



SEPROD LIMITED

Interim Report

3 Months Ended

31 March 2018



SEPROD LIMITED

Interim Report to the Stockholders

Overview of our Q1 2018 results

For the three (3) months ended 31 March 2018, the Seprod Group achieved revenues of J\$4.95 billion. This represents an increase of J\$700 million or 16% over the corresponding period in 2017.

Net profit for the quarter was J\$293 million, an increase of J\$10 million or 4% over the corresponding period in 2017.

The Q1 results were bolstered by the transfer of the former Jamaican dairy operations of Nestle within the Group effective 1 January 2018. These operations, located in Bog Walk, St. Catherine, produce the Supligen and Betty products, as well as co-manufacture products for international customers.

The operation of the Grains Mill continues to improve steadily, as the distribution footprint widens and consumers become more exposed to the high quality Gold Seal brand.

The other operations – dairy, biscuit, oil & margarine had solid results, as we reap the benefits of innovations and improved productivity from retooling.

Unfortunately, the good results from these operations were eroded by the \$155 million losses in the sugar operation for the quarter. Management continues to explore all options to eliminate these unsustainable losses.

Management projection

Revenue and profit growth will be robust, provided that we contain the losses in the sugar operation and mitigate the risk of the rising global oil prices and its effect on local utility and distribution costs.

The major focus for the remainder of the year will be to maximize synergies in the dairy operations, complete the acquisition of Facey Consumer division, grow the export business by double digits, implement projects to mitigate rising energy prices and end the erosion of value from the sugar operation.

Handwritten signature of P. B. Scott in blue ink.

P. B. Scott
Chairman

Handwritten signature of R. R. Pandohie in blue ink.

R. R. Pandohie
Chief Executive Officer

14 May 2018



SEPROD LIMITED

Shareholders' Profile as at 31 March 2018

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. JCS D Trustee Services Limited – Sigma Optima	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. Peter J. Thwaites	Nil
9. Michael J. Subratie	Nil
10. Christopher Gentles	Nil



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Shareholding of Management

1. Marilyn Anderson	Nil
2. Carol Andrade	Nil
3. Dr. Gavin Bellamy	Nil
4. Dalton Brown	Nil
5. Angela Cooper	18,854
6. Evrol Dixon	Nil
7. Damion Dodd	Nil
8. Glenise Durrant-Freckleton	Nil
9. Devon Francis	Nil
10. Tricia Hill	Nil
11. Kerrian Johnson	Nil
12. Ryan Kirlew	Nil
13. Efrain Lara	Nil
14. Roger Lewis	Nil
15. Milton Maragh	Nil
16. Jeffrey Moss-Solomon	Nil
17. Richard Pandohie	400,000
18. Dr. Patrick Sterling	Nil
19. Amanda Watson	Nil



SEPROD LIMITED

Interim Financial Statements (Unaudited)

3 months ended 31 March 2018

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SEPROD LIMITED

Consolidated Statement of Comprehensive Income (Unaudited) (expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 31 March	
	2018 \$'000	2017 \$'000
Revenue	4,951,682	4,251,341
Direct expenses	(3,473,627)	(3,192,342)
Gross Profit	1,478,055	1,058,999
Finance and other operating income	126,364	182,773
Selling expenses	(155,033)	(191,607)
Administration expenses	(912,264)	(593,596)
Operating Profit	537,122	456,569
Finance costs	(139,104)	(69,854)
Share of results of joint venture	2,931	(17,745)
Profit before Taxation	400,949	368,970
Taxation	(108,052)	(86,008)
Net Profit	292,897	282,962
Other Comprehensive Income, net of taxes		
Fair value gains on available-for-sale investments	14,003	3,823
Total Comprehensive Income	306,900	286,785
Net Profit is attributable to:		
Stockholders of the Company	337,726	293,414
Non-controlling interest	(44,829)	(10,452)
	292,897	282,962
Total Comprehensive Income is attributable to:		
Stockholders of the Company	351,729	297,237
Non-controlling interest	(44,829)	(10,452)
	306,900	286,785
Earnings per Stock Unit	\$0.65	\$0.57



