



**Seprod Limited**

**Financial Statements  
31 December 2013**

# Seprod Limited

Index

31 December 2013

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## ***Independent Auditors' Report***

To the Members of  
Seprod Limited

### **Report on the Consolidated and Company Stand Alone Financial Statements**

We have audited the accompanying consolidated financial statements of Seprod Limited and its subsidiaries, set out on pages 1 to 88, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Seprod Limited standing alone, which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements***

Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated and company stand alone 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 about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone 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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**Members of Seprod Limited  
Independent Auditors' Report  
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***Opinion***

In our opinion, the consolidated financial statements of Seprod Limited and its subsidiaries, and the financial statements of Seprod Limited standing alone give a true and fair view of the financial position of Seprod Limited and its subsidiaries and the Seprod Limited standing alone as at 31 December 2013, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Seprod Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

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 consolidated and company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

*PricewaterhouseCoopers*

Chartered Accountants  
14 March 2014  
Kingston, Jamaica

# Seprod Limited

## Consolidated Statement of Comprehensive Income Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000
Revenue		13,921,759	12,723,578
Direct expenses		<u>(11,378,773)</u>	<u>(10,071,209)</u>
<b>Gross Profit</b>		2,542,986	2,652,369
Finance and other operating income	6	867,368	490,547
Selling expenses		(394,697)	(362,719)
Administration expenses		(1,427,171)	(1,380,717)
Other operating expenses		<u>(169,168)</u>	<u>(94,152)</u>
<b>Operating Profit</b>		1,419,318	1,305,328
Finance costs	9	<u>(300,924)</u>	<u>(105,696)</u>
<b>Profit before Taxation</b>		1,118,394	1,199,632
Taxation	10	<u>(350,516)</u>	<u>(365,605)</u>
<b>Net Profit</b>		767,878	834,027
<b>Other Comprehensive Income, net of taxes -</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurements of post-employment benefits	10	(12,825)	22,125
<b>items that may be subsequently reclassified to profit or loss -</b>			
Unrealised fair value gains on available-for-sale investments		208,472	124,693
Realised fair value gains on available-for-sale investments		<u>(37,770)</u>	<u>(56,108)</u>
	10	<u>170,702</u>	<u>68,585</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>925,755</u>	<u>924,737</u>
<b>Net Profit is attributable to:</b>			
Stockholders of the company	11	905,753	878,761
Non-controlling interest		<u>(137,875)</u>	<u>(44,734)</u>
		<u>767,878</u>	<u>834,027</u>
<b>Total Comprehensive Income is attributable to:</b>			
Stockholders of the company		1,063,630	969,471
Non-controlling interest		<u>(137,875)</u>	<u>(44,734)</u>
		<u>925,755</u>	<u>924,737</u>
<b>Earnings per Stock Unit attributable to Stockholders of the Company</b>	12	<u>\$1.75</u>	<u>\$1.70</u>

# Seprod Limited

## Consolidated Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
<b>Non-current Assets</b>				
Property, plant and equipment	14	3,787,173	3,807,107	3,492,698
Intangible assets	16	15,316	22,657	29,997
Available-for-sale investments	17	2,429,701	2,393,645	1,054,699
Long term receivables	19	275,446	248,303	698,171
Biological assets	21	294,833	246,105	223,830
Deferred tax assets	30	40,343	33,021	36,210
		<u>6,842,612</u>	<u>6,750,838</u>	<u>5,535,605</u>
<b>Current Assets</b>				
Inventories	22	2,252,634	2,290,592	1,553,417
Biological assets	21	607,870	446,696	349,917
Trade and other receivables	23	2,798,176	2,103,746	2,456,696
Available-for-sale investments	17	232,206	16,021	265,341
Financial asset at fair value through profit & loss	24	535,695	-	-
Current portion of long term receivables	19	38,058	339,470	456,047
Taxation recoverable		39,613	41,850	46,933
Short term deposits		82,850	-	-
Cash and bank balances	25	361,935	275,905	249,926
		<u>6,949,037</u>	<u>5,514,280</u>	<u>5,378,277</u>
<b>Current Liabilities</b>				
Payables	26	1,686,766	1,820,119	795,159
Current portion of long term liabilities	29	1,372,185	825,449	1,152,374
Bank overdraft	25	118,914	82,614	-
Provisions	34	37,264	30,585	-
Taxation payable		107,349	129,940	74,062
		<u>3,322,478</u>	<u>2,888,707</u>	<u>2,021,595</u>
<b>Net Current Assets</b>				
		<u>3,626,559</u>	<u>2,625,573</u>	<u>3,356,682</u>
<b>Equity Attributable to Stockholders of the Company</b>				
Share capital	27	561,287	561,287	561,287
Treasury shares	27	(899)	-	-
Capital reserve	28	1,140,279	990,528	921,943
Retained earnings		7,665,980	7,044,396	6,572,120
		<u>9,366,647</u>	<u>8,596,211</u>	<u>8,055,350</u>
<b>Non-controlling interest</b>				
		<u>(169,880)</u>	<u>(61,930)</u>	<u>(17,196)</u>
		<u>9,196,767</u>	<u>8,534,281</u>	<u>8,038,154</u>
<b>Non-current Liabilities</b>				
Long term liabilities	29	864,202	472,954	400,000
Deferred tax liabilities	30	219,102	215,376	293,033
Retirement benefit obligations	20	189,100	153,800	161,100
		<u>10,469,171</u>	<u>9,376,411</u>	<u>8,892,287</u>

Approved for issue by the Board of Directors on 14 March 2014 and signed on its behalf by:



Byron Thompson

Director



Geoffrey Messado

Director

# Seprod Limited

## Consolidated Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company				Total	Non-controlling Interest	Total Equity
	Number of Shares	Share Capital	Capital Reserve	Retained Earnings			
	'000	\$'000	\$'000	\$'000			
Balance as at 1 January 2012, as previously reported	516,398	561,287	921,943	6,588,911	8,072,141	(17,196)	8,054,945
Effect of changes (Note 35)	-	-	-	(16,790)	(16,790)	-	(16,790)
Balance as at 1 January 2012, restated (Note 35)	516,398	561,287	921,943	6,572,121	8,055,351	(17,196)	8,038,155
Profit for the year	-	-	-	878,761	878,761	(44,734)	834,027
Remeasurements on pension and other retirement obligations	-	-	-	22,125	22,125	-	22,125
Fair value gains on investments	-	-	68,585	-	68,585	-	68,585
Total comprehensive income, as restated (Note 35)	-	-	68,585	900,886	969,471	(44,734)	924,737
Transaction with owners:							
Dividends declared (Note 13)	-	-	-	(428,611)	(428,611)	-	(428,611)
Balance at 31 December 2012, as restated	516,398	561,287	990,528	7,044,396	8,596,211	(61,930)	8,534,281
Profit for the year	-	-	-	905,753	905,753	(137,875)	767,878
Remeasurements on pension and other retirement obligations	-	-	-	(12,825)	(12,825)	-	(12,825)
Fair value gains on investments	-	-	170,702	-	170,702	-	170,702
Total comprehensive income	-	-	170,702	892,928	1,063,630	(137,875)	925,755
Transactions with owners:							
Gain on partial disposal to non-controlling interest	-	-	-	1,423	1,423	-	1,423
Additional equity contribution in subsidiary by non-controlling interests	-	-	-	134,843	134,843	29,925	164,768
Purchase of treasury shares	(59)	(899)	-	-	(899)	-	(899)
Capital reserves transferred on liquidation of subsidiaries	-	-	(20,951)	20,951	-	-	-
Dividends declared (Note 13)	-	-	-	(428,561)	(428,561)	-	(428,561)
Balance at 31 December 2013	516,339	560,388	1,140,279	7,665,980	9,366,647	(169,880)	9,196,767

# Seprod Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000
<b>Cash Flows from Operating Activities</b>	31		
Cash (used in)/provided by operating activities		<u>(20,551)</u>	<u>1,594,341</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(400,163)	(698,266)
Proceeds on disposal of property, plant and equipment		1,809	2,557
Purchase of available-for-sale investments		(421,305)	(1,236,385)
Proceeds from disposal of available-for-sale investments		-	220,634
Repayment of long term receivables		317,568	606,787
Purchase of short term deposits		(75,209)	-
Interest received		225,739	229,185
Dividends received		<u>40,100</u>	<u>3,955</u>
Cash used in investing activities		<u>(311,461)</u>	<u>(871,533)</u>
<b>Cash Flows from Financing Activities</b>			
Repurchase of ordinary shares		(899)	-
Equity contribution by non-controlling interest		164,768	-
Long term loans received		1,142,897	718,244
Long term loans repaid		(344,115)	(974,301)
Dividends paid		(428,561)	(423,305)
Interest paid		<u>(162,386)</u>	<u>(100,081)</u>
Cash provided by/(used in) financing activities		<u>371,704</u>	<u>(779,443)</u>
Increase/(decrease) in cash and cash equivalents		39,692	(56,635)
Net effect of foreign currency translation on cash		10,038	-
Cash and cash equivalents at beginning of year		<u>193,291</u>	<u>249,926</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<u><u>243,021</u></u>	<u><u>193,291</u></u>



# Seprod Limited

## Statement of Comprehensive Income

Year ended 31 December 2013


(expressed in Jamaican dollars unless otherwise indicated)

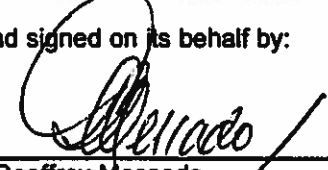
	Note	2013 \$'000	Restated 2012 \$'000
Group costs recovered from subsidiaries		486,737	477,170
Finance and other operating income	6	1,363,983	2,436,090
Administration expenses	7	(535,960)	(522,039)
<b>Operating Profit</b>		<u>1,314,760</u>	<u>2,391,221</u>
Finance costs	9	(87,792)	(83,952)
<b>Profit before Taxation</b>		<u>1,226,968</u>	<u>2,307,269</u>
Taxation	10	(70,727)	(79,116)
<b>Net Profit</b>	11	<u>1,156,241</u>	<u>2,228,153</u>
<b>Other Comprehensive Income:</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurements of post-employment benefits	10	(12,825)	22,125
<b>Items that may be subsequently reclassified to profit or loss -</b>			
Unrealised fair value gains on available-for-sale investments		208,472	124,693
Realised fair value gains on available-for-sale investments	10	(37,770)	(56,108)
		<u>170,702</u>	<u>68,585</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><u>1,314,118</u></u>	<u><u>2,318,863</u></u>

**Seprod Limited****Statement of Financial Position****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
<b>Non-current Assets</b>				
Property, plant and equipment	14	194,584	195,933	192,613
Available-for-sale investments	17	2,429,701	2,393,645	1,054,699
Investment in subsidiaries	18	1,410,267	1,437,102	1,437,102
Long term receivables	19	275,446	248,303	698,171
Deferred tax assets	30	39,515	33,021	36,210
		<u>4,349,513</u>	<u>4,308,004</u>	<u>3,418,795</u>
<b>Current Assets</b>				
Trade and other receivables	23	1,137,101	537,705	644,273
Available-for-sale investments	17	232,206	16,021	265,341
Current portion of long term receivables	19	38,058	339,470	456,047
Due from subsidiaries		3,237,237	2,920,103	1,606,362
Taxation recoverable		6,974	-	-
Cash and bank balances	25	122,908	77,541	37,272
		<u>4,774,484</u>	<u>3,890,840</u>	<u>3,009,295</u>
<b>Current Liabilities</b>				
Bank overdraft	25	118,914	82,614	-
Payables	26	152,826	164,677	144,604
Current portion of long term liabilities	29	999,088	596,063	800,000
Taxation payable		-	22,279	33,228
		<u>1,270,828</u>	<u>865,633</u>	<u>977,832</u>
<b>Net Current Assets</b>		<u>3,503,656</u>	<u>3,025,207</u>	<u>2,031,463</u>
		<u>7,853,169</u>	<u>7,333,211</u>	<u>5,450,258</u>
<b>Equity</b>				
Share capital	27	561,287	561,287	561,287
Treasury shares	27	(899)	-	-
Capital reserve	28	579,741	409,039	340,454
Retained earnings		6,523,940	5,809,085	3,987,417
		<u>7,664,069</u>	<u>6,779,411</u>	<u>4,889,158</u>
<b>Non-current Liabilities</b>				
Long term liabilities	29	-	400,000	400,000
Retirement benefit obligations	20	189,100	153,800	161,100
		<u>189,100</u>	<u>553,800</u>	<u>561,100</u>
		<u>7,853,169</u>	<u>7,333,211</u>	<u>5,450,258</u>

Approved for issue by the Board of Directors on 14 March 2014 and signed on its behalf by:

