



**Seprod Limited**

**Financial Statements  
31 December 2014**

# Seprod Limited

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31 December 2014

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## ***Independent Auditor's Report***

To the Members of  
Seprod Limited

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

We have audited the accompanying consolidated financial statements of Seprod Limited and its subsidiaries, set out on pages 1 to 77, which comprise the consolidated statement of financial position as at 31 December 2014 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 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

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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 Auditor's Report**  
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***Opinion***

In our opinion, the consolidated financial statements of Seprod Limited and its subsidiaries, and the financial statements of Seprod Limited standing alone give a true and fair view of the financial position of Seprod Limited and its subsidiaries and the Seprod Limited standing alone as at 31 December 2014, 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  
13 March 2015  
Kingston, Jamaica

# Seprod Limited

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
<b>Revenue</b>		14,771,943	13,921,759
Direct expenses		(11,871,421)	(11,378,773)
<b>Gross Profit</b>		2,900,522	2,542,986
Finance and other operating income	6	685,887	867,368
Selling expenses		(425,866)	(394,697)
Administration expenses		(1,509,308)	(1,427,171)
Other operating expenses		(197,591)	(169,168)
<b>Operating Profit</b>		1,453,644	1,419,318
Finance costs	9	(289,833)	(300,924)
<b>Profit before Taxation</b>		1,163,811	1,118,394
Taxation	10	(268,436)	(350,516)
<b>Net Profit</b>		895,375	767,878
<b>Other Comprehensive Income, net of taxes</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurements of post-employment benefits	10	(113,700)	(12,825)
<b>Items that may be subsequently reclassified to profit or loss -</b>			
Unrealised fair value gains on available-for-sale investments		280,403	208,472
Realised fair value gains on available-for-sale investments		(2,819)	(37,770)
	10	277,584	170,702
<b>TOTAL COMPREHENSIVE INCOME</b>		1,059,259	925,755
<b>Net Profit is attributable to:</b>			
Stockholders of the Company	11	1,011,810	905,753
Non-controlling interest		(116,435)	(137,875)
		895,375	767,878
<b>Total Comprehensive Income is attributable to:</b>			
Stockholders of the Company		1,175,694	1,063,630
Non-controlling interest		(116,435)	(137,875)
		1,059,259	925,755
<b>Earnings per Stock Unit attributable to Stockholders of the Company</b>	12	\$1.96	\$1.75

# Seprod Limited

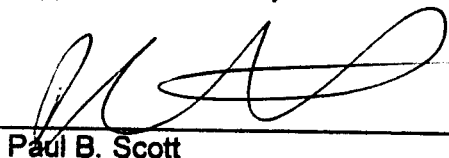
## Consolidated Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

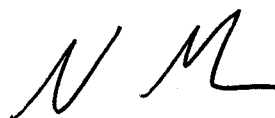
	Note	2014 \$'000	2013 \$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	3,820,236	3,787,173
Intangible assets	16	7,975	15,316
Available-for-sale investments	17	2,752,296	2,429,701
Long term receivables	19	1,096,044	275,446
Biological assets	21	317,976	294,633
Deferred tax assets	30	74,989	40,343
		<u>8,069,516</u>	<u>6,842,612</u>
<b>Current Assets</b>			
Inventories	22	1,934,453	2,252,634
Biological assets	21	659,227	607,870
Trade and other receivables	23	1,957,832	2,798,176
Available-for-sale investments	17	9,627	232,206
Financial asset at fair value through profit or loss	24	594,595	535,695
Current portion of long term receivables	19	65,370	38,058
Taxation recoverable		27,042	39,613
Short term deposits		134,457	82,850
Cash and bank balances	25	583,787	361,935
		<u>5,966,390</u>	<u>6,949,037</u>
<b>Current Liabilities</b>			
Payables	26	1,247,604	1,686,766
Current portion of long term liabilities	29	916,268	1,372,185
Bank overdraft	25	33,693	118,914
Provisions	34	10,631	37,264
Taxation payable		71,390	107,349
		<u>2,279,586</u>	<u>3,322,478</u>
<b>Net Current Assets</b>		<u>3,686,804</u>	<u>3,626,559</u>
		<u>11,756,320</u>	<u>10,469,171</u>
<b>Equity Attributable to Stockholders of the Company</b>			
Share capital	27	561,287	561,287
Treasury shares	27	(899)	(899)
Capital reserves	28	1,417,863	1,140,279
Retained earnings		8,099,377	7,665,980
		<u>10,077,628</u>	<u>9,366,647</u>
<b>Non-controlling Interest</b>		<u>(286,315)</u>	<u>(169,880)</u>
		<u>9,791,313</u>	<u>9,196,767</u>
<b>Non-current Liabilities</b>			
Long term liabilities	29	1,406,028	864,202
Deferred tax liabilities	30	200,979	219,102
Retirement benefit obligations	20	358,000	189,100
		<u>11,756,320</u>	<u>10,469,171</u>

Approved for issue by the Board of Directors on 12 March 2015 and signed on its behalf by:



Paul B. Scott

Director



Richard Pandohie

Director

# Seprod Limited

## Consolidated Statement of Changes in Equity

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company					Non-controlling Interest	Total Equity
	Number of Shares	Share Capital	Capital Reserve	Retained Earnings	Total		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2013</b>	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 (Note 27)	(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)
<b>Balance at 31 December 2013</b>	516,339	560,388	1,140,279	7,665,980	9,366,647	(169,880)	9,196,767
Profit for the year	-	-	-	1,011,810	1,011,810	(116,435)	895,375
Remeasurements on pension and other retirement obligations	-	-	-	(113,700)	(113,700)	-	(113,700)
Fair value gains on investments	-	-	277,584	-	277,584	-	277,584
Total comprehensive income	-	-	277,584	898,110	1,175,694	(116,435)	1,059,259
Transactions with owners:							
Dividends declared (Note 13)	-	-	-	(464,713)	(464,713)	-	(464,713)
<b>Balance at 31 December 2014</b>	516,339	560,388	1,417,863	8,099,377	10,077,628	(286,315)	9,791,313

# Seprod Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>	31		
Cash provided by/(used in) operating activities		653,431	(20,551)
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(480,316)	(400,163)
Proceeds on disposal of property, plant and equipment		7,011	1,809
Purchase of available-for-sale investments		-	(421,305)
Proceeds from disposal of available-for-sale investments		227,890	-
Repayment of long term receivables		323,757	317,568
Purchase of short term deposits		(43,996)	(75,209)
Interest received		216,124	225,739
Dividends received		79,803	40,100
Cash provided by/(used in) investing activities		330,273	(311,461)
<b>Cash Flows from Financing Activities</b>			
Repurchase of ordinary shares		-	(899)
Equity contribution by non-controlling interest		-	164,768
Long term loans received		1,446,575	1,142,897
Long term loans repaid		(1,464,552)	(344,115)
Dividends paid		(464,713)	(428,561)
Interest paid		(202,834)	(162,386)
Cash (used in)/provided by financing activities		(685,524)	371,704
Increase in cash and cash equivalents		298,180	39,692
Net effect of foreign currency translation on cash		8,893	10,038
Cash and cash equivalents at beginning of year		243,021	193,291
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<u>550,094</u>	<u>243,021</u>

Significant non-cash transaction during the year was the transfer of trade and other receivables to long term loan receivables of \$836,321,000 to a related entity (Note 19)



# Seprod Limited

## Statement of Comprehensive Income

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
Group costs recovered from subsidiaries		488,435	486,737
Finance and other operating income	6	599,157	1,363,983
Administration expenses	7	(1,464,047)	(535,960)
<b>Operating Profit</b>		(376,455)	1,314,760
Finance costs	9	(101,641)	(87,792)
<b>(Loss)/Profit before Taxation</b>		(478,096)	1,226,968
Taxation	10	(59,488)	(70,727)
<b>Net (Loss)/Profit</b>	11	(537,584)	1,156,241
<b>Other Comprehensive Income, net of taxes</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurements of post-employment benefits	10	(113,700)	(12,825)
<b>Items that may be subsequently reclassified to profit or loss -</b>			
Unrealised fair value gains on available-for-sale investments		280,403	208,472
Realised fair value gains on available-for-sale investments		(2,819)	(37,770)
	10	277,584	170,702
<b>TOTAL COMPREHENSIVE INCOME</b>		(373,700)	1,314,118

# Seprod Limited

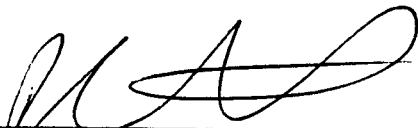
## Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

