

SEPROD
Annual Report

2013



MISSION STATEMENT

- Provide a sufficient quantity of good quality products at reasonable prices to our customers.
- Maintain a good return on investment to our shareholders.
- Provide our employees with reasonable remuneration and opportunities for personal development and job satisfaction.
- Perform the role of a good corporate citizen and contribute to the public welfare.



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SEVENTY-FIFTH ANNUAL GENERAL MEETING of the Company will be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard on July 7, 2014, at 11:00a.m., for the purpose of transacting the following business:

1. To receive and consider the Directors' Report, the Auditors' Report and the Audited Accounts for the year ended December 31, 2013.
2. To elect the following retiring Directors:
 - Mr. Granville E. Marsh
 - Mr. Peter J. Thwaites
 - Mr. Leonard Green
 - Mr. Aston Smith
3. To fix the remuneration of Directors.
4. To authorize the Directors to fix the remuneration of the Auditors, PricewaterhouseCoopers, who have indicated their willingness to continue in office.
5. To transact any other business which may properly be transacted at an Annual General Meeting.

DATED this 9th day of May, 2014

BY ORDER OF THE BOARD



Marilyn Anderson

Secretary

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member. Proxy forms must be lodged at the Company's registered office, 3 Felix Fox Boulevard, Kingston, not less than 48 hours before time of meeting.



DIRECTORS' REPORT

The Directors of Seprod Limited submit herewith their Annual Report and Audited Accounts for the year ended December 31, 2013.

FINANCIAL RESULTS

The Group ended the year with a profit before tax of \$1.12 Billion and a net profit attributable to shareholders of \$767.9 Million. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the Company are set out in the Managing Director's Report and the Financial Statements which are included as part of the Report.

DIVIDEND

A dividend of Fifty-three cents (\$0.53) per ordinary stock unit to stockholders on record as at 21st June, 2013 was paid on 8th July, 2013. A further dividend of Thirty cents (\$0.30) per ordinary stock unit to stockholders on record as at 31st October, 2013 was paid on 15th November, 2013.

The Directors do not recommend any further payment of dividend for 2013.

DIRECTORS

Mr. Stephen M. Black was appointed to the Board on April 8, 2013. He resigned effective March 31, 2014. Dr. Wayne McLaughlin and Mr. Geoffrey Messado resigned effective March 31, 2014 and April 7, 2014 respectively.

In accordance with Articles 89 and 91 of the Company's Articles of Association, the following directors are retiring from office and, being eligible, offer themselves for re-election:

- Granville E. Marsh
- Peter J. Thwaites

Further, in accordance with Article 92 of the Company's Articles of Association, Mr. Leonard Green and Mr. Aston Smith were appointed to the Board effective April 3, 2014. They also retire from office, and being eligible, offer themselves for re-election.

AUDITORS

The Auditors, Messrs. PricewaterhouseCoopers have indicated their willingness to continue in office. The Directors recommend their re-appointment.

AUDIT COMMITTEE

The Board of Directors of Seprod Limited exercises its responsibilities for the Financial Statements included in this Report through its Audit Committee, which consists of non-management Board members: Mrs. Melanie Subratie, Chairperson and members: Mr. Granville Marsh, Dr. Nigel Clarke and Mr. Aston Smith.

The independent accountants and internal auditors have full and free access to the Audit Committee. The Audit Committee meets quarterly with the independent accountants and the Internal Auditors, both privately and with management present, to discuss accounting, auditing and financial reporting matters.

EMPLOYEES

The Directors wish to express their appreciation to the employees for their loyal services throughout the year.

Submitted on behalf of the Board of Directors.



P. B. Scott | Chairman





**P. B.
SCOTT**

Chairman

Director since 2000; he was appointed Chairman in 2009. He is the Chairman and Chief Executive Officer of the Musson Group of Companies and the Chairman of all the subsidiaries in the Musson Group including Facey Commodity Company Ltd., General Accident Insurance Company Ltd., Productive Business Solutions Ltd. among others. He is also a Director of Scotia Jamaica Life Insurance Company and the Jamaica Chamber of Commerce. He was appointed the Honorary Consul General for Guatemala in Jamaica in 2009.



**PETER
THWAITES**

Vice Chairman

Director since 2001. He is a retired Insurance Executive, a past President of the Private Sector Organisation of Jamaica, a past Chairman of the Electoral Advisory Committee, now the Electoral Commission of Jamaica, Chairman of Crime Stop Jamaica, a Director of Thwaites Finson Sharp Insurance Brokers and Guardian General Insurance Jamaica, a subsidiary of Guardian Holdings of Trinidad and Tobago.



**BYRON
THOMPSON**

CEO | Managing Director

Director since 1995. He is the C.E.O. and Managing Director of the Seprod Group of Companies. He is a Director of Customs Brokers Licensing Authority, Jamaica Manufacturers' Association Jamaica, Dairy Development Board, Jamaica Cane Products Sales Ltd. and the Sugar Manufacturing Corporation of Jamaica Ltd. He holds a Batchelor's Degree in Chemistry and Geology from the University of the West Indies and an MBA from Barry University, Florida, USA.



**DR. NIGEL
CLARKE**

Director since 2003. He is Deputy Chairman and Chief Financial Officer of the Musson Group of Companies and serves on the Board of directors of all Musson companies including Facey Group, T. Geddes Grant, General Accident, and their subsidiaries, among other group companies. In addition he is Chairman of Eppley Ltd. and Deputy Chairman of the PBS Group. Dr. Clarke is a member of the Executive Committee of the Board of Seprod and sits on the Board of directors of all its subsidiary companies.



**GRANVILLE
MARSH**

Director since 1991. He is also a Director of the Coconut Industry Board and Templeman Transport Ltd. He is the Chairman of Epping Oil Company Ltd. and Epping Retail Ltd. and Managing Director of Mars Auto Parts & Transmission Services Ltd. He also sits on the Boards of the subsidiaries of Seprod Ltd. and is a member of the Audit Committee.



**MELANIE
SUBRATIE**

Director since 2006. She is an honours graduate of the London School of Economics, and is currently the Vice Chairman of Musson (Jamaica) Ltd. She serves on the Boards of the subsidiaries of the Musson Group including Facey Commodity Company Ltd. and General Accident Insurance Company (Jamaica) Ltd. She returned to Jamaica over ten years ago, after working at the Financial Services Division of Deloitte & Touche, U.K. She also worked for startup political news wire service DeHavilland.



**MICHAEL
SUBRATIE**

Director since November, 2009. He is the Managing Director of T. Geddes Grant (Distributors) Ltd. as well as a Director of the Musson Group of Companies in charge of Musson's manufacturing & trading business entities. He has served on several government boards including the Urban Development Corporation, Jamaica Urban Transit Company, Jamaica Railway Corporation, Montego Freeport Ltd. and the former Pegasus Hotel. He also sits on the board of the American Chamber of Commerce, and he was recently appointed Honorary Consul of Bangladesh. Mr. Subratie holds both a Bachelor's Degree in Civil Engineering with highest honour from Georgia Institute of Technology and a Master's Degree in Structural Engineering from Purdue University.