  
Byron Thompson Director

  
Geoffrey Messado Director

# Seprod Limited

## Statement of Changes in Equity

Year ended 31 December 2013

(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 2012, as previously reported	516,398	561,287	340,454	4,004,208	4,905,949
Effect of changes (Note 35)	-	-	-	(16,790)	(16,790)
Balance as at 1 January 2012, Restated (Note 35)	516,398	561,287	340,454	3,987,418	4,889,159
Profit for the year	-	-	-	2,228,153	2,228,153
Remeasurements on pension and other retirement obligations	-	-	-	22,125	22,125
Fair value gains on investments	-	-	68,585	-	68,585
Total comprehensive Income, as restated (Note 35)	-	-	68,585	2,250,278	2,318,863
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(428,611)	(428,611)
Balance at 31 December 2012, as restated	516,398	561,287	409,039	5,809,085	6,779,411
Profit for the year	-	-	-	1,156,241	1,156,241
Remeasurements on pension and other retirement obligations	-	-	-	(12,825)	(12,825)
Fair value gains on investments	-	-	170,702	-	170,702
Total comprehensive income	-	-	170,702	1,143,416	1,314,118
Transactions with owners:					
Purchase of treasury shares (Note 27)	(59)	(899)	-	-	(899)
Dividends declared (Note 13)	-	-	-	(428,561)	(428,561)
	(59)	(899)	-	(428,561)	(429,460)
Balance at 31 December 2013	516,339	560,388	579,741	6,523,940	7,664,069

**Seprod Limited****Statement of Cash Flows****Year ended 31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2013 \$'000	Restated 2012 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash used in operating activities	31	<u>(856,010)</u>	<u>(1,200,519)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(18,526)	(23,415)
Proceeds on disposal of property, plant and equipment		-	153
Purchase of available-for-sale investments		(9,050)	(1,236,385)
Proceeds from disposal of available-for-sale investments		54,974	220,634
Repayment of long term receivables		317,568	606,787
Interest received		335,931	351,522
Dividends received		<u>665,418</u>	<u>1,953,666</u>
Cash provided by investing activities		<u>1,346,315</u>	<u>1,872,962</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from disposal of preference shares in subsidiary		23,456	-
Capital injection to subsidiaries		(178)	-
Repurchase of ordinary shares		(899)	-
Long term loans received		-	400,000
Long term loans repaid		-	(609,617)
Dividends paid		(428,561)	(423,305)
Interest paid		<u>(84,767)</u>	<u>(81,866)</u>
Cash used in financing activities		<u>(490,949)</u>	<u>(714,788)</u>
Decrease in cash and cash equivalents		(644)	(42,345)
Net effect of foreign currency translation on cash		9,711	-
Cash and cash equivalents at beginning of year		<u>(5,073)</u>	<u>37,272</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<u><u>3,994</u></u>	<u><u>(5,073)</u></u>

Significant non-cash transactions during the year were interest and dividend income earned by the company from subsidiaries, which were settled through intercompany accounts (Note 6).

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 except for Xaymaca Limited and Golden Grove Funding Limited which are incorporated and domiciled in St. Lucia, and their principal activities, are as follows:

<b>Name of subsidiary</b>	<b>Principal activities</b>
Belvedere Limited	Agriculture
Caribbean Products Company Limited	Manufacture and sale of oils and fats
Golden Grove Sugar Company Limited and its subsidiary	Sugar production
- Golden Grove Funding Limited	Investments
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
Xaymaca Limited	Investments

During the year, Xaymaca Limited was incorporated. This company is a wholly owned subsidiary. The principal activity of Xaymaca Limited is the holding of equity investments.

All subsidiaries are wholly owned, with the exception of Golden Grove Sugar Company Limited, which is owned 71.2% (2012 – 80%) by the company and 17.8% (2012 – 20%) by Fred M. Jones Estate Limited and 11.0% by Quadrille Holdings.

Jamaica Detergents Limited and Jamaica Feeds Limited were liquidated during the year. (Note 36).

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, biological assets at fair value through profit and loss and investments classified as fair value through profit and loss.

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 and amendments to published standards effective during the year***

At the date of authorisation of these financial statements, certain new and amended standards and interpretations 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 determined that the following are relevant to its operations.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 20 for the impact on the financial statements.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- IFRS 10, 'Consolidated financial statements' 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 of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This did not impact on the financial statements as all subsidiaries are controlled.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### *Standards and amendments to published standards effective during the year (continued)*

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- IFRS 13, 'Fair value measurement', 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, which are largely aligned between IFRSs and US GAAP, 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 within IFRSs.

##### *New and amended standards 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 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', 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.

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.

# Seprod Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

*New and amended standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)*

- (c) IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

There are no other IFRSs 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 all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

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.



# Seprod Limited

## Notes to the Financial Statements

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### 2. Significant Accounting Policies (Continued)

#### (b) Basis of consolidation (continued)

##### *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 eliminating 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.

##### *Dividend income*

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

# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (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.

#### (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.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (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) Financial Assets

##### Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables', long term receivables and 'cash and cash equivalents'.

##### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

##### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit or loss in the statement of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss in the statement of comprehensive income as part of other income when the group's right to receive payments is established.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (i) Financial Assets (continued)

##### Recognition and measurement (continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the group's right to receive payments is established.

#### (j) Impairment of Financial Assets

##### (a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (j) Impairment of Financial Assets (continued)

##### (b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in statement of comprehensive income. Impairment losses recognised in the arriving at profit or loss on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in arriving at profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

#### (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 amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### (n) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

#### (o) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

#### (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.

# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (r) Employee benefits

##### *Pension obligations*

##### *Defined benefit plan*

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 amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

##### *Defined contribution plan*

The employees of the Group also participate in an Individual Retirement Scheme operated by an independent insurance company. The Group makes fixed contributions to the scheme for participating employees. The Group has no obligation for the benefits provided under the scheme as these are payable by, and accounted for by the insurance company. Accordingly, the Group recognises a cost equal to its contributions payable in respect of each accounting period in the statement of comprehensive income.

##### *Other retirement benefits*

The Group provides post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional 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 the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

##### *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

##### *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.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

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### 2. Significant Accounting Policies (Continued)

**(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.

**(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 directors.

**(u) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

**(v) Provisions**

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



# Seprod Limited

## Notes to the Financial Statements

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### 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.

# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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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 in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations. The disclosures provided in this note are based on the Company's investment portfolio as at 31 December 2013.

In February 2013, the Group participated in the National Debt Exchange (NDX) transaction under which the Group exchanged their holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available under the election options contained in the agreement. The NDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities. The NDX did not have a significant impact on financial risks on entities which hold such instruments.

#### *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 over 30 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.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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 90 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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
30 – 60 days	63,229	26,840	-	-
60 – 90 days	56,403	34,905	-	-
greater than 90 days	558,699	454,763	-	-
	<u>678,331</u>	<u>516,508</u>	<u>-</u>	<u>-</u>

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

Trade receivables of \$116,065,000 (2012 – \$113,100,000) for the Group and \$3,619,000 (2012 – \$3,619,000) 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. All of the aforementioned impaired receivables balances were greater than 90 days old.

##### *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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
At start of year	113,100	107,643	3,619	3,383
Amounts recovered during the year	(13,225)	(16,869)	-	-
Provided during the year	22,918	22,326	-	236
Written off during the year	(6,728)	-	-	-
At end of year	<u>116,065</u>	<u>113,100</u>	<u>3,619</u>	<u>3,619</u>

The creation and release of provision for impaired receivables have been included in administration 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.

# Seprod Limited

## Notes to the Financial Statements

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### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### *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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Supermarket chains	80,474	57,022	-	-
Retailers & Wholesalers	637,015	909,459	-	-
Distributors	129,848	278,563	-	-
Manufacturers	58,545	40,063	-	-
Others	55,922	95,124	3,619	3,619
	961,804	1,380,231	3,619	3,619
Less: Provision for impairment	(116,065)	(113,100)	(3,619)	(3,619)
	845,739	1,267,131	-	-

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. None of the loans to related parties is past due but not impaired.

#### (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.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2013</b>				
Long term liabilities	608,130	41,430	820,439	1,082,275	2,552,274
Trade payables	1,246,285	-	-	-	1,250,858
Other payables	316,412	532	4,041	-	320,985
Bank overdraft	118,914	-	-	-	118,914
	<b>2,294,314</b>	<b>41,962</b>	<b>824,480</b>	<b>1,082,275</b>	<b>4,243,031</b>
	<b>2012</b>				
Long term liabilities	-	19,808	890,283	547,846	1,457,937
Trade payables	1,415,221	-	-	-	1,415,221
Bank overdraft	82,614	-	-	-	82,614
Other payables	100,151	-	-	-	100,151
	<b>1,597,986</b>	<b>19,808</b>	<b>890,283</b>	<b>547,846</b>	<b>3,055,923</b>
	<b>The Company</b>				
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2013</b>				
Long term liabilities	597,341	-	432,780	-	1,030,121
Bank overdraft	118,914	-	-	-	118,914
Other payables	84,390	-	-	-	84,390
	<b>800,645</b>	<b>-</b>	<b>432,780</b>	<b>-</b>	<b>1,233,425</b>
	<b>2012 Restated</b>				
Long term liabilities	-	19,808	650,986	472,408	1,143,202
Bank overdraft	82,614	-	-	-	82,614
Other payables	87,488	-	-	-	87,488
	<b>170,102</b>	<b>19,808</b>	<b>650,986</b>	<b>472,408</b>	<b>1,313,304</b>

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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 purchases and sales transactions and investing and financing activities.

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 foreign exchange rates. 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 15% devaluation/1% revaluation (2012 - 1% revaluation/10% devaluation) 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 long term liabilities.

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Effect on profit before taxation -				
US\$				
15% devaluation (2012 – 10%)	230,421	157,679	533,283	289,374
1% revaluation (2012 – 1%)	(15,361)	(15,768)	(35,552)	(28,937)
Other currencies				
15% devaluation (2012 – 10%)	35,676	19,832	34,002	20,406
1% revaluation (2012 – 1%)	(2,378)	(1,983)	(2,267)	(2,041)

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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
	<b>2013</b>			
<b>Financial Assets</b>				
Available-for-sale investments	345,428	2,097,505	218,974	2,661,907
Fair value through profit and loss	535,695	-	-	535,695
Long term receivables	-	313,504	-	313,504
Trade and other receivables	973,404	1,121,469	29,750	2,124,623
Short term deposits	-	82,850	-	82,850
Cash and bank	256,496	97,736	7,703	361,935
	<u>2,111,023</u>	<u>3,713,064</u>	<u>256,427</u>	<u>6,080,514</u>
<b>Financial Liabilities</b>				
Long term liabilities	999,088	1,266,475	-	2,265,563
Bank overdraft	118,914	-	-	118,914
Trade and other payables	642,804	910,451	18,588	1,571,843
	<u>1,760,806</u>	<u>2,176,926</u>	<u>18,588</u>	<u>3,956,320</u>
<b>Net financial position</b>	<u>350,217</u>	<u>1,536,138</u>	<u>237,839</u>	<u>2,124,194</u>
	<b>2012 Restated</b>			
<b>Financial Assets</b>				
Available-for-sale investments	384,823	1,829,140	195,703	2,409,666
Long term receivables	-	587,773	-	587,773
Trade and other receivables	1,474,234	511,038	-	1,985,272
Cash and bank	211,567	55,979	8,359	275,905
	<u>2,070,624</u>	<u>2,983,930</u>	<u>204,062</u>	<u>5,258,616</u>
<b>Financial Liabilities</b>				
Long term liabilities	996,063	302,340	-	1,298,403
Bank overdraft	82,614	-	-	82,614
Trade and other payables	419,271	1,104,805	5,745	1,529,821
	<u>1,497,948</u>	<u>1,407,145</u>	<u>5,745</u>	<u>2,910,838</u>
<b>Net financial position</b>	<u>570,079</u>	<u>1,576,785</u>	<u>198,317</u>	<u>2,347,778</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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
	<b>2013</b>			
<b>Financial Assets</b>				
Available-for-sale investments	345,428	2,097,505	218,974	2,661,907
Long term receivables	-	313,504	-	313,504
Trade and other receivables	-	1,054,330	-	1,054,330
Due from subsidiaries	3,237,237	-	-	3,237,237
Cash and bank	25,321	89,884	7,703	122,908
	<b>3,607,986</b>	<b>3,555,223</b>	<b>226,677</b>	<b>7,389,886</b>
<b>Financial Liabilities</b>				
Long term liabilities	999,088	-	-	999,088
Bank overdraft	118,914	-	-	118,914
Other payables	84,390	-	-	84,390
	<b>1,202,392</b>	<b>-</b>	<b>-</b>	<b>1,202,392</b>
<b>Net financial position</b>	<b>2,405,594</b>	<b>3,555,223</b>	<b>226,677</b>	<b>6,187,494</b>
	<b>2012 Restated</b>			
<b>Financial Assets</b>				
Available-for-sale investments	384,823	1,829,140	195,703	2,409,666
Long term receivables	-	587,773	-	587,773
Other receivables	104,629	420,843	-	525,472
Due from subsidiaries	2,920,103	-	-	2,920,103
Cash and bank	13,203	55,979	8,359	77,541
	<b>3,422,758</b>	<b>2,893,735</b>	<b>204,062</b>	<b>6,520,555</b>
<b>Financial Liabilities</b>				
Long term liabilities	996,063	-	-	996,063
Bank overdraft	82,614	-	-	82,614
Other payables	87,488	-	-	87,488
	<b>1,166,165</b>	<b>-</b>	<b>-</b>	<b>1,166,165</b>
<b>Net financial position</b>	<b>2,256,593</b>	<b>2,893,735</b>	<b>204,062</b>	<b>5,354,390</b>



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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 borrowings 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 increase/(decrease) in interest rates of 4%/(1%) in respect of Jamaican dollar denominated instruments (2012 – 0.5% increase/decrease) and increase/(decrease) of 2.5%/(0.5%) for United States dollar denominated instruments (2012 – 0.5% increase/decrease), with all other variables held constant, on profit before taxation and other components of equity.

