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Independent Auditors' Report

To the Members of
Seprod Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Seprod Limited and its subsidiaries, and the accompanying financial statements of Seprod Limited standing alone set out on pages 1 to 58, which comprise the consolidated and company statements of financial position as of 31 December 2011 and the consolidated and company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2011 and of financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
15 March 2012
Kingston, Jamaica

Seprod Limited

Consolidated Statement of Comprehensive Income
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Revenue		12,005,202	9,776,563
Direct expenses		(9,570,234)	(7,421,323)
Gross Profit		2,434,968	2,355,240
Finance and other operating income	6	469,858	343,409
Selling expenses		(339,706)	(294,308)
Administration expenses		(1,219,231)	(1,140,959)
Other operating expenses		(89,575)	(56,516)
Operating Profit		1,256,314	1,206,866
Finance costs	9	(62,363)	(35,939)
Profit before Taxation		1,193,951	1,170,927
Taxation	10	(426,671)	(340,664)
Net Profit		767,280	830,263
Other Comprehensive Income, net of taxes			
Unrealised fair value gains on available-for-sale investments		36,208	166,621
Realised fair value gains on available-for-sale investments		(27,543)	(4,380)
		8,665	162,241
TOTAL COMPREHENSIVE INCOME		775,945	992,504
Net Profit is Attributable to:			
Stockholders of the company	11	873,894	1,007,362
Non-controlling interest		(106,614)	(177,099)
		767,280	830,263
Total Comprehensive Income is Attributable to:			
Stockholders of the company		882,559	1,169,603
Non-controlling interest		(106,614)	(177,099)
		775,945	992,504
Earnings per Stock Unit Attributable to Stockholders of the Company	12	$1.69	$1.95

Seprod Limited

Consolidated Statement of Financial Position
31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Non-current Assets			
Property, plant and equipment	14	3,492,698	2,927,718
Intangible assets	15	29,997	37,338
Available-for-sale investments	16	1,054,699	1,613,561
Long term receivables	17	698,171	742,936
Retirement benefit asset	18	21,700	29,700
Biological assets	19	223,830	211,712
		5,521,095	5,562,965
Current Assets			
Inventories	20	1,553,417	1,548,431
Biological assets	19	349,917	162,268
Trade and other receivables	21	2,456,696	1,360,021
Available-for-sale investments	16	265,341	477,005
Current portion of long term receivables	17	456,047	307,226
Taxation recoverable		46,933	23,241
Cash and bank balances	22	249,926	182,198
		5,378,277	4,060,390
Current Liabilities			
Payables	23	798,753	681,643
Current portion of long term liabilities	26	1,148,780	599,845
Taxation payable		74,062	115,813
		2,021,595	1,397,301
Net Current Assets		3,356,682	2,663,089
		8,877,777	8,226,054
Equity Attributable to Stockholders of the Company			
Share capital	24	561,287	561,287
Capital reserve	25	921,943	894,929
Retained earnings		6,588,910	6,304,869
		8,072,140	7,761,085
Non-controlling Interest		(17,196)	(169,528)
		8,054,944	7,591,557
Non-current Liabilities			
Long term liabilities	26	400,000	233,136
Deferred tax liabilities	27	330,433	319,561
Retirement benefit obligations	18	92,400	81,800
		822,833	634,497
		8,877,777	8,226,054

Approved for issue by the Board of Directors on 15 March 2012 and signed on its behalf by:

Paul Scott Director

Byron Thompson Director

Seprod Limited

Consolidated Statement of Changes in Equity
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company					Non-controlling Interest	Total Equity
	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000	$'000	$'000
Balance as at 1 January 2010	516,398	561,287	720,575	5,696,919	6,978,781	7,571	6,986,352
Total comprehensive income	-	-	162,241	1,007,362	1,169,603	(177,099)	992,504
Transaction with owners:							
Transfer to capital reserve – gain on sale of investments	-	-	12,113	(12,113)	-	-	-
Dividends paid (Note 13)	-	-	-	(387,299)	(387,299)	-	(387,299)
	-	-	12,113	(399,412)	(387,299)	-	(387,299)
Balance at 31 December 2010	516,398	561,287	894,929	6,304,869	7,761,085	(169,528)	7,591,557
Total comprehensive income	-	-	8,665	873,894	882,559	(106,614)	775,945
Transactions with owners:							
Transfer to capital reserve – gain on sale of investments	-	-	18,349	(18,349)	-	-	-
Additional equity contribution in subsidiary by non-controlling interests (Note 26/32)	-	-	-	-	-	79,905	79,905
Dividends paid (Note 13)	-	-	-	(392,463)	(392,463)	-	(392,463)
Dilution of non-controlling interest in subsidiary (Note 32)	-	-	-	(179,041)	(179,041)	179,041	-
	-	-	18,349	(589,853)	(571,504)	258,946	(312,558)
Balance at 31 December 2011	516,398	561,287	921,943	6,588,910	8,072,140	(17,196)	8,054,944

Seprod Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Cash provided by operating activities	28	108,599	212,434
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(881,784)	(603,845)
Proceeds on disposal of property, plant and equipment		7,640	1,289
Purchase of available-for-sale investments		-	(571,571)
Proceeds from disposal of available-for-sale investments		776,591	805,092
Repayment of long term receivables		59,141	89,882
Issue of long term receivables		(142,255)	(257,669)
Interest received		331,952	362,133
Dividends received		3,549	4,281
Cash provided by/(used in) investing activities		154,834	(170,408)
Cash Flows from Financing Activities			
Long term loans received		1,433,312	450,000
Long term loans repaid		(624,191)	(161,992)
Dividends paid		(392,463)	(387,299)
Advances to affiliate		(550,000)	-
Interest paid		(62,363)	(35,939)
Cash used in financing activities		(195,705)	(135,230)
Increase/(decrease) in cash and cash equivalents		67,728	(93,204)
Cash and cash equivalents at beginning of year		182,198	275,402
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	249,926	182,198

Seprod Limited

Statement of Comprehensive Income
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Group costs recovered from subsidiaries		449,193	392,600
Finance and other operating income	6	458,683	1,521,248
Administration expenses		(465,208)	(416,204)
Operating Profit		442,668	1,497,644
Finance costs	9	(45,915)	(16,418)
Profit before Taxation		396,753	1,481,226
Taxation	10	(82,936)	20,901
Net Profit	11	313,817	1,502,127
Other Comprehensive Income:			
Unrealised fair value gains on available-for-sale investments		36,208	166,621
Realised fair value gains on available-for-sale investments		(27,543)	(4,380)
		8,665	162,241
TOTAL COMPREHENSIVE INCOME		322,482	1,664,368

Seprod Limited

Statement of Financial Position

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Non-current Assets			
Property, plant and equipment	14	192,613	150,767
Available-for-sale investments	16	1,054,699	1,613,561
Investment in subsidiaries	32	1,437,102	887,102
Long term receivables	17	698,171	742,936
Retirement benefit asset	18	21,700	29,700
		3,404,285	3,424,066
Current Assets			
Trade and other receivables	21	644,273	111,873
Available-for-sale investments	16	265,341	477,005
Current portion of long term receivables	17	456,047	307,226
Due from subsidiaries		1,636,120	1,460,204
Cash and bank balances	22	37,272	15,741
		3,039,053	2,372,049
Current Liabilities			
Payables	23	174,362	133,688
Current portion of long term liabilities	26	800,000	475,833
Taxation payable		33,228	30,563
		1,007,590	640,084
Net Current Assets		2,031,463	1,731,965
		5,435,748	5,156,031
Equity			
Share capital	24	561,287	561,287
Capital reserve	25	340,454	313,440
Retained earnings		4,004,207	4,101,202
		4,905,948	4,975,929
Non-current Liabilities			
Long term liabilities	26	400,000	38,750
Deferred tax liabilities	27	37,400	59,552
Retirement benefit obligations	18	92,400	81,800
		529,800	180,102
		5,435,748	5,156,031