**NICHOLAS
SCOTT**

Appointed in December 2012. He is the Chief Investment Officer of the Investment and Financial Services businesses of the Musson Group. In that capacity he serves as the Managing Director of Eppley Ltd. and a director of General Accident Insurance Company (Jamaica) Ltd. Mr. Scott is a director of IWC Opportunity Fund I and Jakes Holdings Ltd. and is a former Vice-President of the Private Sector Organization of Jamaica. He holds a B.Sc. in Economics from the Wharton School at the University of Pennsylvania, an M.B.A from Columbia Business School and a M.P.A. from the Harvard Kennedy School of Government.



**RICHARD
PANDOHE**

Appointed in December, 2012. He has held several senior executive positions in the Caribbean and Central America, most recently as Managing Director, Carreras Ltd. in Jamaica. He is a former President of the Rotary Club of New Kingston and a Director of the Jamaica Chamber of Commerce. He holds a Masters of Business Administration degree in Corporate Finance and Operations from the McGill University and a Bachelor of Science degree in Chemical Engineering from The University of the West Indies.



**ASTON
SMITH**

Appointed in April, 2014. He is a Registered Public Accountant and a fellow of the Institute of Chartered Accountants. Mr. Smith is a graduate of the University of the West Indies and has experience in the Insurance, Sugar, Banking and Hotel Industries. He is also a fellow of the Life Management Institute and a director of the Coconut Industry Board.



**LEONARD
GREEN**

Appointed in April 2014. He is a senior attorney-at-law and co-founder of the legal firm of Chen, Green & Co. A graduate of the University of the West Indies and the Norman Manley Law School. He was admitted to the practice in 1981 and presently serves as a member of council for the Jamaican Bar Association and as an executive member of the Advocates Association of Jamaica. He is currently the Chairman of the Coconut Industry Board and a director of the Sugar Industry Authority.

BOARD SUB-COMMITTEES



Audit Committee

(Left to right): Melanie Subratie (Chairperson), Granville Marsh, Nigel Clarke, Aston Smith



Executive Committee

(Left to right): P. B. Scott (Chairman), Peter Thwaites, Byron Thompson, Nigel Clarke, Melanie Subratie



Insurance Committee

(Left to right): Peter Thwaites (Chairman), P. B. Scott, Byron Thompson, Nicholas Scott



Superannuation Committee

(Left to right): Peter Thwaites (Chairman), Nigel Clarke, Nicholas Scott, Melanie Subratie

DIRECTORS' ATTENDANCE 2013

NUMBER OF BOARD MEETINGS | 12

Nigel Clarke	10
Granville Marsh	12
Wayne McLaughlin**	10
Geoffery Messado***	11
P. B. Scott	11
Melanie Subratie	10
Michael Subratie	11
Byron Thompson	12
Peter Thwaites	12
Nicholas Scott	11
Richard Pandohie	9
Steven Black*	7
Leonard Green****	-
Aston Smith****	-

*Appointed April, 2013, resigned March, 2014

**Resigned March, 2014

***Resigned April, 2014

****Resigned April, 2014

DISCLOSURE OF SHAREHOLDINGS

TEN LARGEST SHAREHOLDERS AS AT DECEMBER 2013

1. Mussons (Jamaica) Limited	233,747,988
2. Coconut Industry Board	163,420,345
3. GraceKennedy Limited Pension Scheme	21,955,904
4. National Insurance Fund	15,443,045
5. Scotia Jamaica Investment Management A/C 3119	7,724,433
6. NCB Insurance Company Limited A/C 109	4,019,145
7. JCSD Trustee Services Limited A/C #76579-02	2,463,054
8. MF&G Trust & Finance A/C #528	2,304,958
9. Estate Richard G.S. Jackson	2,138,612
10. National Export-Import Bank Pension Fund	2,070,993

* Connected Persons – P. B. Scott, Melanie M. Subratie

SHAREHOLDINGS OF DIRECTORS ALONG WITH THEIR CONNECTED PERSONS AS AT DECEMBER 2013

1. P. B. Scott	NIL
<i>Shareholdings of Connected Persons</i>	233,747,988
2. Melanie M. Subratie	NIL
<i>Shareholdings of Connected Persons</i>	233,747,988
3. Byron E. Thompson	1,220,668
4. Geoffrey E. Messado	100,000
5. Granville E. Marsh	6,561
6. Wayne A. McLaughlin	5,000
7. Nigel A. Clarke	990
8. Peter J. Thwaites	NIL
9. Michael J. Subratie	NIL
10. Nicholas A. Scott	NIL
11. Richard R. Pandohie	NIL
12. Stephen Black	NIL

SHAREHOLDINGS OF EXECUTIVES AS AT DECEMBER 2013

1. Angela Cooper	18,854
2. Marilyn Anderson	NIL
3. Rupert Ashman	NIL
4. Clement Burnett	NIL
5. Evrol Dixon	NIL
6. Gregory Harvey	NIL
7. Marcia Walters	NIL
8. Paul Watson	NIL
9. Phillip Webster	NIL
10. Neville Ledgister	NIL
11. Milton Maragh	NIL
12. Patrick Sterling	NIL



Chiffon

Miracle



DIAMOND
Laundry Bar



Dairy Maid

CANNON



CHAIRMAN'S STATEMENT

Overview

Seprod's earnings per share increased marginally in 2013 from \$1.70 to \$1.75 per share. It was a mixed year for your Company. On the one hand Seprod improved operational profitability in a challenging economy. On the other hand while last year we were pleased to report improvement at Golden Grove, unfortunately 2013 saw a worsening of results that diluted our consolidated progress. Wet weather, low yields and expensive energy all lead to poor results. These results are unacceptable.

Agricultural investments are not for the short sighted or faint hearted. Over the long term, there will be good years and bad years. What is imperative is that the bad years are the exception and not the rule. I continue to believe that Golden Grove has significant potential but is a complicated turnaround. Seprod takes its responsibility to shareholders extremely seriously and as such is working in a very focused manner to turn this situation around. For our investment to produce satisfactory returns, the farms and the factory have to be working efficiently and in equilibrium. We have now completed important capital expenditures in improving our factory and in expanding our tonnage. At the time of this writing, there are encouraging signs that these investments are bearing fruit.

Brands

Seprod owns many great brands: Chiffon, Butterkist, Miracle, Serge, Lider, Chef to name a few. These brands together with our people are our most valuable assets. It is imperative that Seprod focuses on the development of these brands both domestically and in the export markets. The future of these brands dictates the volumes through our facilities and thus our profitability. We are focused on continuing to nurture the growth of these brands and expect to see a lot more activity in this regard in 2014.