Change in basis points	Effect on Profit before Taxation	Effect on Other Components of Equity	Change in basis points	Effect on Profit before Taxation	Effect on Other Components of Equity
2013 JMD / USD	2013 \$'000	2013 \$'000	2012 JMD / USD	2012 \$'000	2012 \$'000
<b>The Group</b>					
+250/+200	5,733	24,084	+400/+250	2,716	(7,365)
-100/-50	869	(7,316)	-100/-50	(641)	5,657
<b>The Company</b>					
+250/+200	26,075	24,084	+400/+250	1,960	(7,365)
-100/-50	(3,716)	(7,316)	-100/-50	(490)	5,657

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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						Total \$'000
	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 \$'000	
	2013						
<b>Financial assets</b>							
Available-for-sale investments	40,565	120,006	231,985	250,159	475,096	1,544,096	2,661,907
Fair value through profit	-	-	-	-	-	535,695	535,695
Long term receivables	-	-	-	66,274	247,230	-	313,504
Trade and other receivables	-	1,054,330	133,223	-	-	937,070	2,124,623
Short term deposits	-	82,850	-	-	-	-	82,850
Cash and bank	122,908	-	-	-	-	239,027	361,935
	<b>163,473</b>	<b>1,257,186</b>	<b>365,208</b>	<b>316,433</b>	<b>722,326</b>	<b>3,255,888</b>	<b>6,080,514</b>
<b>Financial liabilities</b>							
Long term liabilities	609,877	26,595	735,713	893,378	-	-	2,265,563
Bank overdraft	118,914	-	-	-	-	-	118,914
Trade and other payables	-	-	-	-	-	1,571,843	1,571,843
	<b>728,791</b>	<b>26,595</b>	<b>735,713</b>	<b>893,378</b>	<b>-</b>	<b>1,571,843</b>	<b>3,956,320</b>
<b>Total interest repricing gap</b>	<b>(565,318)</b>	<b>1,230,591</b>	<b>(370,505)</b>	<b>(576,945)</b>	<b>722,326</b>	<b>1,684,045</b>	<b>2,124,194</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### *Interest rate risk (continued)*

	The Group						Total \$'000
	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 \$'000	
	2012 Restated						
<b>Financial assets</b>							
Available-for-sale investments	-	109,910	-	547,831	378,704	1,373,221	2,409,666
Long term receivables	96,792	190,064	24,880	132,672	143,365	-	587,773
Trade and other receivables	-	420,843	69,148	-	-	1,495,281	1,985,272
Cash and bank	273,283	-	-	-	-	2,622	275,905
	<u>370,075</u>	<u>720,817</u>	<u>94,028</u>	<u>680,503</u>	<u>522,069</u>	<u>2,871,124</u>	<u>5,258,616</u>
<b>Financial liabilities</b>							
Long term liabilities	-	712,448	585,955	-	-	-	1,298,403
Bank overdraft	82,614	-	-	-	-	-	82,614
Trade and other payables	49,814	-	-	-	-	1,480,037	1,529,821
	<u>132,428</u>	<u>712,448</u>	<u>585,955</u>	<u>-</u>	<u>-</u>	<u>1,480,037</u>	<u>2,910,838</u>
<b>Total Interest repricing gap</b>	<u>237,647</u>	<u>8,369</u>	<u>(491,927)</u>	<u>680,503</u>	<u>522,069</u>	<u>1,391,087</u>	<u>2,347,778</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### Interest rate risk (continued)

	The Company						Total \$'000
	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	
	2013						
<b>Financial assets</b>							
Available-for-sale investments	40,565	120,006	231,985	250,159	475,096	1,544,096	2,661,907
Trade and other receivables	-	1,054,330	-	-	-	-	1,054,330
Due from subsidiaries	-	-	-	-	-	3,237,237	3,237,237
Long term receivables	-	-	-	66,274	247,230	-	313,504
Cash and bank	122,908	-	-	-	-	-	122,908
	<b>163,473</b>	<b>1,174,336</b>	<b>231,985</b>	<b>316,433</b>	<b>722,326</b>	<b>4,781,333</b>	<b>7,389,886</b>
<b>Financial liabilities</b>							
Long term liabilities	599,088	-	400,000	-	-	-	999,088
Bank overdraft	118,914	-	-	-	-	-	118,914
Other payables	-	-	-	-	-	84,390	84,390
	<b>718,002</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>84,390</b>	<b>1,202,392</b>
<b>Total interest repricing gap</b>	<b>(554,529)</b>	<b>1,174,336</b>	<b>(168,015)</b>	<b>316,433</b>	<b>722,326</b>	<b>4,696,943</b>	<b>6,187,494</b>
	2012 Restated						
<b>Financial assets</b>							
Available-for-sale investments	-	109,910	-	547,831	378,704	1,373,221	2,409,666
Trade and other receivables	-	420,843	-	-	-	104,629	525,472
Due from subsidiaries	-	-	-	-	-	2,920,103	2,920,103
Long term receivables	96,792	190,064	24,880	132,672	143,365	-	587,773
Cash and bank	77,541	-	-	-	-	-	77,541
	<b>174,333</b>	<b>720,817</b>	<b>24,880</b>	<b>680,503</b>	<b>522,069</b>	<b>4,397,953</b>	<b>6,520,553</b>
<b>Financial liabilities</b>							
Long term liabilities	-	596,063	400,000	-	-	-	996,063
Bank overdraft	82,614	-	-	-	-	-	82,614
Other payables	-	-	-	-	-	87,488	87,488
	<b>82,614</b>	<b>596,063</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>87,488</b>	<b>1,166,165</b>
<b>Total interest repricing gap</b>	<b>91,719</b>	<b>124,754</b>	<b>(375,120)</b>	<b>680,503</b>	<b>522,069</b>	<b>4,310,465</b>	<b>5,354,388</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group and company are exposed to equity price risk because of investments held by the group and company classified on the respective statements of financial position either as available-for-sale or at fair value through profit or loss. The group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact on total stockholders' equity (before tax) of a 10% increase/decrease in equity prices is an increase/decrease of \$53,570,000 for the group and nil for the company (2012 – \$5,730,000) for the group and company respectively.

#### (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).

**Seprod Limited****Notes to the Financial Statements****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)****3. Financial Risk Management (Continued)****(e) Fair values of financial instruments (continued)**

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2013</b>				
Available-for-sale investments –				
Unquoted equities	-	-	1,544,096	1,544,096
Issued by the Government of Jamaica	-	1,117,811	-	1,117,811
	-	1,117,811	1,544,096	2,661,907
<b>2012 Restated</b>				
Available-for-sale investments –				
Quoted equities	57,305	-	-	57,305
Unquoted equities	-	-	1,315,916	1,315,916
Issued by the Government of Jamaica	-	1,036,445	-	1,036,445
	57,305	1,036,445	1,315,916	2,409,666

There were no transfers between levels during the year.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Fair values of financial instruments (continued)

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

	2013	Restated 2012
	\$'000	\$'000
At start of year	1,315,916	-
Additions	-	1,223,469
Fair value gains	34,444	18,581
Foreign exchange gains	193,736	73,866
At end of year	<u>1,544,096</u>	<u>1,315,916</u>

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 \$316,686,000 (2012 – \$608,785,000). This was derived by discounting the contractual cash flows using the market rate of interest. The carrying value of these receivables is \$313,504,000 (2012 – \$587,773,000).
- (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.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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.

#### **Income taxes**

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### **Retirement benefit obligations**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part 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.

#### **Fair value of unquoted equities**

The fair value of securities not quoted in an active market may be determined using valuation techniques. The Group exercises judgement and estimates on the quantity and quality of cashflow projections used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are reviewed by external experts. The fair value is sensitive to the assumptions used in the computation, the primary assumption being the discount rate of 10.91% and a market participant minority discount of 20%. For the valuation of unquoted ordinary shares at the year-end if the discount rate had increased/decreased to 12%/10% with all other variables constant, the fair value would increase/decrease from US\$7,296,000 to US\$4,700,000/US\$7,300,000.



# Seprod Limited

## Notes to the Financial Statements

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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.

	2013			Group \$'000
	Manufacturing \$'000	Distribution \$'000	Eliminations \$'000	
External revenue	8,625,583	5,296,176		13,921,759
Inter-segment revenue	3,743,667		(3,743,667)	-
<b>Total revenue</b>	<b>12,369,250</b>	<b>5,296,176</b>	<b>(3,743,667)</b>	<b>13,921,759</b>
Segment result	674,384	94,566	-	768,950
Unallocated corporate income				650,368
<b>Operating profit</b>				<b>1,419,318</b>
Segment assets	8,190,637	1,124,489	-	9,315,126
Unallocated corporate assets				4,504,454
<b>Total consolidated assets</b>				<b>13,819,580</b>
Segment liabilities	3,484,875	337,085	-	3,821,960
Unallocated corporate liabilities				800,853
<b>Total consolidated liabilities</b>				<b>4,622,813</b>
Other segment items –				
Capital expenditure	381,223	414	-	381,637
Unallocated capital expenditure				18,526
<b>Total capital expenditure</b>				<b>400,163</b>
Depreciation	389,266	4,089	-	393,355
Unallocated depreciation				17,858
<b>Total depreciation</b>				<b>411,213</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Business Segments (Continued)

	2012 Restated			Group
	Manufacturing	Distribution	Eliminations	
	\$'000	\$'000	\$'000	\$'000
External revenue	8,142,046	4,581,532	-	12,723,578
Inter-segment revenue	3,613,491	-	(3,613,491)	-
<b>Total revenue</b>	<b>11,755,537</b>	<b>4,581,532</b>	<b>(3,613,491)</b>	<b>12,723,578</b>
Segment result	1,310,019	162,955	-	1,472,974
Unallocated corporate income				(167,646)
<b>Operating profit</b>				<b>1,305,328</b>
Segment assets	7,503,911	919,618	-	8,423,529
Unallocated corporate assets				3,841,589
<b>Total consolidated assets</b>				<b>12,265,118</b>
Segment liabilities	1,955,720	268,134	-	2,223,854
Unallocated corporate liabilities				1,506,983
<b>Total consolidated liabilities</b>				<b>3,730,837</b>
Other segment items –				
Capital expenditure	664,176	10,675	-	674,851
Unallocated capital expenditure				23,415
<b>Total capital expenditure</b>				<b>698,266</b>
Depreciation	358,343	2,626	-	360,969
Unallocated depreciation				20,037
<b>Total depreciation</b>				<b>381,006</b>

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

The result of its revenue from external customers in Jamaica is \$13,164,325,000 (2012 - \$12,049,966,000), and the total of revenue from external customers from other countries is \$757,434,000 (2012 - \$673,612,000).

