NOTES TO THE FINANCIAL STATEMENTS

31 December 1999

1. Principal Activities and Operations

All group companies are incorporated in Jamaica and their principal activities are the manufacture and distribution of consumer products.

During 1995, three of the company's subsidiaries ceased operations and terminated the employment of their workforces. Certain of the companies also sold trademarks, a significant portion of their inventories, and plant and machinery to Colgate Palmolive Company during 1996.

In connection with the above, these companies also signed a Non-Competitive Agreement for a period of five years from 17 January 1996, which prohibits the companies and their affiliates from engaging in the manufacture of products which would compete with those manufactured by the buyer or its affiliates.

All amounts in these financial statements are stated in Jamaican dollars.

2. Significant Accounting Policies

(a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, Actual results could differ from those estimates.

(c) Consolidation

The group financial statements incorporate the financial statements of the company, its subsidiaries and associated company made up to 31 December 1999 (note 3(a)).

(d) Associated company

The equity method of accounting is used to account for the associated company. Under this method, the group's share of profit or losses of the associated company is included in the group profit and loss account and any tax attributable to the share of profits is included in the group's tax charge. In the group balance sheet, the investment is shown at cost or written down value plus the group's share of reserves arising since the acquisition of the investments.

(e) Fixed assets and depreciation

Fixed assets are stated at cost or valuation. The cost or valuation of fixed assets, with the exception of land, is written off on the straight line basis over the expected useful lives of the assets. The expected average useful lives are as follows:

Buildings	-	40 - 50 years
Plant, equipment and furniture	-	5 - 40 years
Motorvehicles	-	3 years

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods includes cost of raw materials used, direct labour and an appropriate proportion of overhead expenses.

(g) Rates of exchange

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at balance sheet date. Gains or losses are credited or charged to the profit and loss account.

(h) Fair value of financial instruments

The amounts included in the financial statements for cash, receivables, payables and accrued liabilities reflect their appropriate fair values because of the short term nature of these instruments.

The fair values of the group's other financial instruments are discussed in Note 22.

(i) Deferred taxation

Deferred taxation is provided for only to the extent that there is reasonable probability that the liabilities will arise in the foreseeable future.

(j) Leases

The present value of the minimum lease payments under finance leases is capitalised as fixed assets and a corresponding obligation to the lessor recorded.

Lease payments are treated as consisting of principal and finance charges. The finance charges are recorded so as to give a constant periodic rate of return on the outstanding obligations.

(k) Borrowing costs

Borrowing costs incurred in relation to expenditure on assets not yet in use are capitalised.

(l) Capital reserve on consolidation

Capital reserve arising on consolidation is amortised over its economic life, estimated by the Directors to be ten years.

(m) Investments

Investments are stated as follows:

(i) Quoted equities at the lower of cost and market value

(ii) Government of Jamaica and units in Money Market Unit Trusts at lower of cost or market value.

(iii) Investments in associated companies are accounted for using the equity method of accounting (note 2(d)).

(n) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

(i) JSSAP 3.29 - Financial Instruments: Disclosure and Presentation
(ii) JSSAP 3.30 - Presentation of Financial Statements

3. Related Parties

(a) The wholly owned subsidiaries and associated company of Seprod Limited are:

Subsidiaries	% Ownership by Seprod
Caribbean Products Company Limited	100
Industrial Sales Limited	100
Jamaica Detergents Limited	100
Jamaica Feeds Limited	100
Jamaica Grain and Cereals Limited	100
Coper Limited	100
Jamaica Household Products Limited	100
Seprod Wharf and Storage Limited	100
Associated Company	
North Coast Milling Limited	50

(b) Group turnover represents the value of goods sold to third parties, and excludes revenue generated within the group totalling approximately $421,430,000 (1998 - $415,443,000).

(c) The group has entered into the following transactions with major shareholders:

(i) Two subsidiaries in the group paid cess of approximately $3,150,000,(1998 - $2,948,000), based on the sales of copra-based and substitute products, to Coconut Industry Board.

(ii) Sales of $152,486,000 (1998 - $130,813,000) to and purchases of $17,032,000 (1998 $13,844,000) from Musson Jamaica Limited.