**"As we look to 2014, we can expect
Seprod to continue to grow."**

- P. B. SCOTT
Chairman



Energy Costs

Unfortunately as a country our energy costs continue to rise. Energy prices remain in my opinion the single biggest impediment to the economic growth Jamaica desperately needs. Jamaica simply cannot afford to have inefficient energy plants producing high cost electricity when it can have efficient ones producing at significantly lower prices. Seprod operates in this high cost environment. Energy management and strategy is a key component of Seprod's business plans. We expect that we will have to make significant investments in this area to protect ourselves from this high cost environment going forward.

Future

As we look to 2014, we expect Seprod to continue to grow. The economy in Jamaica is challenging. While we hope this will change, we will continue to approach the market sensitive to the realities that we face. In 2014, we expect to aggressively market our products, nurture our brands, ensure the best distribution of the products and relentlessly pursue the turnaround at Golden Grove Sugar Company. I would like to take this opportunity to thank the employees, the management and staff at Seprod as well as my fellow directors for their hard work and diligence in 2013.



P. B. Scott | Chairman

MANAGEMENT DISCUSSION & ANALYSIS

During the year the Jamaican economy continued to face challenges such as rising crime, devaluation of the dollar, increased unemployment and high cost of energy all contributed to the meagre growth which the country experienced. Given this environment, we are pleased to report that driven by our commitment to create value for our shareholders, the Group achieved some positive outcomes.

Group revenue for 2013 was \$13.92B representing a 9.4 percent increase over the previous year

- Operating profit increased by 8.7 percent to \$1.42B.
- Net profit attributed to the stockholders increased from \$878.76M to \$905.75M an increase of 3.0 percent.
- Earnings per share were \$1.75 up from \$1.70 in 2012.
- Dividend per share was eighty-three cents

Total assets grew by 12.4 percent to \$13.79B and shareholder equity increased by 9.0 percent to \$9.37B. Collection days outstanding at 22.2 days reflected a significant improvement over previous years. Shareholders' equity to total debt ratio moved from 1:6.6 to 1:4.1 as the company borrowed funds to finance critical capital expenditure projects.

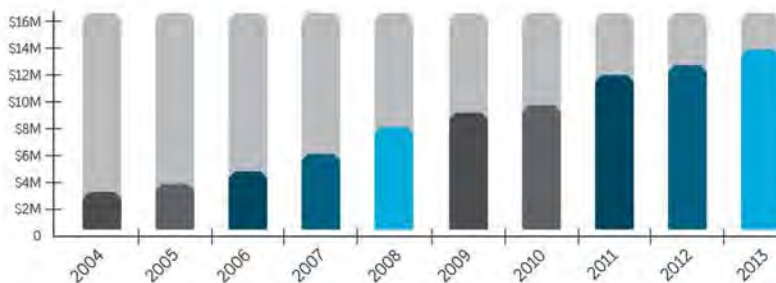
Generally our balance sheet continues to reflect the usual strong financial position of the group. Further details are given in the graphical and tabular forms elsewhere in the report.

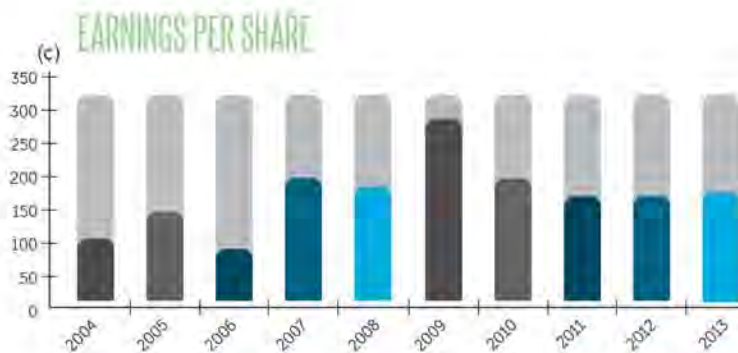
“As stakeholders we must be conscious of the fact that Jamaica needs to import less and export more...”

- BYRON THOMPSON
CEO | Managing Director



GROUP SALES





SEGMENT PERFORMANCE

The manufacturing segments include those entities that manufacture and sell oils and fats, corn products, cereals, milk, juice, milk-based products, biscuits and sugar. The companies representing this segment include:

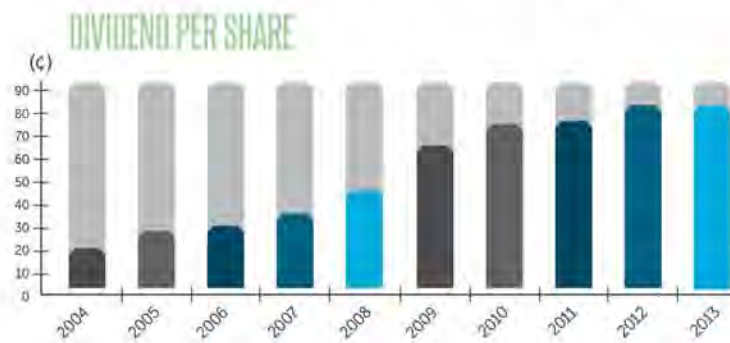
Caribbean Products Company Limited
 Jamaica Grain and Cereals Limited
 Serge Island Dairies Limited
 Serge Island Farms Limited
 International Biscuits Limited
 Golden Grove Sugar Company Limited

Industrial Sales Limited, which represents the distribution segment, is engaged in the merchandising of a wide range of consumer items.

Overall, segment revenue grew when compared with the previous year. However, bottom line performance in some instances was negatively impacted by cost increases due to the rapid devaluation of the Jamaican Dollar as well as rising costs of various inputs to production.

These increases could not always be fully recovered from the trade and so there had to be a strategic trade-off between our margins and our market share.

In the final analysis, all companies except for Golden Grove made positive contributions to the group's bottom line.



GOLDEN GROVE SUGAR COMPANY

For the financial year 2013, a total of 176,888 tonnes of cane was crushed to produce 13,960 tonnes sugar and 7,534 tonnes molasses. This was against a plan to crush 216,601 tonnes cane to produce 19,324 tonnes sugar and 7,508 tonnes molasses. The corresponding revenue was \$1.21B, which was 21 percent below the \$1.53B planned. The result was an EBITDA of negative \$81.209M.

The major cause of this shortfall in sugar production and revenue was factory downtime. The total time lost was 2,380 hours due mainly to prolonged wet weather and maintenance issues.

In regard to maintenance, the factory improvement programme aimed at reducing operation downtime continued in 2013. During the year we completed major overhauling of the sugar mills, diesel generators and steam boilers. This has resulted in significant improvement in the reliability and the throughput of the plant. We are now achieving crushing rate of up to 95 tonnes/hour, which should enable the crushing of 300,000 tonnes cane/year producing 25,000 tonnes sugar.

The challenge now is to speed up the cane planting drive to at least match the improved capability of the plant. In this regard we estimate that we would need to have 4,264 hectares (10,532 acres) in cane for the production of sugar and to provide planting material for cultivation activities. The aim is to achieve this target by 2015. So far we have a total of 3,770 hectares (9,312 acres) up from 3,557 hectares (8,786 acres) last year.