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

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### 6. Finance and Other Operating Income

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Interest income from subsidiaries	-	-	125,629	131,986
Other interest income	223,966	208,060	207,513	198,411
Dividend income from subsidiaries	-	-	664,392	1,949,711
Other dividend income on available for sale financial assets	1,026	4,604	1,026	4,604
Other dividend income on financial assets at fair value through profit or loss	14,305	-	-	-
Net foreign exchange gains	289,540	109,003	284,045	127,975
Gain on sale of available-for-sale investments	24,557	6,420	25,344	6,420
(Loss)/gain on disposal of property, plant and equipment	(1,231)	(294)	-	95
Fair value gains on financial assets at fair value through profit or loss	68,466	-	-	-
Throw up fees and contribution	25,003	21,070	-	-
Income from sale of mangoes	16,086	-	-	-
Rental income	17,177	13,932	-	-
Recoveries from managed farms	26,735	45,542	-	-
Other	161,738	82,060	56,034	16,888
	<u>867,368</u>	<u>490,547</u>	<u>1,363,983</u>	<u>2,436,090</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Advertising and promotion	88,561	118,966	11,062	10,760
Amortisation of intangible assets	7,341	7,341	-	-
Auditors' remuneration	19,026	16,776	5,098	4,535
Bad debt expense, net of recoveries	15,678	5,299	-	461
Cost of inventories recognised as an expense	7,951,031	7,288,333	-	-
Depreciation	412,119	381,006	17,858	20,037
Insurance	199,988	157,461	17,827	12,062
Professional services	64,006	44,448	37,237	32,761
Provision for legal claim	-	29,050	-	-
Provision for tax assessment	-	8,749	-	-
Repairs and maintenance	503,267	395,936	13,358	18,404
Security	110,297	106,847	15,583	14,644
Staff costs (Note 8)	1,621,338	1,656,130	340,755	346,177
Utilities	879,318	805,840	25,232	23,282
Other	1,497,839	886,615	51,950	38,916
	<u>13,369,809</u>	<u>11,908,797</u>	<u>535,960</u>	<u>522,039</u>

### 8. Staff Costs

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	1,276,830	1,334,520	229,292	233,326
Statutory contributions	106,610	100,714	20,976	20,038
Pension – defined benefit (Note 20)	17,200	20,600	17,200	20,600
Pension - defined contribution (Note 20)	24,220	19,688	9,204	9,780
Other retirement benefits (Note 20)	13,100	16,600	13,100	16,600
Redundancy cost	7,519	-	3,248	5,056
Other	175,859	164,008	47,735	40,777
	<u>1,621,338</u>	<u>1,656,130</u>	<u>340,755</u>	<u>346,177</u>

# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 9. Finance Costs

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Foreign exchange losses	127,163	-	-	-
Interest expense –				
Long term loans	143,689	95,186	86,403	83,387
Other	24,488	10,510	1,389	565
Amortisation of deferred financing fees	5,584	-	-	-
	<u>300,924</u>	<u>105,696</u>	<u>87,792</u>	<u>83,952</u>

### 10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 28% (2012 - 33%):

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Current taxation	349,705	449,098	71,425	84,722
Adjustment to prior year provision	132	(1,651)	1,521	(1,420)
	<u>349,837</u>	<u>447,447</u>	<u>72,946</u>	<u>83,302</u>
Deferred taxation (Note 30)	679	(81,842)	(2,219)	(4,186)
	<u>350,516</u>	<u>365,605</u>	<u>70,727</u>	<u>79,116</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation Expense (Continued)

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

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	1,118,394	1,199,632	1,226,968	2,307,269
Tax calculated at a tax rate of 28 ¼ % (2012 -33¼%)	321,538	399,877	352,753	769,090
Adjusted for the effect of:				
Investment income not subject to tax	(118,321)	(4,946)	(284,588)	(659,078)
Adjustment to prior year provision	132	(1,651)	1,521	(1,420)
Profit of subsidiaries not subject to tax	(20,914)	(18,445)	-	-
Effect of change in tax rate (Note 30)	-	(87,760)	-	(15,793)
Tax losses of subsidiaries for which no deferred tax assets have been created (Note 30)	152,172	75,286	-	-
Other charges and credits	15,909	3,244	1,041	(13,683)
	350,516	365,605	70,727	79,116

Certain subsidiaries are granted relief from taxation as approved farmer under section 36D of the Income Tax Act 1982, for a period of 10 years commencing in the year of assessment 2008. As such, profits of these subsidiaries for the year amounting to \$72,744,000 (2012 - \$55,335,000) were not subject to tax.

Tax (charge)/credit relating to components of other comprehensive income are as follows:

	The Group & The Company		
	2013		
	Before Tax	Tax Effect	After Tax
	\$'000	\$'000	\$'000
Fair value gains - Available-for-sale financial assets	170,702	-	170,702
Remeasurements of post-employment benefit liabilities	(17,100)	4,275	(12,825)
Other comprehensive income	153,602	4,275	157,877

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation Expense (Continued)

	<b>The Group &amp; The Company</b>		
	<b>2012</b>		
	<b>Before Tax</b>	<b>Tax Effect</b>	<b>After Tax</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value gains - Available-for-sale financial assets	68,585	-	68,585
Remeasurements of post-employment benefit liabilities	29,500	(7,375)	22,125
Other comprehensive income	<u>98,085</u>	<u>(7,375)</u>	<u>90,710</u>

### 11. Net Profit Attributable to Stockholders of the Company

Dealt with as follows in the financial statements:

	<b>2013</b>	<b>Restated 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
The company	1,156,241	2,228,153
Dividend income from subsidiaries	<u>(664,393)</u>	<u>(1,949,711)</u>
	491,848	278,442
Subsidiaries	413,905	600,319
	<u>905,753</u>	<u>878,761</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 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.

	2013	2012
Net profit attributable to stockholders (\$'000)	905,753	878,761
Weighted average number of ordinary stock units ('000)	516,333	516,398
Basic earnings per stock unit (\$)	<u>1.75</u>	<u>1.70</u>

The company has no dilutive potential ordinary shares.

### 13. Dividends

	2013	2012
	\$'000	\$'000
Interim dividends -		
53 cents per stock unit – 8 July 2013	273,660	-
30 cents per stock unit – 9 November 2013	154,901	-
53 cents per stock unit – 7 August 2012	-	273,691
30 cents per stock unit – 9 November 2012	-	154,920
	<u>428,561</u>	<u>428,611</u>



# Seprod Limited

## Notes to the Financial Statements

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### 14. Property, Plant and Equipment

	The Group					
	Freehold Land & Site Improvements	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2013</b>					
<b>Cost -</b>						
At 1 January 2013	564,865	1,209,278	4,062,915	338,794	249,197	6,425,049
Adjustments	-	(30)	55	5,084	-	5,109
Additions	53,642	17,083	135,687	3,684	190,067	400,163
Disposals	-	(15,269)	(201,988)	(5,009)	-	(222,266)
Write-offs	-	-	-	-	(4,938)	(4,938)
Transfers	-	18,541	207,361	8,436	(234,338)	-
At 31 December 2013	618,507	1,229,603	4,204,030	350,989	199,988	6,603,117
<b>Accumulated Depreciation -</b>						
At 1 January 2013	-	563,592	1,867,243	187,107	-	2,617,942
Adjustments	-	118	(84)	5,075	-	5,109
Charge for the year	-	25,983	329,119	57,017	-	412,119
On disposals	-	(15,269)	(199,864)	(4,093)	-	(219,226)
At 31 December 2013	-	574,424	1,996,414	245,106	-	2,815,944
<b>Net Book Value -</b>						
At 31 December 2013	618,507	655,179	2,207,616	105,883	199,988	3,787,173
	<b>2012</b>					
<b>Cost -</b>						
At 1 January 2012	526,982	1,157,491	3,434,247	267,475	347,934	5,734,129
Additions	37,565	15,344	116,116	9,890	519,351	698,266
Disposals	-	(879)	(2,340)	(3,508)	(619)	(7,346)
Transfers	318	37,322	514,892	64,937	(617,469)	-
At 31 December 2012	564,865	1,209,278	4,062,915	338,794	249,197	6,425,049
<b>Accumulated Depreciation -</b>						
At 1 January 2012	-	538,483	1,584,750	118,198	-	2,241,431
Charge for the year	-	25,138	284,413	71,455	-	381,006
On disposals	-	(29)	(1,920)	(2,546)	-	(4,495)
At 31 December 2012	-	563,592	1,867,243	187,107	-	2,617,942
<b>Net Book Value -</b>						
At 31 December 2011	564,865	645,686	2,195,672	151,687	249,197	3,807,107

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Property, Plant and Equipment (Continued)

	The Company					Total \$'000
	Freehold Land & Site Improvements \$'000	Buildings \$'000	Plant, Equipment & Furniture \$'000	Motor Vehicles \$'000	Work in Progress \$'000	
	<b>2013</b>					
<b>Cost -</b>						
At 1 January 2013	66,289	348,087	186,633	39,839	2,819	643,667
Additions	-	7,416	10,057	-	1,053	18,526
Disposals	-	(15,269)	(71,138)	-	-	(86,407)
Write-off	-	-	-	-	(2,017)	(2,017)
Transfers	-	1,372	-	-	(1,372)	-
At 31 December 2013	66,289	341,606	125,552	39,839	483	573,769
<b>Accumulated Depreciation -</b>						
At 1 January 2013	-	246,339	172,868	28,527	-	447,734
Charge for the year	-	5,917	5,435	6,506	-	17,858
Relieved on disposals	-	(15,269)	(71,138)	-	-	(86,407)
At 31 December 2013	-	236,987	107,165	35,033	-	379,185
<b>Net Book Value -</b>						
At 31 December 2013	66,289	104,619	18,387	4,806	483	194,584
	<b>2012</b>					
<b>Cost -</b>						
At 1 January 2012	66,289	339,025	180,491	32,042	2,536	620,383
Additions	-	6,774	1,122	-	15,519	23,415
Disposals	-	-	(131)	-	-	(131)
Transfers	-	2,288	5,151	7,797	(15,236)	-
At 31 December 2012	66,289	348,087	186,633	39,839	2,819	643,667
<b>Accumulated Depreciation -</b>						
At 1 January 2012	-	240,534	167,441	19,795	-	427,770
Charge for the year	-	5,805	5,500	8,732	-	20,037
Relieved on disposals	-	-	(73)	-	-	(73)
At 31 December 2012	-	246,339	172,868	28,527	-	447,734
<b>Net Book Value -</b>						
At 31 December 2012	66,289	101,748	13,765	11,312	2,819	195,933

Certain of the group's property, plant and equipment have been pledged as security for its borrowings (Note 29).

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Financial instruments

	The Group			
	Assets at fair value through profit and loss			Total
	Loans and receivables	Available for Sale	Total	
	\$'000	\$'000	\$'000	\$'000
	<b>2013</b>			
<b>Assets as per statement of financial position</b>				
Available-for-sale financial assets (Note 17)	-	-	2,661,916	2,661,916
Trade and other receivables (Note 23)	2,798,176	-	-	2,798,176
Financial assets as fair value through profit and loss (Note 24)	-	535,695	-	535,695
Long term receivables (Note 19)	313,504	-	-	313,504
Short deposits	82,850	-	-	82,850
Cash and cash equivalents (Note 25)	361,935	-	-	361,935
<b>Total</b>	<b>3,556,465</b>	<b>535,695</b>	<b>2,661,916</b>	<b>6,754,076</b>
			<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities as per statement of financial position</b>				
Long term liabilities (Note 29)			2,236,387	2,236,387
Bank overdraft (Note 25)			118,914	118,914
Trade and other payables excluding non-financial liabilities (Note 26)			1,686,766	1,686,766
<b>Total</b>			<b>4,042,067</b>	<b>4,042,067</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Financial Instruments (Continued)

	<b>The Group</b>		
	<b>Loans and receivables</b>	<b>Available for Sale</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>2012</b>		
<b>Assets as per statement of financial position</b>			
Available-for-sale financial assets (Note 17)	-	2,409,666	2,409,666
Trade and other receivables (Note 23)	2,103,746	-	2,103,746
Long term receivables (Note 19)	587,773	-	587,773
Cash and cash equivalents (Note 25)	275,905	-	275,905
<b>Total</b>	<b>2,967,424</b>	<b>2,409,666</b>	<b>5,377,090</b>
		<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities as per statement of financial position</b>			
Long term liabilities (Note 29)		1,298,403	1,298,403
Bank overdraft (Note 25)		82,614	82,614
Trade and other payables excluding non-financial liabilities (Note 26)		1,820,119	1,820,119
<b>Total</b>		<b>3,201,136</b>	<b>3,201,136</b>

**Seprod Limited****Notes to the Financial Statements****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)****15. Financial Instruments (Continued)**

	<b>The Company</b>		
	<b>Loans and receivables</b>	<b>Available for Sale</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>2013</b>		
<b>Assets as per statement of financial position</b>			
Available-for-sale financial assets (Note 17)	-	2,661,907	2,661,907
Trade and other receivables including due from subsidiaries	4,374,338	-	4,374,338
Long term receivables (Note 19)	313,504	-	313,504
Cash and cash equivalents (Note 25)	122,908	-	122,908
<b>Total</b>	<b>4,810,750</b>	<b>2,661,907</b>	<b>7,472,657</b>
		<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities as per statement of financial position</b>			
Long term liabilities (Note 29)		999,088	999,088
Bank overdraft (Note 25)		118,914	118,914
Trade and other payables excluding non-financial liabilities (Note 26)		152,826	152,826
<b>Total</b>		<b>1,270,828</b>	<b>1,270,828</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Financial Instruments (Continued)

	The Company		
	Loans and receivables	Available for Sale	Total
	\$'000	\$'000	\$'000
	<b>2012</b>		
<b>Assets as per statement of financial position</b>			
Available-for-sale financial assets (Note 17)	-	2,409,666	2,409,666
Trade and other receivables including due from subsidiaries	3,457,808	-	3,457,808
Long term receivables (Note 19)	587,773	-	587,773
Cash and cash equivalents (Note 25)	77,541	-	77,541
<b>Total</b>	<b>4,123,122</b>	<b>2,409,666</b>	<b>6,532,788</b>
		<b>Other financial liabilities at amortised cost</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities as per statement of financial position</b>			
Long term liabilities (Note 29)		996,063	996,063
Bank overdraft (Note 25)		82,614	82,614
Trade and other payables excluding non-financial liabilities (Note 26)		164,677	164,677
<b>Total</b>		<b>1,243,354</b>	<b>1,243,354</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 16. 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:

	<u>The Group</u>	
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value of brands acquired	73,407	73,407
Less: Accumulated amortisation	(58,091)	(50,750)
	<u>15,316</u>	<u>22,657</u>

### 17. Available-for-Sale Investments

	<u>The Group &amp; The Company</u>	
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Quoted equities	-	57,305
Unquoted equities	1,544,096	1,315,916
Government of Jamaica securities	1,117,811	1,036,445
	<u>2,661,907</u>	<u>2,409,666</u>
Less: Securities maturing within 12 months	(232,206)	(16,021)
	<u>2,429,701</u>	<u>2,393,645</u>

Government of Jamaica securities and corporate bonds include interest receivable of \$13,232,000 (2012 – \$16,021,000). The weighted average effective interest rate on these securities was 8.48% (2012 – 9.96%).

