

TRAFALGAR DEVELOPMENT BANK LTD

DIRECTORS ' REPORT

The Directors of Seprod Limited submit herewith their Annual Report and Audited Accounts for the year ended December 31, 1995.

Financial Results

The Group ended the year with a profit before tax and exceptional items of \$15,266,000 and a net loss attributable to shareholders of \$46,024,000. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the Company are set out in the Chief Executive Officer's and Deputy Managing Director's Reports and in the Financial Statements which are included as part of the report.

Capital Distribution/Dividend

At the meeting of the Board of Directors held on March 4, 1996, it was decided that the Company pay an interim capital distribution of thirty (30) cents per ordinary stock unit less transfer tax to stockholders on record as at April 15, 1996. The payment date for the capital distribution is April 29, 1996.

The Directors do not recommend a further payment of capital distribution/dividend.

Directors

In accordance with Articles 89 and 91 of the Company's Articles of Association, the following named directors are retiring from office and are eligible for

re-election:

Mr. A.R. Diaz, Mr. G. Marsh, Mr. P.J. Thwaites, Mr. P. Bourke

Auditors

The Auditors, Messrs. Price Waterhouse have intimated their willingness to continue in office. The Directors recommend their re-appointment.

AUDIT COMMITTEE

The Board of Directors of Seprod Limited exercises its responsibilities for the Financial Statements included in this Report through its Audit Committee, consisting of non-management Board members: Chairman, Mr. Douglas Orane, and members, Messrs. G. Marsh, E.T. Zaidie and Carl Chantrielle.

The independent accountants and internal auditors have full and free access to the Audit Committee. The Audit Committee meets quarterly with the independent accountants and the Internal Audit Department, both privately and with management present, to discuss accounting, auditing and financial reporting matters.

EMPLOYEES

The Directors wish to express their appreciation for the loyal services of the employees throughout the year.

Submitted on behalf of the Board of Directors

A.D Blades
Chairman

Dated the 1st day of April, 1996

CHAIRMAN ' S STATEMENT

Clearly the most significant event of the year under review was the closure in December 1995 of the soap, detergent and bleach plants and the subsequent sale to Colgate-Palmolive of the Brand names under which we had manufactured these products for some thirty years.

While I regret the circumstances which made this divestment decision necessary, the Seprod Group is much stronger financially as a result. We no longer have all our eggs in the manufacturing basket and are able to use the new injection of capital to diversify into other areas. Until we have a clearer signal as to what will happen to the economy in 1996, however, it would be premature to be more specific.

Special Thanks

I am sure that shareholders would wish me to say a special word of thanks to Dr. Ralph Thompson, Seprod's Group Managing Director and Chief Executive Officer for the pivotal role he played in initiating the negotiations with Colgate and bringing them to a successful conclusion.

We should bear in mind that sales attributable to the plants which have been closed only amount to 25% of our total turn-over. Our stewardship of the remaining 75% of our core business remains the challenge of the future, especially Caribbean Products Limited, our flagship subsidiary, which manufactures cooking oils, margarines and shortenings.

During 1995, Mr. Byron Thompson, our Deputy Group Managing Director, assumed direct operational responsibility for getting Caribbean Products back on track after a shaky start early in the year and I thank him for a job well done.

Mr. Michael Smith, the previous General Manager of Jamaica Detergents Limited, has been appointed General Manager of Caribbean Products and will also be responsible for Jamaica Grain and Cereals which manufactures Daffodil cornmeal and other related products.

Trading Profit

Although the 1995 accounts show an overall loss of \$46 million, this includes heavy redundancy payments resulting from the plant closures and it is a matter of some satisfaction to me that despite a hostile business environment the Group ended the year with a trading profit before taxation of \$15 million.

Industrial Disputes Tribunal

Our Balance Sheet continues to be strong but I must warn that there is a limit to the assaults which it can withstand, especially from unreasonable demands for higher wages without a corresponding increase in productivity. The national debate on the need for a Social Partnership apart, I would wish that the Industrial Disputes Tribunal would show more restraint and consistency in the wage increases which they award. Every award sends a signal to unions and the wider business sector and creates a base for further escalations. This cannot be in the national interest.

1996 will undoubtedly be even more difficult than 1995 but I can assure shareholders that Seprod is now able to face the future with renewed confidence and energy.

I wish to thank my fellow directors for their support and guidance and to express my appreciation to management and staff for pulling together as a team to get us through the ups and downs of a traumatic year.

