



SEPROD LIMITED

Interim Report

12 Months Ended
31 December 2017



SEPROD LIMITED

Interim Report to the Stockholders

Overview of our 2017 results

For the year ended 31 December 2017, the Seprod Group achieved revenues of J\$16.2 billion. This represents an increase of J\$0.43 billion or 2.7% over the corresponding period in 2016.

Net profit for the year was J\$710 million, a decrease of J\$165 million or 19% over the corresponding period in 2016.

Our net profit for 2017, as expected, is below 2016 primarily due to the one-off investment portfolio gain of J\$360 million that occurred in prior year. The gain in the investment portfolio was subsequently realized and a special dividend paid to shareholders in 2016.

Taking the one-off investment gain into account, on a normalized basis the net profit for 2017 increased by J\$195 million or 38% over 2016.

Our achievements in 2017

The Group continues to focus on delivering shareholder value by focusing on innovations, export growth, improved productivity and expanding our core manufacturing footprint.

The major achievements for the year were:

- The commissioning of the Grains Mill in December. This mill signals our entry into the regional flour market and will also permit us to be the only corn milling facility in the region to have the capability of competing with the extra regional importation of corn based products for snack manufacturers. The project was delayed by over six (6) months due to a myriad of issues ranging from adverse weather to immigration restrictions but those issues are behind us and we are now in the market.
- The Export Segment delivered a 46% growth over prior year, despite some key markets being negatively impacted by the active hurricane season. We are tremendously proud that our local manufacturing facilities are now attracting co-manufacturing contracts from companies based in developed countries. We are definitely moving in the right direction of being competitive in the global village.
- The Innovation pipeline has been flowing; our team has successfully launched a variety of products that are adding value and creating excitement among our consumers and customers. Products such as Irish Moss flavoured Supligen, extension of the Betty family to include evaporated milk and UHT milk, expansion of the iconic Gold Seal margarine brand to include Reduced Fat and Vegan formulations, and finally the launch of Gold Seal Flour.



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- The soap and bleach manufacturing operations, which did not fit within our core business, were divested. We will constantly be reviewing the business to look for opportunities to improve our focus and drive synergies to improve profitability.
- We are immensely pleased with our employment of more than thirty (30) young interns in the business. They represent an investment in the future leadership of not only Seprod but Jamaica. This type of investment in people will continue to be a key pillar in the company's growth agenda.
- The Seprod Foundation had an excellent year, impacting the lives of many Jamaicans from the very young to the most vulnerable in our society. The volunteerism spirit in our over 1,000 strong staff complement has been amazing. We intend to build even more on this; as we all strive to make Jamaica a place of choice to live, work and raise our families.

We did have some challenges, chief amongst which were:

- Continued inability to stem the losses in the sugar operation. There were signs of turnaround but these were all wiped out by the challenging weather conditions. The inability to even reach breakeven in this operation is a huge source of frustration and clearly will require added intervention to avoid further erosion of shareholder value.
- Gaps in our distribution footprint. To maximize on the investments in the manufacturing facilities and investments in innovations, etc., we clearly need to improve our distribution capacity and capability. Distribution will be a key pillar in 2018 and beyond as management strives to increase profitability.

Management is satisfied with the performance but we are fully aware that there are significant opportunities to improve and deliver even stronger results for all stakeholders.

P. B. Scott
Chairman

R. R. Pandohie
Chief Executive Officer

15 February 2018



SEPROD LIMITED

Shareholders' Profile as at 31 December 2017

Ten Largest Shareholders

1. Musson (Jamaica) Limited	233,747,988
2. Coconut Industry Board	163,420,345
3. Grace Kennedy Limited Pension Scheme	21,955,904
4. National Insurance Fund	15,443,045
5. Scotia Jamaica Investment Management - A/C 3119	7,724,433
6. NCB Insurance Company Limited - A/C 109	4,085,146
7. Guardian Life Limited	3,055,730
8. JCSD Trustees Services Limited	2,940,097
9. Guardian Life Limited - Pension Fund	2,332,085
10. NCB Insurance Company Limited - A/C WT161	2,079,210