(iii) Sales of approximately $111,168,000 (1998 - $160,968,000) to and purchases of $5,783,000 (1998 - $7,486,000) from Grace, Kennedy & Company Limited.

(d) Advances to Directors totalled $2,933,000 (1998 - $3,321,000) at December 1999. These amounts represent:

(i) Advances on expected profit share which is based on the audited financial statements at 31 December 1999.

(ii) Gratuity advanced to the Chief Executive Officer in accordance with his contract.

(e) Advances to Officers totalled $4,562,000 (1998 - $3,662,000) at 31 December 1999. These amounts represent advances on expected profit share which is based on the audited financial statements at 31 December 1999. The profit sharing scheme allows 5% of the audited profit before taxation (excluding investment income) to be paid to the Executive Management of company.

4. Profit and Loss Account

Group profit before taxation and exceptional items has been arrived at after charging the following:

	1999	1998
	$'000	$'000
Depreciation	55,216	52,499
Auditors' remuneration -		
Current year	3,655	3,655
Directors' emoluments		
Fees	1,489	1,487
Other	15,935	12,401
Staff costs (Note 5)	288,376	339,307

5. Staff Costs

	1999	1998
	$'000	$'000
Wages and salaries	209,814	211,639
Statutory deductions	25,134	28,151
Pension costs	7,284	8,435
Others	29,883	38,418
	272,115	286,643
Terminations costs (Note 7)	16,261	51,185
Retroactive payments	-	1,479
	288,376	339,307

Average number of persons employed by the group during the year:

	1999	1998
	No.	No.
Full time	238	297
Part time	55	48
	293	345

6. Finance Income

	1999	1998
	$'000	$'000
Interest income		
Investment	85,808	64,214
Other	62,766	55,170
Foreign exchange gain	19,004	3,593
Dividend income	8	20
Gain on the sale of units in Money Market Unit Trusts	85,519	38,660
Gain on sale of investment	91	69
Interest expenses -		
Bank	(3,010)	(1,415)
Finance lease	(1,221)	(1,045)
Other	(71)	(78)
	248,894	159,188

7. Exceptional Items

	1999	1998
	$'000	$'000

Redundancy payments	(16,261)	(51,185)
Provision for claims	2,488	(14,000)
Pension refund	111,600	121,419
	97,827	56,234

8. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	1999	1998
	$'000	$'000
Income tax at 33 1/3%	101,204	82,460
Overprovision of prior year tax	(2,694)	(1,706)
Tax credit on bonus issue of shares	(30,589)	(20,816)
	67,921	**59,938**

(a) The tax charge is disproportionate to the reported results in both years, mainly as a result of investments in tax free government instruments.

(b) Subject to agreement with the Commissioner of Income Tax, losses available for offset against future profits of certain subsidiaries amount to approximately $2,718,000 (1998 - $ 5,820,000).

9. Earnings per Share

The calculation of earnings per share/stock is based on the net profit attributable to shareholders and 183,608,000 ordinary shares in issue after the bonus issue during the year (Note 17). The earnings per share for the previous year have been adjusted accordingly.

10. Net Profit Attributable to Shareholders

Dealt with as follows in the financial statements

	1999	1998
	$'000	$'000
Holding company	270,574	160,641
Subsidiaries	90,766	68,229
Associated company	(16)	(122)

	361,324	228,748

11. Capital Distribution

	1999 $'000	1998 $'000
Capital distribution ($0.65 per stock unit/share; 1998 - 0.625)	59,673	57,378

12. Fixed Assets

The Group

	Freehold Land & Site improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
At Cost or Valuation -						
At 1 January 1999	57,193	758,867	786,341	30,510	14,082	1,646,993
Additions	14,765	1,943	12,709	8,972	36,729	75,118
Disposals	-	-	(19,207)	(5,967)	(1,389)	(26,563)
Adjustments to reflect Directors' valuation	-	(131,200)	-	-	-	(131,200)
Transfer to/(from)	-	37	40,372	-	(40,409)	-
At 31 December 1999	71,958	629,647	820,215	33,515	9,013	1,564,348
Accumulated Depreciation -	-	488,129	504,043	24,092	-	1,016,264
At 1 January 1999	-	11,814	38,635	4,767	-	55,216
Charge for the year	-	-	(17,579)	(4,540)	-	(22,119)
On disposals						
Adjustments to reflect Directors' valuation	-	(91,200)	-	-	-	(91,200)
At 31 December 1999	-	408,743	525,099	24,319	-	958,161
Net Book Value -						
At 31 December 1999	**71,958**	**220,904**	**295,116**	**9,196**	**9,013**	**606,187**
At 31 December 1998	**57,193**	**270,738**	**282,298**	**6,418**	**14,082**	**630,729**

