

SEPROD LIMITED

Chairman's Statement

For the year 2000, an important facet of the Government's strategy to achieve economic growth, that of lowering 'interest rate to 15%, was not achieved. The main reason was the decision to defend the Jamaican Dollar. Despite high interest rates the Jamaican Dollar lost almost \$4 compared to its US Dollar counterpart, moving from J\$41 to 1 US\$ to J\$45 to 1 US\$. This slippage, although significant, was much less than many predicted. However, inflation rate of 6,1 % was the lowest in many years. A major concern, though, is that there was little or no growth in the economy during the year under review.

Despite these factors, strong competition forced the prices of many of our products down and hence these products became more competitive compared to imports.

Group results

The Seprod Group ended the year with sales of \$2.165 billion which is approximately 14% better than the previous year. Operating profit jumped 32%, moving from \$82.5 million last year to \$108.9 million for the year under review. This is a commendable achievement. Net profit attributable to the shareholders was essentially flat for the year. Further details are given in the report of the Managing Director.

Acquisitions

It has always been our expressed position that Seprod should continue to identify investment opportunities either to diversify its operations or to strengthen its core business. In pursuit of these objectives, in May 2000, the Company in association with the Musson Group each acquired 50% of the ordinary share capital of Facey Commodity Limited which included the Merchandise and Pharmaceutical businesses. Additionally, your company acquired all the

ordinary share capital of Jamaica Edible Oils and Fats Company Limited in June 2000. The cost of acquiring these companies was approximately \$400 million. This outflow of cash resulted in a reduction in the finance income of some 25% when compared with last year. However, the move has not materially affected the overall operating results, as inflows from these new ventures were higher than the interest income which was lost.

Outlook

There are encouraging signs for the future: By April 2002, we hope the long awaited legislation would have been introduced that will eventually see the complete removal of tax on dividends paid by public listed companies; the authorities have set a 14% interest rate target to be achieved by year end, and with the healthy NIR of over US\$1.2 billion, the likelihood is that this will be achieved; owing to the impact of globalization and the downward movement of prices, inflation should continue to inch downward and move closer to that of our trading partners. If these economic fundamentals are achieved, the prospect for sustained investment and economic growth would be good. Given this scenario, the Group should continue to perform well.

I am confident that your company will continue to expand and that your Board of Directors will select new investments which are not only profitable in the short term, but will provide a solid foundation for the future of the company.