Approved for issue by the Board of Directors on 15 March 2012 and signed on its behalf by:

Paul Scott Director

Byron Thompson Director

Seprod Limited

Statement of Changes in Equity

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2010	516,398	561,287	139,086	2,998,487	3,698,860
Total comprehensive income	-	-	162,241	1,502,127	1,664,368
Transactions with owners:					
Transfer from capital reserve – gain on sale of investments	-	-	12,113	(12,113)	-
Dividends paid (Note 13)	-	-	-	(387,299)	(387,299)
	-	-	12,113	(399,412)	(387,299)
Balance at 31 December 2010	516,398	561,287	313,440	4,101,202	4,975,929
Total comprehensive income	-	-	8,665	313,817	322,482
Transactions with owners:					
Transfer to capital reserve – gain on sale of investments	-	-	18,349	(18,349)	-
Dividends paid (Note 13)	-	-	-	(392,463)	(392,463)
	-	-	18,349	(410,812)	(392,463)
Balance at 31 December 2011	516,398	561,287	340,454	4,004,207	4,905,948

Seprod Limited

Statement of Cash Flows

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Cash used in operating activities	28	(1,174,073)	(551,044)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(62,443)	(45,583)
Transfer of property, plant and equipment to intercompany		-	84,845
Proceeds on disposal of property, plant and equipment		330	1,059
Purchase of available-for-sale investments		-	(571,571)
Proceeds from disposal of available-for-sale investments		776,591	805,092
Repayment of long term receivables		59,141	89,882
Issue of long term receivables		(142,255)	(257,669)
Interest received		313,652	356,759
Dividends received		3,549	4,281
Cash provided by investing activities		948,565	467,095
Cash Flows from Financing Activities			
Long term loans received		1,200,000	450,000
Long term loans repaid		(514,583)	(25,833)
Dividends paid		(392,463)	(387,299)
Interest paid		(45,915)	(16,418)
Cash provided by financing activities		247,039	20,450
Increase/(decrease) in cash and cash equivalents		21,531	(63,499)
Cash and cash equivalents at beginning of year		15,741	79,240
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	37,272	15,741

Seprod Limited
Notes to the Financial Statements
31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

1. Principal Activities and Operations

Seprod Limited ("the company") is incorporated and domiciled in Jamaica. The company is publicly listed on the Jamaica Stock Exchange, and has its registered office at 3 Felix Fox Boulevard, Kingston.

The company and its subsidiaries are collectively referred to as "the Group".

Subsidiaries

The company's subsidiaries, which are all incorporated and domiciled in Jamaica, and their principal activities are as follows:

Name of subsidiary	Principal activities
Belvedere Limited	Agriculture
Caribbean Products Company Limited	Manufacture and sale of oils and fats
Golden Grove Sugar Company Limited	Sugar production
Industrial Sales Limited	Sale of consumer products
International Biscuits Limited	Manufacture and sale of biscuit products
Jamaica Grain and Cereals Limited	Manufacture and sale of corn products and cereals
Serge Island Dairies Limited	Manufacture and sale of milk products and juices
Serge Island Farms Limited	Dairy farming
Jamaica Edible Oils and Fats Company Limited	Dormant
Jamaica Detergents Limited	Dormant
Jamaica Feeds Limited	Dormant

All subsidiaries are wholly owned, with the exception of Golden Grove Sugar Company Limited, which is owned 80% by the company and 20% by Fred M. Jones Estate Limited (2010 – 55% and 45%, respectively).

Seprod Limited

Notes to the Financial Statements
31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain financial and biological assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

- **IAS 1 (Amendment), 'Presentation of Financial Statements,** (effective 1 January 2011) and issued in May 2010 as part of the annual improvements to IFRS. This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively. The Group has presented its analysis of other comprehensive income in the statement of changes in equity.

- **IFRS 7, 'Financial instruments', (effective for annual periods beginning on or after 1 January 2011)** Retrospective application required. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. It clarifies that only those financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to be further disclosed, with respect to maximum exposure to credit risk. It also requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired. Further clarification is provided that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date. The requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired has been removed. The Group applied this amendment from 1 January 2011.

- **IAS 24 (revised), 'Related party disclosures', issued in November 2009.** It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. There is no impact from the adoption of this amendment.

Seprod Limited

Notes to the Financial Statements
31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective during the year (continued)

- **IFRIC 14 (Amendments), 'Prepayments of a minimum funding requirement'.** The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset, some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted and should be applied retrospectively.

- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010**. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The group applied the interpretation from 1 January 2011. There was no significant impact on the Group's or the parent entity's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which were not yet effective at statement of financial position date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations.

- **IFRS 9, Financial instruments part 1: Classification and measurement** (effective for annual periods beginning on or after 1 January 2015) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **IFRS 9, Financial instruments part 1: Classification and measurement (continued)**
  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- **IAS 19, 'Employee benefits'** (effective 1 January 2013) This amendment will eliminate the corridor approach to recognition of actuarial gains and losses arising from IAS 19 pension valuations and will result in the recognition of all actuarial gains and losses in other comprehensive income (OCI) as they occur. Additionally, all past service costs will be immediately recognised and interest cost and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- **IFRS 10, 'Consolidated Financial Statements',** (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces all of the guidance on control and consolidation in *IAS 27, 'Consolidated and Separate Financial Statements'*, and *SIC-12, 'Consolidation – Special Purpose Entities'*. IAS 27 (Revised) now renamed 'Separate Financial Statements'. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a Group consolidates as its subsidiaries. The Group is assessing the impact of future adoption of the standard on its financial statements.

- **IFRS 12, 'Disclosure of Interests in Other Entities',** (effective for annual periods beginning on or after 1 January 2013). IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group is assessing the impact of future adoption of the standard on its financial statements.

Seprod Limited

Notes to the Financial Statements
31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **IFRS 13, 'Fair Value Measurement',** (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Group is assessing the impact of future adoption of the standard on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Basis of consolidation

Consolidation of subsidiaries
Subsidiaries are those entities in which the Group has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently excersiable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intercompany transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Seprod Limited

Notes to the Financial Statements
31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Consolidation of subsidiaries (continued)
Loans to subsidiaries that are intended to provide subsidiaries with a long-term source of additional capital are considered additions to the company's investment. Accordingly, these loans are included in Investment in Subsidiaries on the company's statement of financial position.

Transactions with non-controlling interests
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods – wholesale
Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Some products are often sold with a right of return.

Sales of goods – retail
Sales of goods are recognised when a Group entity sells a product to the customer. It is the Group's policy to sell its products to the end customer with a right of return.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

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2. Significant Accounting Policies (Continued)

(c) Revenue and income recognition (continued)

Dividend income
Dividend income is recognised when the right to receive payment is established.

(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates, referred to as the functional currency. The functional currency of each entity is the same as its presentation currency. The consolidated financial statements are presented in Jamaican dollars, which is also the company's functional currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year end exchange rates are recognised in profit or loss.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in profit or loss. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in other comprehensive income.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

(f) Property, plant and equipment

Buildings, plant and equipment are recorded at cost or deemed cost, less accumulated depreciation and impairment losses. All other property, plant and equipment are carried at historical cost less accumulated depreciation, except land, which is not depreciated.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	40 – 50 years
Plant, equipment and furniture	5 – 40 years
Motor vehicles	3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred.

2. Significant Accounting Policies (Continued)

(g) Intangible assets

Brands

Brands obtained by the Group in a business combination are recognised at fair value at the acquisition date. These brands are deemed to have a finite useful life, and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the carrying value of brands over their estimated useful lives.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Investments

The Group classifies its investments as available-for-sale, due to the purposes for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. These investments are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the date of the statement of financial position, in which case they are included in current assets.

Purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments denominated in foreign currencies are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in other comprehensive income.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities. Interest on available-for-sale investments is calculated using the effective interest method and is recognised in profit or loss. Dividends on available-for-sale investments are recognised in profit or loss when the Group's right to receive payments is established.

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2. Significant Accounting Policies (Continued)

(i) Investments (continued)
The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the Group establishes fair value by using valuation techniques, such as reference to recent arms length transactions, reference to other instruments that are substantially the same or amounts derived from discounted cash flow models, making maximum use of market inputs.

At each reporting date, the Group assesses whether there is objective evidence that an investment or Group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

(j) Long term receivables
Long term receivables are initially measured at cost, and are subsequently measured at amortised cost using the effective interest method.

(k) Biological assets
Biological assets are measured at their fair value. Fair value is determined based on market prices of assets of similar age, breed and genetic merit.

(l) Inventories
Inventories are stated at the lower of cost or net realisable value, cost being determined using the weighted average cost method. The cost of finished goods and work in progress includes cost of raw materials used, direct labour and an appropriate proportion of overhead expenses. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(m) Trade receivables
Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings. Bad debts are written off during the year in which they are identified.

(n) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash at bank and in hand.

(o) Payables
Payables are recorded at cost.

(p) Borrowings
Borrowings are recognised initially at the proceeds received. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds and the redemption value is recognised in profit or loss over the period of the borrowings.

2. Significant Accounting Policies (Continued)

(q) Income taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force at the reporting date, and any adjustment to tax payable and tax losses in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax bases. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

(r) Employee benefits

Pension obligations

The Group operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

Other retirement benefits

The Group provides post-employment health benefits to its retirees. The entitlements to these benefits are usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

Profit share scheme

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's equity holders after certain adjustments.

(s) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2. Significant Accounting Policies (Continued)

(t) Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

(u) Share capital
Share issuance cost
Incremental costs directly attributable to the issue of new shares or a shown in stockholders' equity as a deduction from the proceed.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Board has established committees/departments for managing and monitoring risks, as follows:

Central treasury department
The central treasury department is responsible for managing the Group's financial assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group. Group treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

Audit Committee
The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk for the Group includes currency risk, interest rate and other price risk.

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3. Financial Risk Management (Continued)

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers and its holdings of investments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or Groups of related counterparties and industry segments.

Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The executive committee has established a credit policy under which each customer is analysed individually for creditworthiness prior to the Group offering them a credit facility. Credit limits are assigned to each customer, which represents the maximum credit allowable without approval from the Board. The Group has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Customer credit risk is monitored according to their credit characteristics such as whether it is an individual or company, industry, aging profile, and previous financial difficulties. Trade receivables relate mainly to the Group's wholesale customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The Group's average credit period on the sale of goods is 30 days. Trade receivables between 60 and 90 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 30 days past due are not considered impaired. The ageing analysis of trade receivables that are past due but not considered impaired is as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
30 – 60 days	78,485	137,905	-	-
60 – 90 days	26,826	110	-	-
greater than 90 days	443,316	354,776	-	-
	548,627	492,791	-	-

Ageing analysis of trade receivables that are past due and considered impaired

Trade receivables of $107,643,000(2010 – $89,191,000) for the Group and $3,383,000 (2010 – $3,569,000) for the company were considered impaired and were fully provided for. The individually impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. All of the aforementioned impaired receivables balances were greater than 90 days old.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement in the provision for impairment of trade receivables
The movement in the provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
At start of year	89,191	87,487	3,569	11,132
Amounts recovered during the year	(558)	-	-	-
Provided during the year	25,294	17,255	-	-
Written off during the year	-	(15,551)	-	(7,563)
Unused amounts reversed	(6,284)	-	(186)	-
At end of year	107,643	89,191	3,383	3,569

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than trade receivables that were individually impaired.

Trade receivables by customer sector
The following table summarises the credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Supermarket chains	72,393	27,714	-	-
Wholesalers	889,432	747,003	-	-
Retailers	298,104	146,782	-	-
Manufacturers	37,492	19,269	-	-
Other	23,531	133,942	3,383	3,569
	1,320,952	1,074,710	3,383	3,569
Less: Provision for impairment	(107,643)	(89,191)	(3,383)	(3,569)
	1,213,309	985,519	-	-

The company's receivables are due from the company's affiliates. The majority of the Group's trade receivables are receivable from customers in Jamaica.

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the central treasury department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

(iii) Maintaining committed lines of credit.

(iv) Optimising cash returns on investments.

(v) Managing the concentration and profile of debt maturities.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

The tables below summarise the maturity profile of financial liabilities based on contractual undiscounted payments:

	The Group					
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
			2011			
Long term liabilities	-	18,000	1,248,764	461,600	-	1,728,364
Trade payables	466,049	-	-	-	-	466,049
Other payables	104,296	-	-	-	-	104,296
	570,345	18,000	1,248,764	461,600	-	2,298,709
			2010			
Long term liabilities	53,192	64,948	570,126	161,187	79,905	929,358
Trade payables	405,195	-	-	-	-	405,195
Other payables	96,327	-	-	-	-	96,327
	554,714	64,948	570,126	161,187	79,905	1,430,880

	The Company					
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
			2011			
Long term liabilities	-	18,000	885,400	461,600	-	1,365,000
Other payables	78,290	-	-	-	-	78,290
	78,290	18,000	885,400	461,600	-	1,443,290
			2010			
Long term liabilities	51,603	60,183	442,592	42,473	-	596,851
Other payables	74,580	-	-	-	-	74,580
	126,183	60,183	442,592	42,473	-	671,431

Assets available to meet all of the liabilities and to cover financial liabilities include cash and investments.

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3. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Group treasury department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The following table indicates the effect on profit before taxation arising from changes in the US dollar exchange rate. There is no effect on other items of equity. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 1% (2010 - 5%) change in foreign currency rates, which represents management's assessment of the possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains and losses on translation of US dollar-denominated long term receivables, trade receivables, investment securities classified as available-for-sale, payables and borrowings.

	The Group		**The Company**	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit before taxation	12,645	84,903	16,006	92,759

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)
The tables below summarise the total exposure to foreign currency exchange rate risk:

	The Group			
	Jamaican$ J$'000	US$ J$'000	Other J$'000	Total J$'000
		2011		
Financial Assets				
Available-for-sale investments	548,724	406,558	364,758	1,320,040
Long term receivables	-	1,154,218	-	1,154,218
Trade and other receivables	1,932,734	78,444	-	2,011,178
Cash and bank	196,042	39,868	14,016	249,926
	2,677,500	1,679,088	378,774	4,735,362
Financial Liabilities				
Long term liabilities	1,373,201	175,579	-	1,548,780
Trade and other payables	331,366	238,979	-	570,345
	1,704,567	414,558	-	2,119,125
Net financial position	972,933	1,264,530	378,774	2,616,237
		2010		
Financial Assets				
Available-for-sale investments	818,011	738,866	533,689	2,090,566
Long term receivables	-	1,050,162	-	1,050,162
Trade and other receivables	1,121,138	81,361	-	1,202,499
Cash and bank	116,032	66,166	-	182,198
	2,055,181	1,936,555	533,689	4,525,425
Financial Liabilities				
Long term liabilities	594,488	238,493	-	832,981
Trade and other payables	501,522	-	-	501,522
	1,096,010	238,493	-	1,334,503
Net financial position	959,171	1,698,062	533,689	3,190,922

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	The Company			
	Jamaican$ J$'000	US$ J$'000	Other J$'000	Total J$'000
		2011		
Financial Assets				
Available-for-sale investments	548,724	406,558	364,758	1,320,040
Long term receivables	-	1,154,218	-	1,154,218
Other receivables	633,429	-	-	633,429
Due from subsidiaries	1,636,120	-	-	1,636,120
Cash and bank	(16,612)	39,868	14,016	37,272
	2,801,661	1,600,644	378,774	4,781,079
Financial Liabilities				
Long term liabilities	1,200,000	-	-	1,200,000
Other payables	78,290	-	-	78,290
	1,278,290	-	-	1,278,290
Net financial position	1,523,371	1,600,644	378,774	3,502,789
		2010		
Financial Assets				
Available-for-sale investments	818,011	738,866	533,689	2,090,566
Long term receivables	-	1,050,162	-	1,050,162
Other receivables	101,093	-	-	101,093
Due from subsidiaries	1,460,204	-	-	1,460,204
Cash and bank	(50,425)	66,166	-	15,741
	2,328,883	1,855,194	533,689	4,717,766
Financial Liabilities				
Long term liabilities	514,583	-	-	514,583
Other payables	74,580	-	-	74,580
	589,163	-	-	589,163
Net financial position	1,739,720	1,855,194	533,689	4,128,603

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Seprod Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

The Group's interest rate risk arises from long term borrowing and available-for-sale debt instruments. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on profit before taxation based on floating rate borrowing and available-for-sale debt instruments. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale investments for the effects of the assumed changes in interest rates.