The Company

	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
At Cost or Valuation -						
At 1 January 1999	5,453	284,853	93,949	13,376	1,734	399,365
Additions	14,765	1,943	4,660	5,987	3,494	30,849
Disposals		-	-	(555)	-	(555)
Transfer to/(from)	-	-	5,219	-	(5,219)	-
At 31 December 1999	20,218	286,796	103,828	18,808	9	429,659
Accumulated Depreciation -						
At 1 January 1999	-	166,970	69,486	9,715	-	246,171
Charge for the year	-	5,696	4,685	2,806	-	13,187
At 31 December 1999	-	172,666	74,171	12,521	-	259,358
Net Book Value -						
At 31 December 1999	20,218	114,130	29,657	6,287	9	170,301
At 31 December 1998	5,453	117,883	24,463	3,661	1,734	153,194

As at 31 December 1993, fixed assets excluding furniture and fixtures and motor vehicles were revalued by D. C. Tavares and Finson Company Limited (Appraisers/Valuators) and Baird and Henderson Valuators Limited as follows:

(a) Land at fair market value.
(b) Buildings, plant and machinery at replacement cost.

The resultant increments arising from the revaluations of fixed assets have been credited to capital reserve (Note 18).

Certain buildings are situated on land that has been leased. The unexpired portion of the lease is 61 years.

As at 31 December 1999, motor vehicles with net book value of approximately $ 4,867,000 (1998 $4,610,000), acquired under finance leases, have been included in the balance noted above.

As indicated in note 1, three subsidiaries ceased manufacturing operations during 1995. Under the circumstances, related assets of these entities were adjusted to realisable values. Such values in the case of buildings, have been estimated by the Directors to be $ 26,418,000, at 31 December 1995, being the estimated value at which they will be utilised as warehouses. One of these buildings, with a net carrying value of $ 5,997,000, is not currently used in the group's operations; accordingly, no depreciation has been charged in respect of this item.

The net reductions arising from the restatement of fixed assets have been charged to capital reserve (Note 18) and to operations where available reserves have been exceeded.

13. Investments

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Quoted (market value - $117,000 1998 - $326,000)	40	45	40	40
Long Term Government Securities	756,156	328,136	740,156	312,135
Unquoted	11	11	10	10
Units in Money Market Unit Trusts (market value - $ 199,788,000 1998 - $ 266,637,000)	170,000	198,100	170,000	198,100
	926,207	526,292	910,206	510,285
Associated company - North Coast Milling Limited	25,000	25,000	25,000	25,000
Group's share of profit	23,694	23,710	-	-
	48,694	48,710	25,000	25,000
	974,901	**575,002**	**935,206**	**535,285**

14. Inventories

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Raw materials	97,506	68,264	-	-
Work in progress	10,397	9,731	-	-
Finished goods	85,422	60,812	-	-
	193,325	**138,807**	-	-

15. Receivables

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Trade receivables	187,946	194,221	-	-
Advance payments	14,353	15,194	-	2,117
Interest receivable	26,792	32,415	26,792	32,415
Other	11,140	17,620	9,321	8,546
	240,231	**259,450**	**36,113**	**43,078**

16. Payables

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Trade payables	44,514	40,087	-	-
Accruals	73,671	75,105	19,875	25,723
Deposits	41,350	-	41,350	-
Other	6,058	6,883	2,287	3,790
	165,593	**122,075**	**63,512**	**29,513**

17. Share Capital

	1999	1998
	$'000	$'000
Authorised		
Ordinary shares of $1 each	200,000	100,000
Issued and fully paid -		
At beginning of year:		
Ordinary stock units/shares of $1 each	91,804	45,902
Movement during the year:		
Bonus issue of ordinary shares of $1 each	91,804	45,902

At end of year		
Ordinary stock units/shares of $1 each	**183,608**	**91,804**

In October 1999, the authorised ordinary share capital of the company was increased to $ 200,000,000 by the creation of an additional 100,000,000 ordinary shares of $1 each. Shares totalling 91,804,074 units were then issued as fully paid up bonus shares by the capitalisation of profits of $91,804,074 on the basis of one ordinary share for every one ordinary share held.