Crushing 300,000 tonnes cane to produce 25,000 tonnes sugar should make the operation a viable one. However, based on the present configuration of the operation the production of sugar alone will not suffice to ensure that profitability is sustainable. The dilemma is that the profit made during the six month crop will invariably be wiped out in the “out of crop” period when significant costs are incurred in the maintenance of the factory, harvesting equipment and cane fields which include: weed control, fertilizer application, supplying and replanting activities while at the same time no revenue is flowing into company.

In order to cauterize this, two strategies can be employed: Firstly, increase the cogeneration capacity of the plant to provide sufficient electricity to operate the plant and to sell the excess to the national grid. This will allow us to get rid of the crippling JPSCO. bills and at the same time earn additional revenue during the out of crop period. So far, we have completed a scope of work for this project and are now at a stage where we are about to conclude arrangement for the design phase.

Secondly, build a rum distillery to produce a range of value added products from our molasses.

SERGE ISLAND FARMS

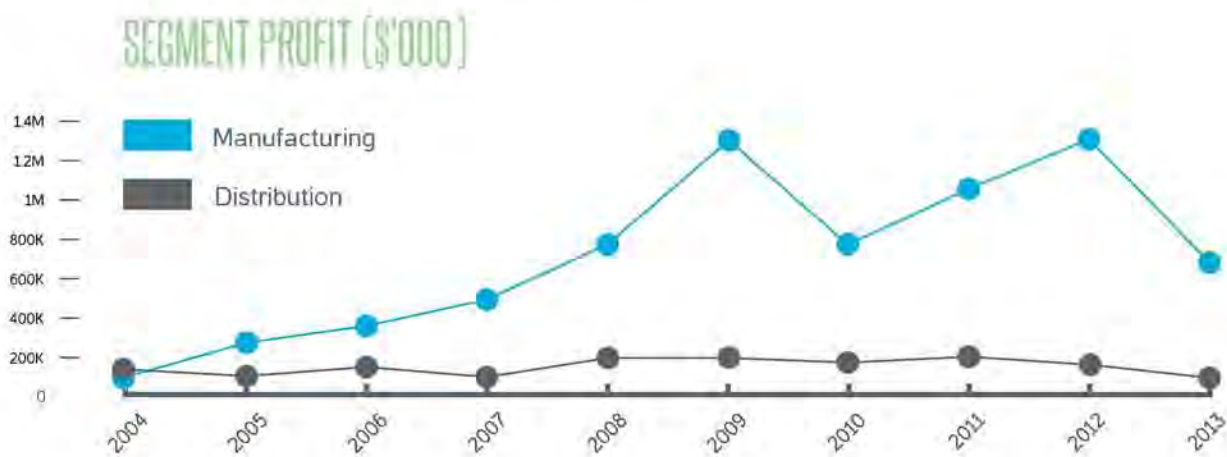
Despite the prolonged drought in the first half of the year, milk production increased by 3.0 percent year on year moving from 6,305,813 in 2012 to 6,497,224 litres in 2013. This was mainly due to an increase in the number of cows in milk from 2020 to 2071, a 1.2 percent increase in the average daily output from the animals and increased fodder production.

In contrast, the national production of milk declined by 4.0 percent moving from 12,840,000 in 2012 to 12,340,000 litres in 2013. Therefore, Serge Island Farms made a significant contribution to national output.

During the year we established a further one hundred and twenty acres of grass, which should augment hay supplies to the animals.

In regard to the genetics of the herds our long term objective is to have three breeds - Jamaica Hope, Jersey and Holstein. The strategies to achieve this include:

- Culling of the lowest 10% producers
- Culling of offsprings with unknown sires
- Use of AI service as a priority
- Prevent inbreeding
- Breed Jamaica Hope bulls onto Foundation and grade Jamaica Hope
- Breed Jersey bulls onto Jersey animals
- Breed Holstein onto Holstein and Brown Swiss crosses



EXPORT

Export was not as buoyant as expected. Despite this we continue to record growth in most of our markets. As a result sales for the review period moved from \$492.3M to \$597.6M representing an increase of 13.3%.

The products exported to these markets include biscuits, milk based products, juices, corn products and oils and fats.

QUALITY & FOOD SAFETY MANUFACTURING

Compliance with the Food Safety Modernization Act (FSMA) and related Code of Federal Regulations requirements, is assured for all the subsidiaries that are most likely to be inspected by the Federal Drug Administration (FDA) and/or the local Inspectorate, the Bureau of Standards of Jamaica (BSJ).

The maintenance of each of the subsidiaries' Food Safety Management System (FSMS) to assure acceptance of our manufactured products, for exports to the USA and other countries, is strongly supported by a core of trained persons certified as Internal Auditors to the Safe Quality Foods (SQF) level 3 Programme, and a structured Internal Audit programme.

Eight persons have been certified in total to the SQF level 3 with each plant having at least one qualified Auditor.

In addition, the Seprod Group has taken steps, to establish the Food Safety System Certification (FSSC 22000) Food Safety Management System (FSMS) in all its subsidiaries. This system is recognized by the Global Food Safety Initiative (GFSI), the FDA and all major jurisdictions to which the group would most likely export its products.

CORPORATE AFFAIRS

We are pleased to report that The Seprod Foundation was established as a non-profit organization to use funds on a charitable basis for the sole purpose of promoting the advancement of good citizen and nation building through donations and interventions to improve educational causes.

The aims of this foundation are:

- To promote and encourage the advancement of education among poor and inner-city children and young persons.
- To support the relief of poverty faced by inner-city children and young persons.
- To promote education initiative to benefit the youth.
- To promote the advancement of good citizenship and community development by identifying charitable and educational causes to which Seprod may contribute and to facilitate Seprod making such contributions.

This is in keeping with our mission to perform the role of a good corporate citizen.

We continue to co-operate and work with National Environment and Planning Agency (NEPA) to ensure that all our factories operate in compliance with the regulations from that organization. To this end we have completed a number of projects while others remain a "work in progress". Completion of the waste treatment plant at Caribbean Products is delayed and should be commissioned by the end of the third quarter 2014.