Shareholding of Directors, along with their connected persons

1. Paul B. Scott	Nil
Shareholding of connected person	233,747,988
2. Melanie Subratie	Nil
Shareholding of connected person	233,747,988
3. Byron E. Thompson	1,220,668
4. Richard R. Pandohie	400,000
5. Nicholas Scott	Nil
Shareholding of connected person	103,768
6. Hugh Gentles	49,933
Shareholding of connected person	45,534
7. Granville E. Marsh	6,561
8. Dr. Nigel A. Clarke	990
9. Peter J. Thwaites	Nil
10. Michael J. Subratie	Nil
11. Christopher Gentles	Nil



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Shareholding of Executives

1. Angela Cooper	18,854
2. Clement Burnett	Nil
3. Marilyn Anderson	Nil
4. Rupert Ashman	Nil
5. Evrol Dixon	Nil
6. Milton Maragh	Nil
7. Dr. Patrick Sterling	Nil
8. Carol Andrade	Nil
9. Dr. Gavin Bellamy	Nil
10. Jeffrey Moss-Solomon	Nil
11. Dalton Brown	Nil
12. Devon Francis	Nil
13. Roger Lewis	Nil
14. Glenise Freckleton	Nil



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Interim Financial Statements (Unaudited)

12 months ended 31 December 2017

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SEPROD LIMITED

Consolidated Statement of Comprehensive Income (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 31 December		12 months ended 31 December	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue	4,071,071	4,685,323	16,208,380	15,781,917
Direct expenses	(2,711,055)	(3,572,893)	(11,900,910)	(12,291,448)
Gross Profit	1,360,016	1,112,430	4,307,470	3,490,469
Finance and other operating income	207,366	176,860	846,951	1,051,619
Selling expenses	(100,111)	(101,726)	(658,338)	(589,830)
Administration expenses	(1,225,044)	(1,086,518)	(3,042,080)	(2,363,542)
Operating Profit	242,227	101,046	1,454,003	1,588,716
Finance costs	(124,665)	(138,792)	(377,127)	(374,631)
Share of results of joint venture	(5,057)	(27,421)	(72,126)	(28,161)
Profit before Taxation	112,505	(65,167)	1,004,750	1,185,924
Taxation	14,307	(2,343)	(295,145)	(310,715)
Net Profit	126,812	(67,510)	709,605	875,209
Other Comprehensive Income, net of taxes				
Re-measurements of post-employment benefits	-	166,725	-	166,725
Fair value losses on available for sale investments	(63,716)	(254,468)	(49,941)	(132,385)
Total Comprehensive Income	63,096	(155,253)	659,664	909,549
Net Profit is attributable to:				
Stockholders of the Company	70,134	13,531	795,287	1,092,043
Non-controlling interests	56,678	(81,041)	(85,682)	(216,834)
	126,812	(67,510)	709,605	875,209
Total Comprehensive Income is attributable to:				
Stockholders of the Company	6,418	(74,212)	745,346	1,126,383
Non-controlling interests	56,678	(81,041)	(85,682)	(216,834)
	63,096	(155,253)	659,664	909,549
Earnings per Stock Unit	\$0.14	\$0.03	\$1.54	\$2.11



