Facey Group Limited
Registered Office: Erin Court, Bishop's Court Hill, St. Michael, Barbados

Invitation by Prospectus

by

Facey Group Limited

inviting Offers for the purchase of

91,914,894 Ordinary Shares

in the capital of

SEPROD LIMITED

pursuant to nominations by Facey Group Limited,

in each case at the price of $23.99 per Ordinary Share

Dated the 10th day of October 2018

A copy of this Prospectus was delivered to the Registrar of Companies for registration pursuant to section 40(2) of the Companies Act and was so registered on the 11th day of October 2018. The Registrar of Companies accepts no responsibility whatsoever for the contents of this Prospectus.

A copy of this Prospectus was delivered to the Financial Services Commission on 12th day of October 2018 pursuant to section 26 of the Securities Act. The Financial Services Commission has neither approved the issue of this Prospectus nor has the Commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

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Section 1 Important Notice

Unless stated otherwise, terms used in this Prospectus shall have the meanings attributed to them in Section 5 - **Definitions** of this Prospectus.

The Ordinary Shares of the Company are listed on the JSE and prospective investors are invited and encouraged to view all TRADE INFORMATION relating to the Company published on the JSE website at www.jamstockex.com

Investors are also invited to view the 2017 Annual Report for Seprod Limited at http://www.seprod.com/images/AnnualReport/2017%20Seprod%20Annual%20Report%20(FR).pdf

Copies of the audited Financial Statements for **Seprod Limited** for Financial Year ended December 31, 2017; AND unaudited Interim Financial Statements for **Seprod Limited** for the six month period ending June 30, 2018 appear in this Prospectus as APPENDIX 2.

The signatures of the **Directors of the Nominator** appear in Section 16 – **Signatures of Directors of the Nominator** of this Prospectus. The Directors of the Nominator are individually and collectively responsible for the contents of this Prospectus. To the best of the knowledge and belief of such Directors, the information contained in this Prospectus is factually correct and true and no information has been omitted that would make any statement in this Prospectus misleading or that is likely to otherwise materially affect its interpretation.

Neither the Company nor the JSE accepts any responsibility for the contents of this document nor does the Company or the JSE make any representations as to its accuracy or completeness. Each of the Company and the JSE expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of this document.

This Prospectus is issued by the Nominator to the public in Jamaica only and is not to be construed as making an invitation or offer to persons outside of Jamaica to purchase any Shares or other securities.

By this Prospectus, the Nominator is making available to prospective Investors, the opportunity to purchase the Shares the subject of this Invitation pursuant to the Nominator's Rights under the Share Purchase Agreement to require of Seprod Limited that it issue (for valuable consideration) the Shares to the Nominator OR the nominee(s) of the Nominator. The Nominator intends to nominate successful Applicants (to Seprod Limited) so that such successful Applicants will acquire the Shares in lieu of the Nominator.

Section 2 Key Dates

The Application Form to be used by all Applicants is provided at Appendix 2 of this Prospectus together with notes on how to complete the form. The Invitation will open at 9.00 am on the Opening Date and will close at 4:30 p.m. on the Closing Date subject to the right of the Nominator to: (a) close the Invitation at any time after 9:00 a.m. on the Opening Date once the Invitation is fully subscribed, or (b) extend the period during which the Invitation shall remain open for any reason, provided that such period does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Companies Act. In the case of the extension of such period or an early closing, notice will be posted on the website of the JSE at www.jamstockex.com,

The below timetable is indicative and will be implemented on a best efforts basis, with the Directors of the Nominator however reserving the right to change the dates that the Invitation opens and closes based on market conditions and other relevant factors as determined by the Nominator subject always to statutory and regulatory obligations.

Date of Prospectus	October 10, 2018
Opening Date	October 23, 2018
Closing Date	October 30, 2018 subject to the right of the Nominator to designate an earlier or later date in the circumstances set out in this Prospectus
Expected dispatch of investor statements and any refund if applicable	Within 10 days of Closing Date

Section 3 **Summary of Key Information**

The following summary information is derived from and should be read in conjunction with, and is qualified in its entirety by, the full text of this Prospectus, including the Appendices and the Trade Information published on the JSE website.

Potential investors are advised to read carefully, this entire Prospectus and the Trade Information published on the JSE website, before making an investment decision about the transactions herein. Each recipient's attention is specifically drawn to the Risk Exposure in Section 13 - **Risk Exposures** of this Prospectus for purposes of determining whether or not to apply for the purchase of Shares.

