

SEPROD LIMITED

Manging Director's Report

Although authoritative reports clearly indicate that there was little or no real growth in the economy during the year under review, I am pleased to announce that the Seprod Group of Companies recorded improved performances during 2000.

Group performance

The group recorded net sales of \$2.165 billion for the year 2000 (1999 - \$1.901 billion). This represents an increase of \$264 million or 13.9% over the previous year. We actually increased market share albeit at a slightly lower gross margin.

The Group's core business activities generated operating profit of \$108.9 million compared with \$82.5 million for the corresponding period in 1999 - an increase of approximately 32%. This increase in profit was mainly due to the implementation of various cost reduction strategies, increased labour productivity and earnings from the recently acquired Jamaica Edible Oils and Fats Company Limited.

Net profit attributed to shareholders after extraordinary item and taxation declined marginally from \$361.3 million in 1999 to \$359.4 million in 2000. This resulted in a corresponding marginal decline in earnings per share from \$1.31 to \$1.30.

Net worth increased from \$7.13 per share in 1999 to \$8.33 per share in 2000. The other financial ratios (Liquidity, Leverage and Profitability) which are set out below, show that the Group continues to demonstrate good financial strength. As we proceed to compare the figures for 2000 with those of 1999 it must be noted that the acquisition during the year of Jamaica Edible Oils and Fats Limited as a wholly owned subsidiary and Facey Commodity Limited as an associated company would have contributed to some change in the ratios.

FINANCIAL RATIOS	2000	1999
Working Capital	3:47:1	2:96:1
Debt to Shareholders' Equity	1:14	1:24
Collection Period	42 days	36 days
Inventory Turn	7	9
Pre-Tax Profit to Total Assets	13.1%	15.3%
Pre-Tax Profit to Sales	15.1%	17.4%

Subsidiaries' performance

Our manufacturing subsidiaries performed well both in terms of revenue and profit. These results were possible because of the introduction of new technology, increased efficiency and increased labour productivity achieved in the plants.

Our merchandise subsidiary also showed solid growth in sales and profitability in the year 2000 when compared with the previous year. The improved position can be attributed to the restructuring exercise during the second half of the year, a stronger customer base and the introduction of a range of new third party products.

New products

In keeping with our strategy of increasing profitability through the introduction of new products, we launched the Pronto Cornmeal Porridge Mix in three flavours; (Vanilla, Banana, Cinnamon) in June 2000. Consumer acceptance has been encouraging. We also continued the packaging of rice and red kidney beans (Miracle Brand) in 400g consumer sizes at Jamaica Grain & Cereals. This enabled us to increase the capacity utilization of the Hayssen Machine while at the same time afford Industrial Sales Limited the opportunity to further expand its range of offerings to consumers.

Plant improvement

We have continued the 'improvement of our plants and equipment. During the year, an amount of approximately \$60 million was spent of which \$20 Million have been capitalized. The planned replacement of our Deodorizer which was the major item of the capital expenditure for the year was postponed. However, the project has been rescheduled and will commence in 2001 for completion by early 2002.

Information systems

During the year, two major software applications - Human Resources and Purchasing Modules (Phase 1) were successfully implemented. The Human Resource Module allows for the integration of employee information into the Payroll System. The Purchasing Module gives us the capability to generate purchase requisitions and purchase orders on line. Other significant accomplishments include automation of our internal order system, upgrading of communication across the Group and improved internet browsing. Phase 11 of the Purchasing Module which will fully integrate Purchasing, Sales, Material Requirement, Planning and Inventory Management is scheduled for completion in June 2001.

The future

Rapid change is taking place in the global environment with the emergence of trade blocs and liberalization of international trade. The planned establishment of a comprehensive Free Trade Area of Americas (FTAA) in 2005 must drive changes in countries and companies such as Jamaica and the Seprod Group. Additionally, the World Trade Organization (WTO) has been actually stimulating freer trade among countries worldwide.

In order to survive within the new scenario, creative planning must be developed. It is imperative that we continue to improve productivity and efficiency levels in all areas of the Group if we are to remain competitive and add value to our shareholders equity. These are challenges that we must be prepared to accept as we forge ahead.

Finally I wish to say thanks to the Directors for their guidance, and the Management and staff for their dedication and hard work during the year. To our valued customers, shareholders, thanks for your continued support and loyalty.

Byron E. Thompson
Managing Director/CEO
SEPROD Group of Companies