STATISTICAL HIGHLIGHTS (\$'000)

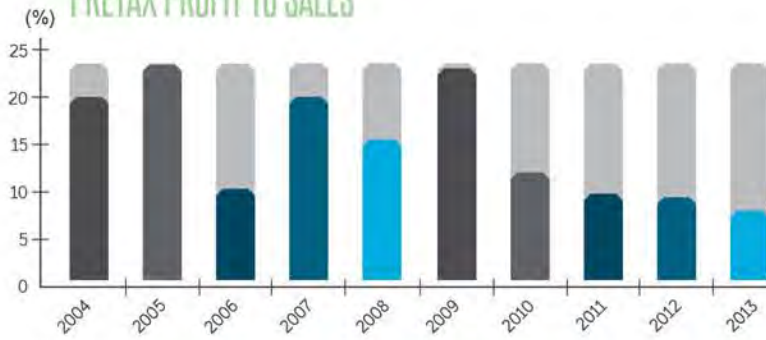
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue	13,921,759	12,723,578	12,005,202	9,776,563	9,495,060	9,257,660	6,189,984	4,883,891	3,953,775	3,346,651
Operating Profit	1,419,318	1,305,328	1,256,314	1,206,866	2,210,782	1,464,258	933,005	654,212	561,969	411,975
Profit from Assoc. Comps.	-	-	-	-	-	-	202,612	72,727	147,704	257,428
Finance & other Income	867,368	490,547	469,858	343,409	756,239	520,064	409,072	217,635	221,242	216,638
Pre-tax Profit	1,118,394	1,199,632	1,193,951	1,170,927	2,185,901	1,435,462	1,235,069	678,786	922,419	665,912
Net-Profit after Taxation	767,876	834,027	767,280	830,263	1,485,937	938,203	1,013,009	460,992	750,180	547,717
Shareholders' Equity	9,366,647	8,596,211	8,055,350	7,761,085	6,978,781	5,875,350	5,255,547	4,423,726	4,113,603	3,499,773
Earning per Stock Unit (cents)	175	170	169	195	286	182	196	89	145	106
Dividend Stock Unit (cents)	83	83	76	75	65	45	35	30	27.5	20

STATISTICAL HIGHLIGHTS

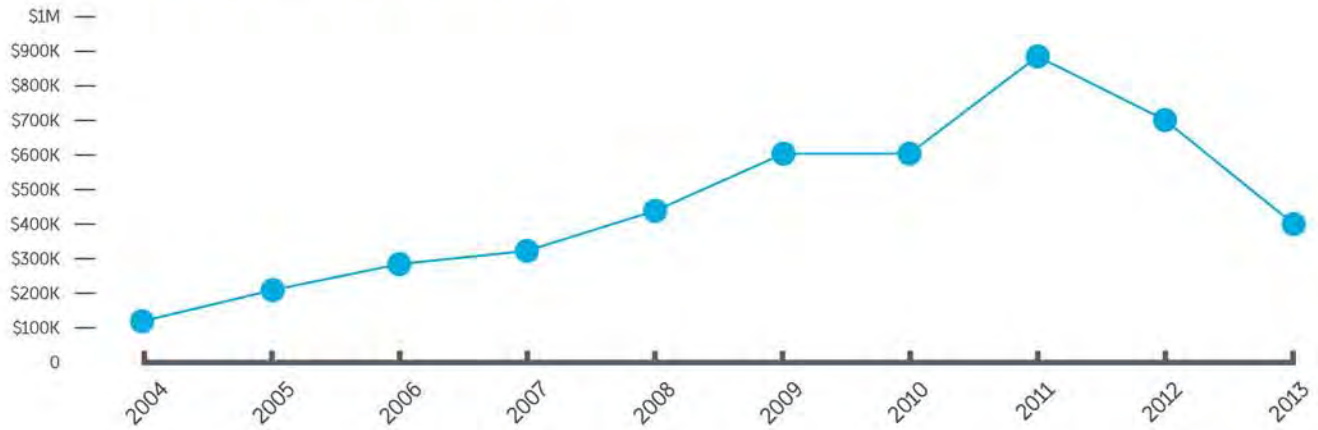
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Working Capital	2.09:1	1.91:1	2.66:1	2.9:1	3.8:1	3.9:1	4.2:1	2.5:1	2.6:1	3.1:1
Debt Shareholders Equity	1:4.11	1:6.6	1:5.21	1:9.3	1:8.7	1:10.5	1:12.4	1:7.0	1:7.5	1:9.5
Collection Period (days)	22.2	36.4	36.9	36.8	31.0	27.9	35.3	30.8	34	28
Inventory Turn (x)	5.0	5.2	6.2	6.6	4.9	6.7	6.7	6.1	5.8	6.9
Operating Profit to Total Assets (%)	10.29	10.6	11.5	12.5	23.9	19.5	14.3	11.2	10.5	9.5
Pre-tax Profit to Total Assets (%)	8.11	9.78	11.0	12.2	23.7	19.1	18.9	11.6	17.3	15.4
Pre-tax Profit to Sales (%)	8.03	9.43	9.9	12.0	23.0	15.5	20.0	13.9	23.3	19.9
Operating Profit to Sales (%)	10.19	10.26	10.5	12.3	23.3	15.8	15.1	13.4	14.2	12.3
Return on Equity	8.35	9.8	9.5	10.7	21.3	16.0	19.3	10.4	18.2	15.7



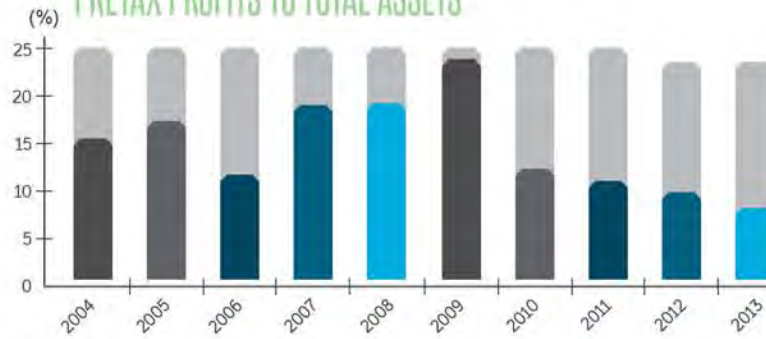
PRETAX PROFIT TO SALES



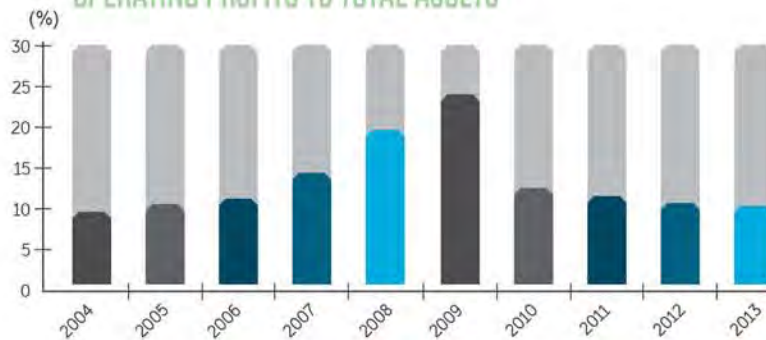
CAPITAL EXPENDITURE (\$'000)



PRETAX PROFITS TO TOTAL ASSETS



OPERATING PROFITS TO TOTAL ASSETS



FUTURE

The Jamaican economy registered growth of close to one percent during the last quarter of 2013. Perhaps this is the basis on which our Central Bank and the IMF predicted that economic conditions in the country will continue to improve.