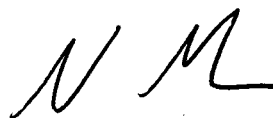
	Note	2014 \$'000	2013 \$'000
<b>Non-current Assets</b>			
Property, plant and equipment	14	199,211	194,584
Available-for-sale investments	17	2,752,296	2,429,701
Investment in subsidiaries	18	1,410,267	1,410,267
Long term receivables	19	1,096,044	275,446
Deferred tax assets	30	73,742	39,515
		<u>5,531,560</u>	<u>4,349,513</u>
<b>Current Assets</b>			
Trade and other receivables	23	154,753	1,137,101
Available-for-sale investments	17	9,627	232,206
Current portion of long term receivables	19	65,370	38,058
Due from subsidiaries		3,016,182	3,237,237
Taxation recoverable		-	6,974
Cash and bank balances	25	330,577	122,908
		<u>3,576,509</u>	<u>4,774,484</u>
<b>Current Liabilities</b>			
Bank overdraft	25	33,693	118,914
Payables	26	209,484	152,826
Current portion of long term liabilities	29	637,424	999,088
Taxation payable		159	-
Due to subsidiaries		443,653	-
		<u>1,324,413</u>	<u>1,270,828</u>
<b>Net Current Assets</b>		<u>2,252,096</u>	<u>3,503,656</u>
		<u>7,783,656</u>	<u>7,853,169</u>
<b>Equity</b>			
Share capital	27	561,287	561,287
Treasury shares	27	(899)	(899)
Capital reserves	28	857,325	579,741
Retained earnings		5,407,943	6,523,940
		<u>6,825,656</u>	<u>7,664,069</u>
<b>Non-current Liabilities</b>			
Long term liabilities	29	600,000	-
Retirement benefit obligations	20	358,000	189,100
		<u>958,000</u>	<u>189,100</u>
		<u>7,783,656</u>	<u>7,853,169</u>

Approved for issue by the Board of Directors on 12 March 2015 and signed on its behalf by:



Paul B. Scott

Director



Richard Pandohie

Director

# Seprod Limited

## Statement of Changes in Equity

**Year ended 31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 January 2013</b>	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)
<b>Balance at 31 December 2013</b>	516,339	560,388	579,741	6,523,940	7,664,069
Loss for the year	-	-	-	(537,584)	(537,584)
Remeasurements on pension and other retirement obligations	-	-	-	(113,700)	(113,700)
Fair value gains on investments	-	-	277,584	-	277,584
Total comprehensive income	-	-	277,584	(651,284)	(373,700)
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(464,713)	(464,713)
<b>Balance at 31 December 2014</b>	516,339	560,388	857,325	5,407,943	6,825,656

# Seprod Limited

## Statement of Cash Flows

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 \$'000	2013 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash used in operating activities	31	(352,517)	(856,010)
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		(22,662)	(18,526)
Proceeds on disposal of property, plant and equipment		1,400	-
Purchase of available-for-sale investments		-	(9,050)
Proceeds from disposal of available-for-sale investments		227,890	54,974
Repayment of long term receivables		323,757	317,568
Interest received		386,691	335,931
Dividends received		56,622	665,418
Cash provided by investing activities		973,698	1,346,315
<b>Cash Flows from Financing Activities</b>			
Proceeds from disposal of preference shares in subsidiary		-	23,456
Capital injection to subsidiaries		-	(178)
Repurchase of ordinary shares		-	(899)
Long term loans received		1,303,357	-
Long term loans repaid		(1,072,421)	-
Dividends paid		(464,713)	(428,561)
Interest paid		(102,946)	(84,767)
Cash used in financing activities		(336,723)	(490,949)
Increase/(decrease) in cash and cash equivalents		284,458	(644)
Net effect of foreign currency translation on cash		8,432	9,711
Cash and cash equivalents at beginning of year		3,994	(5,073)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	25	<u>296,884</u>	<u>3,994</u>

Significant non-cash transaction during the year was the transfer of trade and other receivables to long term loan receivables of \$836,321,000 to a related entity (Note 19).

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Principal Activities and Operations

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

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

#### **Subsidiaries**

The Company's subsidiaries, which are all incorporated and domiciled in Jamaica except for Xaymaca Limited and Golden Grove Funding Limited which are incorporated and domiciled in St. Lucia, and their principal activities, are as follows:

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies

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

#### (a) Basis of preparation

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

- 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 of this adoption is not material to the Group.
- IAS 36 (Amendments), Recoverable Amount Disclosures for Non-Financial Assets, require disclosure of the recoverable amount of an individual asset (including goodwill) or a cash-generating unit and additional information about the fair value less costs of disposal for which an impairment loss has been recognised or reversed during the reporting period. The requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite life intangible assets allocated to that unit is significant when compared to the total carrying amount of goodwill or indefinite life intangible assets has been removed. The Group has applied these amendments effective 1 January 2014 and the adoption of these amendments has not resulted in an impact as the Group presently does not have goodwill or indefinite life intangible assets.
- Amendment to IAS 32, 'Financial instruments: Presentation'. These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This had no impact on the Group or Company.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

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

##### ***Standards, interpretations and amendments to published standards that are not yet effective***

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

- Amendment to IAS 1, 'Disclosure initiative'. These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after 1 January 2016. The amendment is not expected to have a significant impact on the financial statements.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is mandatory for accounting periods beginning on or after 1 January 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is 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. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss in the statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact but intends to adopt IFRS 9 no later than the mandatory adoption period.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

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

##### *Standards, interpretations and amendments to published standards that are not yet effective (continued)*

- IFRS 15, 'Revenue from Contracts with Customers'. The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for accounting periods beginning on or after 1 January 2017. The Group is assessing the impact of future adoption of the standard.

##### *IASB Annual Improvements -*

The IASB annual improvements project for the 2010 - 2012 cycle resulted in amendments to the following standards which may be relevant to the Group's operations. These amendments are effective for the accounting periods beginning on or after 1 July 2014. The Group is assessing the impact of future adoption of the amendments.

- IFRS 8, 'Operating Segments'. The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
- IFRS 13, 'Fair value measurements'. When IFRS 13 was published, certain paragraphs of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'. Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is to be restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of two ways. The gross carrying amount may be restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. Alternatively, the accumulated depreciation may be eliminated against the gross carrying amount of the asset.



# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

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

*Standards, interpretations and amendments to published standards that are not yet effective (continued)*

#### **IASB Annual Improvements -**

The IASB annual improvements project for the 2012 - 2014 cycle resulted in amendments to the following standards which may be relevant to the Group's operations. These amendments are effective for the accounting periods beginning on or after 1 January 2016. The Group is assessing the impact of future adoption of the amendments.

- IFRS 7, 'Financial instruments: Disclosures'. The amendment clarifies, among other things, that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- IAS 19 (Revised), 'Employee benefits'. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.
- IAS 34, 'Interim financial reporting'. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Group.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (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 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

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

##### ***Transactions with non-controlling interests***

The Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions ie. as transactions with owners in their capacity as owners. 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 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 2014

(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 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (h) Impairment of non-financial assets

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

#### (i) Financial assets

##### Classification

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

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

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

##### (b) Loans and receivables

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

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

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

##### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. 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 profit or loss in the statement of comprehensive income within 'Finance and Other Operating Income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss in the statement of comprehensive income as part of finance and other operating income when the Group's right to receive payments is established.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (i) Financial assets (continued)

#### Recognition and measurement (continued)

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss 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 profit or loss as part of finance and other operating 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 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (j) Impairment of financial assets (continued)

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

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

#### (k) Biological assets

##### (a) Livestock

Livestock is measured at its fair value less point of sale costs. Fair value is determined based on market prices of assets of similar age, breed and genetic merit.

##### (b) Sugar cane

Sugar cane is measured at its fair value, less estimated point of sale costs. Fair value is determined based on market prices of sugar and its by product, molasses. Changes in fair value of biological assets are recognised in profit or loss.

#### (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. The cost of merchandise for resale are determined using weighted average cost method. 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

Cash and cash equivalents include 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.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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### 2. Significant Accounting Policies (Continued)

#### (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.

#### (p) Borrowings

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

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

#### (q) Income taxes

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

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

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

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



# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (r) Employee benefits

##### *Pension obligations*

###### *Defined benefit plan*

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

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

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

Past-service costs are recognised immediately in income.

###### *Defined contribution plan*

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

##### *Other retirement benefits*

The Group provides post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

##### *Termination benefits*

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

##### *Profit share scheme*

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

**(s) Leases**

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

**(t) Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

**(u) Share capital**

Ordinary shares are classified as equity.

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

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

**(v) Provisions**

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

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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### 3. Financial Risk Management

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

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

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

#### ***Central treasury department***

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

#### ***Audit Committee***

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (a) Credit risk

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

#### *Investments*

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations. The disclosures provided in this note are based on the Company's investment portfolio as at 31 December 2014.

