

## **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 October 26, 2013, which have been prepared in accordance with International Financial Reporting Standards.

The Group's revenues for the quarter amounted to \$7.5billion which, when compared to the \$6.1billion in the corresponding period last year, represents a 23% increase. Gross profits for the quarter amounted to \$1.49billion, which is 30% over the \$1.15billion of the corresponding period last year.

The US operations, now identified in the segment reporting information, reported a significant quarter-over-quarter increase in revenues and segment results. This is mainly attributed to the expansion in fertile egg production in Georgia and inclusion of the recently acquired England Farms in Arkansas. The US operations now represent 19% of the Group's segment results.

Our Best Dressed and HIPRO-ACE divisions continue to perform although market conditions presented some constraints.

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.

Against this background, we recorded profits attributable to stockholders amounting to \$184million which equates to earnings per share of 15.31 cents, as against \$151million or 12.57 cents last year. This reflects a 22% increase.

The acquisitions of England Farms Inc, Arkansas, USA and Hamilton's Smokehouse Limited, Jamaica were completed during this quarter. These acquisitions have, on consolidation, increased tangible assets, intangible assets and goodwill by \$ 748million, \$487million and \$133million respectively. Liabilities were also increased by \$156mln

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



Robert Levy  
Chairman



Christopher Levy  
President & Chief Executive Officer

December 5, 2013

## Ja Broilers Group Limited

## Interim Group Statement of Comprehensive Income for Quarter ended October 26, 2013

	Quarter ended October 26, 2013 \$000	Quarter ended October 27, 2012 \$000	Six months ended October 26, 2013 \$000	Six months ended October 27, 2012 \$000
<b>Revenue</b>	7,481,128	6,121,186	14,501,660	12,148,958
Cost of Sales	(5,991,137)	(4,970,635)	(11,688,312)	(9,869,223)
<b>Gross Profit</b>	1,489,991	1,150,551	2,813,348	2,279,735
Other operating (expense)/income	43,966	37,932	85,841	67,939
Distribution and selling expenses	(335,676)	(241,323)	(615,611)	(462,500)
Administrative and other expenses	(923,353)	(691,478)	(1,761,497)	(1,430,460)
<b>Operating Profit</b>	274,928	255,682	522,081	454,714
Finance income	2,195	3,103	7,485	6,708
Finance costs	(87,965)	(73,028)	(167,437)	(123,761)
<b>Profit before taxation</b>	189,158	185,757	362,129	337,661
Taxation	(16,422)	(35,015)	(61,442)	(59,833)
<b>Net Profit after tax</b>	172,736	150,742	300,687	277,828
Other comprehensive income / (loss)				
Currency translation differences on foreign subsidiaries	91,129	22,521	118,251	117,429
<b>Total Comprehensive Income</b>	263,865	173,263	418,938	395,257
<b>Net Profit</b>	172,736	150,742	300,687	277,828
Non-controlling interests	10,867		22,978	
<b>Net Profit attributable to Stockholders of the company</b>	183,603	150,742	323,665	277,828
Earnings per Stock Unit-cents	15.31	12.57	26.99	23.17

## 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
<b>REVENUE</b>							
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)	-
<b>Total revenue</b>	<b>7,332,471</b>	<b>4,240,303</b>	<b>444,502</b>	<b>3,253,225</b>	<b>1,082,857</b>	<b>(1,851,697)</b>	<b>14,501,660</b>
<b>RESULT</b>							
Segment Result	436,330	309,876	26,512	202,457	87,619		1,062,794
Corporate expenses							(540,714)
<b>Operating Profit</b>							<b>522,080</b>
Finance Income							7,485
Finance costs							(167,437)
<b>Profit before Taxation</b>							<b>362,128</b>
Taxation							(61,442)
<b>Net Profit</b>							<b>300,686</b>
<b>Balance Sheet</b>							
	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	9,319,142		18,993,726
Segment liabilities			1,904,427	2,831,494	4,543,833		9,279,754