Of note also is the fact that the country has successfully completed four quarterly reviews under the present IMF agreement which has no doubt led to an improvement in investor confidence and if this momentum is maintained there is no reason why we should not see the creation of new opportunities for growth and a sustained recovery of the economy. At a global level growth is also expected to take place in the more advanced economies which will play a major role fuelling growth in the local economy.

As stakeholders we must be conscious of the fact that Jamaica needs to import less and export more in order to reduce the current account deficit. A reduction in imports would also lead to an increase in the net international reserves (NIR.) These are all challenging but necessary conditions for Seprod to adequately achieve its objective in this economic environment but our team remains optimistic and focused to grow revenue and manage costs so that in the end we will be able to deliver value to our shareholders.

Thanks to our Directors and employees for their commitment and dedication, and to our valued customers, consumers, suppliers and shareholders for their co-operation during the year. We look forward to their continued support in 2014.



Byron E. Thompson
CEO | Managing Director

colour me fun



Butterkist®



made by Seprod
must be good



**RUPERT
ASHMAN**

Group Information
System Manager

Mr. Rupert Ashman, is the Manager of Information Systems since 1997. He holds a BSc. in Computer Science and is an executive with overall responsibility for Security & Transportation assumed in 2003. Past experiences include Statistical Institute of Jamaica, The Gleaner Company Ltd., Agricultural Credit Bank, Colgate Palmolive Company Jamaica Ltd., Thermo Plastics Jamaica Ltd. and Alumina Partners Jamaica Ltd.



**CLEMENT
BURNETT**

General Manager,
Caribbean Products
Company Ltd.

Mr. Clement C. Burnett MBA, BSc (Hons), is the General Manager of Caribbean Products Company Ltd. since 1995. He joined the Group in March 1994 and was appointed Production Manager in that same year. Prior to joining the Group, he worked in the United States for seven years, five as Laboratory Manager for Dyets Inc. of Bethlehem, Pennsylvania.



**MARCIA
KITSON-
WALTERS**

Group Marketing Manager

Mrs. Marcia Kitson-Walters has been with the group since 1984. She holds an MBA in Business Administration, specializing in Marketing from Nova South Eastern University, a BSc. in Computer & Management Studies from UTECH and a Diploma in Laboratory Technology from the College of Arts, Science & Technology.



**PAUL
WATSON**

Plant Manager,
Jamaica Grains & Cereals Ltd.

Mr. Paul Watson has been with the Group for eighteen years. He holds a Diploma in Technology from the Buckinghamshire College of Higher Education, UK and a Masters Degree in Business Administration from the University of New Orleans. He previously worked as the Saw Mill Manager at Forrest Industries Development Company Ltd.



**MARILYN
ANDERSON**

Corporate Secretary

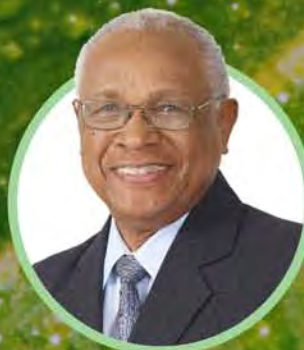
Mrs. Marilyn Anderson joined the Group in August, 1989. She was the Manager for Jamaica Edible Oils & Fats Company Ltd. and over the years has held various positions in the areas of Research & Product Development, Quality Control, Property Management and Purchasing. She holds an MBA in International Business and a BSc. in Chemistry from the University of the West Indies.



**ANGELA
COOPER**

Chief Financial Officer

Ms. Angela Cooper FCCA, FCA has been with the company since 1981. She was appointed Chief Financial Officer of the Seprod Group in 2010. She has more than thirty years experience in auditing and accounting. Prior to joining the Group, she worked as a Senior Auditor with Mair, Russell, Grant Thornton. She is a member of the Institute of Chartered Accountants of Jamaica and the Chartered Association of Certified Accountants.



**BYRON
THOMPSON**

CEO | Managing Director



PHILLIP WEBSTER

General Manager,
Serge Island Farms Ltd.

Mr. Phillip Webster holds a BSc. in Agriculture from McGill University in Montreal, Canada and a diploma in Agriculture from the Jamaica School of Agriculture. Prior to joining Serge Island Farms, he worked as the Agricultural Services Manager at Nestle Jamaica Ltd., as a Senior Supervisor in the Agricultural Division at Alcan Jamaica Company and as a Beef Farm Supervisor in the Agricultural Division at Reynolds Metals Company.



GREGORY HARVEY

Acting General Manager,
Serge Island Daires Ltd.

Mr. Gregory Harvey has been with the company since 2001 when he was employed as Production Manager of Serge Island Dairies Ltd. He also worked as Acting General Manager and was later appointed Plant Manager in 2012. He holds a Bachelors Degree in Business Administration and a Diploma in Production Management. He previously worked at Cremo Ltd. where he held the positions of Delivery Supervisor and Production Supervisor.



EVROL DIXON

Plant Manager,
International Biscuits Ltd.

Major Evrol Dixon, BSc (Eng) was the Manufacturing Manager at the biscuit plant of Kraft Foods Jamaica prior to its acquisition by Seprod in 2007. Past experiences include Jamaica Flour Mills, Grace Food Processors and Appliance Traders Ltd. Major Dixon previously served in the Jamaica Defence Force (JDF) where he completed Officer Training at the Royal Air Force College, Cranwell (UK) and the US Army Computer Science School, Fort Gordon (USA).



NEVILLE LEDGISTER

General Manager,
Industrial Sales Ltd.

Mr. Neville L. Ledgister MBA, BBA (Hons), DipM is the General Manager of Industrial Sales Ltd. since September, 2012. He joined the company in January, 2009 as Logistics Manager and has served as Sales & Logistics & Marketing Manager. Prior to joining the Group, he worked with Nabisco Jamaica Ltd. as the Sales Manager and at Lasco Consumer Division as the General Manager.



MILTON MARAGH

Group Project Manager

Mr. Milton Maragh joined the Group in September, 2012 with prior experiences in the Beverage and Bauxite/ Alumina industries working with companies such as PepsiCo, Desnoes & Geddes Ltd., Alcan Jamaica Company in both technical and commercial positions. He also worked in North America and hold qualifications in Chemical Engineering, Business Administration and Information Management.



PATRICK STERLING

Group Human Resource &
Industrial Relations Manager

Patrick Sterling, PhD, joined the Seprod Group in June 2013 as the Human Resource and Industrial Relations Manager. He has prior experiences in insurance, retail, telecommunications, manufacturing and distribution, working with companies such as Universal Stores Ltd. (ICD), Lime Jamaica, Pepsi-Cola Jamaica and Carreras Ltd. in Senior Human Resource Leaderships roles. His qualifications include a Diploma (Mico); B.A. (UWI) and M.Sc. (Nova Southeastern University). He is a member of the Jamaica Employers' Federation (JEF) and the Society for Human Resources Management (SHRM).

CORPORATE HIGHLIGHTS

BUTTERKIST MATH COMPETITION

Seprod, which uses the competition as a tool to help improve schools' performance in the subject, sealed its commitment to working with the ministry to improve the quality of mathematics education.