The following table indicates the sensitivity to a reasonably possible change in interest rates of 0.5% (2010 – 8%), with all other variables held constant, on profit before taxation and other components of equity.

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit before taxation	8,674	16,625	8,674	16,625
Effect on other components of equity	3,789	11,712	3,789	11,712

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
				2011			
Financial assets							
Available-for-sale	-	90,000	305,840	408,908	432,907	82,385	1,320,040
Long term receivables	-	12,900	296,705	844,613	-	-	1,154,218
Trade and other receivables	-	-	-	-	-	2,011,178	2,011,178
Cash and bank	249,850	-	-	-	-	76	249,926
	249,850	102,900	602,545	1,253,521	432,907	2,093,639	4,735,362
Financial liabilities							
Long term liabilities	-	16,523	1,091,750	440,507	-	-	1,548,780
Trade and other payables	-	-	-	-	-	570,345	570,345
	-	16,523	1,091,750	440,507	-	570,345	2,119,125
Total interest repricing gap	249,850	86,377	(489,205)	813,014	432,907	1,523,294	2,616,237
				2010			
Financial assets							
Available-for-sale	-	22,000	291,813	1,079,142	628,387	69,224	2,090,566
Long term receivables	-	12,801	294,426	742,935	-	-	1,050,162
Trade and other receivables	-	-	-	-	-	1,202,499	1,202,499
Cash and bank	182,198	-	-	-	-	-	182,198
	182,198	34,801	586,239	1,822,077	628,387	1,271,723	4,525,425
Financial liabilities							
Long term liabilities	51,531	61,106	487,208	153,231	-	79,905	832,981
Trade and other payables	-	-	-	-	-	501,522	501,522
	51,531	61,106	487,208	153,231	-	581,427	1,334,503
Total interest repricing gap	130,667	(26,305)	99,031	1,668,846	628,387	690,296	3,190,922

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	The Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
				2011			
Financial assets							
Available-for-sale investments	-	90,000	305,840	408,908	432,907	82,385	1,320,040
Trade and other receivables	-	-	-	-	-	633,429	633,429
Due from subsidiaries	-	-	-	-	-	1,636,120	1,636,120
Long term receivables	-	12,900	296,705	844,613	-	-	1,154,218
Cash and bank	37,272	-	-	-	-	-	37,272
	37,272	102,900	602,545	1,253,521	432,907	2,351,934	4,781,079
Financial liabilities							
Long term liabilities	-	800,000	400,000	-	-	-	1,200,000
Other payables	-	-	-	-	-	78,290	78,290
	-	800,000	400,000	-	-	78,290	1,278,290
Total interest repricing gap	37,272	(697,100)	202,545	1,253,521	432,907	2,273,644	3,502,789
				2010			
Financial assets							
Available-for-sale investments	-	22,000	291,813	1,079,142	628,387	69,224	2,090,566
Long term receivables	-	12,801	294,426	742,935	-	-	1,050,162
Due from subsidiaries	-	-	-	-	-	1,460,204	1,460,204
Trade and other receivables	-	-	-	-	-	101,093	101,093
Cash and bank	15,741	-	-	-	-	-	15,741
	15,741	34,801	586,239	1,822,077	628,387	1,630,521	4,717,766
Financial liabilities							
Long term liabilities	50,000	56,458	369,375	38,750	-	-	514,583
Other payables	-	-	-	-	-	74,580	74,580
	50,000	56,458	369,375	38,750	-	74,580	589,163
Total interest repricing gap	(34,259)	(21,657)	216,864	1,783,327	628,387	1,555,941	4,128,603

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3. Financial Risk Management (Continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

(e) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of financial instruments held as at the statement of financial position date that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
		2011		
Available-for-sale investments –				
Quoted equities	82,385	-	-	82,385
Issued by the Government of Jamaica	-	1,237,655	-	1,237,655
	82,385	1,237,655	-	1,320,040
		2010		
Available-for-sale investments –				
Quoted equities	69,224	-	-	69,224
Corporate bonds	-	-	100,056	100,056
Issued by the Government of Jamaica	-	1,921,286	-	1,921,286
	69,224	1,921,286	100,056	2,090,566

There were no transfers between levels during the year.

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3. Financial Risk Management (Continued)

(e) Fair values of financial instruments (continued)

The movement in instruments classified as level 3 was as follows:

	2011 $'000	2010 $'000
At start of year	100,056	104,411
Disposals	(100,816)	-
Foreign exchange gains/(losses) recognised in profit or loss	760	(4,355)
At end of year	-	100,056

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following methods and assumptions have been used in determining fair values for instruments not re-measured at their fair value after initial recognition:

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances and trade receivables and payables.

(ii) The fair value of long term receivables has been estimated at $1,190,509,000 (2010 – $1,059,173,000). This was derived by discounting the contractual cash flows using the market rate of interest. The carrying value of these receivables is $1,154,218,000 (2010 – $1,050,162,000).

(iii) The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(iv) The fair values of the loans from related parties could not be reliably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Retirement benefit obligations
The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Fair value of certain biological assets
The Group measures its biological assets at fair value less costs to sell. In doing this valuation for cane, the Group first determines a price per tonne of cane, based on the established price per tonne of sugar, and certain cane to sugar conversion efficiency metrics, as established by the Sugar Industry Authority (SIA), the regulatory body which oversees the local sugar industry. This price per tonne of fully grown cane is used as the base for determining the fair value for the cane in each field, at the various stages in the cane harvest cycle.

In valuing the cane for each cane field in each cane farm, the group estimates each field's yield, by estimating the tonnes of cane to be reaped, per hectare of cane planted. The value of the cane considers the stage of growth of the cane, using certain assumptions regarding the relationship between the stage of growth of the cane and the cane's value.

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5. Business Segments

The Group is organised into two main business segments:

(a) Manufacturing - This incorporates the operations for manufacturing and sale of oils and fats, corn products, cereals, milk products, juices, sugar and biscuits.

(b) Distribution - The merchandising of consumer goods.