## Segment Reporting Information-Consolidated Six Months ended October 27, 2012\*\*\*

	Best Dressed Foods Division \$000	HIPRO-ACE Division \$000	Ethanol Division \$000	US Operations \$000	Other \$000	Eliminations \$000	Group Total \$000
<b>REVENUE</b>							
External Sales	6,173,116	4,236,163	733,423	669,024	337,232	-	12,148,958
Inter-Segment Sales	75,875	62,431	-	986,326	437,643	(1,562,275)	-
<b>Total revenue</b>	<b>6,248,991</b>	<b>4,298,594</b>	<b>733,423</b>	<b>1,655,350</b>	<b>774,875</b>	<b>(1,562,275)</b>	<b>12,148,958</b>
<b>RESULT</b>							
Segment Result	349,631	501,419	(7,479)	19,180	75,435		938,185
Corporate expenses							(483,471)
<b>Operating Profit</b>							<b>454,714</b>
Finance Income							6,708
Finance costs							(123,761)
<b>Profit before Taxation</b>							<b>337,661</b>
Taxation							(59,833)
<b>Net Profit</b>							<b>277,828</b>
<b>Balance Sheet</b>							
	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	1,324,655	918,433	3,771,552	1,052,868	9,212,954		16,280,463
Segment liabilities			2,333,912	616,082	4,569,743		7,519,738

\*\*\* Restated

**Group Statement of Financial Position as at October 26,2013**

	October 26 2013 \$000	April 27 2013 \$000 (Audited)	October 27 2012 \$000
<b>Non-Current Assets</b>			
Property, plant and equipment	9,015,795	8,308,510	7,584,877
Intangible assets	560,317	105,702	51,460
Investment property	58,988	58,988	
Investments	62,168	60,289	34,594
Deferred income tax	2,070	9,113	45,429
Post-employment benefit assets	64,991	64,800	** 462,205
Goodwill on acquisition	133,040		
	<u>9,897,369</u>	<u>8,607,402</u>	<u>8,178,565</u>
<b>Current Assets</b>			
Inventories	3,269,581	2,964,774	3,594,142
Biological assets	1,982,768	1,344,672	1,186,376
Receivables & Prepayments	2,792,634	2,213,526	2,092,786
Taxation recoverable		3,655	
Financial assets at fair value through P&L	374,449	741,048	641,090
Cash and short term investments	777,965	1,511,999	901,002
	<u>9,197,397</u>	<u>8,779,674</u>	<u>8,415,396</u>
<b>Current Liabilities</b>			
Payables	2,838,382	1,879,759	2,199,377
Dividend payable	95,943		
Taxation payable	63,098	116,024	235,931
Bank overdraft	143,960	186,212	189,533
Short term borrowings	1,068,275	817,493	1,005,771
Current portion of long term borrowings	1,103,693	1,198,429	1,192,480
	<u>5,313,351</u>	<u>4,197,917</u>	<u>4,823,092</u>
<b>Net Current Assets</b>	<u>3,884,046</u>	<u>4,581,757</u>	<u>3,592,304</u>
	<u>13,781,415</u>	<u>13,189,159</u>	<u>11,770,869</u>
<b>Stockholders'Equity</b>			
Share Capital	765,137	765,137	765,137
Capital Reserve	1,381,179	1,262,928	1,453,343
Retained Earnings	7,733,653	7,505,931	** 6,856,594
	<u>9,879,969</u>	<u>9,533,996</u>	<u>9,075,074</u>
<b>Non-controlling interest</b>	<u>(75,288)</u>	<u>(55,877)</u>	
	9,804,681	9,478,119	
<b>Non-Current Liabilities</b>			
Shareholder loan payable		43,643	
Borrowings	3,558,390	3,241,562	2,205,937
Deferred income taxes	403,544	411,035	475,658
Employee Benefit Obligations	14,800	14,800	14,200
	<u>13,781,415</u>	<u>13,189,159</u>	<u>11,770,869</u>

\*\* Restated re IAS19 revised

**Group Statement of Changes in Stockholders' Equity as at October 26, 2013**

	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 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			117,429			117,429
Net profit				277,828		277,828
Balance at October 27, 2012	1,199,277	765,137	1,453,343	6,856,594	-	9,075,074
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	1,262,928	7,505,931	(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	1,381,179	7,733,653	(75,288)	9,804,681

## Group Statement of Cash Flows (condensed) for quarter ended October 26,2013

	October 26 2013 \$000	October 27 2012 \$000
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
Operating Activities		
Net Profit	300,687	277,828
Items not affecting cash resources	531,570	542,749
	<u>832,257</u>	<u>820,577</u>
Changes in non-cash working capital components	129,500	(836,100)
Cash provided by/(used in) operations	961,757	(15,523)
Cash (used in)/ provided by investing activities	(1,758,600)	(772,100)
Cash provided by/(used in) financing activities	142,415	491,000
Increase /(decrease) in net cash and cash equivalents	(654,428)	(296,623)
Effect of changes in exchange rates	(37,354)	(3,600)
Net cash and cash equivalents at beginning of year	1,325,787	1,011,692
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>634,005</u></u>	<u><u>711,469</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 this 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 \$1.983billion as at October 26, 2013 (\$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 this 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>