflect the improvement in year to date results; now at \$283million compared to the year to date of \$30million last year.

Our Best Dressed and HIPRO-ACE divisions have performed as anticipated, given the market environment with the rapid depreciation of the Jamaican currency in the recent quarters and sluggish consumer demand, given lower disposable incomes. In this market environment, we decided not to effect all the upward selling price adjustments that would cover increases in operating costs.

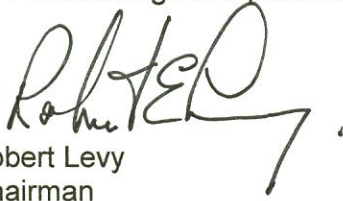
In the Ethanol operations, contracts are still in place for the remainder of this financial year however, revenues in this quarter primarily reflect non- tolling fees.

Distribution, selling and administrative costs, quarter -over -quarter, essentially reflect inflation increases along with costs related to organizational strengthening and 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 interest costs.

Against this background, we recorded profits attributable to stockholders amounting to \$188million which equates to earnings per share of 15.72cents, as against \$284million or 23.69cents in the corresponding period last year. The year-to-date position amounting to \$512million (42.71 cents per stock unit) is \$50million (9%) below the \$562million (46.85 cents per stock unit) 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 provision.



Robert Levy
Chairman



Aubyn Hill
Director

March 4, 2014

Interim Group Statement of Comprehensive Income for quarter ended January 25, 2014

	Quarter ended January 25, 2014 \$000	Quarter ended January 26, 2013 \$000	Nine months ended January 25, 2014 \$000	Nine months ended January 26, 2013 \$000
Revenue	7,775,338	7,001,841	22,276,998	19,150,799
Cost of Sales	(6,172,167)	(5,508,684)	(17,860,479)	(15,377,907)
Gross Profit	1,603,171	1,493,157	4,416,519	3,772,892
Other operating income/ (expense)	(774)	35,600	85,067	103,539
Distribution & selling expenses	(327,989)	(258,200)	(943,600)	(720,700)
Administrative and other expenses	(941,514)	(884,953)	(2,703,011)	(2,315,413)
Operating Profit	332,894	385,604	854,975	840,318
Finance income	2,676	3,353	10,161	10,061
Finance costs	(108,469)	(57,152)	(275,906)	(180,913)
Profit before taxation	227,101	331,805	589,230	669,466
Taxation	(45,048)	(47,729)	(106,490)	(107,562)
Net Profit after tax	182,053	284,076	482,740	561,904
Other comprehensive income / (loss)				
Currency translation differences on foreign subsidiaries	49,685	98,027	167,936	215,456
Total comprehensive income	231,738	382,103	650,676	777,360
Net Profit	182,053	284,076	482,740	561,904
Non-controlling interests	6,438		29,416	
Net Profit attributable to Stockholders of the company	188,491	284,076	512,156	561,904
Earnings per Stock Unit-cents	15.72	23.69	42.71	46.85

Segment Reporting Information-Consolidated Nine Months ended January 25, 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	11,105,586	6,463,377	496,724	3,215,085	996,225	-	22,276,998
Inter-Segment Sales	321,629	46,451	-	1,604,829	715,763	(2,688,673)	-
Total revenue	11,427,215	6,509,828	496,724	4,819,914	1,711,988	(2,688,673)	22,276,998
RESULT							
Segment Result	778,377	528,502	(37,195)	283,334	109,724		1,662,742
Corporate expenses							(807,767)
Operating Profit							854,975
Finance Income							10,161
Finance costs							(275,906)
Profit before Taxation							589,230
Taxation							(106,490)
Net Profit							482,740
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	1,164,571	898,000	3,680,675	3,948,993	9,657,185		19,349,424
Segment liabilities			2,001,931	2,749,782	4,652,003		9,403,716

Segment Reporting Information-Consolidated Nine Months ended January 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	9,606,328	6,579,692	1,365,808	1,068,577	530,393	-	19,150,799
Inter-Segment Sales	118,715	100,607	-	1,335,037	726,134	(2,280,491)	-
Total revenue	9,725,043	6,680,299	1,365,808	2,403,614	1,256,526	(2,280,491)	19,150,799
RESULT							
Segment Result	633,719	749,249	73,847	30,440	164,233		1,651,489
Corporate expenses							(811,171)
Operating Profit							840,318
Finance Income							10,061
Finance costs							(180,913)
Profit before Taxation							669,466
Taxation							(107,562)
Net Profit							561,904
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	1,219,411	830,763	3,826,501	1,285,694	10,227,864		17,390,233
Segment liabilities			2,121,210	832,253	5,389,034		8,342,498