A.D. Blades

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Consolidated net sales for 1995 were \$1.8 billion - almost exactly the same as in 1994. However, steps taken to control expenses despite a 38% increase in unionized wages were successful, with the result that we were able to achieve a modest pre-tax trading profit of \$15 million compared with \$81 million in 1994.

Painful Decisions

In my statement last year, I advised shareholders that some painful decisions would have to be taken in 1995 to ensure survival of the Seprod Group in a hostile economic environment which showed no signs of improvement. This has turned out to be the case. In July we closed Jamaica Feeds Limited in which we owned 60% of the shares and in December we closed our soap, detergent and bleach plants which were operated by wholly owned subsidiaries. As a result of these closures, some 220 employees were made redundant.

Other Developments

Two other developments in 1995 call for comment. During the year the Jamaica Commodity Trading Company's suit against Seprod which had occasioned a provision of \$21.5 million in our accounts was settled for \$8 million and I am pleased that good sense prevailed. The Goldcrest liquidator was able to make some cash distributions of which Seprod received \$11.6 million. Any further Goldcrest distributions are expected to be minor.

Financial Ratios

I set out below comparative financial ratios which show that despite pressure on profits, our Balance Sheet continues to be strong.

Financial Ratios	1995	1994
Working Capital	1.88:1	2.1:1
Collection Period	40.8 days	27 days
Inventory Turnover	12 times	8.3 times
Debt to Net Worth	1:11	1:12
Pre-tax Trading Profit to Total Assets	1.2%	6%
Pre-tax Trading Profit to Sales	0.8%	4.7%

New Capital Injection

Proper management of our accounts receivable and inventories allowed us to end the year with only minimum debt which means that some \$224 million received from Colgate Palmolive for the sale of our soap, detergent and bleach brands is in effect new capital available to produce investment income.

As a result of "down-sizing" over the past four years, senior management is now able to focus all its energies on Seprod's remaining profit centres, all of which are expected to make contributions to the Group's profitability. The plants which have been closed accounted for only 25% of total sales in 1995, so we still have a substantial and diversified core business divided between manufacturing (Caribbean Products Limited and Jamaica Grain and Cereals Limited), distribution (Industrial Sales Limited) and wharfage and warehousing (Seprod Wharf and Storage Limited).

Future Prospects

There can be little doubt that 1996 is going to be a precarious year for business in Jamaica. All members of the Seprod family - shareholders, directors, management and employees - should be able to breathe a sigh of relief that the Group is now sufficiently diversified to withstand the challenges which lie ahead. The vision of a "New Seprod" has been

enthusiastically accepted by the Board of Directors and this becomes a collective commitment to the future success of the Group. I am grateful to the Board for its support and willingness to take difficult decisions. I am also very grateful to the management team and our employees who have performed so well under fire.

Ralph C. Thompson
CEO/Group Managing Director

DEPUTY MANAGING DIRECTOR'S REPORT

The year 1995 must be remembered as one in which bold and fundamental changes were made in the operations of the Seprod Group.

CLOSURE OF SOME MANUFACTURING PLANTS

Firstly, the Board of Directors took a decision in July to close down Jamaica

Feeds Limited which had commenced operations in 1962. This had been

necessitated by rising costs and shrinking market share. A number of new

animal feed factories had come on stream and without being an integrated

operation, Jamaica Feeds was unable to compete and was losing money for

sometime. The crisis in the dairy industry also exacerbated the situation.

Secondly, the group closed down its soap, detergent and bleach manufacturing

facilities and subsequently sold the brands to Colgate Palmolive. An option

to buy certain parts of the plant and machinery used for making those brands

has also been granted to Colgate. This move has generated some two hundred

and twenty four million dollars of cash and will no doubt herald the establishment of an investment division for the group.

Despite the decision to divest ourselves of the feeds and cleaning products division, the Group will continue in manufacturing at Caribbean Products and Jamaica Grain and Cereals, distribution through Industrial Sales, and the

operation of Seprod Wharf and Storage Limited.

REDUCTION IN DUTIES

During the year significant progress was made in getting Government to reduce duties on raw materials for our oils and fats operation. Duties on crude degummed soya bean oil were reduced from 65% to 5% effective March 1995, and

those on Hydrogenated Soya bean oil were reduced from 40% to 20% as of June

1995. However, as manufacturers, we continue to hold the view that all inputs

to our processes should be duty free and our efforts to achieve this are

continuing.