"At Seprod, we see the investment in the development of our youth as a wider investment in Jamaica," Chief Operating Officer Carl Domville said.

"We are committed to working with the ministry to improve numeracy standards in Jamaica," he added, explaining that in the 2012 Grade Six Achievement Test, the average score in mathematics was a little over 61 per cent and in the 2012 CXC exams, only 31.7 per cent of students attained passes, a decrease from 33.2 per cent in the previous year.

"We agree that these results are below par, and so there is a need to package and present math in a way which excites our students. With this competition, our association offers a great opportunity to stimulate the minds of our students in a challenging but very critical economy," he said.

SEPROD/INSPO RTS PRIMARY SCHOOL CHAMPS

SEPROD Limited has come forward with a sponsorship package of \$10 million for the 2013 33rd staging of the Seprod/INSPO RTS Primary Schoolboys and Girls Athletics Championships scheduled to be held from May 8-11 at the National Stadium.

At a media launch held at the National Indoor Sport Centre (NISC), it was also disclosed that the overall sponsorship also includes a further \$900,000 that will provide breakfast for athletes and coaches.

In her remarks, sales and marketing manager of Seprod Limited Marcia Kitson-Walters said that this is the eighth consecutive year that Seprod will be with INSPO RTS for the championships.

"It gives the youngsters the opportunity to shine, and we thank INSPO RTS and their team for a job well done. It is also a development meet and it is also important that we give them (students) as much opportunities to show their talents," she said.

This year saw an increase in participation of 73 schools from last year's 65, including newcomers and those making returns. There will be approximately 3,366 athletes competing in the four-day championships representing the parishes of Kingston and St Andrew, St Catherine, Portland, St Thomas and Clarendon.



Min. Ronald Thwaites (right), Minister of Education, chats with Carl Domville, COO, Seprod Group (now retired); Amani Cooke, 2012 Butterkist mathematics winner; and Marcia Kitson-Walters, Marketing Manager, Seprod, following the launch of the 20th Seprod National Primary Schools Math Competition.

Administrative Director of Institute of Sports Ian Andrews accepts a symbolic \$10M sponsorship cheque from Marcia Kitson-Walters, Sales & Marketing Manager, Seprod, during the media launch of the 33rd Insports/Seprod Primary School Athletics Championships at the National Indoor Sport Centre on May 1, 2013. Sharing in the moment are Jessie Ripoll's Dean Clarke and Kayla Bonnick of St Catherine Primary.

SEPROD TREATS CHILDREN FROM THE HOMES ACROSS JAMAICA

Five Children Homes representing some hundred children across the corporate Jamaica were given an opportunity to attend the well sought after Father Ho Lung annual Concert, this year entitled “*Candles in the Dark*”.

JAMAICA DAY CELEBRATIONS

Jamaicans from all walks of life were encouraged to participate in Jamaica Day 2013 activities observed under the theme ‘*Celebrate Jamaica: We On It*’. Jamaica Day, usually observed in all schools under the Ministry’s Culture in Education Programme, was observed nationally on February 22, 2013.



Back row: (Seprod Management Team (left) Marcia Kitson-Walters, Marketing Manager, Patrick Sterling, HR Manager, Angela Cooper, Chief Financial Officer along with representatives from the homes.



Seprod boarded the bus very early the morning to ensure that we were ready for the hundreds of patrons expected. Youngsters representing a number of schools viewed the various products on display at the Seprod booth.

CORPORATE HIGHLIGHTS

DENBIGH AGRICULTURAL SHOW

Left: Patrons seen busy shopping for a chance to win a basket filled with Miracle products.

Right: A happy winner after she won a beautiful basket compliment of Seprod on the final day of the Denbigh Agricultural Show, August 6th, 2013

SIFL's performance at Denbigh 2013, summarized.

Trophies won: (1) Supreme champion dairy cow (2) Supreme champion dairy heifer (3) Champion cow, 5 to 7 years old

First places - 7, Second places - 7, Third places - 3



SCHOLARSHIP PROGRAMME

Seprod's commitment to "Nation building through education" was again demonstrated in 2013 by the granting of 40 secondary scholarships to the children of its employees. The scholarship to each child is renewable each academic year for five years, providing academic performance, attendance and department are satisfactory.

The students and their parents were hosted by the Company on the afternoon of Wednesday, October 9, to lunch and a tour of its Caribbean Products facility. They also attended a special function in their honour where each child received a token from the company. They were also formally introduced to the Group's Executive Committee of Management and were given an opportunity to share their individual career aspirations.

Managing Director and Chief Executive Officer, Mr. Byron Thompson, gave the keynote address, sharing special words of insight and aspiration to the captive audience.

There are currently 203 children of employees registered on the scholarship programme.



CORPORATE DATA



REGISTERED OFFICE

3 Felix Fox Boulevard, Kingston

Tel: 876 922 1220

Fax: 876 922 6948 | 7344

corporate@seprod.com



AUDITORS

PricewaterhouseCoopers

ScotiaBank Centre,

Corner of Duke & Port Royal Street

Kingston, Jamaica



ATTORNEYS

DunnCox

48 Duke Street, Kingston

•

Samuda & Johnson

2-6 Grenada Crescent, Kingston 6



BANKERS

First Global Bank

24-48 Barbados Avenue, Kingston 5

•

National Commercial Bank Jamaica Ltd.

1-7 Knutsford Boulevard, Kingston 5

•

CIBC

2-6 Grenada Crescent, Kingston 6



REGISTRAR & TRANSFER AGENTS

Jamaica Central Securities

Depository Ltd.

40 Harbour Street, Kingston





FINANCIAL STATEMENTS

31st December 2013





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 32 to 119, 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

C.D.W. Maxwell E.A. Crawford P.E. Williams L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning
G.A. Reece P.A. Williams R.S. Nathan



**Members of Seprod Limited
Independent Auditors' Report
Page 2**

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>
Gross Profit		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>
Operating Profit		1,419,318	1,305,328
Finance costs	9	<u>(300,924)</u>	<u>(105,696)</u>
Profit before Taxation		1,118,394	1,199,632
Taxation	10	<u>(350,516)</u>	<u>(365,605)</u>
Net Profit		767,878	834,027
Other Comprehensive Income, net of taxes - Item that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	10	(12,825)	22,125
Items that may be subsequently reclassified to profit or loss -			
Unrealised fair value gains on available-for-sale investments		208,472	124,693
Realised fair value gains on available-for-sale investments		(37,770)	(56,108)
	10	<u>170,702</u>	<u>68,585</u>
TOTAL COMPREHENSIVE INCOME		<u>925,755</u>	<u>924,737</u>
Net Profit is attributable to:			
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>
Total Comprehensive Income is attributable to:			
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>
Earnings per Stock Unit attributable to Stockholders of the Company	12	<u>\$1.75</u>	<u>\$1.70</u>