In 2012, the company purchased 42,214 ordinary shares (12.5%) and 20,486 preference shares (34%) in Facey Commodity Company Limited, a related company. As the company does not exercise significant influence over the related party, the investment has been treated as available-for sale and is carried at fair value. The preference shares are denominated in United States dollars. As the shares are unlisted, fair values were determined using cash flows discounted using a rate based on market interest rate and a risk premium specific to the unlisted security of 10.91%.

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

	<u>The Group &amp; The Company</u>	
	<u>2013</u>	<u>Restated 2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at start of year	2,409,666	1,320,040
Additions	9,050	1,236,385
Disposals	(54, 974)	(240,996)
Net fair value gains/(losses)	138,977	(5,282)
Effect of changes in foreign exchange rates	159,188	99,519
Balance at end of year	<u>2,661,907</u>	<u>2,409,666</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Available-for-Sale Investments (Continued)

Available-for-sale financial statements are denominated in the following currencies.

	<b>The Group and Company</b>	
	<b>2013</b>	<b>Restated 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
JA dollar	369,973	454,422
US dollar	2,059,949	1,759,543
Euro	231,985	195,701
	<u>2,661,907</u>	<u>2,409,666</u>

None of these financial assets is either past due or impaired.

### 18. Investment in Subsidiaries

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Subsidiary companies -		
Balance at 1 January	1,437,102	1,437,102
Liquidated subsidiaries (Note 36)	(4,980)	-
Partial disposal of preference shares	(22,033)	-
Equity injection in a subsidiary during the year	178	-
Balance at 31 December	<u>1,410,267</u>	<u>1,437,102</u>

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Investment in Subsidiaries (Continued)

The total non-controlling interest for the year was \$(169,880,000) (2012- (\$61,930,000)), all attributable to Golden Grove Sugar Company Limited.

Summarised financial information for each subsidiary that has a non-controlling interest

Summarised statement of financial position

	<b>Golden Grove Sugar Company Limited</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Assets	1,097,462	791,208
Liabilities	(2,001,197)	(2,157,416)
<i>Total current net assets</i>	<u>(903,735)</u>	<u>(1,366,208)</u>
<b>Non-current</b>		
Assets	1,259,652	1,256,560
Liabilities	(821,845)	-
<i>Total non-current liabilities</i>	<u>437,807</u>	<u>1,256,560</u>
<b>Net assets</b>	<u>(465,928)</u>	<u>(109,648)</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Investment in Subsidiaries (Continued)

#### Summarised statement of comprehensive income

	<b>Golden Grove Sugar Company Limited</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	1,711,968	1,590,889
Depreciation and amortisation	(142,433)	(128,662)
Interest income	16,453	8,442
Profit from continuing operations	(522,127)	(223,670)
Taxation expense	-	-
Post tax profit from continuing operations	<u>(522,127)</u>	<u>(223,670)</u>

#### Summarised cash flows

	<b>Golden Grove Sugar Company Limited</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Cash used in operations	(325,451)	(117,652)
Interest paid	(182,785)	(140,062)
Income tax paid	-	-
Net cash used in operating activities	(310,014)	(109,210)
Net cash used in investing activities	(221,521)	(359,976)
Net cash provided by financing activities	536,463	449,503
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,928	(19,683)
Cash and cash equivalents at beginning of year	2,597	22,280
Cash and cash equivalents at end of year	<u>7,852</u>	<u>2,597</u>

The information above is the amount before inter-company eliminations.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Long Term Receivables

	<b>The Group &amp; The Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) Musson (Jamaica) Limited	313,504	309,211
(b) Orrett and Musson	-	278,562
	<u>313,504</u>	<u>587,773</u>
Less: Current portion	<u>(38,058)</u>	<u>(339,470)</u>
	<u><u>275,446</u></u>	<u><u>248,303</u></u>

- (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 was 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. The loan is unsecured.

At 31 December 2009, the receivable balance of US\$9,906,000 at that date was restructured with repayments due in equal monthly installments of US\$50,000 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.

At the end of January 2012, the receivable balance of \$3,656,000, at that date was restructured with repayments due in equal monthly installments of US\$30,000 for 3 years from that date at an interest rate of 9%, with the balance receivable in full at the end of the third year.

- (b) During 2010, the company entered into an agreement to lend Orrett 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 fully repaid in April 2013.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Post-employment Benefits

	<b>The Group &amp; The Company</b>	
	<b>2013</b>	<b>Restated 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities recognised in the statement of financial position –</b>		
Pension scheme	(58,200)	(26,900)
Medical benefits	(130,900)	(126,900)
	<u>(189,100)</u>	<u>(153,800)</u>
<b>Amounts recognised in profit or loss –</b>		
Pension scheme	17,200	20,600
Medical benefits	13,100	16,600
	<u>30,300</u>	<u>37,200</u>
<b>Amounts recognised in other comprehensive income –</b>		
Pension scheme	17,000	(24,900)
Medical benefits	100	(4,600)
	<u>17,100</u>	<u>(29,500)</u>

#### (a) Pension schemes

In addition to the defined benefit pension scheme described below, employees of the Group hired on or after 1 January 2002, participate in an Individual Retirement Scheme operated by an independent insurance company. Employees participating in the scheme contribute up to 15% of pensionable earnings while the company contributes 5%. The Group and the company's contribution for the year amounted to \$24,220,000 (2012 - \$19,688,000) and \$9,204,000 (2012 - \$9,780,000), respectively (Note 8).

#### Defined benefit plan

The Group operates a defined benefit scheme for employees of the Group hired prior to 1 January 2002. The scheme is 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. The scheme was closed to new members as at 31 December 2001. As the subsidiaries make fixed contributions to the pension scheme and have no further legal or constructive obligations under the scheme, the pension asset and obligations are accounted for in the financial statements of the company. The subsidiaries recognise a cost equal to their contributions payable in respect of each accounting period in profit or loss.

The defined benefit plan is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2013.

The Board of the pension fund is composed of an equal number of representatives from both employer and employees. The Board of the fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by NCB Insurance Company Limited which administers the Fund and manages the investment portfolio under management agreement.

The rate of contribution of the company for the defined benefit plan is 5% of pensionable salary. Any plan surplus or funding deficiency is absorbed by the company.

**Seprod Limited****Notes to the Financial Statements****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)****20. Post-employment Benefits (Continued)****(a) Pension schemes (continued)**

The amounts recognised in the statement of financial position are determined as follows:

	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>
Present value of funded obligations	(765,200)	(772,400)
Fair value of plan assets	<u>707,000</u>	<u>745,500</u>
Liability in the statement of financial position	<u>(58,200)</u>	<u>(26,900)</u>

The movement in the defined benefit obligation over the year is as follows:

	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>
Balance at beginning of year, as restated	(772,400)	(779,300)
Current service cost	(15,900)	(21,500)
Interest cost	<u>(80,000)</u>	<u>(99,700)</u>
	<u>(868,300)</u>	<u>(900,500)</u>
Re-measurements -		
Experience losses	49,800	51,700
Members' contributions	(1,900)	(2,800)
Benefits paid	<u>55,200</u>	<u>79,200</u>
Balance at end of year	<u>(765,200)</u>	<u>(772,400)</u>

**Seprod Limited****Notes to the Financial Statements****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)****20. Post-employment Benefits (Continued)****(a) Pension schemes (continued)**

The movement in the defined benefit asset during the year is as follows:

	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>
Balance at beginning of year	745,500	744,100
Interest income	75,800	96,600
Re-measurement -		
Return on plan assets, excluding amounts included in interest income	(66,800)	(26,800)
Members' contributions	2,900	6,800
Employer's contributions	4,800	4,000
Benefits paid	<u>(55,200)</u>	<u>(79,200)</u>
Balance at end of year	<u>707,000</u>	<u>745,500</u>

The amounts recognised in the profit or loss in the statement of comprehensive income is as follows:

	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>
Current service cost	13,000	17,500
Interest costs	80,000	99,700
Interest income	<u>(75,800)</u>	<u>(96,600)</u>
Total, included in team member costs (Note 8)	<u>17,200</u>	<u>20,600</u>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$305,300,000 relating to active employees, \$459,900,000 relating to members in retirement.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Post-employment Benefits (Continued)

#### (a) Pension schemes (continued)

Plan assets are comprised as follows:

	<b>2013</b>			
	<b>Quoted \$'000</b>	<b>Unquoted \$'000</b>	<b>Total \$'000</b>	<b>%</b>
<b>Debt securities:</b>				
Government of Jamaica	-	298,661	298,661	42.2
Corporate	-	3,017	3,017	0.4
Real estate	-	198,610	198,610	28.1
Equity securities	150,002	-	150,002	21.2
Other	-	56,710	56,710	8.1
	<u>150,002</u>	<u>556,998</u>	<u>707,000</u>	<u>100</u>
	<b>2012</b>			
	<b>Quoted \$'000</b>	<b>Unquoted \$'000</b>	<b>Total \$'000</b>	<b>%</b>
<b>Debt securities:</b>				
Government of Jamaica	-	260,925	260,925	35.0
Corporate	-	90,951	90,951	12.2
Real estate	-	224,395	224,395	30.1
Equity securities	156,555	-	156,555	21.0
Other	-	12,674	12,674	1.7
	<u>156,555</u>	<u>588,945</u>	<u>745,500</u>	<u>100</u>

At 31 December the fund had investments with a fair value of \$21,584,000 (2012 - \$ 26,413,000) of the entity's own shares held as plan assets.

**Seprod Limited****Notes to the Financial Statements****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)****20. Post-employment Benefits (Continued)****(a) Pension schemes (continued)**

Expected contributions to the post-employment plan for the year ending 31 December 2014 are \$2,892,000.

Movements in the amounts recognised in the statement of financial position:

	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>
Liability at beginning of year	26,900	35,200
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	17,200	20,600
Amounts recognised in other comprehensive income	17,000	(24,900)
Contributions paid	<u>(2,900)</u>	<u>(4,000)</u>
Asset at end of year	<u>58,200</u>	<u>26,900</u>

The significant actuarial assumptions used were as follows:

	<b>2013</b>	<b>2012</b>
Discount rate	9.50%	10.5%
Future salary increases	5.00%	7%
Expected pension increase	<u>3.50%</u>	<u>4.5%</u>

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Post-employment Benefits (Continued)

#### (a) Pension schemes (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on Post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	694,500	849,700
Future salary increases	1%	777,700	753,400
Expected pension increase	1%	836,400	704,600
		Increase Assumption by One Year	Decrease Assumption by One Year
		\$'000	\$'000
Life expectancy		784,300	744,800

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

#### (b) Other post-employment benefits

In addition to pension benefits, the Company offers retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. 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. Obligations under the medical scheme are payable by, and accounted for, by the company as the subsidiaries do not have any legal or constructive obligations under the scheme.