#### *Trade receivables*

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

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

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

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

#### *Cash and bank balances*

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

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

Trade receivables that are less than 90 days past due are not considered impaired. The ageing analysis of trade receivables that are past due but not considered impaired is as follows:

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
30 – 60 days	133,972	63,229	-	-
60 – 90 days	89,088	56,403	-	-
greater than 90 days	-	558,699	-	-
	<u>223,060</u>	<u>678,331</u>	<u>-</u>	<u>-</u>

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

Trade receivables of \$125,058,000 (2013 – \$116,065,000) for the Group and \$3,619,000 (2013 – \$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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At start of year	116,065	113,100	3,619	3,619
Amounts recovered during the year	(8,995)	(13,225)	-	-
Provided during the year	18,031	22,918	-	-
Written off during the year	(43)	(6,728)	-	-
At end of year	<u>125,058</u>	<u>116,065</u>	<u>3,619</u>	<u>3,619</u>

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

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Supermarket chains	66,011	80,474	-	-
Retailers & Wholesalers	652,398	637,015	-	-
Distributors	120,957	129,848	-	-
Manufacturers	51,937	58,545	-	-
Others	36,917	55,922	3,619	3,619
	928,220	961,804	3,619	3,619
Less: Provision for impairment	(125,058)	(116,065)	(3,619)	(3,619)
	<u>803,162</u>	<u>845,739</u>	<u>-</u>	<u>-</u>

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.

#### (b) Liquidity risk

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

##### *Liquidity risk management process*

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

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.
- (v) Managing the concentration and profile of debt maturities.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (b) Liquidity risk (continued)

#### *Undiscounted contractual cash flows of financial liabilities*

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

	The Group					
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 years	Total \$'000
	2014					
Long term liabilities	1,694	686,063	347,449	1,517,523	9,885	2,562,614
Trade payables	640,156	-	-	-	-	640,156
Other payables	345,023	1,019	-	-	-	346,042
Bank overdraft	33,693	-	-	-	-	33,693
	1,020,566	687,082	347,449	1,517,523	9,885	3,582,505
	2013					
Long term liabilities	608,130	41,430	820,439	1,082,275	-	2,552,274
Trade payables	1,250,858	-	-	-	-	1,250,858
Other payables	118,914	-	-	-	-	118,914
Bank overdraft	316,412	532	4,041	-	-	320,985
	2,294,314	41,962	824,480	1,082,275	-	4,243,031

	The Company				Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	
	2014				
Long term liabilities	1,694	631,718	64,266	713,702	1,411,380
Other payables	96,117	-	-	-	96,117
Bank overdraft	33,693	-	-	-	33,693
	131,504	631,718	64,266	713,702	1,541,190
	2013				
Long term liabilities	597,341	-	432,780	-	1,030,121
Other payables	84,390	-	-	-	84,390
Bank overdraft	118,914	-	-	-	118,914
	800,645	-	432,780	-	1,233,425

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

# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk

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

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

#### Currency risk

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

The Group and Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar, Euro, Pound Sterling and the Canadian dollar. Foreign exchange risk arises primarily from transactions for purchases and sales and investing and financing activities. The statement of financial position at 31 December 2014 includes aggregate net foreign liabilities of approximately US\$8,582,000, £67,000, Euro\$15,000 and CND\$22,000 (2013 – aggregate net foreign assets of €18,000, CND\$158,000 and US\$14,885,000 and net foreign liabilities of £283,000), in respect of such transactions.

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 10% devaluation/1% revaluation (2013 - 1% revaluation/15% 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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Effect on profit before taxation -				
<b>US\$</b>				
10% devaluation (2013 – 15%)	204,789	230,421	312,104	533,283
1% revaluation (2013 – 1%)	(20,478)	(15,361)	(31,210)	(35,552)
<b>Other currencies</b>				
10% devaluation (2013 – 15%)	19,452	35,676	954	34,002
1% revaluation (2013 – 1%)	(1,945)	(2,378)	(95)	(2,267)



# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

##### *Interest rate risk*

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

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

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

The following table indicates the sensitivity to a reasonably possible increase/(decrease) in interest rates of 2.5%/(1%) in respect of Jamaican dollar denominated instruments (2013 – 2.5%/(1%) increase/decrease) and increase/(decrease) of 2.0%/(0.5%) for United States dollar denominated instruments (2013 – 2%/(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
2014 JMD / USD	2014 \$'000	2014 \$'000	2013 JMD / USD	2013 \$'000	2013 \$'000
<b>The Group</b>					
+250/+200	33,001	(30,307)	+250/+200	5,733	24,084
-100/-50	(13,200)	8,049	-100/-50	869	(7,316)
<b>The Company</b>					
+250/+200	33,001	(30,307)	+250/+200	26,075	24,084
-100/-50	(13,200)	8,049	-100/-50	(3,716)	(7,316)

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

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

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

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2014						
<b>Financial assets</b>							
Available-for-sale investments	6,596	449	2,583	736,698	235,793	1,779,804	2,761,923
Fair value through profit or loss	-	-	-	-	-	594,595	594,595
Long term receivables	27,710	6,847	30,812	1,096,045	-	-	1,161,414
Trade and other receivables	-	56,049	142,057	-	-	1,475,156	1,673,262
Short term deposits	-	134,457	-	-	-	-	134,457
Cash and bank	572,215	-	-	-	-	11,572	583,787
	606,521	197,802	175,452	1,832,743	235,793	3,861,127	6,909,438
<b>Financial liabilities</b>							
Long term liabilities	7,400	785,415	123,453	1,428,946	-	-	2,345,214
Bank overdraft	33,693	-	-	-	-	-	33,693
Trade and other payables	-	-	-	-	-	1,153,515	1,153,515
	41,093	785,415	123,453	1,428,946	-	1,153,515	3,532,422
<b>Total interest repricing gap</b>	565,428	(587,613)	51,999	403,797	235,793	2,707,612	3,377,016

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

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

	The Group						Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2013						
<b>Financial assets</b>							
Available-for-sale investments	40,565	120,006	231,985	250,159	475,096	1,544,096	2,661,907
Fair value through profit or loss	-	-	-	-	-	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
<b>Financial liabilities</b>							
Long term liabilities	609,877	26,595	735,713	893,378	-	-	2,265,563
Bank overdraft	118,914	-	-	-	-	-	118,914
Trade and other payables	-	-	-	-	-	1,571,843	1,571,843
	728,791	26,595	735,713	893,378	-	1,571,843	3,956,320
<b>Total interest repricing gap</b>	(565,318)	1,230,591	(370,505)	(576,945)	722,326	1,684,045	2,124,194

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

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

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

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2014						
<b>Financial assets</b>							
Available-for-sale investments	6,596	449	2,583	736,698	235,793	1,779,804	2,761,923
Trade and other receivables	-	56,049	-	-	-	-	56,049
Due from subsidiaries	-	-	-	-	-	2,572,529	2,572,529
Long term receivables	27,710	6,847	30,812	1,096,045	-	-	1,161,414
Cash and bank	330,577	-	-	-	-	-	330,577
	364,883	63,345	33,395	1,832,743	235,793	4,352,333	6,882,492
<b>Financial liabilities</b>							
Long term liabilities	7,400	630,024	-	600,000	-	-	1,237,424
Bank overdraft	33,693	-	-	-	-	-	33,693
Other payables	-	-	-	-	-	209,486	209,486
	41,093	630,024	-	600,000	-	209,486	1,480,603
<b>Total interest repricing gap</b>	323,790	(566,679)	33,395	1,232,743	235,793	4,142,847	5,401,889
	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>	(554,529)	1,174,336	(168,015)	316,433	722,326	4,696,943	6,187,494

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

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

##### *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk because of investments held by the Group classified on the statement 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% (2013 -10%) increase/decrease in equity prices is an increase/decrease of \$59,460,000 (2013 – \$53,570,000) for the Group.

#### (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 value estimates

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Fair value estimates (continued)

##### (i) Fair values of financial instruments

	The Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	2014			
Financial assets at fair value through profit or loss				
Quoted equities	594,595	-	-	594,595
Available-for-sale investments –				
Unquoted equities	-	-	1,779,804	1,779,804
Issued by the Government of Jamaica	-	982,119	-	982,119
	594,595	982,119	1,779,804	3,356,518
	2013			
Financial assets at fair value through profit or loss				
Quoted equities	535,695	-	-	535,695
Available-for-sale investments –				
Unquoted equities	-	-	1,544,096	1,544,096
Issued by the Government of Jamaica	-	1,117,811	-	1,117,811
	535,695	1,117,811	1,544,096	3,197,602

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2014.