ILLEGAL IMPORTS

The problem of illegal imports of finished oil continued unabated in the year

under review. In addition to the traditional oils, large volumes of what is referred to as Tallow Oil were imported and sold as finished product although it is only designated as duty free for industrial use. This is an obvious violation which the authorities appear to be powerless in preventing.

Despite all obstacles, we closed the year with a small operating profit.

However, the strategic moves we have made should put the group in a much stronger position for the future.

PERFORMANCE OF PROFIT CENTRES

Strong competition from both legal and illegal imports as well as local manufacturing impacted severely on the core areas of our business. The performance of individual companies during the year varied. In the first half

of the year sales tended to be low. The latter half saw improvement.

Highlights of the profit centres are given below:

Jamaica Detergents Limited

This profit centre consists of three segments: soap, detergent, and bleach.

Soap and bleach production performed well recording growth of 26% and 13%

respectively over 1994. We attribute this success to our initiative in

launching two new brands of toilet soap - Fantasy and Go as well as the

reformulation and relaunch of our long time Magic and Mildex brands of soap.

Detergent on the other hand declined by 12%. Overall there was a 7% growth in

this profit centre. Total sales accounted for twenty-five percent of the

group's total sales.

Jamaica Household Products Limited

This profit centre is concerned with the manufacture of a range of cleaning products which includes disinfectant, dishwashing liquid, liquid laundry detergent, all purpose cleaner etc. Sales increased by 25.7% over the last year.

Jamaica Grain & Cereals Limited

This profit centre manufactures whole and refined cornmeal for household use as well as corn grits for brewing and snack food. Sales increased only by 2.3% due mainly to increased competition from imported cornmeal and grits and grit substitutes.

Caribbean Products Company Limited

This profit centre manufactures edible oil, margarine, shortening and mayonnaise. Growth in this area increased by 9.1% when compared with the previous year. As indicated earlier, competition is extremely strong as finished goods from CARICOM and extra-regional sources continued to flood the market.

Industrial Sales Limited

This profit centre is the trading arm of our own manufactured goods as well as

a range of third party items.

Liberalization of the economy has resulted in

increasingly intense competition depressing our margins and reducing profits.

Therefore, although sales actually increased by some 22.5% over 1994, profits

for the year fell short of the projection.

The operation is being streamlined

through cost reduction, aggressive marketing and increasing the number of

product lines.

Seprod Wharf and Storage Limited

This profit centre continued to provide berthing services for the Group as well as outside customers. Rental of offices and storage space also constitutes a significant part of the revenue.

Jamaica Feeds Limited

This profit centre ceased operating on July 21, 1995. At the time of its closure, sales were only 53.4% when compared with the corresponding period of the previous year and losses amounted to approximately twenty-three million dollars (\$23M).

EXPORTS

Exports during the period were limited to soap and detergent. A 12.4% growth was achieved over the last year as we were able to expand sales into Guyana, Antigua, Grenada and St. Lucia.

A total of approximately US\$1.2 million of foreign exchange was earned from this activity.

UPGRADING PLANT & EQUIPMENT

As a matter of policy, we are careful to upgrade plant and equipment on a continuous basis. Expenditure in this area during the year was approximately forty two million dollars (\$42M).

HUMAN RESOURCES

During the year, we continued to assist employees to develop their careers

through formal training in various disciplines. In addition, employees also attended short courses and seminars totalling some fifteen hundred hours.

During the year, we conducted sessions on retirement planning for all

employees who are within five years of retirement. Younger employees were also welcome to participate and this was well received.

SEPROD AND THE COMMUNITY

Contributions to educational and religious institutions, charities such as United Way etc. continued during the year.

Fourteen children of our employees received scholarships to high schools across the island in 1995. Ninety-nine (99) children of our employees are currently benefitting from Seprod Employees' Children Scholarship programme.

In the area of sports, we did well. The netball 'A' Team took top honours in the Business House Netball Association Championship. Our 'B' Team reached the finals. The football team made it to the finals and semi-finals in the knock-out competition and Division One League respectively and the Cricket team tied for third place in the J. Wray and Nephew Silver Top Competition. We also reached the semi-finals in West Indies Pulp and Paper Limited Knock-out and

quarter final in the Jamaica Broilers 32
overs competition.

1995 has been a year of many challenges.
Thanks to my colleagues and our staff
for their contributions.

Byron E. Thompson

Deputy Managing Director