In addition to the assumptions used for pension schemes, the main actuarial assumptions are long-term increase in health cost of 8% (2012 - 9%) per annum.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The amounts recognised in the statement of financial position are determined as follows:

	2013 \$'000	Restated 2012 \$'000
Present value of unfunded obligations	<u>130,900</u>	<u>126,900</u>

The movement in the defined benefit obligation over the year is as follows:

	2013 \$'000	Restated 2012 \$'000
Balance at beginning of year	(126,900)	(125,900)
Current service cost	(200)	(400)
Interest expense	<u>(12,900)</u>	<u>(16,200)</u>
	(140,000)	(142,500)
Re-measurements -		
Experience (gains)/losses	(100)	4,600
Benefits paid	<u>9,200</u>	<u>11,000</u>
Balance at end of year	<u>(130,900)</u>	<u>(126,900)</u>

The amounts recognised in the profit or loss in the statement of comprehensive income are as follows:

	2013 \$'000	Restated 2012 \$'000
Current service cost	200	400
Interest cost	<u>12,900</u>	<u>16,200</u>
Total, included in team member costs (Note 8)	<u>13,100</u>	<u>16,600</u>

**Seprod Limited****Notes to the Financial Statements****31 December 2013**

(expressed in Jamaican dollars unless otherwise indicated)

**20. Post-employment Benefits (Continued)**

## (b) Other post-employment benefits (continued)

Movement in the amounts recognised in the statement of financial position:

	2013 \$'000	Restated 2012 \$'000
Liability at beginning of year	126,900	125,900
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	13,100	16,600
Contributions by employer	(9,200)	(11,000)
Amounts recognised in other comprehensive income	100	(4,600)
Liability at end of year	<u>130,900</u>	<u>126,900</u>

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	<u>Impact on Post-employment obligations</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
		<u>\$'000</u>	<u>\$'000</u>
Discount rate	1%	119,200	144,800
Medical cost	1%	<u>119,200</u>	<u>139,700</u>
		<u>Increase Assumption by One Year</u>	<u>Decrease Assumption by One Year</u>
		<u>\$'000</u>	<u>\$'000</u>
Life expectancy		<u>139,700</u>	<u>122,000</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 20. Post-employment Benefits (Continued)

#### (c) Risks associated with pension plans and post-employment plans

Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

##### **Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

The Company believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plans efficiently. See below for more details on the Company's asset-liability matching strategy.

##### **Changes in bond yields**

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

##### **Inflation risk**

Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

##### **Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Post-employment Benefits (Continued)

#### (c) Risks associated with pension plans and post-employment plans (continued)

The responsibility for the management of the assets of the Fund is vested in the Board of Trustees and NCB Insurance Company Limited representatives who are the fund and investment managers. They ensure that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension fund. Within this framework, the Fund's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Fund actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Fund has not changed the processes used to manage its risks from previous periods. The Fund does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of bonds, equities and real estate.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 5% of pensionable salaries. The next triennial valuation is due to be completed as at 31 August 2014. The Company considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The weighted average duration of the defined benefit obligation is 10.7 years for the pension fund and 10.3 years for the post-employment medical benefits.

### 21. Biological Assets

#### *Non-current – livestock*

	<u>The Group</u>	
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Dairy Livestock –		
2,534 (2012 – 2,631) Cows able to produce milk	176,514	144,328
2,621 (2012 – 2,613) Heifers being raised to produce milk in the future	107,433	85,568
Other Livestock –		
65 (2012 – 128) Bulls raised for sale and reproduction	3,476	5,399
931 (2012 – 1,422) Sheep raised for sale and reproduction	5,632	9,475
9 (2012 – 10) Horses raised	270	375
109 (2012 – 80) Bee colonies	1,308	960
	<u>294,633</u>	<u>246,105</u>

6,497,224 (2012 – 6,305,813) litres of milk with a fair value, less estimated point-of-sale costs of \$415,940,000 (2012 – \$406,071,000) were produced during the period.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Biological Assets (Continued)

#### *Non-current – livestock (continued)*

The movement in livestock during the year was as follows:

	<u>The Group</u>	
	2013	2012
	\$'000	\$'000
Balance at start of year	246,105	223,830
Purchases	-	228
Sales	(63,764)	(30,864)
Changes in fair value less estimated point-of-sale costs - cattle	109,716	49,857
Changes in fair value less estimated point-of-sale costs - sheep	2,576	3,054
Balance at end of year	<u>294,633</u>	<u>246,105</u>

#### *Current – sugar cane*

	<u>The Group</u>	
	2013	2012
	\$'000	\$'000
113,006 tonnes (2012 – 97,637 tonnes)	<u>607,870</u>	<u>446,696</u>

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

	<u>The Group</u>	
	2013	2012
	\$'000	\$'000
Balance at start of year	446,696	349,917
Net cost of cane cultivation and value of cane harvested	(341,311)	(311,535)
Changes in fair value less estimated point-of-sale costs	502,485	408,314
Balance at end of year	<u>607,870</u>	<u>446,696</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 22. Inventories

	<u>The Group</u>	
	2013	2012
	\$'000	\$'000
Raw and packaging materials	909,175	1,177,282
Work in progress	50,384	37,852
Goods in transit	712,809	585,351
Other	173,821	-
Finished goods	406,445	490,107
	<u>2,252,634</u>	<u>2,290,592</u>

The cost of inventories recognised as an expenses and included in cost of sales amounted to \$15,530,000 (2012 - \$4,347,000).

### 23. Trade and Other Receivables

	<u>The Group</u>		<u>The Company</u>	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade receivables	961,804	1,380,231	3,619	3,619
Less: Provision for impairment	(116,065)	(113,100)	(3,619)	(3,619)
	845,739	1,267,131	-	-
Other advances and prepayments	173,775	118,474	82,771	12,233
Due from affiliate (Note 32)	1,461,974	420,843	1,054,330	420,843
Other	316,688	297,298	-	104,629
	<u>2,798,176</u>	<u>2,103,746</u>	<u>1,137,101</u>	<u>537,705</u>

### 24. Financial Assets at Fair Value through profit and loss

	<u>The Group</u>		<u>The Company</u>	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Listed securities -				
Equity securities	535,695	-	-	-
	<u>535,695</u>	<u>-</u>	<u>-</u>	<u>-</u>

The fair value of all equity securities is based on their current bid prices in an active market.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 25. Cash and Cash Equivalents

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	361,935	265,692	122,908	67,328
Short-term deposits	-	10,213	-	10,213
	<u>361,935</u>	<u>275,905</u>	<u>122,908</u>	<u>77,541</u>
Bank overdraft	(118,914)	(82,614)	(118,914)	(82,614)
	<u>243,021</u>	<u>193,291</u>	<u>3,994</u>	<u>(5,073)</u>

Included in the short-term deposits is nil (2012 – \$583,000) representing interest receivable for both the Group and company.

### 26. Payables

	The Group		The Company	
	2013	2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Trade payables	1,250,858	1,415,221	-	-
Accruals	258,516	290,298	68,436	77,189
Other	177,392	114,600	84,390	87,488
	<u>1,686,766</u>	<u>1,820,119</u>	<u>152,826</u>	<u>164,677</u>



# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 27. Share Capital

	2013	2012	2013	2012
	'000	'000	'000	'000
Authorised -				
Ordinary shares	530,000	530,000	530,000	530,000
Issued and fully paid -	'000	'000	'000	'000
Ordinary stock units	516,398	516,398	561,287	561,287
Treasury shares	(59)	-	(899)	-
Issued and outstanding	516,339	516,398	560,388	561,287

During the year, the company purchased 59,000 of its shares at a fair value of \$899,000.

### 28. Capital Reserve

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Revaluation surplus on assets carried at deemed cost	312,600	346,551	105,340	105,340
Fair value gains on available-for-sale investments	333,257	162,555	333,257	162,555
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	14,800	1,800	-	-
Realised gains on sale of investments	120,855	120,855	120,855	120,855
Other realised surplus	22,230	22,230	20,289	20,289
	<u>1,140,279</u>	<u>990,528</u>	<u>579,741</u>	<u>409,039</u>

Included in capital reserves are fair value gains on available-for-sale investments representing the unrealised surplus or deficit on the revaluation of these investments. The movement on this reserve flows through the other comprehensive income during the year (Note 10).

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 29. Long Term Liabilities

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Loan amounts	2,224,916	1,292,723	990,383	990,383
Interest payable	11,471	5,680	8,705	5,680
	2,236,387	1,298,403	999,088	996,063
Less: Current portion	(1,372,185)	(825,449)	(999,088)	(596,063)
	864,202	472,954	-	400,000

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(i) Tetra Pak – LIBOR + 2%	93,555	116,385	-	-
(ii) Jamaica Cane Product Sales – LIBOR + 3%	-	185,955	-	-
(iii) Jamaica Cane Product Sales – LIBOR + 3%	212,755	-	-	-
(iv) National Commercial Bank (Jamaica) Limited – 9%	590,383	590,383	590,383	590,383
(v) National Commercial Bank (Jamaica) Limited – 6.25% - 6.50%	928,223	-	-	-
(vi) Commercial paper – 8%	400,000	400,000	400,000	400,000
	2,224,916	1,292,723	990,383	990,383

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 29. Long Term Liabilities (Continued)

- (i) This represents US\$ financing agreements from a supplier and are repayable in sixteen quarterly installments commencing 1 March 2012. It is secured by property, plant and equipment acquired under the loan agreements.
- (ii) The loan was denominated in United State dollars and was repaid at the end of the 2012/2013 crop from sugar cane proceeds.
- (iii) The loan is denominated in United State dollars and is repayable at the end of the 2013/2014 crop from sugar cane proceeds.
- (iv) This loan is denominated in Jamaican dollars and was received on 24 November 2011 for an initial period of one year, and is revolving thereafter. The loan attracts interest at a rate of 9% per annum and is due in full at maturity. The loan is unsecured.
- (v) In September 2012, the group was approved for a loan facility of US\$10,000,000 from the National Commercial Bank Jamaica Limited. This is broken down into two tranches.
  - i) Tranche A amounts to US\$4,200,000 and is repayable by 28 quarterly principal payments of US\$105,000 and a balloon payment of US\$1,365,000 at maturity. Interest will be payable quarterly at a rate of 6.50% per annum.
  - ii) Tranche B amounts to US\$5,800,000 and is repayable by 28 quarterly principal payments of US\$145,000 and a balloon payment of US\$1,885,000 at maturity. Interest will be payable quarterly at a rate of 6.25% per annum.

The funds were disbursed in March 2013. Security for the facilities shown above includes:

- Pledges over short-term deposits held by the company.
  - A debenture over fixed and floating freehold assets of Golden Grove Sugar Company Limited supported by mortgage over land stamped to cover US\$10,000,000.
  - Bills of sale over equipment owned by its Golden Grove Sugar Company Limited; stamped to cover US\$10,000,000.
  - Assignment of its parent company's receivable from Jamaica Cane Products Sales Limited from sales completed under the Tate and Lyle contract.
- (vi) This represents various commercial paper 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 instruments 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.
  - (vii) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25% for 2013 and 25% for 2012. The use of 25% for 2013 is a consequence of enactment of legislation, at the year end, to change the rate of corporation tax to 25%.

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.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Deferred tax assets	40,343	33,021	39,515	33,021
Deferred tax liabilities	(219,102)	(215,376)	-	-
Net (liabilities)/assets	(178,759)	(182,355)	39,515	33,021

The movement in deferred taxation is as follows:

	Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Balance at start of year	(182,355)	(256,822)	33,021	36,210
(Charged)/credited to profit or loss (Note 10)	(679)	81,842	2,219	4,186
(Charged)/credited to components of other comprehensive income (Note 10)	4,275	(7,375)	4,275	(7,375)
Balance at end of year	(178,759)	(182,355)	39,515	33,021

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

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Accelerated tax depreciation	(21,255)	71,726	(2,915)	(5,287)
Retirement benefits	4,550	16,248	4,550	16,248
Tax losses carried forward	20,145	5,352	-	-
Unrealised exchange gains	18	257	-	-
Other	(4,137)	(11,741)	584	(6,775)
	(679)	81,842	2,219	4,186

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Deferred Taxation (Continued)

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

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Accelerated tax depreciation	(263,226)	(241,971)	(8,690)	(5,775)
Retirement benefits	47,275	38,450	47,275	38,450
Tax losses carried forward	27,431	7,286	-	-
Unrealised exchange gains	18	-	-	-
Other	9,743	13,880	930	346
	<u>(178,759)</u>	<u>(182,355)</u>	<u>39,515</u>	<u>33,021</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain subsidiaries amount to \$1,499,603,000 (2012 – \$989,549,000). Of those losses, no deferred tax assets have been created in respect of \$1,389,879,000 (2012 - \$968,873,000) as the Group is uncertain of its ability to utilise those losses in the future.