	The Company			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	2014			
Available-for-sale investments –				
Unquoted equities	-	-	1,779,804	1,779,804
Issued by the Government of Jamaica	-	982,119	-	982,119
	-	982,119	1,779,804	2,761,923
	2013			
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

There were no transfers between levels during the year.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Fair value estimates (continued)

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

###### *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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 held by the Group is the current bid price. Instruments included in Level 1 comprise primarily Jamaica Stock Exchange equity investments classified as trading securities.

###### *Financial instruments classified in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize 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.

Level 2 instruments comprise available-for-sale GOJ securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

###### *Financial instruments classified in Level 3*

If one or more of the significant inputs for valuation is not based on observable market data, the financial instrument is included in Level 3, and fair value is determined using discounted cash flow analysis.

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

	Group and Company	
	2014	2013
	\$'000	\$'000
At start of year	1,544,096	1,315,916
Fair value gains	112,978	34,444
Foreign exchange gains	122,730	193,736
At end of year	1,779,804	1,544,096

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3 Financial Risk Management (Continued)

#### (e) Fair value estimates (continued)

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

The following unobservable inputs were used to measure the Company's Level 3 financial instruments:

Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Discount rate	11.30%	If the discount rate increases the fair value decreases
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Discount rate	10.91%	If the discount rate increases the fair value decreases

Discounted cashflow valuation technique was used to value the unquoted equities of \$1,779,804,000 (2013 - \$1,544,096,000).

##### (ii) Fair values of biological assets

The Group measures the biological assets at fair value at each reporting date. In measuring the fair value of biological assets various management estimates and judgements are required. The Group classified its biological assets in Level 3 due to the unobservable inputs used in the termination of fair value for those assets, as described below.

##### **Livestock**

Estimates and judgements in determining the fair value of livestock relate to the market prices, use of animals and age of animals. Market prices of the animals are obtained from other players in the industry.

##### **Sugar Cane**

Estimates and judgements in determining the fair value of sugar cane relate to the market prices of sugar and molasses, and certain cane to sugar conversion efficiency metrics known as the Jamaica Recovery Cane Sugar (JRCS). Market prices of the sugar and molasses are obtained from Jamaica Cane Products Sales Limited, the authorised sales agent for sugar in Jamaica. The JRCS is determined by the Sugar Industry Authority.



# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Fair value estimates (continued)

##### (ii) Fair values of biological assets (continued)

The movement in the fair value of livestock within Level 3 of the hierarchy is as follows:

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Opening balance	294,633	246,105
Decreases due to sales	(50,576)	(63,764)
Total gains or losses for the period included in profit or loss	73,919	112,292
Closing balance	<u>317,976</u>	<u>294,633</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Changes in fair value less estimated point of sale costs of livestock' and 'Other operating income'	<u>73,919</u>	<u>112,292</u>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>59,512</u>	<u>86,367</u>

The movement in the fair value of sugar cane within Level 3 of the hierarchy is as follows:

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Opening balance	607,870	446,696
Net cost of cane cultivation and value and cane harvested	(412,146)	(341,311)
Total gains or losses for the period included in profit or loss	463,503	502,485
Closing balance	<u>659,227</u>	<u>607,870</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under 'Change in fair value less cost to sell of sugar cane'	<u>463,503</u>	<u>502,485</u>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>51,357</u>	<u>161,174</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Fair value estimates (continued)

##### (ii) Fair values of biological assets (continued)

The following unobservable inputs were used in determined the fair value of the Group's livestock, using a market approach for valuation.

Fair Value at 2014		
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Dairy livestock price	\$3,000 - \$100,000 (\$54,407) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$12,000 - \$30,000 (\$21,000) per animal	The higher the market price, the higher the fair value.

Fair Value at 2013		
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Dairy livestock price	\$3,000 - \$100,000 (\$55,007) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$6,500 - \$40,000 (\$9,167) per animal	The higher the market price, the higher the fair value.

The market approach valuation technique was used to fair value the livestock of \$317,976,000 (2013 - \$294,633,000).

Fair Value at 2014		
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
JRCS	9.502	The higher the JRCS, the higher the fair value.

Fair Value at 2013		
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
JRCS	9.918	The higher the JRCS, the higher the fair value.

The market approach valuation technique was used to fair value sugar cane of \$659,227,000 (2013 - \$607,870,000).

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (e) Fair value estimates (continued)

##### (ii) Fair values of other financial assets and liabilities

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 (Note 25), trade receivables (Note 23) and trade payables (Note 26).
- (ii) The fair value of long term receivables (Note 19) has been estimated at \$925,248,000 (2013 – \$316,686,000). This was derived by discounting the contractual cash flows using the market rate of interest.
- (iii) The carrying values of long term loans (Note 29) 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.

### 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. Sensitivity disclosures in relation to changes in assumptions are disclosed in Note 20.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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### 4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

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

##### *Sugar cane*

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. The fair value is sensitive to the assumptions used in the computation, the primary assumptions being the prices of sugar and the sugar conversion efficiency metrics (JRCS). For the valuation of biological assets at the year end, if the sugar conversion efficiency metric had changed by 5%, with all other variables constant, the fair value would have changed accordingly by \$36,793,000/(\$35,288,000).

##### *Livestock*

In the process of applying the Group's accounting policies, management determines fair values of biological assets based on prices in the local market, less the transport and other costs of getting the assets to the market. The fair value is sensitive to certain assumptions used in the computation, the primary assumption being the price of the animals. For the valuation of biological assets at the year end, if the price per animal had changed by 5% with all other variables constant, the fair value would change accordingly by \$15,899,000/(\$15,899,000).

#### *Fair value of unquoted equities*

The fair value of securities not quoted in an active market are 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 values positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard for this purpose. 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 assumptions being the discount rate of 11.30%, and a market participant minority discount of 20.0%. 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\$7,796,000 to US\$5,300,000/US\$10,900,000.

# Seprod Limited

## Notes to the Financial Statements

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### 5. Business Segments

The Group is organised into two main business segments:

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

	2014			
	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	9,573,477	5,198,466	-	14,771,943
Inter-segment revenue	3,602,911	-	(3,602,911)	-
<b>Total revenue</b>	<b>13,176,388</b>	<b>5,198,466</b>	<b>(3,602,911)</b>	<b>14,771,943</b>
Segment result	844,776	108,879	-	953,655
Unallocated corporate income				499,989
<b>Operating profit</b>				<b>1,453,644</b>
Segment assets	8,228,914	1,125,342	-	9,354,256
Unallocated corporate assets				4,681,650
<b>Total consolidated assets</b>				<b>14,035,906</b>
Segment liabilities	2,832,040	260,799	-	3,092,839
Unallocated corporate liabilities				1,151,754
<b>Total consolidated liabilities</b>				<b>4,244,593</b>
Other segment items –				
Capital expenditure	328,824	1,226	-	330,050
Unallocated capital expenditure				22,662
<b>Total capital expenditure</b>				<b>352,712</b>
Depreciation	405,468	3,926	-	409,394
Unallocated depreciation				17,639
<b>Total depreciation</b>				<b>427,033</b>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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### 5. Business Segments (Continued)

	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				4,476,523
<b>Total consolidated assets</b>				<b>13,791,649</b>
Segment liabilities	3,484,875	337,085	-	3,821,960
Unallocated corporate liabilities				772,922
<b>Total consolidated liabilities</b>				<b>4,594,882</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>

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

The result of its revenue from external customers in Jamaica is \$14,342,848,000 (2013 - \$13,164,325,000), and the total of revenue from external customers from other countries is \$544,634,000 (2013 - \$757,434,000).