18. Capital Reserve

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Unrealised surplus on revaluation	471,572	550,658	158,867	158,867
Profits capitalized	215,631	183,547	-	-
Gain on sale of brands	18,250	18,250	-	-
Gain on sale of units	34,668	8,822	34,668	8,822
Realised surplus	3,735	3,735	2,225	2,225
	743,856	765,012	195,760	169,914

19. Long Term Debt

	The Group		The Company	
	1999	1998	1999	1998
(a) 18% West Indies Trust Company	$'000	$'000	$'000	$'000
1989/2005	6,391	7,032	6,391	7,032
(b) Five year Deferred Loan	5,868	5,868	5,868	5,868
(c) Jamaica Commodity Trading				
Company Limited - 1995/99	-	1,000	-	-
(d) 13% National Development Bank (NDB)	10,936	14,389	-	-
	23,195	28,289	12,259	12,900
Less current portion	10,087	10,962	6,634	6,509
	13,108	**17,327**	**5,625**	**6,391**

(a) The West Indies Trust Company loan is secured by a first charge over the John Harrison building.

(b) The deferred loan is repayable in 2000 and is interest free.

(c) This was an unsecured interest-free loan which was repayable in yearly instalments of $1,000,000.

(d) This loan is secured by an investment in Local Registered Stock and is repayable by 2003,

20. Lease Obligations

The group has entered into finance lease arrangements for the purchase of motor vehicles. Future payments under these lease commitments are as follows:

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
1999	-	4,556	-	3,170
2000	3,084	1,227	1,362	701
2001	2,235	-	927	-
2002	1,171	-	503	-
Total minimum lease payments	6,490	5,783	2,792	3,871
Less: Future finance charges .	1,389	700	595	455
Present value of minimum lease payments	5,101	5,083	2,197	3,416
Less current portion	2,562	3,918	1,244	2,749
	2,539	1,165	953	667

21. Loan from Affiliate

This represents a loan from an affiliate. The loan is interest free and has no fixed repayment period.

22. Financial Instruments

(a) Currency risk
The consolidated balance at 31 December 1999 includes aggregate net foreign assets of approximately US$ 7,801,000 (1998 - US$3,658,000).

(b) Credit risk
Cash and short term investments are held with substantial financial institutions.
A significant level of investments is held in various forms of government instruments.

(c) Fair Values

The estimated fair values of other financial instruments are as fQllows:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Investments	926,207	967,234	526,292	595,172
Long term debt (including current portion)	23,195	22,687	28,289	26,118
Lease obligations (including current portion)	**5,101**	**5,032**	**5,083**	**4,423**

As there is no active market for the shares held in the company's associated company, the fair value of this investment has been shown as the company's share of net assets (Note 13).

23. Pension Scheme

The Seprod Group of Companies operates a defined benefit based plan for all employees. The plan provides benefits to members based on average earnings for the final 2 years service (formerly 3 years), with the group and employees each contributing 5%, of pensionable salaries. The valuation of the plan is based on the projected unit method. An actuarial study completed in February 1999 indicated that the scheme was significantly overfunded. The group's contributions for the year amounted to approximately $7,284,000 (1998 - $8,435,000).

24. Capital Commitment

At 31 December 1999, management had approved approximately $31,117,000 for capital expenditure.

25. Subsequent Events

(a) On 20 March 2000, the holding company sold all its shares in Seprod Wharf & Storage Limited.

(b) The company was involved in certain legal proceedings incidental to the normal conduct of business. In January 2000 the matter was settled and the results are reflected in these financial statements (Note 7).