	2011			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	7,532,030	4,473,172	-	12,005,202
Inter-segment revenue	3,445,025	-	(3,445,025)	-
Total revenue	10,977,055	4,473,172	(3,445,025)	12,005,202
Segment result	1,907,769	147,236	-	2,055,005
Unallocated corporate income				(798,691)
Operating profit				1,256,314
Segment assets	6,615,178	914,128	-	7,529,306
Unallocated corporate assets				3,370,066
Total consolidated assets				10,899,372
Segment liabilities	1,152,773	154,628	-	1,307,401
Unallocated corporate liabilities				1,537,027
Total consolidated liabilities				2,844,428
Other segment items –				
Capital expenditure	812,966	6,375	-	819,341
Unallocated capital expenditure				62,443
Total capital expenditure				881,784
Depreciation	292,502	2,663	-	295,165
Unallocated depreciation				20,597
Total depreciation				315,762

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5. Business Segments (Continued)

	2010			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	6,061,289	3,715,274	-	9,776,563
Inter-segment revenue	2,999,652	-	(2,999,652)	-
Total revenue	9,060,941	3,715,274	(2,999,652)	9,776,563
Segment result	773,966	176,615	-	950,581
Unallocated corporate income				256,285
Operating profit				1,206,866
Segment assets	5,515,354	744,129	-	6,259,483
Unallocated corporate assets				3,363,812
Total consolidated assets				9,623,355
Segment liabilities	1,144,225	67,386	-	1,211,611
Unallocated corporate liabilities				820,187
Total consolidated liabilities				2,031,798
Other segment items –				
Capital expenditure	638,841	4,266	(84,845)	558,262
Unallocated capital expenditure				45,583
Total capital expenditure				603,845
Depreciation	234,948	1,733	-	236,681
Unallocated depreciation				19,591
Total depreciation				256,272

The Group's customers are mainly resident in, and operate from, Jamaica.

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6. Finance and Other Operating Income

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest income from subsidiaries	-	-	113,500	30,121
Other interest income	320,377	362,482	302,077	357,108
Dividend income from subsidiaries	-	-	-	1,241,359
Other dividend income	3,549	4,281	3,549	4,281
Net foreign exchange gains/(losses)	907	(131,211)	3,456	(145,597)
Gain on sale of available-for-sale investments	18,349	12,113	18,349	12,113
Gain on disposal of property, plant and equipment	6,598	625	330	625
Other	120,078	95,119	17,422	21,238
	469,858	343,409	458,683	1,521,248

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Advertising and promotion	98,975	56,474	1,303	2,159
Amortisation of intangible assets	7,341	7,341	-	-
Auditors' remuneration	17,400	15,693	4,489	4,176
Bad debt expense, net of recoveries	18,452	17,255	-	-
Cost of inventories recognised as an expense	7,134,657	5,569,814	-	-
Depreciation	315,762	256,272	20,597	19,591
Insurance	156,374	172,802	14,071	14,674
Professional services	39,928	50,616	25,924	28,693
Repairs and maintenance	404,196	334,746	17,471	18,785
Security	95,544	81,217	13,641	12,526
Staff costs (Note 8)	1,436,953	1,166,580	305,173	263,986
Utilities	741,752	548,317	17,042	14,406
Other	751,412	636,181	45,497	37,208
	11,218,746	8,913,106	465,208	416,204

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8. Staff Costs

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Wages and salaries	1,153,945	912,074	207,070	185,742
Statutory contributions	89,242	77,524	19,092	17,834
Pension (Note 18)	11,000	(5,600)	11,000	(5,600)
Other retirement benefits (Note 18)	18,800	22,300	18,800	22,300
Redundancy	-	1,268	-	1,268
Other	163,966	159,014	49,211	42,442
	1,436,953	1,166,580	305,173	263,986

9. Finance Costs

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Interest expense –				
Long term loans	53,702	31,059	44,598	14,458
Other	8,661	4,880	1,317	1,960
	62,363	35,939	45,915	16,418

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10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 33⅓%:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Current taxation	397,217	487,297	99,403	92,214
Adjustment to prior year provision	18,582	(72,302)	5,685	(69,017)
	415,799	414,995	105,088	23,197
Deferred taxation (Note 27)	10,872	(74,331)	(22,152)	(44,098)
	426,671	340,664	82,936	(20,901)

The tax on the Group's and the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33⅓%, as follows:

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Profit before taxation	1,193,951	1,170,927	396,753	1,481,226
Tax calculated at a tax rate of 33⅓%	397,983	390,309	132,251	493,742
Adjusted for the effect of:				
Investment income not subject to tax	(44,178)	(36,246)	(44,178)	(450,032)
Adjustment to prior year provision	18,582	(72,302)	5,685	(69,017)
Profit of subsidiaries not subject to tax	(22,913)	(73,359)	-	-
Tax losses of subsidiaries for which no deferred tax assets have been created	66,893	131,184	-	-
Other charges and credits	10,304	1,078	(10,822)	4,406
	426,671	340,664	82,936	(20,901)

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11. Net Profit Attributable to Stockholders of the Company

Dealt with as follows in the financial statements:

	2011 $'000	2010 $'000
The company	313,817	1,502,127
Dividend income from subsidiaries	-	(1,241,359)
	313,817	260,768
Subsidiaries	560,077	746,594
	873,894	1,007,362

12. Earnings per Stock Unit Attributable to Stockholders of the Company

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue.

	2011	2010
Net profit attributable to stockholders ($'000)	873,894	1,007,362
Weighted average number of ordinary stock units ('000)	516,398	516,398
Basic earnings per stock unit ($)	1.69	1.95

The company has no dilutive potential ordinary shares.

13. Dividends

	2011 $'000	2010 $'000
Interim dividends -		
50 cents per stock unit – 8 July 2011	258,199	-
26 cents per stock unit – 7 November 2011	134,264	-
50 cents per stock unit – 3 June 2010	-	258,199
75 cents per stock unit – 9 November 2010	-	129,100

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14. Property, Plant and Equipment

	The Group					
	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
			2011			
Cost -						
At 1 January 2011	430,889	1,106,279	2,840,525	231,490	263,939	4,873,122
Additions	53,140	3,264	192,561	9,274	623,545	881,784
Disposals	-	-	(18,097)	(2,578)	(102)	(20,777)
Transfers	42,953	47,948	419,258	29,289	(539,448)	-
At 31 December 2011	526,982	1,157,491	3,434,247	267,475	347,934	5,734,129
Accumulated Depreciation -						
At 1 January 2011	-	514,133	1,367,635	63,636	-	1,945,404
Charge for the year	-	24,350	234,272	57,140	-	315,762
On disposals	-	-	(17,157)	(2,578)	-	(19,735)
At 31 December 2011	-	538,483	1,584,750	118,198	-	2,241,431
Net Book Value -						
At 31 December 2011	526,982	619,008	1,849,497	149,277	347,934	3,492,698
			2010			
Cost -						
At 1 January 2010	311,189	1,036,044	2,575,317	165,018	189,699	4,277,267
Additions	119,700	793	108,442	46,022	328,888	603,845
Disposals	-	-	(766)	(7,224)	-	(7,990)
Transfers	-	69,442	157,532	27,674	(254,648)	-
At 31 December 2010	430,889	1,106,279	2,840,525	231,490	263,939	4,873,122
Accumulated Depreciation -						
At 1 January 2010	-	490,285	1,183,326	22,847	-	1,696,458
Charge for the year	-	23,848	184,845	47,579	-	256,272
On disposals	-	-	(536)	(6,790)	-	(7,326)
At 31 December 2010	-	514,133	1,367,635	63,636	-	1,945,404
Net Book Value -						
At 31 December 2010	430,889	592,146	1,472,890	167,854	263,393	2,927,718

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14. Property, Plant and Equipment (Continued)