# Seprod Limited

## Notes to the Financial Statements

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### 6. Finance and Other Operating Income

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Dividend income from subsidiaries	-	-	-	664,392
Fair value gains on financial assets at fair value through profit or loss	58,900	68,466	-	-
Gain on sale of available-for-sale investments	-	24,557	-	25,344
Gain/(loss) on disposal of property, plant and equipment	1,400	(1,231)	1,400	-
Interest income from subsidiaries	-	-	180,064	125,629
Manufacturing fees and contribution	9,976	25,003	-	-
Net foreign exchange gains	116,240	289,540	116,087	284,045
Other	136,271	177,824	17,633	56,034
Other dividend income on available-for-sale investments	56,622	1,026	56,622	1,026
Other dividend income on financial assets at fair value through profit or loss	23,181	14,305	-	-
Other interest income	236,808	223,966	227,351	207,513
Recoveries from managed farms	26,186	26,735	-	-
Rental income	20,303	17,177	-	-
	<u>685,887</u>	<u>867,368</u>	<u>599,157</u>	<u>1,363,983</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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### 7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Advertising and promotion	101,599	88,561	11,483	11,062
Amortisation of intangible assets	7,341	7,341	-	-
Auditors' remuneration	21,639	19,026	5,757	5,098
Bad debt expense, net of recoveries	5,260	15,678	-	-
Cost of inventories recognised as an expense	7,769,376	7,951,031	-	-
Depreciation	427,033	412,119	17,639	17,858
Donation to Foundation	30,323	-	30,323	-
Impairment loss	-	-	876,443	-
Insurance	193,049	199,988	17,736	17,827
Professional services	38,612	64,006	32,204	37,237
Provision for legal claim	32,204	-	-	-
Repairs and maintenance	457,397	503,267	11,091	13,358
Security	123,150	110,297	17,432	15,583
Staff costs (Note 8)	1,901,145	1,621,338	333,355	340,755
Utilities	949,499	879,318	26,985	25,232
Other	1,946,559	1,497,839	83,599	51,950
	<u>14,004,186</u>	<u>13,369,809</u>	<u>1,464,047</u>	<u>535,960</u>

Impairment loss represents the write down of balances receivable from a subsidiary.

### 8. Staff Costs

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	1,448,509	1,276,830	237,887	229,292
Statutory contributions	143,481	106,610	19,014	20,976
Pension – defined benefit (Note 20)	17,800	17,200	17,800	17,200
Pension - defined contribution (Note 20)	23,442	24,220	3,763	9,204
Other retirement benefits (Note 20)	12,200	13,100	12,200	13,100
Redundancy cost	1,394	7,519	705	3,248
Other	254,319	175,859	41,986	47,735
	<u>1,901,145</u>	<u>1,621,338</u>	<u>333,355</u>	<u>340,755</u>



# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Finance Costs

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Foreign exchange losses	84,033	127,163	-	-
Interest expense –				
Long term loans	180,781	143,689	100,362	86,403
Other	18,761	24,488	1,279	1,389
Amortisation of deferred financing fees	6,258	5,584	-	-
	<u>289,833</u>	<u>300,924</u>	<u>101,641</u>	<u>87,792</u>

### 10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 25% (2013 – 28.75%):

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current taxation	290,632	349,705	63,142	71,425
Adjustment to prior year provision	(7,327)	132	(7,327)	1,521
	<u>283,305</u>	<u>349,837</u>	<u>55,815</u>	<u>72,946</u>
Deferred taxation (Note 30)	(14,869)	679	3,673	(2,219)
	<u>268,436</u>	<u>350,516</u>	<u>59,488</u>	<u>70,727</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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### 10. Taxation Expense (Continued)

The tax on the Group's and the Company's profits differ from the theoretical amounts that would arise using the applicable tax rate as follows:

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) before taxation	1,163,811	1,118,394	(478,096)	1,226,968
Tax calculated at a tax rate of 25 % (2013 - 28¾%)	290,952	321,538	(119,524)	352,753
Adjusted for the effect of:				
Investment income not subject to tax	(50,800)	(118,321)	(30,673)	(284,588)
Adjustment to prior year provision	(7,327)	132	(7,327)	1,521
Employment tax credit	(60,901)	-	-	-
Profit of subsidiaries not subject to tax	(6,449)	(20,914)	-	-
Expenses not deductible	5,688	17,362	220,402	-
Tax losses of subsidiaries for which no deferred tax assets have been created (Note 30)	100,988	152,172	-	-
Other charges and credits	(3,715)	(1,453)	(3,390)	1,041
	268,436	350,516	59,488	70,727

Effective 1 January 2014, certain companies in the Group became eligible for an Employment Tax Credit against income tax liabilities that arise on trading activities. The value of this credit is equivalent of the monthly employer's and employees' portions of payroll deductions (with the exception of PAYE) for the financial year, that are filed and paid in full by their due dates. The credit is restricted to 30% of the income tax liability that arises on trading activities.

Certain subsidiaries are granted relief from taxation as Approved Farmers, 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, in 2013 amounting to \$72,744,000 were not subject to tax. These activities incurred losses during the current year.

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

	The Group & The Company		
	2014		
	Before Tax	Tax Effect	After Tax
	\$'000	\$'000	\$'000
Fair value gains - Available-for-sale financial assets	277,584	-	277,584
Remeasurements of post-employment benefit liabilities	(151,600)	37,900	(113,700)
Other comprehensive income	(125,984)	37,900	163,884

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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### 10. Taxation Expense (Continued)

	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

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

Dealt with as follows in the financial statements:

	2014 \$'000	2013 \$'000
The Company	(537,584)	1,156,241
Dividend income from subsidiaries	-	(664,393)
Impairment loss on intercompany receivable reversed on consolidation	876,443	-
	338,859	491,848
Subsidiaries	672,951	413,905
	1,011,810	905,753

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

	<b>2014</b>	<b>2013</b>
Net profit attributable to stockholders (\$'000)	1,011,810	905,753
Weighted average number of ordinary stock units ('000)	516,339	516,333
Basic earnings per stock unit (\$)	<u>1.96</u>	<u>1.75</u>

The Company has no dilutive potential ordinary shares.

### 13. Dividends

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividends -		
55 cents per stock unit – 9 July 2014	284,019	-
34 cents per stock unit – 7 November 2014	180,694	-
53 cents per stock unit – 8 July 2013	-	273,660
30 cents per stock unit – 9 November 2013	-	154,901
	<u>464,713</u>	<u>428,561</u>

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

### 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>2014</b>					
Cost -						
At 1 January 2014	618,507	1,229,603	4,204,030	350,989	199,988	6,603,117
Adjustment	(618)	-	-	-	(11,698)	(12,316)
Additions	216	17,839	145,574	48,298	268,389	480,316
Disposals	-	(390)	(12,657)	(11,401)	-	(24,448)
Write-offs	-	-	-	-	(396)	(396)
Transfers	-	28,693	126,932	-	(155,625)	-
At 31 December 2014	618,105	1,275,745	4,463,879	387,886	300,658	7,046,273
Accumulated Depreciation -						
At 1 January 2014	-	574,424	1,996,414	245,106	-	2,815,944
Adjustments	-	-	-	1,897	-	1,897
Charge for the year	-	27,134	345,021	54,878	-	427,033
On disposals	-	(126)	(7,310)	(11,401)	-	(18,837)
At 31 December 2014	-	601,432	2,334,125	290,480	-	3,226,037
Net Book Value -						
At 31 December 2014	618,105	674,313	2,129,754	97,406	300,658	3,820,236
	<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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

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

	The Company					Total \$'000
	Freehold Land & Site Improvements \$'000	Buildings \$'000	Plant, Equipment & Furniture \$'000	Motor Vehicles \$'000	Work in Progress \$'000	
	2014					
Cost -						
At 1 January 2014	66,289	341,606	125,552	39,839	483	573,769
Additions	-	2,531	4,784	7,451	7,896	22,662
Disposals	-	-	(1,145)	(2,411)	-	(3,556)
Write-off	-	-	-	-	(396)	(396)
Transfers	-	-	88	-	(88)	-
At 31 December 2014	66,289	344,137	129,279	44,879	7,895	592,479
Accumulated Depreciation -						
At 1 January 2014	-	236,987	107,165	35,033	-	379,185
Charge for the year	-	6,092	7,394	4,153	-	17,639
Relieved on disposals	-	-	(1,145)	(2,411)	-	(3,556)
At 31 December 2014	-	243,079	113,414	36,775	-	393,268
Net Book Value -						
At 31 December 2014	66,289	101,058	15,865	8,104	7,895	199,211
	2013					
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

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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### 15. Financial Instruments

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial Assets</b>				
Available for sale, at fair value -				
Available-for-sale financial assets (Note 17)	2,761,923	2,661,916	2,761,923	2,661,907
Assets at fair value through profit or loss -				
Financial assets as fair value through profit and loss (Note 24)	594,595	535,695	-	-
Loans and receivables, at cost or amortised cost -				
Long term receivables (Note 19)	1,161,414	313,504	1,161,414	313,504
Trade and other receivables (Note 23)	1,957,832	2,798,176	3,170,935	4,374,338
Short term deposits	134,457	82,850	-	-
Cash and cash equivalents (Note 25)	583,787	361,935	330,577	122,908
	<u>3,837,490</u>	<u>3,556,465</u>	<u>7,662,926</u>	<u>4,810,750</u>
	<u>7,194,008</u>	<u>6,754,076</u>	<u>7,424,849</u>	<u>7,472,657</u>
<b>Financial Liabilities</b>				
At cost or amortised cost -				
Bank overdraft (Note 25)	33,693	118,914	33,693	118,914
Trade and other payables excluding non-financial liabilities (Note 26)	1,259,575	1,686,766	209,484	152,826
Long term liabilities (Note 29)	<u>2,322,296</u>	<u>2,236,387</u>	<u>1,237,424</u>	<u>999,088</u>
	<u>3,615,564</u>	<u>4,042,067</u>	<u>1,480,601</u>	<u>1,270,828</u>

# Seprod Limited

## Notes to the Financial Statements

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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:

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Fair value of brands on acquisition	73,407	73,407
Less: Accumulated amortisation	(65,432)	(58,091)
	<u>7,975</u>	<u>15,316</u>

Amortisation of intangible is included in administration and other operating expenses in the statement of comprehensive income.