If you have any questions arising out of this document or if you require any explanations, you should consult your stock broker, licensed investment advisor, attorney-at-law, accountant or other professional advisor.

Company:	Seprod Limited
Nominator:	Facey Group Limited
Lead Broker:	NCB Capital Markets Limited
Shares the subject of the Invitation:	91,914,894 Ordinary Shares inclusive of 55,000,000 Reserved Shares, subject to the Directors of the Nominator (in consultation with the Arranger) increasing the number of Ordinary Shares to be made the subject of the Invitation, provided that the Directors shall have no obligation to make any such increase.
Invitation Price:	$23.99 per Ordinary Share
Use of Proceeds:	None of the net proceeds from the Invitation will be payable to the Company as all the shares the subject of the Invitation are being made available by the Nominator pursuant to the Nominator's Rights (as defined herein).

Timetable: The below timetable is indicative and will be implemented on a best efforts basis, with the Directors of the Nominator however reserving the right to change the dates that the Invitation remains open based on market conditions and other relevant factors.

i. Distribution of Prospectus - October 16, 2018
ii. The Opening Date – 9:00am on October 23, 2018
iii. The Closing Date (completed and signed Application Forms to be received by) - 4:30pm on October 30, 2018
iv. Allocations are expected to be determined within 21 days of the Closing Date
v. Where applicable, it is expected that refunds will be returned to the Lead Broker within 10 days of the Closing Date

Section 4 <u>Message from the Nominator to Prospective Investors</u>

DEAR PROSPECTIVE INVESTORS:

The Nominator is pleased to invite you to apply to purchase 91,914,894 ordinary shares in the capital of the Company on the terms set out in this Prospectus which purchase is made possible by virtue of the Nominator's Rights.

As first disclosed in a press release issued by the Company on March 22, 2018, the Company has reached an agreement with the Nominator to acquire the Nominator's consumer business which consists solely of its distribution of consumer and pharmaceutical products in Jamaica.

The Company's board unanimously approved the terms of the acquisition which includes paying a mix of cash and shares consistent with an independent valuation. As outlined its press release, the Company expects the acquisition to increase Seprod's earnings and cash flow on a per share basis.

The transaction closed in September 2018 subject only to issuance of 217,148,936 shares by the Company to the Nominator. The Nominator intends to keep 125,234,043 ordinary shares for its own account and to make 91,914,894 ordinary shares available to prospective Investors inclusive of 55,000,000 ordinary shares reserved for staff, managers, executives, directors and former directors of the Company and its subsidiaries including Facey Consumer, shareholders of the Company (with JCSD accounts) as at August 31, 2018 and the Lead Broker.

The Nominator's has elected to make the 91,914,894 ordinary shares available to prospective investors which are the subject of this Invitation primarily for three reasons set out below.

(1) to safeguard against the issuance of additional ordinary shares by the Company to the Nominator (as partial consideration for its acquisition of the Nominator's consumer business) leading to a change of control of Seprod as a result of the Nominator and its affiliates collectively owning more than 50% of the issued ordinary shares of the Company. Currently, the Nominator's affiliate Musson (Jamaica) Limited owns 45.27% of the issued ordinary shares of the Company. If all the ordinary shares that are the subject of the Invitation are purchased by prospective investors, the Nominator and its affiliate Musson (Jamaica) Limited will own 48.94% of the issued shares of the Company.

(2) to continue to build a culture of ownership at the Company by allowing the staff, managers, executives, and directors to purchase the Reserved Shares. The Nominator believes that allowing Company's staff to participate in the Invitation through their purchase of a pool of Reserved Shares will align their interests with those of all shareholders in the Company thereby increasing long-term shareholder value.

(3) to allow fellow shareholders to purchase additional shares in the Company. The Nominator has made a pool of Reserved Shares available exclusively to other existing shareholders of the Company.

Prospective Investors are invited and encouraged to view all TRADE INFORMATION relating to the Company published on the JSE website at https://www.jamstockex.com/

HOW TO MAKE AN APPLICATION FOR SHARES

Those investors who are interested in purchasing Shares should read this Prospectus in its entirety inclusive of the Risk Exposures detailed at Section 13, the Trade Information relating to the Company published on the JSE website and then complete and sign the Application Form set out in the Appendices.

