

# Seprod Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	2013						
<b>Financial assets</b>							
Available-for-sale investments	40,565	120,006	231,985	250,159	475,096	1,544,096	2,661,907
Trade and other receivables	-	1,054,330	-	-	-	-	1,054,330
Due from subsidiaries	-	-	-	-	-	3,237,237	3,237,237
Long term receivables	-	-	-	66,274	247,230	-	313,504
Cash and bank	122,908	-	-	-	-	-	122,908
	163,473	1,174,336	231,985	316,433	722,326	4,781,333	7,389,886
<b>Financial liabilities</b>							
Long term liabilities	599,088	-	400,000	-	-	-	999,088
Bank overdraft	118,914	-	-	-	-	-	118,914
Other payables	-	-	-	-	-	84,390	84,390
	718,002	-	400,000	-	-	84,390	1,202,392
<b>Total interest repricing gap</b>	<b>(554,529)</b>	<b>1,174,336</b>	<b>(168,015)</b>	<b>316,433</b>	<b>722,326</b>	<b>4,696,943</b>	<b>6,187,494</b>
<b>2012 Restated</b>							
<b>Financial assets</b>							
Available-for-sale investments	-	109,910	-	547,831	378,704	1,373,221	2,409,666
Trade and other receivables	-	420,843	-	-	-	104,629	525,472
Due from subsidiaries	-	-	-	-	-	2,920,103	2,920,103
Long term receivables	96,792	190,064	24,880	132,672	143,365	-	587,773
Cash and bank	77,541	-	-	-	-	-	77,541
	174,333	720,817	24,880	680,503	522,069	4,397,953	6,520,553
<b>Financial liabilities</b>							
Long term liabilities	-	596,063	400,000	-	-	-	996,063
Bank overdraft	82,614	-	-	-	-	-	82,614
Other payables	-	-	-	-	-	87,488	87,488
	82,614	596,063	400,000	-	-	87,488	1,166,165
<b>Total interest repricing gap</b>	<b>91,719</b>	<b>124,754</b>	<b>(375,120)</b>	<b>680,503</b>	<b>522,069</b>	<b>4,310,465</b>	<b>5,354,388</b>

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## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### Price risk

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

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

### (d) Capital management

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

### (e) Fair values of financial instruments

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

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

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

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## 3. Financial Risk Management (Continued)

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

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

There were no transfers between levels during the year.

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### 3. Financial Risk Management (Continued)

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

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

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

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

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

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

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

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances and trade receivables and payables.
- (ii) The fair value of long term receivables has been estimated at \$316,686,000 (2012 – \$608,785,000). This was derived by discounting the contractual cash flows using the market rate of interest. The carrying value of these receivables is \$313,504,000 (2012 – \$587,773,000).
- (iii) The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

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## 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

### **Income taxes**

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

### **Retirement benefit obligations**

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

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

Other key assumptions for pension obligations are based in part on current market conditions.

### **Fair value of certain biological assets**

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

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

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

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

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### 5. Business Segments

The Group is organised into two main business segments:

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

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

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### 5. Business Segments (Continued)

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

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

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

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### 6. Finance and Other Operating Income

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



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### 7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

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

### 8. Staff Costs

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

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## 9. Finance Costs

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

## 10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 28¾% (2012 - 33⅓%):

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

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## 10. Taxation Expense (Continued)

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

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	1,118,394	1,199,632	1,226,968	2,307,269
Tax calculated at a tax rate of 28 ¾ % (2012 - 33 ⅓%)	321,538	399,877	352,753	769,090
Adjusted for the effect of:				
Investment income not subject to tax	(118,321)	(4,946)	(284,588)	(659,078)
Adjustment to prior year provision	132	(1,651)	1,521	(1,420)
Profit of subsidiaries not subject to tax	(20,914)	(18,445)	-	-
Effect of change in tax rate (Note 30)	-	(87,760)	-	(15,793)
Tax losses of subsidiaries for which no deferred tax assets have been created (Note 30)	152,172	75,286	-	-
Other charges and credits	15,909	3,244	1,041	(13,683)
	350,516	365,605	70,727	79,116

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

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

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

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### 10. Taxation Expense (Continued)

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

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

Dealt with as follows in the financial statements:

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

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

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

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

The company has no dilutive potential ordinary shares.