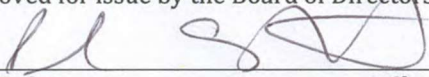
SEPROD LIMITED

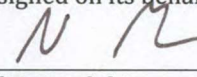
Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	31 March 2018 \$'000	31 March 2017 \$'000	31 December 2017 \$'000
Non-current Assets			
Property, plant and equipment	6,407,419	4,098,125	4,101,869
Intangible assets	969,020	1,059	-
Available-for-sale investments	1,383,577	1,499,742	1,369,574
Investment in joint venture	347,937	381,497	345,006
Long term receivables	174,562	3,227,989	2,243,724
Post-employment benefit asset	38,500	40,300	38,500
Biological assets	288,379	242,902	292,628
Deferred tax assets	154,537	20,063	19,237
	<u>9,763,931</u>	<u>9,511,677</u>	<u>8,410,538</u>
Current Assets			
Inventories	2,877,338	2,171,622	2,495,063
Biological assets	355,290	398,540	508,745
Receivables	4,586,468	4,414,392	6,175,651
Current portion of long term receivables	977,404	384,984	1,487,134
Taxation recoverable	53,020	-	93,631
Short term	-	153,338	-
Cash and bank balances	717,160	614,991	837,294
	<u>9,566,680</u>	<u>8,137,867</u>	<u>11,597,518</u>
Current Liabilities			
Payables	3,494,277	4,422,088	6,807,507
Current portion of long term liabilities	1,808,541	2,336,445	2,012,776
Taxation payable	-	49,026	70,587
	<u>5,302,818</u>	<u>6,807,559</u>	<u>8,890,870</u>
Net Current Assets	<u>4,263,862</u>	<u>1,330,308</u>	<u>2,706,648</u>
	<u>14,027,793</u>	<u>10,841,985</u>	<u>11,117,186</u>
Equity attributable to Stockholders of the Company			
Share capital	560,388	560,388	560,388
Capital reserves	957,887	1,074,052	943,884
Retained earnings	8,722,668	8,430,741	8,384,942
	<u>10,240,943</u>	<u>10,065,181</u>	<u>9,889,214</u>
Non-controlling Interest	<u>(924,231)</u>	<u>(802,654)</u>	<u>(879,402)</u>
	<u>9,316,712</u>	<u>9,262,527</u>	<u>9,009,812</u>
Non-current Liabilities			
Post-employment benefit obligations	148,400	143,000	148,400
Long term liabilities	4,326,234	1,243,748	1,716,732
Deferred tax liabilities	236,447	192,710	242,242
	<u>4,711,081</u>	<u>1,579,458</u>	<u>2,107,374</u>
	<u>14,027,793</u>	<u>10,841,985</u>	<u>11,117,186</u>

Approved for issue by the Board of Directors on 14 May 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)

	3 months ended 31 March 2018					
	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 2018	560,388	943,884	8,384,942	9,889,214	(879,402)	9,009,812
Total comprehensive income:						
Profit for the period	-	-	337,726	337,726	(44,829)	292,897
Fair value gains on available-for-sale investments	-	14,003	-	14,003	-	14,003
	-	14,003	337,726	351,729	(44,829)	306,900
At 31 March 2018	560,388	957,887	8,722,668	10,240,943	(924,231)	9,316,712

	3 months ended 31 March 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	1,070,229	8,137,327	9,767,944	(792,202)	8,975,742
Total comprehensive income:						
Profit for the period	-	-	293,414	293,414	(10,452)	282,962
Fair value gains on available-for-sale investments	-	3,823	-	3,823	-	3,823
	-	3,823	293,414	297,237	(10,452)	286,785
At 31 March 2017	560,388	1,074,052	8,430,741	10,065,181	(802,654)	9,262,527