Best regards,

Patrick Scott

Executive Deputy Chairman

Section 5 Definitions

Word or Phrase	Definition
Applicant	A person (being an individual or a body corporate) whether a Reserved Share Applicant or a member of the general public, who submits an Application
Application	An application for Shares made by the required Application Form the same to be duly signed/executed by the Applicant and submitted along with payment of the Price with respect to the Shares, the subject of the Application.
Application Form	The form of application to be used by all Applicants who wish to make an offer to purchase Shares in the Invitation, as set out in the Appendix 2.
Application List	The application list in respect of the Invitation.
Articles	The Articles of Incorporation of the Company.
Board of Directors of the Nominator OR the Directors of the Nominator	The Board of Directors of the Nominator whose signatures appear in Section 16
Company	Seprod Limited
Closing Date	The date on which the Invitation closes, being 4:30 pm on October 30, 2018, subject to the right of the Nominator to shorten or extend the period during which the Invitation will remain open, in the circumstances set out in this Prospectus.
Invitation	The invitation to purchase Ordinary Shares made by the Nominator on the terms and conditions set out in this Prospectus.
Invitation Price or Price	$23.99 per ordinary share in Jamaican currency.
JCSD	Jamaica Central Securities Depository Limited, a wholly owned subsidiary of the JSE, incorporated under the laws of Jamaica to provide depository and settlement services for securities traded electronically on the floor of the Jamaica Stock Exchange using a book entry system.
JSE	The exchange operated by Jamaica Stock Exchange Limited, a company incorporated under the laws of Jamaica with its registered and principal office at 40 Harbour Street, Kingston, Jamaica.
JSE website	The website of the Jamaica Stock Exchange at www.jamstockex.com
Latest Audited Accounts	the Audited Accounts of the Company for the year 2017 posted on the JSE website

Lead Broker	NCB Capital Markets Limited, the Broker engaged by the Nominator to assist with implementation of the Invitation
Opening Date	The date on which the Invitation opens, being October 23, 2018.
Nominator	Facey Group Limited
Nominator's Rights	The contractual rights held by the Nominator to nominate person(s) to acquire Ordinary Shares in the capital of Seprod Limited pursuant to the terms of that certain Share Purchase Agreement
Reserved Shares	Up to 55,000,000 Shares in the Invitation which are specifically reserved for application from, and purchase by the Reserved Share Applicants at the same price.
Reserved Share Applicants	The persons who are entitled to offer to purchase Reserved Shares are as follows (each to be considered a separate pool): a) Up to 30,000,000 Reserved Shares (the "Employee Reserved Shares") for staff, managers, executives, directors and former directors of the Company and its subsidiaries including Facey Consumer. b) Up to 15,000,000 Reserved Shares "Existing Seprod Shareholder Reserved Shares" for shareholders of the Company (with JCSD accounts) as at August 31, 2018. The reserved shares will only be allocated to the accounts in which the existing shares were held on August 31, 2018. c) Up to 10,000,000 Reserved Shares (the "Lead Broker Reserved Shares") for the Lead Broker.
Selling Agent	A stockbroker approved by the Lead Broker to assist with the implementation of the Invitation
Shares or Ordinary Shares	The ordinary shares in the capital of the Company held by the Nominator (inclusive of the Reserved Shares) where the context permits.
Share Purchase Agreement	The Share Purchase Agreement entered in in September 11, 2018 entered into by the Nominator and Seprod Limited et al, providing for the Nominator (or its nominee(s)) to acquire the Ordinary Shares now made the subject of the Invitation.

Section 6 Disclaimer – Forward Looking Statements

Save for the historical financial information relating to the Company presented by Latest Audited Accounts certain material in this Prospectus or referred to herein may contain forward-looking statements including but not limited to statements of expectations, future plans or future prospects, and financial projections. Forward-looking statements are statements that are not about historical facts and speak only as of the date they are made. Although the Board of Directors of the Nominator believes that in making any such statements its expectations are based on reasonable assumptions, such statements may be influenced by factors that could cause actual outcomes and results to be different or materially different from those projected. Prospective investors in the Company are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they have been made. Future events or circumstances could cause actual results to differ or differ materially from historical or anticipated results.

Forward-looking statements are subject to numerous risks and uncertainties. Once this Prospectus has been signed by or on behalf of the Nominator, the Nominator undertakes no obligation to update publicly or revise any of the forward-looking statements in light of new information or future events, including changes in the Company's financial or regulatory position, or to reflect the occurrence of unanticipated events (subject to any legal or regulatory requirements for such disclosure to be made). There are important factors that could cause actual results to differ or differ materially from those in the forward-looking statements, certain of which are beyond the Nominator's control. These factors include, without limitation, economic, social and other conditions prevailing both within and outside of Jamaica.