### 17. Available-for-Sale Investments

	<b>The Group &amp; The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Unquoted equities	1,779,804	1,544,096
Government of Jamaica securities	982,119	1,117,811
	<u>2,761,923</u>	<u>2,661,907</u>
Less: Securities maturing within 12 months	(9,627)	(232,206)
	<u>2,752,296</u>	<u>2,429,701</u>

Government of Jamaica securities include interest receivable of \$9,627,000 (2013 – \$13,232,000). The weighted average effective interest rate on these securities was 9.23% (2013 – 8.48%).

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 11.30% (2013 -10.91%).

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

	<b>The Group &amp; The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	2,661,907	2,409,666
Additions	-	9,050
Disposals	(227,890)	(54,974)
Net fair value gains	165,519	138,977
Effect of changes in foreign exchange rates	162,387	159,188
Balance at end of year	<u>2,761,923</u>	<u>2,661,907</u>



# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

	<b>The Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
JA dollar	373,229	369,973
US dollar	2,388,694	2,059,949
Euro	-	231,985
	<u>2,761,923</u>	<u>2,661,907</u>

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

### 18. Investment in Subsidiaries

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	1,410,267	1,437,102
Liquidated subsidiaries	-	(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>1,410,267</u>

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

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Investment in Subsidiaries (Continued)

The total non-controlling interest for the year was \$(116,435,000) (2013 - (\$137,875,000)), all attributable to Golden Grove Sugar Company Limited.

Summarised financial information for Golden Grove Sugar Company Limited, before intercompany eliminations.

*Summarised statement of financial position*

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Current</b>		
Assets	1,198,799	1,097,462
Liabilities	2,479,323	(2,001,197)
Total net current liabilities	<u>(1,280,524)</u>	<u>(903,735)</u>
<b>Non-current</b>		
Assets	1,216,619	1,259,652
Liabilities	<u>(806,029)</u>	<u>(821,845)</u>
Total net non-current assets	<u>410,590</u>	<u>437,807</u>
<b>Net Liabilities</b>	<u><u>(869,934)</u></u>	<u><u>(465,928)</u></u>

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Investment in Subsidiaries (Continued)

#### *Summarised statement of comprehensive income*

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Revenue	2,147,835	1,711,968
Depreciation and amortisation	(156,424)	(142,433)
Interest income	9,458	16,453
Loss from continuing operations	(403,946)	(522,127)
Taxation expense	(60)	-
Net loss from continuing operations	<u>(404,006)</u>	<u>(522,127)</u>

#### *Summarised cash flows*

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Cash provided by/(used in) operations	84,558	(325,451)
Interest paid	(258,730)	(182,785)
Income tax paid	(60)	-
Net cash provided by/(used in) operating activities	93,996	(310,014)
Net cash used in investing activities	(171,600)	(221,521)
Net cash provided by financing activities	80,747	536,463
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,143</b>	<b>4,928</b>
Cash and cash equivalents at beginning of year	7,852	2,597
Cash and cash equivalents at end of year	<u>11,547</u>	<u>7,852</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Long Term Receivables

	The Group & The Company	
	2014 \$'000	2013 \$'000
(a) Musson (Jamaica) Limited	300,764	313,504
(b) (i) Facey Commodity Company Limited	319,534	-
(ii) Facey Group Limited	516,787	-
Interest receivable	24,329	-
	1,161,414	313,504
Less: Current portion	(65,370)	(38,058)
	<u>1,096,044</u>	<u>275,446</u>
(a) Restructured receivable balance of original principal US\$3,656,000. Repayments are due in equal monthly installments of US\$30,000. The remaining principal amount is receivable in full at 31 January 2016. The agreement attracts interest of 9% per annum.		
(b) (i) Related party receivable balance converted into a loan for US\$2,800,000 to be used exclusively for business purpose. The principal is repayable on maturity at 31 December 2018. The agreement attracts interest of 10% per annum payable monthly.		
(ii) Related party receivable balance converted into a loan for US\$4,533,282 to be used exclusively for business purpose. The principal is repayable on maturity at 31 December 2018. The agreement attracts interest of 10% per annum payable monthly.		

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Post-employment Benefits

	<b>The Group &amp; The Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Liabilities recognised in the statement of financial position –		
Pension scheme	(207,700)	(58,200)
Medical benefits	(150,300)	(130,900)
	<u>(358,000)</u>	<u>(189,100)</u>
Amounts recognised in profit or loss –		
Pension scheme	17,800	17,200
Medical benefits	12,200	13,100
	<u>29,900</u>	<u>30,300</u>
Amounts recognised in other comprehensive income –		
Pension scheme	134,500	17,000
Medical benefits	17,100	100
	<u>151,600</u>	<u>17,100</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's and the Company's contribution for the year amounted to \$23,442,000 (2013 - \$24,220,000) and \$3,763,000 (2013 - \$9,204,000), 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, with the Group and employees each contributing 5% of pensionable salaries. Employee may contribute additional voluntary contribution up to 5%. 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. Any plan surplus or funding deficiency is absorbed by the Company.

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 2014.

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.

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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

(a) Pension schemes (continued)

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

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Present value of funded obligations	(932,500)	(765,200)
Fair value of plan assets	724,800	707,000
Liability in the statement of financial position	<u>(207,700)</u>	<u>(58,200)</u>

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

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Balance at beginning of year	(765,200)	(772,400)
Current service cost	(14,000)	(15,900)
Interest cost	(71,900)	(80,000)
	<u>(851,100)</u>	<u>(868,300)</u>
Re-measurements -		
Experience (gains)/losses	(126,000)	49,800
Members' contributions	(1,800)	(1,900)
Benefits paid	46,400	55,200
Balance at end of year	<u>(932,500)</u>	<u>(765,200)</u>

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Balance at beginning of year	707,000	745,500
Interest income	65,300	75,800
Re-measurement -		
Return on plan assets, excluding amounts included in interest income	(8,500)	(66,800)
Employer's contributions	2,800	2,900
Members' contributions	4,600	4,800
Benefits paid	<u>(46,400)</u>	<u>(55,200)</u>
Balance at end of year	<u><u>724,800</u></u>	<u><u>707,000</u></u>

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Current service cost	11,200	13,000
Interest costs	71,900	80,000
Interest income	<u>(65,300)</u>	<u>(75,800)</u>
Total, included in staff costs (Note 8)	<u><u>17,800</u></u>	<u><u>17,200</u></u>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$392,000,000 relating to active employees, \$540,500,000 relating to members in retirement.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

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

Plan assets are comprised as follows:

	2014			
	Quoted \$'000	Unquoted \$'000	Total \$'000	%
Debt securities:				
Government of Jamaica	-	309,490	309,490	42.7
Corporate	-	2,899	2,899	0.4
Real estate	-	123,216	123,216	17.0
Equity securities	166,704	-	166,704	23.0
Other	-	122,491	122,491	16.9
	<u>166,704</u>	<u>558,096</u>	<u>724,800</u>	<u>100</u>
	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>

At 31 December, the fund had investments with a fair value of \$19,318,000 (2013 - \$23,383,000) in the Company's own shares held as plan assets.



# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

Expected contributions to the post-employment plan for the year ending 31 December 2015 are \$2,793,000.

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Liability at beginning of year	58,200	26,900
Amounts recognised in profit or loss in the statement of comprehensive income	17,800	17,200
Amounts recognised in other comprehensive income	134,500	17,000
Contributions paid	<u>(2,800)</u>	<u>(2,900)</u>
Liability at end of year	<u><u>207,700</u></u>	<u><u>58,200</u></u>

The significant actuarial assumptions used were as follows:

	<b>2014</b>	<b>2013</b>
Discount rate	9.5%	9.5%
Future salary increases	5.5%	5.0%
Expected pension increase	<u>4.0%</u>	<u>3.5%</u>

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

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

Impact on post-employment obligations			
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(90,600)	110,100
Future salary increases	1%	13,500	(12,700)
Expected pension increase	1%	95,500	(79,800)
		<b>Increase Assumption by One Year</b>	<b>Decrease Assumption by One Year</b>
		\$'000	\$'000
Life expectancy		18,900	(19,100)

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 assumption is long-term increase in health cost of 8% (2013 - 8%) per annum.