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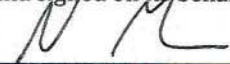
Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	31 December 2017 \$'000	31 December 2016 \$'000
Non-current Assets		
Property, plant and equipment	4,103,856	4,116,287
Intangible assets	-	1,694
Available-for-sale investments	1,655,534	1,705,475
Investment in joint venture	327,116	399,242
Long term receivables	2,212,347	3,543,922
Retirement benefit asset	40,300	40,300
Biological assets	292,628	236,343
Deferred tax assets	27,604	20,063
	<u>8,659,385</u>	<u>10,063,326</u>
Current Assets		
Inventories	2,488,793	1,930,268
Biological assets	508,745	513,198
Receivables	6,180,567	3,991,910
Current portion of long term receivables	1,475,315	76,439
Taxation recoverable	-	29,754
Short term deposits	-	153,906
Cash and bank balances	902,795	667,505
	<u>11,556,215</u>	<u>7,362,980</u>
Current Liabilities		
Payables	6,722,313	4,468,479
Current portion of long term liabilities	1,559,304	2,182,838
Taxation payable	55,292	9,198
	<u>8,336,909</u>	<u>6,660,515</u>
Net Current Assets	<u>3,219,306</u>	<u>702,465</u>
	<u>11,878,691</u>	<u>10,765,791</u>
Equity attributable to Stockholders of the Company		
Share capital	560,388	560,388
Capital reserves	1,229,844	1,279,785
Retained earnings	8,442,036	8,137,327
	<u>10,232,268</u>	<u>9,977,500</u>
Non-controlling Interests	<u>(877,884)</u>	<u>(792,202)</u>
	<u>9,354,384</u>	<u>9,185,298</u>
Non-current Liabilities		
Long term liabilities	2,149,809	1,245,659
Deferred tax liabilities	231,498	191,834
Retirement benefit obligations	143,000	143,000
	<u>2,524,307</u>	<u>1,580,493</u>
	<u>11,878,691</u>	<u>10,765,791</u>

Approved for issue by the Board of Directors on 15 February 2018 and signed on its behalf by:


 Paul B. Scott Chairman


 Richard R. Pandohie Director



SEPROD LIMITED

Consolidated Statement of Changes in Equity (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	12 months ended 31 December 2017					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2017	560,388	1,279,785	8,137,327	9,977,500	(792,202)	9,185,298
Total comprehensive income:						
Profit for the period	-	-	795,287	795,287	(85,682)	709,605
Fair value losses on available for sale investments	-	(49,941)	-	(49,941)	-	(49,941)
Re-measurements of post-employment benefits	-	-	-	-	-	-
	-	(49,941)	795,287	745,346	(85,682)	659,664
Dividends paid	-	-	(490,578)	(490,578)	-	(490,578)
At 31 December 2017	560,388	1,229,844	8,442,036	10,232,268	(877,884)	9,354,384

	12 months ended 31 December 2016					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2016	560,388	1,412,170	8,546,526	10,519,084	(575,368)	9,943,716
Total comprehensive income:						
Profit for the period	-	-	1,092,043	1,092,043	(216,834)	875,209
Fair value losses on available for sale investments	-	(132,385)	-	(132,385)	-	(132,385)
Re-measurements of post-employment benefits	-	-	166,725	166,725	-	166,725
	-	(132,385)	1,258,768	1,126,383	(216,834)	909,549
Dividends paid	-	-	(1,667,967)	(1,667,967)	-	(1,667,967)
At 31 December 2016	560,388	1,279,785	8,137,327	9,977,500	(792,202)	9,185,298



SEPROD LIMITED

Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	12 months ended 31 December	
	2017	2016
	\$'000	\$'000
Cash Flows from Operating Activities		
Cash provided by operating activities	829,926	882,883
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(466,099)	(708,464)
Proceeds on disposal of property, plant and equipment	-	12,399
Proceeds on disposal of financial assets at fair value through profit or loss	-	1,178,195
Issue of long term receivables	(164,003)	(793,930)
Repayment of long term receivables	331,846	284,199
Short term deposits	153,906	(11,082)
Interest received	136,803	150,516
Dividends received	-	18,398
Cash (used in)/provided by investing activities	(7,547)	130,231
Cash Flows from Financing Activities		
Long term loans received	1,680,133	958,311
Long term loans repaid	(1,402,808)	(728,030)
Dividends paid	(490,578)	(1,667,967)
Interest paid	(373,836)	(237,276)
Cash used in investing activities	(587,089)	(1,674,962)
Increase/(decrease) in cash and cash equivalents	235,290	(661,848)
Net effect of foreign currency translation on cash	-	16,646
Cash and cash equivalents at beginning of year	667,505	1,312,707
CASH AND CASH EQUIVALENTS AT END OF YEAR	902,795	667,505