The amounts shown in the statement of financial position include the following:

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Deferred tax assets to be recovered after more than 12 months	74,706	45,736	47,275	38,450
Deferred tax assets to be recovered within 12 months	9,761	13,880	930	346
	<u>84,467</u>	<u>59,616</u>	<u>48,205</u>	<u>38,796</u>
Deferred tax liabilities to be settled after more than 12 months	(263,226)	(241,971)	(8,690)	(5,775)
Deferred tax liabilities to be settled within 12 months	-	-	-	-
	<u>(263,226)</u>	<u>(241,971)</u>	<u>(8,690)</u>	<u>(5,775)</u>
Net (liability)/asset	<u>(178,759)</u>	<u>(182,355)</u>	<u>39,515</u>	<u>33,021</u>

# **Seprod Limited**

## **Notes to the Financial Statements**

**31 December 2013**

(expressed in Jamaican dollars unless otherwise indicated)

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### **30. Deferred Taxation (Continued)**

During the 2012/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities, from 33 1/3% to 25%, effective 1 January 2013. The change in the tax rate was signed into law on 28 December 2012 and as such was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2012.

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% would be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represented an addition to the 25% tax rate levied as at 1 January 2013. Based on Ministry Paper 15 of 2013 issued by the Ministry of Finance and Planning, "large unregulated companies" were to be defined as those companies with gross income equal to or greater than \$500,000,000, that are not regulated by the Financial Services Commission, the Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulation.

During the year, the Government of Jamaica continued its reform of taxes. As a result of this a Fiscal Incentives Act dated 20 December 2013 was signed into law. Under this Act the tax rate for large unregulated companies was reduced from 30% to 25% effective 1 January 2014. As such this rate was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2013.

**Seprod Limited****Notes to the Financial Statements****31 December 2013****(expressed in Jamaican dollars unless otherwise indicated)****31. Cash Generated from Operations**

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Net profit	767,878	834,027	1,156,241	2,228,154
Items not affecting cash resources:				
Amortisation of intangible assets	7,341	7,340	-	-
Depreciation	412,119	381,006	17,858	20,037
Foreign exchange gains	(21,771)	(63,881)	(145,492)	(63,881)
Gain on sale of available-for-sale investments	(37,770)	(6,420)	(37,770)	(6,420)
Unrealised gains on available for sale investments	(68,466)	-	-	-
Gain on disposal of non-controlling interest	(1,423)	-	-	-
Loss/(gain) on disposal of property, plant and equipment	1,231	294	-	(95)
Property, plant and equipment written off	4,938	-	2,017	-
Interest income	(223,966)	(208,060)	(333,142)	(330,397)
Amortisation of deferred fees	5,584	-	-	-
Liquidation of subsidiaries	-	-	4,980	-
Gain on disposal of interest in subsidiary	-	-	(1,423)	-
Interest expense	168,177	105,696	87,792	83,952
Retirement benefits	22,475	22,199	22,475	22,199
Dividend income	(40,100)	(4,604)	(665,418)	(1,954,315)
Taxation	350,516	365,605	70,727	79,116
	<u>1,346,763</u>	<u>1,433,203</u>	<u>178,845</u>	<u>78,350</u>
Changes in operating assets and liabilities:				
Inventories	37,958	(737,175)	-	-
Receivables	(694,430)	357,143	(599,396)	110,761
Biological assets	(209,702)	(119,054)	-	-
Due to subsidiaries	-	-	(317,134)	(1,372,130)
Provisions	6,679	30,585	-	-
Accounts payable	(133,353)	1,016,125	(11,851)	76,750
	<u>353,915</u>	<u>1,980,827</u>	<u>(749,536)</u>	<u>(1,106,269)</u>
Taxation paid	<u>(374,466)</u>	<u>(386,486)</u>	<u>(106,474)</u>	<u>(94,250)</u>
Cash (used in)/provided by operating activities	<u>(20,551)</u>	<u>1,594,341</u>	<u>(856,010)</u>	<u>(1,200,519)</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 32. 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 \$3,212,873,000 (2012 – \$2,979,969,000) to and purchases of \$19,797,000 (2012 – \$170,000) 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 \$407,714,000 and \$13,486,000 (2012 - \$487,752,000 and \$25,104,000), respectively, in respect of these transactions.

A subsidiary paid cess of \$5,010,000 (2012 - \$5,108,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the company.

#### (b) Key management compensation

	2013 \$'000	2012 \$'000
Wages and salaries	106,471	98,234
Statutory contributions	5,262	6,575
Other	446	1,556
	<u>112,179</u>	<u>106,365</u>
Directors' emoluments –		
Fees	9,718	5,713
Medical insurance premiums	-	7,487
Management remuneration (Included above)	<u>52,198</u>	<u>49,800</u>

#### (c) Advances and loans

At 31 December 2013, profit share advances to key management amounted to \$15,953,000 (2012 – \$11,543,000).

Loans to other related parties are disclosed in Note 19. Interest earned on these loans during the year amounted to US\$347,000 (2012 – US\$691,000).

Advances due from an affiliate are disclosed in Note 23. Interest earned on these advances during the year amount to US\$609,000 (2012 - \$10,235,000 and US\$202,000).



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 33. 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 2013, management had approved approximately \$126 million (2012 – \$330 million) for capital expenditure in respect of certain subsidiaries.

### 34. Litigation, Claims, Assessments and Provisions

#### Litigation and Claims

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 its 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.

In 2012, a subsidiary received from the Taxpayer Audit & Assessment Department (TAAD), a Notice of Assessment in respect of its 2009 income tax filing. This would result in demands for additional payments for taxation for the year totalling \$8,749,000. In 2013, the subsidiary lodged a formal objection as a result of TAAD disallowing several expense including group overhead charges, export marketing expenses and inventory provision. Consequently, the initial notice of assessment was withdrawn and a new demand for additional payment was issued in the amount of \$4,330,000 for the year. A provision for the revised amount has been recognised in the results for the year.

During the year the company terminated its contract with a third party through which its factory workers were hired. A provision of \$32,934,000 was made at the year end to settle all obligations.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 35. Restatement

Restatement of prior year balances relate to both the adoption of a new standard and the correction of prior year errors.

#### Adoption of new standard –

- a) The impact of the adoption of IAS 19 (Revised) and consequential adjustments to deferred tax. The amendment eliminates the corridor approach to recognition of actuarial gains and losses arising from IAS 19 pension valuations and results in the recognition of all actuarial gains and losses in other comprehensive income (OCI) as they occur. Additionally, all past service costs are immediately recognised and interest cost and expected return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The effect of these revisions on 2011 statement of comprehensive income was the immediate recognition in other comprehensive income of actuarial losses of \$56.6 million on pension benefits and actuarial losses \$33.5 million on other retirement obligations, the recognition in profit or loss of \$0.5 million of past service cost and the recognition of a net interest expense decrease of \$4 million and a reversal of \$4 million for actuarial loss previously recognised in the profit or loss. The effect of these revisions on 2012 statement of comprehensive income was the immediate recognition of actuarial losses of \$24.9 million on pension benefits and actuarial losses \$4.6 million on other retirement obligations, the recognition in profit or loss of \$0.3 million of past service cost, and the recognition of a net interest expense decrease of \$1.2 million and a reversal of \$4.7 million for actuarial loss previously recognised in the profit or loss.

#### Correction of prior year errors -

- b) Reversal of a provision for a deferred tax liability in respect of unrealised foreign exchange gains on GOJ Bonds and related party loans. During the year, it was determined that foreign exchange gains on these instruments are capital in nature and are, therefore, not subject to taxation on realisation. The accumulated deferred tax liabilities on these instruments were reversed through opening retained earnings.
- c) Reclassification and recognition of exchange differences arising from certain non-monetary instruments, being the company's interest in the ordinary shares and preference shares of a related entity, Facey Group Limited, acquired in 2012. These investments are denominated in US\$, and are classified as available-for-sale.

Foreign exchange differences on the ordinary shares were not booked in total in the previous year. The additional foreign exchange gains in relation to these shares are now being reflected through other comprehensive income, in accordance with the provisions of IAS 21, The Effects of Changes in Foreign Exchange Rates.

The preference shares were treated as monetary items, in the previous year, with exchange differences arising being booked to profit or loss. On further review, it was determined that the preference shares should have been treated as non-monetary items, with exchange difference arising being booked through other comprehensive income, as required by IAS 21.

- d) Elimination of subsidiaries' accrued expenses which were previously disclosed as payable by the company with a corresponding receivable from subsidiaries. These amounts are now excluded from the company's receivables from subsidiaries, as well as its trade payables and accruals in the current and prior years, and are recorded only in the financial statements of the subsidiaries as amounts payable external to the group.
- e) As a result of the correction relating to the deferred tax liability described in b) above the company's net deferred tax position has changed from a liability to an asset and hence this was reclassified to show the correct classification.

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 35. Restatement (Continued)

Correction of prior year errors (continued) -

- f) As a result of the impact of the restatement in relation to IAS 19 (Revised) the effect of the change in tax rate from 33 1/3% to 25% on the restated amounts was shown separately.

The impact on the statement of changes in equity of the adoption of IAS 19 (revised) and the corrections are represented by the movements in the statement of comprehensive income as no other equity accounts were affected.

In accordance with the requirements of IAS 8 par 28 (f) the company is required to show the effect on each financial statement line item of the adoption of IAS 19 (revised) for the 2013 amounts presented. In the opinion of management this effect is not material and hence this disclosure has not been presented in these financial statements.

The financial statements for the years ended 31 December 2012 and 2011 have been restated to reflect the financial position and results for these corrections. The financial effects of these corrections are as follows:

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 1 January 2012:

	The Group				As at 31 December 2011 \$'000 presented
As at 31 December 2011 \$'000	(a) \$'000	(b) \$'000	(e) \$'000		
<b>Non-Current Assets</b>					
Retirement benefit assets	21,700	(21,700)	-	-	-
Deferred tax assets	-	-	-	36,210	36,210
Other non-current assets	5,499,395	-	-	-	5,499,395
<b>Total Non-Current Assets</b>	5,521,095	(21,700)	-	-	5,535,605
<b>Total Current Assets</b>	5,378,277	-	-	-	5,378,277
<b>Total Current Liabilities</b>	2,021,595	-	-	-	2,021,595
<b>Net Current Assets</b>	3,356,682	-	-	-	3,356,682
	8,877,777	(21,700)	-	36,210	8,892,287
<b>Equity attributable to Stockholders of the Company</b>					
Retained earnings	6,588,910	(60,266)	43,476	-	6,572,120
Other stockholders' equity	1,483,230	-	-	-	1,483,230
	8,072,140	(60,266)	43,476	-	8,055,350
Non-controlling interest	(17,196)	-	-	-	(17,196)
	8,054,944	(60,266)	43,476	-	8,038,154
<b>Non-Current Liabilities</b>					
Long term liabilities	400,000	-	-	-	400,000
Deferred tax liabilities	330,433	(30,134)	(43,476)	36,210	293,033
Retirement benefit obligations	92,400	68,700	-	-	161,100
	822,833	38,566	(43,476)	36,210	854,133
	8,877,777	(21,700)	-	36,210	8,892,287

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 31 December 2012:

	The Group						As at 31
	As at 31 December 2012 \$'000	(a) \$'000	(b) \$'000	(c) \$'000	(e) \$'000	(f) \$'000	December 2012 \$'000 presented
<b>Non-Current Assets</b>							
Retirement benefit assets	3,600	(3,600)	-	-	-	-	-
Available-for-sale investments	2,356,918	-	-	36,727	-	-	2,393,645
Deferred tax assets	-	-	-	-	33,021	-	33,021
Other non-current assets	4,324,172	-	-	-	-	-	4,324,172
<b>Total Non-Current Assets</b>	6,684,690	(3,600)	-	36,727	33,021	-	6,750,838
<b>Total Current Assets</b>	5,514,280	-	-	-	-	-	5,514,280
<b>Total Current Liabilities</b>	2,888,707	-	-	-	-	-	2,888,707
<b>Net Current Assets</b>	2,625,573	-	-	-	-	-	2,625,573
	9,310,263	(3,600)	-	36,727	33,021	-	9,376,411
<b>Equity attributable to Stockholders of the Company</b>							
Share capital	561,287	-	-	-	-	-	561,287
Capital reserve	916,661	-	-	73,867	-	-	990,528
Retained earnings	7,055,835	(33,490)	66,726	(37,140)	-	(7,535)	7,044,396
	8,533,783	(33,490)	66,726	36,727	-	(7,535)	8,596,211
Non-controlling interest	(61,930)	-	-	-	-	-	(61,930)
	8,471,853	(33,490)	66,726	36,727	-	(7,535)	8,534,281
<b>Non-Current Liabilities</b>							
Long term liabilities	472,954	-	-	-	-	-	472,954
Deferred tax liabilities	262,756	(21,210)	(66,726)	-	33,021	7,535	215,376
Retirement benefit obligations	102,700	51,100	-	-	-	-	153,800
	838,410	29,890	(66,726)	-	33,021	7,535	842,130
	9,310,263	(3,600)	-	36,727	33,021	-	9,376,411