Section 7 The Invitation

The Nominator invites the public to purchase up to 91,914,894 Shares from the Nominator, subject to the terms and conditions of this Prospectus.

Issued Ordinary Shares at the date of this Prospectus

Musson (Jamaica) Limited	233,747,988Shares
Coconut Industry Board	163,420,345 Shares
Other Shareholders	119,229,585 Shares

Total Issued Ordinary Shares in the event that the Invitation is fully subscribed

Musson (Jamaica) Limited	233,747,988 Shares
Facey Group Limited	125,234,043 Shares
Coconut Industry Board	163,420,345 Shares
Other Shareholders	119,229,585 Shares
Nominees (whose offers have been accepted)	91,914,894 Shares[1]

All the Shares are priced at the Invitation Price being $23.99 per Ordinary Share (including those Shares made available for purchase by Reserved Share Applicants) payable in full on Application. Reserved Share Applicants are the **persons (referred to herein) who are entitled to subscribe for Reserved Shares.**

[1] Assuming that all of the Ordinary Shares the subject of the Invitation are taken up by the general public, as Investors

The Reserved Shares are initially reserved for priority application from and subscription and/or purchase by Reserved Share Applicants at the same price of $23.99 per Share.

If any of the Reserved Shares are not purchased by the Reserved Share Applicants comprised within the respective pool (hereinbefore described), such Reserved Shares will first be offered to Reserved Share Applicants in the other pools before the same are made available for purchase by the general public.

Subject to the provisions in this Prospectus, the Nominator reserves the right to make available additional Ordinary Shares for purposes of this Invitation.

The Application List will open at 9.00 a.m. on October 23, 2018 (the "Opening Date") and will close on October 30, 2018 at 4.30 p.m., (the "Closing Date") subject to the Nominator's right to close the Application List at any time without notice, if Applications have been received for the full amount of the Shares the subject of the Invitation. Applications are due within the period commencing with Opening Date and ending on the Closing Date.

Subject to the provisions in this Prospectus, the Nominator reserves the right to extend the period during which the Invitation will remain open. Allocations may be on a prorated basis, 21 days after the Invitation is closed, and an announcement will be made informing of the allocation of Shares to successful Applicants.

Applications should be made on the original of the Application Form provided at the end of this Prospectus and can be downloaded from the website of the JSE at www.jamstockex.com

The Invitation will close at 4:30 pm on the Closing Date subject to the right of the Nominator to: (a) close the Invitation at any time after its opens at 9:00 am on the Opening Date once the Invitation is fully subscribed; or (b) extend the period during which the Invitation will remain open for any reason, provided that such period does not extend beyond the expiration of 40 days after the publication of this Prospectus for the purposes of section 48 of the Companies Act. In the case of the extension of such period or an early closing, notice will be posted on the website of the JSE at www.jamstockex.com

Use of proceeds:

The gross proceeds from the Invitation, assuming that it is fully subscribed at the Invitation Price of $23.99 per share, will be $2.17 billion of which approximately $44.37 million is expected to be used to pay transaction costs. The net proceeds from the Invitation is expected to be $2.13 million or $23.50 per share. None of the net proceeds from the Invitation will be payable to the Company as all the Shares the subject of the Invitation are being sold by the Nominator.

The Nominator intend to use the proceeds from the sale of their Shares for general corporate purposes. Details on expenses related to this Invitation, which will be paid from the proceeds of the Invitation, are contained in Section 14 - **Statutory and General Information**.

Section 8 Information about the Company

Seprod Limited is a leading Jamaican manufacturing, agribusiness and distribution company.

The Company maintains large positions in the Jamaican market for several products including edible oils and fats, milk and sweetened condensed milk. In addition, it owns many consumer brands such as: Betty, Butterkist, Chef, Chiffon, Cool Fruit, Gold Seal, Golden Grove, Lider, Miracle, Serge, Supligen and Swizzle. Seprod was founded in 1944 and was listed on the Jamaica Stock Exchange in 1985.

Businesses

Seprod operates three core businesses: ingredients, diary and distribution.

Ingredients

In its ingredients business Seprod produces edible oils and fats, flour, cornmeal and sugar.

Seprod is the main manufacturer of cooking oil, margarine and shortening in Jamaica. Through its subsidiary, Caribbean Products Limited, it produces these products under its own brands such as Chiffon, Lider and Gold Seal and for several third parties.

