

Seprod Limited 1998

Chairman's Statement

DIFFICULT TRADING YEAR

Although I continue to support Government's efforts to control inflation, there is no gainsaying the fact that with little or no growth in the general economy it is becoming more and more difficult for businesses to keep their heads above water. 1998 was a very difficult trading year, marked by a continuing decline in consumer spending and general illiquidity in the system. This has taken a particular toll on the distribution sector of the economy which is finding it difficult to maintain market share while at the same time controlling Accounts Receivable.

Under all the circumstances, I am relatively pleased with the performance of Seprod for the period under review. With sales of \$1.9 billion in 1998, about the same as the previous year Seprod continues to play a dynamic role in the economy. Net profit attributable to shareholders after exceptional items amounted to \$228.7 million compared with \$279.5 million in 1997 - a decline of 18%, details of which are highlighted in the reports of the Managing Director and Deputy Managing Director.

EAGLE UNIT TRUST

I am disappointed that as of the time of writing this report the bid for Eagle Unit Trust Management Company of \$121 million put forward by the Seprod and Pan-Jamaican Investment Trust partnership has not been finalized by FINSAC. In my report last year, I pointed out that Government in all its dealings must act swiftly and surely. With a potential \$121 million source of cash, I am at a loss to understand the tardiness of FINSAC in completing the divestment especially since the tax free status of Unit Trusts has been confirmed by the Minister of Finance.

MANAGEMENT CHANGES

Dr. Ralph Thompson retired as Group CEO and Managing Director on April 1, 1999 and Mr. Byron Thompson was appointed to succeed him. In expressing the thanks of the Seprod Board of Directors to Dr. Thompson and in welcoming Mr. Byron Thompson to the top management position of the Group I can do no better than repeat the sentiments I expressed when these management changes were announced.

During Dr. Thompson's ten years association with the Seprod Group he has displayed a passionate commitment to stewardship enhanced by his formidable legal and negotiating skills. He has seen the company through many challenges and made a signal contribution to its present strength and diversified stability. Dr. Thompson has agreed to continue serving as a Seprod Director and I am pleased that the Board will continue to benefit from his experience and wise counsel.

I extend the Board's congratulations to Mr. Byron Thompson, our Deputy Managing Director, who takes over from Dr. Thompson as Group CEO and Managing Director. Mr. Byron Thompson has served in a number of senior management positions for over twenty-five (25) years and is eminently qualified to succeed Dr. Thompson. Under his leadership I have no doubt that Seprod will continue to grow from strength to strength.

FUTURE PROSPECTS

Trading results for the first quarter of 1999 are down compared with the first quarter of 1998 which was unusually strong. I have no reason to believe that overall results of the Seprod Group will be any better in 1999 than they were in 1998 but because of where we have been able to position the company in terms of diversification I have no doubt it will continue to outperform many if not most companies quoted on the Stock Exchange.

A.D. Blades
Chairman