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of comprehensive income for the year ended 31 December 2012:

	The Group					As at 31
	As at 31 December 2012 \$'000	(a) \$'000	(b) \$'000	(c) \$'000	(f) \$'000	December 2012 \$'000 presented
<b>Revenue</b>	12,723,578	-	-	-	-	12,723,578
Direct expenses	(10,071,209)	-	-	-	-	(10,071,209)
<b>Gross Profit</b>	2,652,369	-	-	-	-	2,652,369
Finance and other operating income	527,687	-	-	(37,140)	-	490,547
Selling expenses	(362,719)	-	-	-	-	(362,719)
Administration expenses	(1,386,917)	6,200	-	-	-	(1,380,717)
Other operating expenses	(94,152)	-	-	-	-	(94,152)
<b>Operating Profit</b>	1,336,268	6,200	-	(37,140)	-	1,305,328
Finance costs	(105,696)	-	-	-	-	(105,696)
<b>Profit before Taxation</b>	1,230,572	6,200	-	(37,140)	-	1,199,632
Taxation	(379,770)	(1,550)	23,250	-	(7,535)	(365,605)
<b>Profit for the Year</b>	850,802	4,650	23,250	(37,140)	(7,535)	834,027
<b>Other Comprehensive Income, net of taxes</b>						
Unrealised fair value gains on available-for-sale investments	50,826	-	-	73,867	-	124,693
Realised fair value gains on available-for-sale investments	(56,108)	-	-	-	-	(56,108)
Remeasurement of pension asset/obligation	-	22,125	-	-	-	22,125
	(5,282)	22,125	-	73,867	-	90,710
	845,520	26,775	23,250	36,727	(7,535)	924,737

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Impact on consolidated statement of cashflows for the year ended 31 December 2012:

	The Group					As at 31 December 2012 \$'000 presented
	For period ended 31 December 2012 \$'000	(a) \$'000	(b) \$'000	(c) \$'000	(f) \$'000	
Net profit	850,802	4,650	23,250	(37,140)	(7,535)	834,027
Items not affecting cash resources:						
Amortisation of intangible assets	7,340	-	-	-	-	7,340
Depreciation	381,006	-	-	-	-	381,006
Unrealised foreign exchange (gains)/losses	(101,021)	-	-	37,140	-	(63,881)
Gain on sale of available-for- sale investments	(6,420)	-	-	-	-	(6,420)
Loss/(gain) on disposal of property, plant and equipment	294	-	-	-	-	294
Interest income	(208,060)	-	-	-	-	(208,060)
Interest expense	105,696	-	-	-	-	105,696
Retirement benefits	28,400	(6,200)	-	-	-	22,200
Dividend income	(4,604)	-	-	-	-	(4,604)
Taxation	379,770	1,550	(23,250)	-	7,535	365,605
	1,433,203	-	-	-	-	1,433,203
Changes in operating assets and liabilities:						
Inventories	(737,175)	-	-	-	-	(737,175)
Receivables	357,143	-	-	-	-	357,143
Biological assets	(119,054)	-	-	-	-	(119,054)
Provisions	30,585	-	-	-	-	30,585
Accounts payable	1,016,125	-	-	-	-	1,016,125
	1,980,827	-	-	-	-	1,980,827
Taxation paid	(386,486)	-	-	-	-	(386,486)
Cash provided by operating activities	1,594,341	-	-	-	-	1,594,341

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 1 January 2012:

	The Company				As at 31 December 2011 \$'000 presented
	As at 31 December 2011 \$'000	(a) \$'000	(b) \$'000	(d),(e) \$'000	
<b>Non-Current Assets</b>					
Retirement benefit assets	21,700	(21,700)	-	-	-
Deferred tax assets	-	-	-	36,210	36,210
Other non-current assets	3,382,585	-	-	-	3,382,585
<b>Total Non-Current Assets</b>	<b>3,404,285</b>	<b>(21,700)</b>	<b>-</b>	<b>36,210</b>	<b>3,418,795</b>
<b>Total Current Assets</b>	<b>3,039,053</b>	<b>-</b>	<b>-</b>	<b>(29,758)</b>	<b>3,009,295</b>
<b>Total Current Liabilities</b>	<b>1,007,590</b>	<b>-</b>	<b>-</b>	<b>(29,758)</b>	<b>977,832</b>
<b>Net Current Assets</b>	<b>2,031,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,031,463</b>
	<b>5,435,748</b>	<b>(21,700)</b>	<b>-</b>	<b>36,210</b>	<b>5,450,258</b>
<b>Equity attributable to Stockholders of the Company</b>					
Retained earnings	4,004,207	(60,266)	43,476	-	3,987,417
Other stockholders' equity accounts	901,741	-	-	-	901,741
	<b>4,905,948</b>	<b>(60,266)</b>	<b>43,476</b>	<b>-</b>	<b>4,889,158</b>
<b>Non-Current Liabilities</b>					
Long term liabilities	400,000	-	-	-	400,000
Deferred tax liabilities	37,400	(30,134)	(43,476)	36,210	-
Retirement benefit obligations	92,400	68,700	-	-	161,100
	<b>529,800</b>	<b>38,566</b>	<b>(43,476)</b>	<b>36,210</b>	<b>561,100</b>
	<b>5,435,748</b>	<b>(21,700)</b>	<b>-</b>	<b>36,210</b>	<b>5,450,258</b>



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 31 December 2012:

	The Company						As at 31 December 2012 \$'000 presented
	As at 31 December 2012 \$'000	(a) \$'000	(b) \$'000	(c) \$'000	(d), (e) \$'000	(f) \$'000	
<b>Non-Current Assets</b>							
Retirement benefit assets	3,600	(3,600)	-	-	-	-	-
Available-for-sale investments	2,356,918	-	-	36,727	-	-	2,393,645
Deferred tax assets	-	-	-	-	33,021	-	33,021
Other non-current assets	1,881,338	-	-	-	-	-	1,881,338
<b>Total Non-Current Assets</b>	<b>4,241,856</b>	<b>(3,600)</b>	<b>-</b>	<b>36,727</b>	<b>33,021</b>	<b>-</b>	<b>4,308,004</b>
<b>Total Current Assets</b>	<b>3,978,987</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,147)</b>	<b>-</b>	<b>3,890,840</b>
<b>Total Current Liabilities</b>	<b>953,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,147)</b>	<b>-</b>	<b>865,633</b>
<b>Net Current Assets</b>	<b>3,025,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,025,207</b>
	<b>7,267,063</b>	<b>(3,600)</b>	<b>-</b>	<b>36,727</b>	<b>33,021</b>	<b>-</b>	<b>7,333,211</b>
<b>Equity attributable to Stockholders of the Company</b>							
Share capital	561,287	-	-	-	-	-	561,287
Capital reserve	335,172	-	-	73,867	-	-	409,039
Retained earnings	5,820,524	(33,490)	66,726	(37,140)	-	(7,535)	5,809,085
	<b>6,716,983</b>	<b>(33,490)</b>	<b>66,726</b>	<b>36,727</b>	<b>-</b>	<b>(7,535)</b>	<b>6,779,411</b>
<b>Non-Current Liabilities</b>							
Long term liabilities	400,000	-	-	-	-	-	400,000
Deferred tax liabilities	47,380	(21,210)	(66,726)	-	33,021	7,535	-
Retirement benefit obligations	102,700	51,100	-	-	-	-	153,800
	<b>550,080</b>	<b>29,890</b>	<b>(66,726)</b>	<b>-</b>	<b>33,021</b>	<b>7,535</b>	<b>553,800</b>
	<b>7,267,063</b>	<b>(3,600)</b>	<b>-</b>	<b>36,727</b>	<b>33,021</b>	<b>-</b>	<b>7,333,211</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of comprehensive income for the year ended 31 December 2012:

	<b>The Company</b>					<b>As at 31 December 2012 \$'000 presented</b>
	<b>As at 31 December 2012 \$'000</b>	<b>(a) \$'000</b>	<b>(b) \$'000</b>	<b>(c) \$'000</b>	<b>(f) \$'000</b>	
<b>Group costs recovered from subsidiaries</b>	477,170		-	-	-	477,170
Finance and other operating income	2,473,230	-	-	(37,140)	-	2,436,090
Administration expenses	(528,239)	6,200	-	-	-	(522,039)
<b>Operating Profit</b>	<b>2,422,161</b>	<b>6,200</b>	<b>-</b>	<b>(37,140)</b>	<b>-</b>	<b>2,391,221</b>
Finance costs	(83,952)	-	-	-	-	(83,952)
<b>Profit before Taxation</b>	<b>2,338,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,307,269</b>
Taxation	(93,281)	(1,550)	23,250	-	(7,535)	(79,116)
<b>Profit for the Year</b>	<b>2,244,928</b>	<b>4,650</b>	<b>23,250</b>	<b>(37,140)</b>	<b>(7,535)</b>	<b>2,228,153</b>
<b>Other Comprehensive Income, net of taxes</b>						
Unrealised fair value gains on available-for-sale investments	50,826	-	-	73,867	-	124,693
Realised fair value gains on available-for-sale investments	(56,108)	-	-	-	-	(56,108)
Remeasurement of pension asset/obligation	-	22,125	-	-	-	22,125
	(5,282)	22,125	-	73,867	-	90,710
	<b>2,239,646</b>	<b>26,775</b>	<b>23,250</b>	<b>36,727</b>	<b>(7,535)</b>	<b>2,318,863</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Impact on statement of cashflows for the year ended 31 December 2012:

	<b>The Company</b>					<b>As at 31 December 2012 \$'000 presented</b>
	<b>For period ended 31 December 2012 \$'000</b>	<b>(a) \$'000</b>	<b>(b) \$'000</b>	<b>(c) \$'000</b>	<b>(f) \$'000</b>	
Net profit	2,244,928	4,650	23,250	(37,140)	(7,535)	2,228,153
Items not affecting cash resources:						
Depreciation	20,037	-	-	-	-	20,037
Unrealised foreign exchange gains	(101,021)	-	-	37,140	-	(63,881)
Gain on sale of available-for-sale investments	(6,420)	-	-	-	-	(6,420)
Gain on disposal of property, plant and equipment	(95)	-	-	-	-	(95)
Interest income	(330,397)	-	-	-	-	(330,397)
Interest expense	83,952	-	-	-	-	83,952
Retirement benefits	28,400	(6,200)	-	-	-	22,200
Dividend income	(1,954,315)	-	-	-	-	(1,954,315)
Taxation	93,281	1,550	(23,250)	-	7,535	79,116
	<u>78,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,350</u>
Changes in operating assets and liabilities:						
Receivables	110,761	-	-	-	-	110,761
Due from subsidiaries	(1,372,130)	-	-	-	-	(1,372,130)
Accounts payable	76,750	-	-	-	-	76,750
	<u>(1,106,269)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,106,269)</u>
Taxation paid	(94,250)	-	-	-	-	(94,250)
Cash used in operating activities	<u>(1,200,519)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,200,519)</u>

# Seprod Limited

## Notes to the Financial Statements

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### 36. Liquidation of Subsidiaries

During the year, Jamaica Detergents Limited and Jamaica Feeds Limited were wound up. Both entities were dormant.

The details of the entities' net assets at liquidation date were as follows:

	<b>Jamaica Detergents Limited \$'000</b>	<b>Jamaica Feeds Limited \$'000</b>	<b>Total \$'000</b>
Current assets – due from group companies	(450)	(600)	(1,050)
Net assets	<u>(450)</u>	<u>(600)</u>	<u>(1,050)</u>

The Group's gain on liquidation was calculated as follows:

	<b>Jamaica Detergents Limited \$'000</b>	<b>Jamaica Feeds Limited \$'000</b>	<b>Total \$'000</b>
Net assets at liquidation date	600	(3,480)	(2,880)
Less: Group company balances	<u>(450)</u>	<u>(600)</u>	<u>(1,050)</u>
Gain on liquidation	<u>150</u>	<u>(4,080)</u>	<u>(3,930)</u>

The company's gain on liquidation was calculated as follows:

	<b>Jamaica Detergents Limited \$'000</b>	<b>Jamaica Feeds Limited \$'000</b>	<b>Total \$'000</b>
Write-off of amounts payable to group companies	450	600	1,050
Less: Write-off of the company's investment in subsidiaries	<u>(300)</u>	<u>(4,680)</u>	<u>(4,980)</u>
Gain/(Loss) on liquidation (Note 6)	<u>150</u>	<u>(4,080)</u>	<u>(3,930)</u>