	The Company					
	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
			2011			
Cost -						
At 1 January 2011	23,336	332,746	171,415	30,420	2,601	560,518
Additions	42,953	-	7,892	-	11,598	62,443
Disposals	-	-	-	(2,578)	-	(2,578)
Transfers	-	6,279	1,184	4,200	(11,663)	-
At 31 December 2011	66,289	339,025	180,491	32,042	2,536	620,383
Accumulated Depreciation -						
At 1 January 2011	-	234,773	159,990	14,988	-	409,751
Charge for the year	-	5,761	7,451	7,385	-	20,597
Relieved on disposals	-	-	-	(2,578)	-	(2,578)
At 31 December 2011	-	240,534	167,441	19,795	-	427,770
Net Book Value -						
At 31 December 2011	66,289	98,491	13,050	12,247	2,536	192,613
			2010			
Cost -						
At 1 January 2010	23,336	332,557	169,882	19,624	61,605	607,004
Additions	-	-	1,513	-	44,070	45,583
Disposals	-	-	-	(7,224)	-	(7,224)
Transfers	-	-	212	18,020	(18,232)	-
Transfers to subsidiaries	-	189	(192)	-	(84,842)	(84,845)
At 31 December 2010	23,336	332,746	171,415	30,420	2,601	560,518
Accumulated Depreciation -						
At 1 January 2010	-	229,169	150,270	17,511	-	396,950
Charge for the year	-	5,604	9,720	4,267	-	19,591
Relieved on disposals	-	-	-	(6,790)	-	(6,790)
At 31 December 2010	-	234,773	159,990	14,988	-	409,751
Net Book Value -						
At 31 December 2010	23,336	97,973	11,425	15,432	2,601	150,767

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15. Intangible Assets

Intangible assets comprise brands acquired by the Group, and are amortised over their estimated useful lives of 10 years. The carrying value of intangible assets was determined as follows:

	The Group	
	2011	**2010**
	$'000	**$'000**
Fair value of brands acquired	73,407	73,407
Less: Accumulated amortisation	(43,410)	(36,069)
	29,997	37,338

16. Available-for-sale Investments

	The Group & The Company	
	2011	**2010**
	$'000	**$'000**
Quoted equities	82,385	69,224
Corporate bonds	-	100,056
Government of Jamaica securities	1,237,655	1,921,286
	1,320,040	2,090,566
Less: Securities maturing within 12 months	(265,341)	(477,005)
	1,054,699	1,613,561

Government of Jamaica securities and corporate bonds include interest receivable of $28,650,000 (2010 – $47,767,000). The weighted average effective interest rate on these securities was 9% (2010 – 9%).

The movement in available-for-sale investments during the year was as follows:

	The Group & The Company	
	2011	**2010**
	$'000	**$'000**
Balance at start of year	2,090,566	2,240,867
Additions	-	571,571
Disposals	(777,359)	(792,630)
Net fair value gains	8,665	162,241
Effect of changes in foreign exchange rates	(1,832)	(91,483)
Balance at end of year	1,320,040	2,090,566

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17. Long Term Receivables

	The Group & The Company	
	2011	**2010**
	$'000	**$'000**
(a) Musson (Jamaica) Limited	754,159	794,141
(b) Orett and Musson	400,059	256,021
	1,154,218	1,050,162
Less: Current portion	(456,047)	(307,226)
	698,171	742,936

(a) On 2 October 2007, the company sold its 50% shareholding in Gatcombe Investments Limited to Musson Jamaica Limited for a purchase consideration of US$20,319,000, US$15,239,250 of which was financed by a long term receivable. US$7,112,000 is scheduled to be received in equal monthly installments for 3 years from the inception date at a weighted average interest rate of 10.67%, with the balance receivable in full at the end of the third year.

At 31 December 2009, the receivable balance of US$9,906,000 at that date was restructured and will be repaid in equal monthly installments for 3 years from that date at an interest rate of 12%, with the balance receivable in full at the end of the third year. Of the amount that was outstanding at 31 December 2011, US$5,000,000 was repaid subsequent to the year end.

(b) During 2010, the company entered into an agreement to lend Orett and Musson Investment Company Limited, a subsidiary of Musson (Jamaica) Limited, US$3,000,000 to be used exclusively for business purposes. The amount was repayable on or before 31 December 2011. The amount was restructured and is now repayable on 30 June 2012. Interest is charged monthly at a rate of 9%.

During the year the company loaned Orett and Musson, an additional amount of US$1,644,000. Interest is charged monthly at a rate of 5.5% on the outstanding balance. The loan is secured by a demand promissory note. Subsequent to the year end, this amount was repaid.

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18. Retirement Benefits

	The Group & The Company	
	2011 $'000	**2010 $'000**
Assets/(liabilities) recognised in the statement of financial position –		
Pension scheme	21,700	29,700
Medical benefits	(92,400)	(81,800)
Amounts recognised in profit or loss –		
Pension scheme	(11,000)	5,600
Medical benefits	(18,800)	(22,300)

Pension scheme

The Group participates in a defined benefit scheme, which is open to all permanent employees and administered by NCB Insurance Company Limited. The plan provides benefits to members based on average earnings for the final year of service (formerly 2 years), with the Group and employees each contributing 5% of pensionable salaries. A funding valuation is performed triennially by independent actuaries. The latest valuation was done as at 31 August 2010 and revealed that the scheme was adequately funded.

The defined benefit asset recognised in the statement of financial position was determined as follows:

	The Group & The Company	
	2011 $'000	**2010 $'000**
Fair value of plan assets	744,100	707,000
Present value of obligations	(779,300)	(656,800)
	(35,200)	(50,200)
Unrecognised actuarial losses/(gains)	56,600	(21,300)
Unrecognised past service cost	300	800
	21,700	29,700

The distribution of plan assets was as follows:

	2011		2010	
	$'000	**%**	**$'000**	**%**
Quoted equities	177,027	24	148,349	21
Real estate	191,917	26	194,380	27
Government of Jamaica securities	286,844	38	256,207	36
Repurchase agreements	19,063	3	28,410	4
Leases	42,327	6	46,159	7
Other	26,922	3	33,494	5
	744,100	100	707,000	100

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18. Retirement Benefits (Continued)

Pension scheme (continued)
Plan assets include the company's ordinary stock units with a fair value of $37,969,000 (2010 – $33,834,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The movement in the fair value of plan assets during the year was as follows:

	The Group & The Company	
	2011	**2010**
	$'000	**$'000**
At beginning of year	707,000	643,200
Expected return on plan assets	76,200	112,700
Employer contributions	3,000	2,800
Employee contributions	5,200	4,800
Benefits paid	(37,600)	(41,900)
Actuarial losses on plan assets	(9,700)	(14,600)
At end of year	744,100	707,000

The movement in the present value of obligations during the year was as follows:

	The Group & The Company	
	2011	**2010**
	$'000	**$'000**
At beginning of year	(656,800)	(535,400)
Current service cost	(21,900)	(18,400)
Interest cost	(75,200)	(100,100)
Employee contributions	5,200	4,800
Benefits paid	37,600	41,900
Actuarial losses on obligations	(68,200)	(49,600)
At end of year	(779,300)	(656,800)

Seprod Limited

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18. Retirement Benefits (Continued)

Pension scheme (continued)
The amounts recognised in profit or loss were as follows:

	The Group & The Company	
	2011	**2010**
	$'000	**$'000**
Current service cost, net of employee contributions	(11,500)	(8,800)
Interest cost	(75,200)	(100,100)
Past service cost -		
Non-vested benefits	(500)	(500)
Expected return on plan assets	76,200	112,700
Net actuarial gains recognised during the year	-	2,300
Total included in staff costs (Note 8)	(11,000)	5,600

The actual return on plan assets was $66,500,000 (2010 – $98,100,000).

Expected employer contributions to the plan for the year ended 31 December 2012 amount to $19,699,000.