SEPROD LIMITED

Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 31 March	
	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities		
Net profit	292,897	282,962
Items not affecting cash resources:		
Amortization of intangible assets	2,870	635
Depreciation	183,529	120,152
Interest income	(52,142)	(93,238)
Interest expense	139,104	69,854
Results of joint venture	(2,931)	17,745
Taxation	108,052	86,008
	<u>671,379</u>	<u>484,118</u>
Changes in operating assets and liabilities:		
Inventories	131,893	(241,354)
Receivables	43,599	(422,482)
Biological assets	157,704	108,099
Payables	(625,577)	(46,391)
	<u>378,998</u>	<u>(118,010)</u>
Taxation paid	(213,040)	(15,550)
Cash provided by/(used in) operating activities	<u>165,958</u>	<u>(133,560)</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(113,784)	(101,990)
Long term receivables	14,843	62,082
Cash acquired on business combination	152,963	-
Short term deposits	-	568
Interest received	35,241	38,544
Cash provided by/(used in) investing activities	<u>89,263</u>	<u>(796)</u>
Cash Flows from Financing Activities		
Long term loans	(215,786)	137,340
Interest paid	(159,569)	(55,498)
Cash (used in)/provided by investing activities	<u>(375,355)</u>	<u>81,842</u>
Decrease in cash and cash equivalents	(120,134)	(52,514)
Cash and cash equivalents at beginning of year	<u>837,294</u>	<u>667,505</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>717,160</u></u>	<u><u>614,991</u></u>



SEPROD LIMITED

Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

3 months ended 31 March 2018	Manufacturing \$'000	Distribution \$'000	Eliminations \$'000	Group \$'000
External revenue	3,293,237	1,658,445	-	4,951,682
Inter-segment revenue	1,528,126	-	(1,528,126)	-
Total revenue	4,821,363	1,658,445	(1,528,126)	4,951,682
Segment result	615,162	59,613	-	674,775
Unallocated income				(137,653)
Operating profit				537,122
Segment assets	13,881,684	1,328,063	-	15,209,747
Unallocated assets				4,120,864
Total assets				19,330,611
Segment liabilities	3,570,619	2,142,412	-	5,713,030
Unallocated liabilities				4,300,869
Total liabilities				10,013,899
Capital expenditure	103,902	-	-	103,902
Unallocated capital expenditure				9,882
Total capital expenditure				113,784
Depreciation	173,230	1,383	-	174,613
Unallocated depreciation				8,916
Total depreciation				183,529
3 months ended 31 March 2017	Manufacturing \$'000	Distribution \$'000	Eliminations \$'000	Group \$'000
External revenue	2,368,349	1,882,992	-	4,251,341
Inter-segment revenue	1,350,860	-	(1,350,860)	-
Total revenue	3,719,209	1,882,992	(1,350,860)	4,251,341
Segment result	465,590	54,678	-	520,268
Unallocated income				(63,699)
Operating profit				456,569
Segment assets	8,189,303	1,351,443	-	9,540,746
Unallocated assets				8,108,798
Total assets				17,649,544
Segment liabilities	2,476,458	973,131	-	3,449,589
Unallocated liabilities				4,937,427
Total liabilities				8,387,016
Capital expenditure	19,075	3,200	-	22,276
Unallocated capital expenditure				79,714
Total capital expenditure				101,990
Depreciation	111,045	1,578	-	112,623
Unallocated depreciation				7,529
Total depreciation				120,152

Total revenue for the period includes export sales of \$287,479,000 (2017 – \$279,557,000)



SEPROD LIMITED

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 2017.

These interim financial statements do not reflect adjustments for the re-measurement of post-employment benefits or for the fair value of available-for-sale investments (other than those resulting from changes in foreign exchange rates) as at 31 March 2018. Such adjustments are determined annually based on independent valuations. These adjustments will be reflected in our audited financial statements for the year ended 31 December 2018.