Seprod Limited

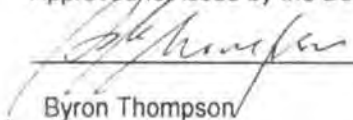
Consolidated Statement of Financial Position

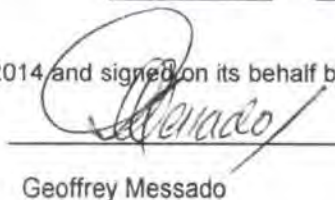
31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
Non-current Assets				
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	294,633	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>
Current Assets				
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>
Current Liabilities				
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>
Net Current Assets				
		<u>3,626,559</u>	<u>2,625,573</u>	<u>3,356,682</u>
Equity Attributable to Stockholders of the Company				
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>
Non-controlling interest				
		<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>
Non-current Liabilities				
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					Non-	Total
	Number of	Share	Capital	Retained	Total	controlling	Equity
	Shares	Capital	Reserve	Earnings		Interest	
	'000	\$'000	\$'000	\$'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
Cash Flows from Operating Activities	31		
Cash (used in)/provided by operating activities		<u>(20,551)</u>	<u>1,594,341</u>
Cash Flows from Investing Activities			
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>
Cash Flows from Financing Activities			
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>
CASH AND CASH EQUIVALENTS AT END OF YEAR	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)
Operating Profit		<u>1,314,760</u>	<u>2,391,221</u>
Finance costs	9	(87,792)	(83,952)
Profit before Taxation		<u>1,226,968</u>	<u>2,307,269</u>
Taxation	10	(70,727)	(79,116)
Net Profit	11	<u>1,156,241</u>	<u>2,228,153</u>
Other Comprehensive Income:			
Item that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	10	(12,825)	22,125
Items that may be subsequently reclassified to profit or loss -			
Unrealised fair value gains on available-for-sale investments		208,472	124,693
Realised fair value gains on available-for-sale investments		(37,770)	(56,108)
	10	<u>170,702</u>	<u>68,585</u>
TOTAL COMPREHENSIVE INCOME		<u><u>1,314,118</u></u>	<u><u>2,318,863</u></u>

Seprod Limited

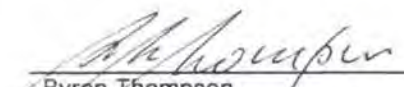
Statement of Financial Position

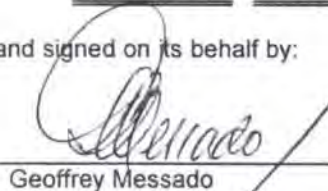
31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
Non-current Assets				
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>
Current Assets				
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>
Current Liabilities				
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>
Net Current Assets				
		<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>
Equity				
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>
Non-current Liabilities				
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
Cash Flows from Operating Activities			
Cash used in operating activities	31	(856,010)	(1,200,519)
Cash Flows from Investing Activities			
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		665,418	1,953,666
Cash provided by investing activities		1,346,315	1,872,962
Cash Flows from Financing Activities			
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		(84,767)	(81,866)
Cash used in financing activities		(490,949)	(714,788)
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		(5,073)	37,272
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	<u>3,994</u>	<u>(5,073)</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)

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:

Name of subsidiary	Principal activities
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)

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)

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)

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

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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)

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)

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)

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

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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(expressed in Jamaican dollars unless otherwise indicated)

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.

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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.

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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.

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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.

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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 \$'000	2012 \$'000	2013 \$'000	2012 \$'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.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

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

	The Group				
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	2013				
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
	2,294,314	41,962	824,480	1,082,275	4,243,031
	2012				
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
	1,597,986	19,808	890,283	547,846	3,055,923
	The Company				
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	2013				
Long term liabilities	597,341	-	432,780	-	1,030,121
Bank overdraft	118,914	-	-	-	118,914
Other payables	84,390	-	-	-	84,390
	800,645	-	432,780	-	1,233,425
	2012 Restated				
Long term liabilities	-	19,808	650,986	472,408	1,143,202
Bank overdraft	82,614	-	-	-	82,614
Other payables	87,488	-	-	-	87,488
	170,102	19,808	650,986	472,408	1,313,304

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

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3. Financial Risk Management (Continued)

(c) Market risk

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

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

Currency risk

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

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from 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)

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The tables below summarise the total exposure to foreign currency exchange rate risk:

	The Group			
	Jamaican\$ J\$'000	US\$ J\$'000	Other J\$'000	Total J\$'000
	2013			
Financial Assets				
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>
Financial Liabilities				
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>
Net financial position	<u>350,217</u>	<u>1,536,138</u>	<u>237,839</u>	<u>2,124,194</u>
	2012 Restated			
Financial Assets				
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>
Financial Liabilities				
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>
Net financial position	<u>570,079</u>	<u>1,576,785</u>	<u>198,317</u>	<u>2,347,778</u>

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(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
	2013			
Financial Assets				
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
	<u>3,607,986</u>	<u>3,555,223</u>	<u>226,677</u>	<u>7,389,886</u>
Financial Liabilities				
Long term liabilities	999,088	-	-	999,088
Bank overdraft	118,914	-	-	118,914
Other payables	84,390	-	-	84,390
	<u>1,202,392</u>	<u>-</u>	<u>-</u>	<u>1,202,392</u>
Net financial position	<u>2,405,594</u>	<u>3,555,223</u>	<u>226,677</u>	<u>6,187,494</u>
	2012 Restated			
Financial Assets				
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
	<u>3,422,758</u>	<u>2,893,735</u>	<u>204,062</u>	<u>6,520,555</u>
Financial Liabilities				
Long term liabilities	996,063	-	-	996,063
Bank overdraft	82,614	-	-	82,614
Other payables	87,488	-	-	87,488
	<u>1,166,165</u>	<u>-</u>	<u>-</u>	<u>1,166,165</u>
Net financial position	<u>2,256,593</u>	<u>2,893,735</u>	<u>204,062</u>	<u>5,354,390</u>

Seprod Limited

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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
The Group					
+250/+200	5,733	24,084	+400/+250	2,716	(7,365)
-100/-50	869	(7,316)	-100/-50	(641)	5,657
The Company					
+250/+200	26,075	24,084	+400/+250	1,960	(7,365)
-100/-50	(3,716)	(7,316)	-100/-50	(490)	5,657

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

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

	The Group						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						
Financial assets							
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
	163,473	1,257,186	365,208	316,433	722,326	3,255,888	6,080,514
Financial liabilities							
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
	728,791	26,595	735,713	893,378	-	1,571,843	3,956,320
Total interest repricing gap	(565,318)	1,230,591	(370,505)	(576,945)	722,326	1,684,045	2,124,194

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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						
Financial assets							
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
	370,075	720,817	94,028	680,503	522,069	2,871,124	5,258,616
Financial liabilities							
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
	132,428	712,448	585,955	-	-	1,480,037	2,910,838
Total interest repricing gap	237,647	8,369	(491,927)	680,503	522,069	1,391,087	2,347,778