Seprod is one of two manufacturers of flour in Jamaica. Seprod owns 50% of Jamaica Grains and Cereals Limited, a 50/50 joint venture with Seaboard Corporation. Through this joint venture, Seprod produces both cornmeal and flour from its recently completed multi-grain mill under the Gold Seal brand.

Seprod also operates a sugar estate and factory in St. Thomas through its subsidiary, Golden Grove Sugar Company Limited. Golden Grove sells bulk and packaged sugar both locally and for the export market.

Diary

Seprod is the largest producer of milk in Jamaica. Through its subsidiaries, Serge Island Farms Limited and Serge Island Diaries Limited, Seprod owns over 6,000 head of cattle, operates Jamaica's largest diary and produces a range of UHT milk products and juices at its facilities in St. Thomas under the Serge, Miracle, Monster Milk and Swizzle brands.

Seprod produces sweetened condensed milk in Jamaica mostly under the Betty brand and is also the manufacturer of Supligen. Seprod's subsidiary Musson International Diaries Limited produces these products from its facilities in Bogwalk, St. Catherine, both for the Jamaican and export markets.

Distribution

Seprod has traditionally distributed its products through its subsidiary Industrial Sales Limited and well as through other leading distributors including Facey Commodity Company (Jamaica) Limited.

Other

In addition to its core businesses, Seprod also owns Industrial Biscuits Limited which produces a range of sweet and savory cookies, crackers and other baked goods under its own Butterkist brand as well as for third-party brands such as Ovaltine and Ms. Birdie.

Brands

Seprod owns several well-known consumer brands which are listed below.

Additional information on Seprod can be found on its website seprod.com or in its 2017 Annual Report which is attached to this Prospectus.

Acquisition of Facey Consumer

In March Seprod announced the acquisition of the consumer goods and pharmaceutical distribution businesses of Facey Group Limited. The transaction involved Seprod acquiring Facey Commodity Holdings Limited ("Facey Consumer"), a holding company which owns Facey Commodity Company (Jamaica) Limited, an operating company which comprises solely of Facey's consumer goods and distribution businesses in Jamaica.

The transaction was completed in September 2018 subject only to the issuance of additional shares by Seprod to Facey Group Limited as partial consideration for the acquisition.

Facey Consumer's business provides distribution to leading global consumer brands such as: Brunswick, Boehringer Ingelheim, Goya, KraftHeinz, Mondelez, Nabisco, Pfizer and Roche. Facey Consumer enjoys long-standing relationships with these counterparties which in some cases has spanned many decades. Facey Consumer has also traditionally also been a major distributor of Seprod's products.

In the press release regarding the acquisition, Seprod emphasized that strengthening its distribution platform was a strategic priority for the Company. The press release quoted Seprod's CEO and Managing Director Richard Pandohie as saying, "The acquisition of Facey's consumer business will allow Seprod to take its distribution capabilities to the next level by giving us control of an established, first-class distribution network which is needed to support the continued expansion of our businesses and expand our portfolio of market-leading brands."

Seprod paid US$53.8 million to acquire Facey Consumer including US$16.0 million in cash. Facey is also entitled to receive newly issued shares of Seprod worth US$37.8 million or 217,148,936 shares at a price of $23.50 per share. Of these shares, Facey will purchase 125,234,043 shares bringing the aggregate ownership of Seprod held by Facey and its affiliate Musson to 48.94% or just below 50%. The remaining 91,914,894 shares are the subject of this Invitation and will be purchased by prospective investors including staff, managers, executives, directors and former directors of Seprod.

In 2017 Facey Consumer generated approximately US$9.2 million of EBITDA. In 2015 and 2016, Facey Consumer's EBITDA was approximately US$5.5 million and US$7.0 million respectively.

FACEY COMMODITY COMPANY LIMITED
CONSUMER EBITDA 2015 – 2018
IN US $000'S

	YTD JUNE 2018	2017	2016	2015
REVENUE	67,600	129,082	113,197	103,590
GROSS PROFIT	12,196	23,602	20,710	16,693
SELLING, GENERAL & ADMINISTRATIVE EXPENSE[2]	7,178	14,439	13,743	11,226
EBITDA[3]	**5,018**	**9,163**	**6,966**	**5,467**

Facey Consumer's net debt was US$20.0 million at the time of its acquisition. As a result, Seprod paid an Enterprise Value to 2017 EBITDA multiple of approximately 8.05x to acquire Facey Consumer. Facey Consumer's debt has a weighted average interest rate of approximately 7.29%.