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Present value of unfunded obligations	<u>150,300</u>	<u>130,900</u>

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Balance at beginning of year	(130,900)	(126,900)
Current service cost	(200)	(200)
Interest expense	<u>(12,000)</u>	<u>(12,900)</u>
	(143,100)	(140,000)
Re-measurements -		
Experience (gains)/losses	(17,100)	(100)
Benefits paid	<u>9,900</u>	<u>9,200</u>
Balance at end of year	<u>(150,300)</u>	<u>(130,900)</u>

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Current service cost	200	200
Interest cost	<u>12,000</u>	<u>12,900</u>
Total, included in team member costs (Note 8)	<u>12,200</u>	<u>13,100</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Liability at beginning of year	130,900	126,900
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	12,200	13,100
Contributions by employer	(9,900)	(9,200)
Amounts recognised in other comprehensive income	17,100	100
Liability at end of year	<u>150,300</u>	<u>130,900</u>

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

<b>Impact on post-employment obligations</b>			
	<b>Change in Assumption</b>	<b>Increase in Assumption</b>	<b>Decrease in Assumption</b>
		<b>\$'000</b>	<b>\$'000</b>
Discount rate	1%	14,300	(17,200)
Medical cost	1%	<u>17,200</u>	<u>(14,300)</u>
		<b>Increase Assumption by One Year</b>	<b>Decrease Assumption by One Year</b>
		<b>\$'000</b>	<b>\$'000</b>
Life expectancy		<u>9,500</u>	<u>(9,200)</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(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 2014

(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 2014 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 11.7 years for the pension fund and 11.0 years for the post-employment medical benefits.

### 21. Biological Assets

#### *Non-current – livestock*

	2014	2013
	\$'000	\$'000
Dairy livestock –		
2,461 (2013 – 2,534) Cows able to produce milk	175,455	176,514
2,879 (2013 – 2,621) Heifers being raised to produce milk in the future	137,698	107,433
Other livestock –		
79 (2013 – 65) Bulls raised for sale and reproduction	3,245	3,476
Nil (2013 – 931) Sheep raised for sale and reproduction	-	5,632
9 (2013 – 9) Horses raised	270	270
109 (2013 – 109) Bee colonies	1,308	1,308
	<u>317,976</u>	<u>294,633</u>

6,546,004 litres (2013 – 6,497,224 litres) of milk with a fair value (less estimated point-of-sale costs) of \$468,423,000 (2013 - \$415,940,000) were produced during the period.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(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:

	2014 \$'000	2013 \$'000
Balance at start of year	294,633	246,105
Sales	(50,576)	(63,764)
Changes in fair value less estimated point-of-sale costs - cattle	73,798	109,716
Changes in fair value less estimated point-of-sale costs - sheep	121	2,576
Balance at end of year	<u>317,976</u>	<u>294,633</u>

#### *Current – sugar cane*

	2014 \$'000	2013 \$'000
130,969 tonnes (2013 – 113,006 tonnes)	<u>659,227</u>	<u>607,870</u>

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

	2014 \$'000	2013 \$'000
Balance at start of year	607,870	446,696
Net cost of cane cultivation and value of cane harvested	(412,146)	(341,311)
Changes in fair value less estimated point-of-sale costs	463,503	502,485
Balance at end of year	<u>659,227</u>	<u>607,870</u>

Included in the income statement:

	2014 \$'000	2013 \$'000
Fair value of milk produced	468,423	415,940
Sales of sugar and molasses	1,684,332	1,209,483
Changes in fair value less cost to sell of sugar cane	463,503	502,485
Changes in fair value less estimated point of sale costs of	73,798	109,716
Direct expenses	<u>(2,429,909)</u>	<u>(2,118,717)</u>

The assets are classified as Level 3, and there were no transfers between levels during the year.

	2014 \$'000	2013 \$'000
Dairy livestock	316,398	283,947
Other livestock	1,578	10,686
Sugar cane	<u>659,228</u>	<u>607,870</u>
	<u>977,204</u>	<u>902,503</u>

# Seprod Limited

## Notes to the Financial Statements

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### 22. Inventories

	2014	2013
	\$'000	\$'000
Raw and packaging materials	967,287	909,175
Work in progress	57,889	50,384
Finished goods	178,706	174,034
Merchandise for resale	259,398	232,411
Other	183,692	173,821
Goods in transit	287,481	712,809
	<u>1,934,453</u>	<u>2,252,634</u>

The cost of inventories recognised as an expense and included in direct expenses amounted to \$20,496,000 (2013 - \$15,530,000).

### 23. Trade and Other Receivables

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade receivables	928,220	961,804	3,619	3,619
Less: Provision for impairment	(125,058)	(116,065)	(3,619)	(3,619)
	<u>803,162</u>	<u>845,739</u>	<u>-</u>	<u>-</u>
Advances and prepayments	178,395	173,775	98,704	82,771
Due from affiliate (Note 32)	672,803	1,461,974	56,049	1,054,330
Other	303,472	316,688	-	-
	<u>1,957,832</u>	<u>2,798,176</u>	<u>154,753</u>	<u>1,137,101</u>

### 24. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss comprise listed equity securities, the fair value of which is based on the bid price of the security.

### 25. Cash and Cash Equivalents

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	583,787	361,935	330,577	122,908
Bank overdraft	(33,693)	(118,914)	(33,693)	(118,914)
	<u>550,094</u>	<u>243,021</u>	<u>296,884</u>	<u>3,994</u>



# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 26. Payables

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade payables	640,156	1,250,858	-	-
Accruals	411,131	258,516	113,369	68,436
Other	196,317	177,392	96,115	84,390
	<u>1,247,604</u>	<u>1,686,766</u>	<u>209,484</u>	<u>152,826</u>

### 27. Share Capital

	2014	2013	2014	2013
	'000	'000	\$'000	\$'000
Authorised -				
Ordinary shares	<u>530,000</u>	<u>530,000</u>	<u>530,000</u>	<u>530,000</u>
Issued and fully paid -				
Ordinary stock units	516,398	516,398	561,287	561,287
Treasury shares	<u>(59)</u>	<u>(59)</u>	<u>(899)</u>	<u>(899)</u>
Issued and outstanding	<u>516,339</u>	<u>516,339</u>	<u>560,388</u>	<u>560,388</u>

In 2013 the Company purchased 59,000 of its shares at a fair value of \$899,000. There were no stock purchases during the year.

### 28. Capital Reserves

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Revaluation surplus on assets carried at deemed cost	312,600	312,600	105,340	105,340
Fair value gains on available-for-sale investments	610,841	333,257	610,841	333,257
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	14,800	14,800	-	-
Realised gains on sale of investments	120,855	120,855	120,855	120,855
Other realised surplus	<u>22,230</u>	<u>22,230</u>	<u>20,289</u>	<u>20,289</u>
	<u>1,417,863</u>	<u>1,140,279</u>	<u>857,325</u>	<u>579,741</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 other comprehensive income during the year (Note 10).

# Seprod Limited

## Notes to the Financial Statements

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### 29. Long Term Liabilities

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Loan amounts	2,314,117	2,224,916	1,230,024	990,383
Interest payable	8,179	11,471	7,400	8,705
	2,322,296	2,236,387	1,237,424	999,088
Less: Current portion	(916,268)	(1,372,185)	(637,424)	(999,088)
	1,406,028	864,202	600,000	-

	The Group		The Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(i) Tetra Pak – LIBOR + 3%	45,656	93,555	-	-
(ii) Sugar Industry Authority – 5%	29,408	-	-	-
(iii) Jamaica Cane Product Sales – LIBOR + 3%	-	212,755	-	-
(iii) Jamaica Cane Product Sales – 3.9%	114,661	-	-	-
(iv) National Commercial Bank (Jamaica) Limited – 9%	-	590,383	-	590,383
(v) National Commercial Bank (Jamaica) Limited – 6.25% - 6.50%	894,368	928,223	-	-
(vi) Commercial paper – 8%WATBY +1.5%	-	400,000	-	400,000
(vii) CIBC FirstCaribbean International Bank Jamaica Limited - WATBY+2.5%	600,000	-	600,000	-
(viii) CIBC FirstCaribbean International Bank Jamaica Limited - LIBOR 1.3%	630,024	-	630,024	-
	2,314,117	2,224,916	1,230,024	990,383

# Seprod Limited

## Notes to the Financial Statements

**31 December 2014**

(expressed in Jamaican dollars unless otherwise indicated)

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### 29. Long Term Liabilities (Continued)