SEPROD LIMITED

Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

12 months ended 31 December 2017	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	9,334,034	6,874,346	-	16,208,380
Inter-segment revenue	5,124,295	-	(5,124,295)	-
Total revenue	14,458,329	6,874,346	(5,124,295)	16,208,380
Segment result	886,838	124,164	-	1,011,002
Unallocated income				443,001
Operating profit				1,454,003
Segment assets	8,968,789	1,235,667	-	10,204,456
Unallocated assets				10,011,144
Total assets				20,215,600
Segment liabilities	3,262,295	1,867,505	-	5,129,800
Unallocated liabilities				5,731,416
Total liabilities				10,861,216
Capital expenditure	356,477	4,084	-	360,561
Unallocated capital expenditure				105,538
Total capital expenditure				466,099
Depreciation	440,090	6,005	-	446,095
Unallocated depreciation				32,435
Total depreciation				478,530
12 months ended 31 December 2016	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	9,063,038	6,718,879	-	15,781,917
Inter-segment revenue	4,612,121	-	(4,612,121)	-
Total revenue	13,675,159	6,718,879	(4,612,121)	15,781,917
Segment result	674,823	90,593	-	765,416
Unallocated income				823,300
Operating profit				1,588,716
Segment assets	7,536,809	1,412,056	-	8,948,865
Unallocated assets				8,437,132
Total assets				17,386,006
Segment liabilities	3,854,179	365,747	-	4,219,926
Unallocated liabilities				3,977,417
Total liabilities				8,197,343
Capital expenditure	476,939	2,761	-	479,700
Unallocated capital expenditure				228,764
Total capital expenditure				708,464
Depreciation	453,657	6,132	-	459,789
Unallocated depreciation				28,756
Total depreciation				488,545



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Notes to the Interim Financial Statements

(expressed in Jamaican dollars unless otherwise indicated)

Basis of preparation

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

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016.

These interim financial statements do not reflect adjustments for the re-measurement of post-employment benefits or the fair value of available-for-sale investments as at 31 December 2017. The carrying values of these items are determined annually by independent valuers, who have not yet furnished their reports. These adjustments will be reflected in our audited financial statements for the year ended 31 December 2017.

Finance and other operating income

Finance and other operating income for the 12 months ended 31 December 2016 include gains on sale of financial assets at fair value through profit or loss amounting to \$360,140,000. These gains arose on the liquidation of the Group's entire portfolio of financial assets at fair value through profit or loss during that period. Accordingly, there were no comparable gains for the 12 months ended 31 December 2017.



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Cash generated from operations

	12 months ended 31 December	
	2017	2016
	\$'000	\$'000
Net profit	709,605	875,209
Items not affecting cash resources:		
Amortization of intangible assets	1,694	2,540
Depreciation	478,530	488,545
Foreign exchange gains	-	(5,118)
Gain on financial assets at fair value through profit or loss	-	(371,126)
Gain on disposal of property, plant and equipment	-	(3,857)
Property, plant and equipment written-off	-	2,127
Dividend income	-	(18,398)
Interest income	(371,947)	(384,165)
Interest expense	377,127	239,068
Amortization of deferred fees	-	5,201
Retirement benefits	-	27,100
Results of joint venture	72,126	28,161
Taxation	295,145	310,715
	<u>1,562,280</u>	<u>1,196,002</u>
Changes in operating assets and liabilities:		
Inventories	(558,525)	(183,807)
Receivables	(2,188,657)	(2,255,082)
Biological assets	(51,832)	11,734
Payables	2,253,834	2,486,689
	<u>1,017,100</u>	<u>1,255,536</u>
Taxation paid	(187,174)	(372,653)
Cash provided by operating activities	<u>829,926</u>	<u>882,883</u>