*** Restated

Group Statement of Financial Position as at January 25, 2014

	January 25 2014 \$'000	April 27 2013 \$'000 (Audited)	January 26 2013 \$'000
Non-Current Assets			
Property, plant and equipment	9,230,443	8,308,510	8,026,564
Intangible assets	542,256	105,702	47,963
Investment property	58,988	58,988	
Investments	63,270	60,289	35,422
Deferred income tax	2,070	9,113	45,429
Post-employment benefit assets	65,064	64,800	462,315
Goodwill on acquisition	133,040		
	<u>10,095,131</u>	<u>8,607,402</u>	<u>8,617,693</u>
Current Assets			
Inventories	3,442,189	2,964,774	3,581,989
Biological assets	1,974,422	1,344,672	1,286,024
Receivables & Prepayments	2,547,797	2,213,526	2,272,120
Taxation recoverable		3,655	
Financial assets at fair value through profit or loss	378,790	741,048	674,220
Cash and short term investments	1,012,136	1,511,999	1,271,688
	<u>9,355,334</u>	<u>8,779,674</u>	<u>9,086,041</u>
Current Liabilities			
Payables	2,979,298	1,879,759	2,369,753
Taxation payable	104,335	116,024	227,493
Bank overdraft	348,509	186,212	217,192
Short term borrowings	1,021,816	817,493	1,005,015
Current portion of long term liabilities	1,001,523	1,198,429	1,161,265
	<u>5,455,481</u>	<u>4,197,917</u>	<u>4,980,718</u>
Net Current Assets	<u>3,899,853</u>	<u>4,581,757</u>	<u>4,105,323</u>
	<u><u>13,994,984</u></u>	<u><u>13,189,159</u></u>	<u><u>12,723,016</u></u>
Stockholders'Equity			
Share Capital	765,137	765,137	765,137
Capital Reserve	1,430,864	1,262,928	1,551,370
Retained Earnings	7,922,144	7,505,931	7,044,728
	<u>10,118,145</u>	<u>9,533,996</u>	<u>9,361,235</u>
Non-controlling interest	<u>(81,726)</u>	<u>(55,877)</u>	
	<u>10,036,419</u>	<u>9,478,119</u>	
Non-Current Liabilities			
Shareholder loan payable		43,643	
Borrowings	3,540,221	3,241,562	2,871,051
Deferred income taxes	403,544	411,035	476,530
Employee Benefit Obligations	14,800	14,800	14,200
	<u>13,994,984</u>	<u>13,189,159</u>	<u>12,723,016</u>

Consolidated Statement of Changes in Stockholders' Equity as at January 25, 2014

	Attributable to the Company's Stockholders				Non-Controlling Interests	Total
	Number of Shares 000's	Share Capital \$000	Capital Reserves \$000	Retained Earnings \$000		
Balance at April 29,2012	1,199,277	765,137	1,022,414	6,578,766		8,366,317
IAS 19 Revised adjustment re Pension Fund Surplus			313,500			313,500
Balance at April 29, 2012-Restated	1,199,277	765,137	1,335,914	6,578,766	-	8,679,817
Exchange differences on translating foreign operations			215,456			215,456
Net profit				561,904		561,904
Dividend				(95,942)		(95,942)
Balance at January 26, 2013	1,199,277	765,137	1,551,370	7,044,728		9,361,235
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 as at April 28,2013 -Restated	1,199,277	765,137	1,262,928	7,505,931	(55,877)	9,478,119
Exchange differences on translating foreign operations			167,936		3,567	171,503
Net profit				512,156	(29,416)	482,740
Dividend				(95,943)		(95,943)
Balance at January 25, 2014	1,199,277	765,137	1,430,864	7,922,144	(81,726)	10,036,419

Consolidated Statement of Cash Flows (Condensed) for nine months ended January 25, 2014

	January 25 2014 \$000	January 26 2013 \$000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
Net Profit	482,740	561,904
Items not affecting cash resources	841,500	721,300
	<u>1,324,240</u>	<u>1,283,204</u>
Changes in non-cash working capital components	375,000	(989,500)
Cash provided by/(used in) operations	<u>1,699,240</u>	<u>293,704</u>
Cash provided by/(used in) financing activities	(232,900)	816,600
Cash (used in) provided by investing activities	<u>(2,082,200)</u>	<u>(1,062,400)</u>
Increase /(decrease) in net cash and cash equivalents	(615,860)	47,904
Effects of changes in exchange rates	(46,300)	(5,100)
Net cash and cash equivalents at beginning of year	<u>1,325,787</u>	<u>1,011,692</u>
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>663,627</u></u>	<u><u>1,054,496</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 April 27, 2013, except for the retrospective implementation in the previous quarter of IAS19 revised which has resulted in adjustments -at April 29, 2012 and April 28, 2013 -to carrying value on the statement of financial position of post – employment benefit assets and shareholders' equity

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 \$1.974.4billion as at January 25, 2014 (\$1.344billion at April 27, 2013). Biological assets include poultry breeder flocks, hatching eggs, baby chicks, chicken being grown out, cattle, fish and started pullets (layers).

Business Combinations

During the previous quarter the acquisition of 100% of the equity of England Packing Group and subsidiary England Farms Inc.- Arkansas, USA and Hamilton's Smokehouse Ltd-Jamaica were completed. The principal activity of England Farms Inc. is the rearing of poultry for fertile egg production for sale, primarily to customers external to the group. The principal activity of Hamilton's Smokehouse Ltd is the smoking and processing of meats for sale to hotels, restaurants and retail outlets. The fair value of tangible assets, intangible assets acquired and liabilities is set out below:-

	<u>J\$mIn</u>		<u>J\$mIn</u>
<u>Tangible assets</u>		<u>Intangible assets</u>	<u>487</u>
Property, plant and equipment,			
Biological assets, receivables	<u>748</u>		
		<u>Liabilities – mainly trade payables</u>	<u>156</u>