- (i) US\$ financing agreements from a supplier, repayable in 16 quarterly installments commencing 1 March 2012. Secured by property, plant and equipment acquired under the financing agreements.
- (ii) Golden Grove Sugar Company Limited was approved for a loan facility of \$33,156,000 from the Sugar Industry Authority. The loan is repayable over ten years commencing in 2015 at 5% per annum by way of annual deductions from proceeds of cane sales, contract work and earnings from harvesting operations, where applicable.
- (iii) Denominated in US dollars, repayable at the end of the crop year to which it relates from sugar sales proceeds.
- (iv) A revolving facility denominated in Jamaican dollars. The loan was repaid during the year and was unsecured.
- (v) In September 2012, the subsidiary 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: US\$4,200,000 repayable by 28 quarterly principal payments of US\$105,000 and a balloon payment of US\$1,365,000 at maturity. Interest payable quarterly at 6.50% per annum.
  - ii) Tranche B: US\$5,800,000 repayable by 28 quarterly principal payments of US\$145,000 and a balloon payment of US\$1,885,000 at maturity. Interest payable quarterly at 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 Golden Grove Sugar Company receivable from Jamaica Cane Products Sales Limited from sales completed under the Tate and Lyle contract.
- (vi) Commercial paper issued by Seprod and arranged by Bank of Nova Scotia Jamaica Limited, denominated in Jamaican dollars, maturing November 2014. The amounts were repaid during the year.

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 29. Long Term Liabilities (Continued)

- (vii) Denominated in Jamaican dollars. Received in November 2014 for a period of 3 years. Initial coupon for first 6 months is 6-month Government of Jamaica Treasury Bill rate plus 250 bps. Thereafter, interest will be charged at the 6-month Government of Jamaica Weighted Average Treasury Bill rate immediately prior to the commencement of each interest period plus 250 bps. The loan is due in full at maturity and is unsecured.
- (viii) Denominated in US dollars. Received in March 2014 for an initial period of one year and is revolving thereafter at the sole discretion of the Bank. The facility attracts interest at a rate of LIBOR plus 300bps commensurate with the drawdown period. Each draw should not exceed 90 days. The loan is due in full at maturity and is secured as follows:
- Promissory note issued by Seprod Limited for US equivalent of JM\$ 630,000,000.
- (ix) The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

### 30. Deferred Taxation

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets	74,989	40,343	73,742	39,515
Deferred tax liabilities	(200,979)	(219,102)	-	-
Net (liabilities)/assets	<u>(125,990)</u>	<u>(178,759)</u>	<u>73,742</u>	<u>39,515</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Deferred Taxation (Continued)

The movement in deferred taxation is as follows:

	<b>Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	(178,759)	(182,355)	39,515	33,021
(Charged)/credited to profit or loss (Note 10)	14,869	(679)	(3,673)	2,219
(Charged)/credited to components of other comprehensive income (Note 10)	37,900	4,275	37,900	4,275
Balance at end of year	<u>(125,990)</u>	<u>(178,759)</u>	<u>73,742</u>	<u>39,515</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Accelerated tax depreciation	17,677	(21,255)	527	(2,915)
Retirement benefits	4,325	4,550	4,325	4,550
Tax losses carried forward	3,816	20,145	-	-
Unrealised exchange gains	-	18	-	-
Other	<u>(10,949)</u>	<u>(4,137)</u>	<u>(8,525)</u>	<u>584</u>
	<u>14,869</u>	<u>(679)</u>	<u>(3,673)</u>	<u>2,219</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Deferred Taxation (Continued)

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Accelerated tax depreciation	(250,843)	(263,226)	(8,163)	(8,690)
Retirement benefits	89,500	47,275	89,500	47,275
Tax losses carried forward	31,247	27,431	-	-
Unrealised exchange gains	18	18	-	-
Other	4,088	9,743	(7,595)	930
	<u>(125,990)</u>	<u>(178,759)</u>	<u>73,742</u>	<u>39,515</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain subsidiaries amount to \$1,909,071,000 (2013 – \$1,499,603,000). Of those losses, no deferred tax assets have been created in respect of \$1,783,657,000 (2013 - \$1,389,879,000) 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:

	<u>The Group</u>		<u>The Company</u>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets to be recovered after more than 12 months	120,747	74,706	89,500	47,275
Deferred tax assets to be recovered within 12 months	4,106	9,761	(7,595)	930
	<u>124,853</u>	<u>84,467</u>	<u>81,905</u>	<u>48,205</u>
Deferred tax liabilities to be settled after more than 12 months	(250,843)	(263,226)	(8,163)	(8,690)
Deferred tax liabilities to be settled within 12 months	-	-	-	-
	<u>(250,843)</u>	<u>(263,226)</u>	<u>(8,163)</u>	<u>(8,690)</u>
Net (liabilities)/asset	<u>(125,990)</u>	<u>(178,759)</u>	<u>73,742</u>	<u>39,515</u>

# Seprod Limited

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 31. Cash Generated from Operations

	The Group		The Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net profit/(loss)	895,375	767,878	(537,584)	1,156,241
Items not affecting cash resources:				
Amortisation of intangible assets	7,341	7,341	-	-
Depreciation	427,033	412,119	17,639	17,858
Foreign exchange gains	(67,285)	(21,771)	(151,388)	(145,492)
Gain on sale of available-for-sale investments	-	(37,770)	-	(37,770)
Unrealised gains on financial assets through profit or loss	(58,900)	(68,466)	-	-
Gain on disposal of non-controlling interest	-	(1,423)	-	-
(Gain)/loss on disposal of property, plant and equipment	(1,400)	1,231	(1,400)	-
Property, plant and equipment written off	14,609	4,938	396	2,017
Interest income	(236,808)	(223,966)	(407,415)	(333,142)
Amortisation of deferred fees	6,258	5,584	-	-
Liquidation of subsidiaries	-	-	-	4,980
Gain on disposal of interest in subsidiary	-	-	-	(1,423)
Interest expense	199,542	168,177	101,641	87,792
Retirement benefits	55,200	22,475	55,200	22,475
Dividend income	(79,803)	(40,100)	(56,622)	(665,418)
Taxation	268,436	350,516	59,488	70,727
	1,429,598	1,346,763	(920,045)	178,845
Changes in operating assets and liabilities:				
Inventories	318,181	37,958	-	-
Receivables	(209,260)	(694,430)	(67,256)	(599,396)
Biological assets	(74,700)	(209,702)	-	-
Due to subsidiaries	-	-	443,653	-
Due from subsidiaries	-	-	221,055	(317,134)
Provisions	(26,633)	6,679	-	-
Accounts payable	(439,162)	(133,353)	56,658	(11,851)
	998,024	353,915	(265,935)	(749,536)
Taxation paid	(344,593)	(374,466)	(86,582)	(106,474)
Cash provided by/(used in) operating activities	653,431	(20,551)	(352,517)	(856,010)

# 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 \$3,485,272,000 (2013 – \$3,212,873,000) to and purchases of \$303,630,000 (2013 – \$19,797,000) 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 \$616,584,000 and \$12,612,000 (2013 - \$407,714,000 and \$13,486,000), respectively, in respect of these transactions.

A subsidiary paid cess of \$4,266,000 (2013 - \$5,010,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the Company.

#### (b) Key management compensation

	2014 \$'000	2013 \$'000
Wages and salaries	114,164	106,471
Statutory contributions	7,306	5,262
Other	356	446
	<u>121,826</u>	<u>112,179</u>
Directors' emoluments –		
Fees	9,454	9,718
Medical insurance premiums	4,031	5,234
Management remuneration (included above)	<u>65,124</u>	<u>52,198</u>

#### (c) Advances and loans

At 31 December 2014, profit share advances to key management amounted to \$19,863,000 (2013 – \$15,953,000).

Loans to other related parties are disclosed in Note 19. Interest earned on these loans during the year amounted to US\$1,089,000 (2013 – US\$956,000).



# Seprod Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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### 33. Contingencies and Commitments

- (a) A subsidiary has leased sugar cane lands from the Government of Jamaica for a period of 50 years with an option to renew for a further period of 25 years. The lease is fixed at a rate of US\$53 per hectare per annum for the first 5 years, after which it will be renegotiated in accordance with the provisions of the lease contract. Based on the current rate of US\$53 per hectare per annum, the annual lease cost to the subsidiary is US\$82,000.
- (b) At 31 December 2014, management had approved approximately \$70 million (2013 – \$126 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.

During the year, the Company received from the Jamaica Custom Agency an assessment for additional stamp duty amounting to \$10,631,000 in respect of products imported in July 2013.

The Company is in the process of assessing the results of the Review of Entry. The outstanding amount of \$10,631,000 was provided for in these financial statements as the matter remains under discussion.