### 13. Dividends

	2013 \$'000	2012 \$'000
Interim dividends -		
53 cents per stock unit – 8 July 2013	273,660	-
30 cents per stock unit – 15 November 2013	154,901	-
53 cents per stock unit – 7 August 2012	-	273,691
30 cents per stock unit – 9 November 2012	-	154,920
	<u>428,561</u>	<u>428,611</u>

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### 14. Property, Plant and Equipment

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

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

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

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

# Seprod Limited

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(expressed in Jamaican dollars unless otherwise indicated)

## 15. Financial Instruments

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



# Seprod Limited

Notes to the Financial Statements

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## 15. Financial Instruments (Continued)

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

# Seprod Limited

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## 15. Financial Instruments (Continued)

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

# Seprod Limited

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## 15. Financial Instruments (Continued)

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

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### 16. Intangible Assets

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

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

### 17. Available-for-Sale Investments

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

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

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

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

### 18. Investment in Subsidiaries

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

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

# Seprod Limited

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## 18. Investment in Subsidiaries (Continued)

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

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

Summarised statement of financial position

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

# Seprod Limited

Notes to the Financial Statements

31 December 2013

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## 18. Investment in Subsidiaries (Continued)

Summarised statement of comprehensive income

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

Summarised cash flows

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

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

# Seprod Limited

## Notes to the Financial Statements

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### 19. Long Term Receivables

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

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

At 31 December 2009, the receivable balance of US\$9,906,000 at that date was restructured with repayments due in equal monthly installments of US\$50,000 for 3 years from that date at an interest rate of 12%, with the balance receivable in full at the end of the third year.

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

- (b) During 2010, the company entered into an agreement to lend Orrett and Musson Investment Company Limited, a subsidiary of Musson (Jamaica) Limited, US\$3,000,000 to be used exclusively for business purposes. The amount was repayable on or before 31 December 2011. The amount was fully repaid in April 2013.



# Seprod Limited

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## 20. Post-employment Benefits

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

### (a) Pension schemes

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

#### Defined benefit plan

The Group operates a defined benefit scheme for employees of the Group hired prior to 1 January 2002. The scheme is administered by NCB Insurance Company Limited. The plan provides benefits to members based on average earnings for the final year of service (formerly 2 years), with the Group and employees each contributing 5% of pensionable salaries. The scheme was closed to new members as at 31 December 2001. As the subsidiaries make fixed contributions to the pension scheme and have no further legal or constructive obligations under the scheme, the pension asset and obligations are accounted for in the financial statements of the company. The subsidiaries recognise a cost equal to their contributions payable in respect of each accounting period in profit or loss.

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

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

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

# Seprod Limited

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## 20. Post-employment Benefits (Continued)

### (a) Pension schemes (continued)

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

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

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

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

# Seprod Limited

## Notes to the Financial Statements

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

(a) Pension schemes (continued)

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

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

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

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

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

# Seprod Limited

## Notes to the Financial Statements

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

(a) Pension schemes (continued)

Plan assets are comprised as follows:

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

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

# Seprod Limited

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

(a) Pension schemes (continued)

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

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

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

The significant actuarial assumptions used were as follows:

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

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

# Seprod Limited

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## 20. Post-employment Benefits (Continued)

### (a) Pension schemes (continued)

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

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

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

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

### (b) Other post-employment benefits

In addition to pension benefits, the Company offers retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. Funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting and frequency of valuations are similar to those used for the pension scheme. Obligations under the medical scheme are payable by, and accounted for, by the company as the subsidiaries do not have any legal or constructive obligations under the scheme.