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus/(deficit) in the plan, and experience adjustments for plan assets and liabilities are as follows:

	2011	**2010**	**2009**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Fair value of plan assets	744,100	707,000	643,200	645,000	591,500
Defined benefit obligation	(779,300)	(656,800)	(535,400)	(526,000)	(443,300)
(Deficit)/Surplus	(35,200)	50,200	107,800	119,000	148,200
Experience adjustments –					
Fair value of plan assets	9,700	14,600	35,700	(16,400)	(40,900)
Defined benefit obligation	34,900	6,000	(24,900)	5,500	(6,800)

Seprod Limited

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18. Retirement Benefits (Continued)

Medical benefits
In addition to pension benefits, the Group offers retirees medical benefits. Funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting and frequency of valuations are similar to those used for the pension scheme. The liability recognised in the statement of financial position was determined as follows:

	The Group & The Company	
	2011 $'000	**2010 $'000**
Present value of unfunded obligations	(125,900)	(126,500)
Unrecognised actuarial losses	33,500	44,700
	(92,400)	(81,800)

The movement in the present value of obligations during the year was as follows:

	The Group & The Company	
	2011 $'000	**2010 $'000**
At beginning of year	(126,500)	(103,300)
Current service cost	(600)	(500)
Interest cost	(14,200)	(19,100)
Benefits paid	8,100	6,700
Actuarial gains/(losses)	7,300	(10,300)
At end of year	(125,900)	(126,500)

The amounts recognised in profit and loss were as follows:

	The Group & The Company	
	2011 $'000	**2010 $'000**
Current service cost	(600)	(500)
Interest cost	(19,100)	(19,100)
Net actuarial losses recognised during the year	4,000	(2,700)
Total included in staff costs (Note 8)	(18,800)	(22,300)

A 1% increase/(decrease) in the assumed medical cost trend rate would result in an increase/(decrease) in the aggregate current service cost and interest cost of $1,900,000/($1,500,000), and an increase/(decrease) in the defined benefit obligation of $14,000,000/($11,800,000).

Seprod Limited

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18. Retirement Benefits (Continued)

The five-year trend for the defined benefit obligation and experience adjustments are as follows:

	2011	2010	2009	2008	2007
	$'000	$'000	$'000	$'000	$'000
Defined benefit obligation	(125,900)	(126,500)	(103,300)	(78,500)	(67,300)
Experience adjustments	7,300	11,700	18,000	3,200	2,400

Principal actuarial assumptions used in valuing retirement benefits

The principal actuarial assumptions used in valuing retirement benefits were as follows:

	2011	2010
Discount rate	10.5%	11.5%
Expected return on plan assets	10%	11%
Future salary increases	7%	8%
Future pension increases	5%	5.5%
Long term increase in health costs	9.5%	10.5%
Average expected remaining service life of the employees (years)	8	10

At normal retirement age, 92.8% of males and 74.2% of females are married.

The age difference between husband and wife is 3 years.

Post-retirement mortality for active members and mortality for pensioners and deferred pensioners is based on the PA (90) Tables for Pensioners (British mortality tables) with ages rated down by 6 years.

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19. Biological Assets

Non-current – livestock

	The Group	
	2011	**2010**
	$'000	**$'000**
Dairy Livestock –		
2,234 (2010 – 2,121) Cows able to produce milk	121,201	113,391
2,589 (2010 – 2,416) Heifers being raised to produce milk in the future	88,350	83,257
Other Livestock –		
144 (2010 – 364) Bulls raised for sale and reproduction	4,420	7,081
1,254 (2010 – 734) Sheep raised for sale and reproduction	8,561	6,370
9 (2010 – 11) Horses raised	338	413
80 (2010 – 100) Bee colonies	960	1,200
	223,830	211,712

5,501,729 (2010 – 5,119,263) litres of milk with a fair value, less estimated point-of-sale costs, of $357,661,000 (2010 – $271,845,000) were produced during the period.

The movement in livestock during the year was as follows:

	The Group	
	2011	**2010**
	$'000	**$'000**
Balance at start of year	211,712	149,933
Purchases	1,896	12,630
Sales	(43,677)	(32,549)
Changes in fair value less estimated point-of-sale costs - cattle	50,338	81,698
Changes in fair value less estimated point-of-sale costs - sheep	3,561	-
Balance at end of year	223,830	211,712

Seprod Limited

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19. Biological Assets (Continued)

Current – sugar cane

	The Group	
	2011	**2010**
	$'000	**$'000**
99,621 tonnes (2010 – 80,735 tonnes)	349,917	162,268

The movement in sugar cane during the year was as follows:

	The Group	
	2011	**2010**
	$'000	**$'000**
Balance at start of year	162,268	213,270
Net cost of cane cultivation and value of cane harvested	(271,839)	(64,646)
Changes in fair value less estimated point-of-sale costs	459,488	13,644
Balance at end of year	349,917	162,268

20. Inventories

	The Group	
	2011	**2010**
	$'000	**$'000**
Raw and packaging materials	994,594	1,186,462
Work in progress	36,253	38,260
Finished goods	522,570	323,709
	1,553,417	1,548,431

21. Trade and Other Receivables

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	1,320,952	1,074,710	3,383	3,569
Less: Provision for impairment	(107,643)	(89,191)	(3,383)	(3,569)
	1,213,309	985,519	-	-
Other advances and prepayments	445,518	157,522	10,844	10,780
Due from affiliate – Note 29	550,000	-	550,000	-
Other	247,869	216,980	83,429	101,093
	2,456,696	1,360,021	644,273	111,873

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22. Cash and Cash Equivalents

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Cash at bank and in hand	249,926	182,198	37,272	15,741

23. Payables

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade payables	466,049	405,195	-	-
Accruals	228,408	180,121	96,072	59,108
Other	104,296	96,327	78,290	74,580
	798,753	681,643	174,362	133,688

24. Share Capital

	2011	2010
	$'000	$'000
Authorised -		
530,000,000 Ordinary shares		
Issued and fully paid -		
516,398,000 Ordinary stock units at no par value	561,287	561,287

25. Capital Reserve

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Revaluation surplus on assets carried at deemed cost	346,551	346,551	105,340	105,340
Fair value gains on available-for-sale investments	93,970	85,305	93,970	85,305
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	1,800	1,800	-	-
Realised gains on sale of investments	120,855	102,506	120,855	102,506
Other realised surplus	22,230	22,230	20,289	20,289
	921,943	894,929	340,454	313,440

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26. Long Term Liabilities

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Loan amounts	1,548,780	753,076	1,200,000	514,583
Less: Current portion	(1,148,780)	(599,845)	(800,000)	(475,833)
	400,000	153,231	400,000	38,750
Loan from related parties – Fred M. Jones Estate Limited	-	79,905	-	-
	400,000	233,136	400,000	38,750

	The Group		The Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
(i) First Global Bank Limited – 11%	-	64,583	-	64,583
(ii) Tetra Pak – LIBOR + 2%	-	9,531	-	-
(iii) Tetra Pak – LIBOR + 2%	60,111	-		
(iv) Inter-American Investment Corp – LIBOR + 4.25%	115,468	228,962	-	-
(v) Jamaica Cane Product Sales – LIBOR + 3%	173,201	-	-	-
(vi) National Commercial Bank (Jamaica) Limited – 10%	-	450,000	-	450,000
(vii) National Commercial Bank (Jamaica) Limited – 9%	800,000	-	800,000	-
(viii) Commercial papers – 8%	400,000	-	400,000	-
	1,548,780	753,076	1,200,000	514,583

(i) This loan was repayable by equal quarterly instalments ending in 2013; however, the loan was repaid during the year. The loan was secured by Government of Jamaica investment securities.

(ii) This represents US$ financing agreements from a supplier and are repayable in twelve quarterly installments commencing 1 February 2009. It is secured by property, plant and equipment acquired under the loan agreements.

(iii) This represents US$694,128 agreement from a supplier and will be paid in four quarterly payments commencing 2012.

(iv) This loan is denominated in United States dollars and is repayable in 6 semi-annual instalments commencing 15 May 2010. The loan is secured by a promissory note.

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26. Long Term Liabilities (Continued)

(v) The loan is denominated in Jamaican dollars and is repayable at the end of the 2011/2012 crop from sugar cane proceeds.

(vi) The loan matured during the year, May 2011. The loan is secured by hypothecation of Government of Jamaica Bonds with and estimated market value of $740,000,000

(vii) This loan is denominated in Jamaican dollars and was received on 24 November 2011 for a period of one year. The loan attracts interest at a rate of 9% per annum and is due in full at maturity. The loan is unsecured.