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

# Seprod Limited

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## 20. Post-employment Benefits (Continued)

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

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

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

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

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

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

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

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## 20. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

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

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

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

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



# Seprod Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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## 20. Post-employment Benefits (Continued)

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

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

#### **Asset volatility**

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

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

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

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

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

#### **Inflation risk**

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

#### **Life expectancy**

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

### 21. Biological Assets

#### *Non-current – livestock*

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

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

# Seprod Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 21. Biological Assets (Continued)

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

The movement in livestock during the year was as follows:

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

### *Current – sugar cane*

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

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

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

# Seprod Limited

Notes to the Financial Statements

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## 22. Inventories

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

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

## 23. Trade and Other Receivables

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

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

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

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

# Seprod Limited

Notes to the Financial Statements

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## 25. Cash and Cash Equivalents

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

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

## 26. Payables

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

# Seprod Limited

## Notes to the Financial Statements

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### 27. Share Capital

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

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

### 28. Capital Reserve

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

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

# Seprod Limited

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## 29. Long Term Liabilities

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

  

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

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## Notes to the Financial Statements

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### 29. Long Term Liabilities (Continued)

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

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

- Pledges over short-term deposits held by the company.
  - A debenture over fixed and floating freehold assets of Golden Grove Sugar Company Limited supported by mortgage over land stamped to cover US\$10,000,000.
  - Bills of sale over equipment owned by its Golden Grove Sugar Company Limited; stamped to cover US\$10,000,000.
  - Assignment of its parent company's receivable from Jamaica Cane Products Sales Limited from sales completed under the Tate and Lyle contract.
- (vi) This represents various commercial paper issued by Seprod and arranged by Bank of Nova Scotia Jamaica Limited. These amounts are denominated in Jamaican dollars and were received on 24 November 2011 and mature in November 2014. The instruments attract interest at a rate of 8% for the first six months, and thereafter, float at WATBY plus 1.5% until maturity. Interest payments are made semi-annually. These amounts are secured by promissory notes issued by Seprod.
  - (vii) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.



# Seprod Limited

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## 30. Deferred Taxation

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

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

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

The movement in deferred taxation is as follows:

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

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

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

# Seprod Limited

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### 30. Deferred Taxation (Continued)

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

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

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

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

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

# Seprod Limited

Notes to the Financial Statements

**31 December 2013**

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

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

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

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

# Seprod Limited

## Notes to the Financial Statements

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### 31. Cash Generated from Operations

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

# Seprod Limited

Notes to the Financial Statements

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## 32. Related Party Transactions

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

### (a) Sales and purchases of goods and services

Sales of \$3,212,873,000 (2012 – \$2,979,969,000) to and purchases of \$19,797,000 (2012 – \$170,000) from Musson (Jamaica) Limited, T.Geddes Grant (Distributors) Limited and Facey Commodity Company Limited occurred during the year. The Chairman of the company's Board of Directors is a major shareholder and Chairman of the Board of Directors of these entities. Trade receivables and payables include \$407,714,000 and \$13,486,000 (2012 - \$487,752,000 and \$25,104,000), respectively, in respect of these transactions.

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

### (b) Key management compensation

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

### (c) Advances and loans

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

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

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

# Seprod Limited

## Notes to the Financial Statements

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### 33. Contingencies and Commitments

- (a) A subsidiary has leased sugar cane lands from the Government of Jamaica for a period of 50 years with an option to renew for a further period of 25 years. The lease is fixed at a rate of US\$53 per hectare per annum for the first 5 years, after which it will be renegotiated in accordance with the provisions of the lease contract. Based on the current rate of US\$53 per hectare per annum, the annual lease cost to the subsidiary is US\$82,000.
- (b) At 31 December 2013, management had approved approximately \$126 million (2012 – \$330 million) for capital expenditure in respect of certain subsidiaries.

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

#### Litigation and Claims

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

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

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

# Seprod Limited

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### 35. Restatement

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

Adoption of new standard –

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

Correction of prior year errors -

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

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

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

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

# Seprod Limited

Notes to the Financial Statements

**31 December 2013**

(expressed in Jamaican dollars unless otherwise indicated)

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## **35. Restatement (Continued)**

Correction of prior year errors (continued) -

- f) As a result of the impact of the restatement in relation to IAS 19 (Revised) the effect of the change in tax rate from 331/3% to 25% on the restated amounts was shown separately.

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

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

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



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 1 January 2012:

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

# Seprod Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 35. Restatement (Continued)

Reconciliation of statement of financial position at 31 December 2012:

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 1 January 2012:

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

Reconciliation of statement of financial position at 31 December 2012:

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 35. Restatement (Continued)

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

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



# Seprod Limited

## Notes to the Financial Statements

31 December 2013

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### 36. Liquidation of Subsidiaries

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

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

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

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

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

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

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







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