(viii) This represents various commercial papers issued by Seprod and arranged by Bank of Nova Scotia Jamaica limited. These amounts are denominated in Jamaican dollars and were received on 24 November 2011 and mature in November 2014. The papers attract interest at a rate of 8% for the first six months, and thereafter, float at WATBY plus 1.5% until maturity. Interest payments are made semi-annually. These amounts are secured by promissory notes issued by Seprod.

Loans from related parties
This loan was interest free and had no fixed terms of repayment. During the year, the loan was liquidated, and the proceeds were used, by Fred M. Jones Estate Limited, to purchase additional shares in Golden Grove Sugar Company Limited (GGSC) for a consideration of $79,905,000 (Note 32).

27. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 33⅓%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

The movement in deferred taxation is as follows:

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Balance at start of year	(313,072)	(393,892)	(59,552)	(103,650)
(Charge)/credit to profit or loss (Note 10)	(10,872)	74,331	22,152	44,098
Balance at end of year	(330,433)	(319,561)	(37,400)	(59,552)

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27. Deferred Taxation (Continued)

The deferred tax credited/(charged) to profit or loss comprises the following temporary differences:

	The Group		The Company	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Accelerated tax depreciation	(29,968)	9,299	7,238	(3,103)
Retirement benefits	6,200	2,400	6,200	2,400
Tax losses carried forward	1,934	(15,282)	-	-
Unrealised exchange gains	(779)	44,918	(779)	44,918
Other	11,741	32,996	9,493	(117)
	(10,872)	74,331	22,152	44,098

The deferred tax assets/(liabilities) in the statement of financial position comprises the following temporary differences:

	The Group		The Company	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Accelerated tax depreciation	(313,072)	(283,103)	(11,062)	(18,299)
Retirement benefits	23,567	17,367	23,567	17,367
Tax losses carried forward	1,934	-	-	-
Unrealised exchange gains	(43,476)	(42,696)	(43,476)	(42,696)
Other	614	(11,129)	(6,429)	(15,924)
	(330,433)	(319,561)	(37,400)	(59,552)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain subsidiaries amount to $743,018,000 (2010 – $536,536,000). Of those losses, no deferred tax assets have been created in respect of $737,216,000 (2010 - $536,000,000) as the Group is uncertain of its ability to utilise those losses in the future.

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28. Cash Generated from Operations

	The Group		The Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Net profit	767,280	830,263	313,817	1,502,127
Items not affecting cash resources:				
Amortisation of intangible assets	7,341	7,341	-	-
Depreciation	315,762	256,272	20,597	19,591
Unrealised foreign exchange (gains)/losses	(24,985)	199,002	(11,568)	212,419
Gain on sale of available-for-sale investments	(18,349)	(12,113)	(18,349)	(12,113)
Gain on disposal of property, plant and equipment	(6,598)	(625)	(330)	(625)
Interest income	(320,377)	(362,482)	(415,577)	(387,229)
Interest expense	62,363	35,939	45,915	16,418
Dividend income	(3,549)	(4,281)	(3,549)	(1,245,640)
Taxation	426,671	340,664	82,936	(20,901)
	1,205,559	1,289,980	13,892	114,168
Changes in operating assets and liabilities:				
Inventories	(4,986)	(121,019)	-	-
Receivables	(546,675)	(338,134)	(532,400)	(22,682)
Biological assets	(199,767)	(10,777)	-	-
Due to subsidiaries	-	-	(612,416)	(511,254)
Retirement benefits	18,600	7,200	18,600	7,200
Accounts payable	117,110	75	40,674	(20,121)
	589,841	827,325	(1,071,650)	(462,810)
Taxation paid	(481,241)	(614,891)	(102,423)	(88,234)
Cash provided by operating activities	108,599	212,434	(1,174,073)	(551,044)

Significant non-cash transactions during the year were:

- Equity acquired by minority through capitalisation of loan (Note 32).
- Interest and dividend income earned by the company from subsidiaries, which were settled through intercompany accounts (Note 6).

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29. Related Party Transactions

The following transactions were carried out with or on behalf of related parties:

(a) Sales and purchases of goods and services

Sales of $2,987,670,000 (2010 – $2,725,620,000) to and purchases of $10,859,000 (2010 – $11,034,000) from Musson (Jamaica) Limited, T.Geddes Grant (Distributors) Limited and Facey Commodity Company Limited occurred during the year. The Chairman of the company's Board of Directors is a major shareholder and Chairman of the Board of Directors of these entities. Trade receivables and payables include $427,757,000 and $27,343,000 (2010 - $340,518,000 and $2,825,000), respectively in respect of these transactions.

A subsidiary paid cess of $4,481,000 (2010 - $5,083,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the company.

(b) Key management compensation

	2011 $'000	2010 $'000
Wages and salaries	142,418	101,901
Statutory contributions	11,224	9,617
Other	600	600
	154,242	112,118
Directors' emoluments –		
Fees	9,834	9,269
Medical insurance premiums	15,056	12,143
Management remuneration (included above)	59,950	44,574

(c) Advances and loans

At 31 December 2011, profit share advances to key management amounted to $23,478,000 (2010 – $27,057,000).

Loans to other related parties are disclosed in Note 17. Interest earned on these loans during the year amounted to US$1,356,000 (2010 – US$1,358,000).

Advances due from affiliate are disclosed in Note 21. The amount is interest free and was repaid in February 2012.

Loans from other related parties are disclosed in Note 26. No interest was paid on these loans.

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30. Contingencies and Commitments

(a) A subsidiary has leased sugar cane lands from the Government of Jamaica for a period of 50 years with an option to renew for a further period of 25 years. The lease is fixed at a rate of US$53 per hectare per annum for the first 5 years, after which it will be renegotiated in accordance with the provisions of the lease contract. Based on the current rate of US$53 per hectare per annum, the annual lease cost to the subsidiary is US$82,000.

(b) At 31 December 2011, management had approved approximately $91 million (2010 – $401 million) for capital expenditure in respect of certain subsidiaries.

31. Litigation, Claims and Assessments

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and it professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated. In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

32. Purchase of Additional Shares in Subsidiary

On 30 December 2011, GGSC issued the following additional share capital to its equity holders, Seprod Limited and Fred M. Jones Estate Limited:

	Ordinary shares		Preference Shares	
	Number	Consideration	Number	Consideration
Seprod Limited	25,500	$350,000,000	2,253,000	$200,000,000
Fred M. Jones Estate Limited	4,500	$79,905,000	-	-

The terms and conditions of the preference shares result in a return of capital to the preference shareholders in the event of a liquidity event, prior to the distribution of any residual assets to the ordinary shareholders. Such a distribution to the ordinary shareholders would be done pro-rata.

The issue of ordinary shares above resulted in the relative percentage ownership of ordinary shareholding for GGSC changing from 55:45 to 80:20 in favour of Seprod. The change in the relative ownership resulted in a dilution loss for the Group of $179,041,000 as, subsequent to the dilution, the accumulated deficit attributable to the Fred M. Jones Estate Limited fell from $196,237,000 to $17,196,000. The dilution loss is reflected as an adjustment to retained earnings in the consolidated statement of changes in equity.

The company's increased investments in GGSC are reflected in the books of the company standing alone, as increases in investments in subsidiary of $550,000,000 from $887,102,000 in 2010 to $1,437,102,000 at the end of the current financial year.

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33. Subsequent Events

a) In February 2012, the Group acquired 12.5% of the issued ordinary share capital and 34% of the issued preference share capital of its related entity, Facey Commodity Company Limited, for a consideration of USD$14,100,000.

b) Subsequent to the year-end, amounts due from Musson (Jamaica) Limited of USD$5,000,000, Orett and Musson of US$1,644,000 and Facey Commodity Company Limited of $550,000,000 were repaid.