In its press release, Seprod also disclosed that the acquisition of Facey Consumer was unanimously approved by its Board of Directors, was conducted at a price consistent with an independent valuation and is expected to result in an increase in Seprod's earnings and cash flow per share.

[2] Excludes selling, general and administrative expenses related to Facey's telecom business and corporate office and includes only those related to Facey Consumer.
[3] Earnings before interest, tax and depreciation

Section 9 **Share Capital Structure**

The share capital of the Company is divided as follows.

Class	Authorised
Ordinary Shares	780,000,000
Other Shares	Not Applicable

The issued share capital of the Company is as follows.

Issued Ordinary Shares -	516,397,918

Pursuant to the Share Purchase Agreement, the Company will issue an additional 217,148,936 ordinary shares.

Shareholdings in the Company as at the date of this Prospectus are as follows:

Ordinary Shares

Category of Shareholder	Number of type of shares	Percentage
Musson (Jamaica) Limited	233,747,988	45.26 % of issued shares
Coconut Industry Board	163,420,345	31.65% of issued shares
Other Shareholders	119,229,585	23.09% of issued shares

Shareholdings of Ordinary Shares in the event the Invitation is fully subscribed by Applicants will be as follows.

Category of Shareholder	Number of ordinary shares	Percentage
Musson (Jamaica) Limited	233,747,988	31.87% of issued shares
Coconut Industry Board	163,420,345	22.28% of issued shares
Facey Group Limited	125,234,043	17.07% of issued shares
Other Shareholders	119,229,585	16.25% of issued shares
Nominees	91,914,894	12.53% of issued shares

Section 10 **The Board of Directors/Management of the Company**

Prospective Investors are invited to view the Latest Audited Accounts for the Company, for information on the Board of Directors and Management of the Company.

Section 11 **Auditor's Report**

Prospective Investors are invited to view the Latest Audited Accounts for the Company, for the Auditor's Report concerning the Company.

Section 12 **Financial Statements**

Prospective Investors are invited to view the Latest Audited Accounts and/or latest Financial Statements concerning the Company on the website of the Jamaica Stock Exchange at www.jamstockex.com

Section 13 **Risk Exposure**

The Company's activities expose it to a variety of risks including (BUT NOT LIMITED TO THE FOLLOWING):

1. Ordinary Stock Price Fluctuations.
2. Changes in Government Policies
3. Risks of hurricane, fire and other Acts of God
4. Taxation Risks
5. Foreign Currency Risk
6. Operational Risks

The list of risks mentioned in this Section are not to be taken as being exhaustive of all the possible risks that may affect the Company and its business.

Section 14 **Statutory & General Information**

Statutory Information required to be set out in this Prospectus by section 41 and the Third Schedule to the Companies Act and other general information follow.

1. The Company was incorporated on July 8, 1940 and its registered office is at 3 Felix Fox Boulevard.

2. The Company has no founders, management or deferred shares.

3. The Articles fix no shareholding qualification for the directors.

4. The Articles contain the following provisions with respect to the remuneration of the Directors.

   84.3 A director may hold any other office or place of profit under the company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration or otherwise) as his directors may determine and no director or intending director shall be disqualified by his office from contracting with the company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the company by which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the company for any profit realized by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established.

84.5 Any director may act by himself or his firm in a professional capacity for the company and he or his firm shall be entitled to remuneration for professional services as if he was not a director, provided that nothing herein contained shall authorize a director or his firm to act as auditor of the company.

87 The directors on behalf of the company may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with the company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

5. The Opening Date: October 23, 2018

6. The Closing Date: October 30, 2018

7. 91,914,894 Ordinary Shares are being made available for purchase from the Nominator.

8. The names and descriptions of the Directors of the Company are indicated in the Latest Audited Accounts.

9. No previous invitations/offers with respect to shares in the Company have been made by the Nominator to the public.

10. The price for each Share is J$23.99.

11. All Applicants will be required to pay in full the price per Share along with the JCSD processing fees as specified in this Prospectus. No further sum will be payable by any Applicant with respect to Shares under any Application.

12. Details as to investments, bank loans and any other indebtedness of the Company (if any) are indicated by the Latest Audited Accounts.

13. The proceeds from the Invitation will be paid to the Nominator. The Nominator expect to pay the expenses of the Invitation out of the proceeds of the Invitation, and the Nominator estimates that such expenses will not exceed $45 million (inclusive of brokerage fees, legal fees, marketing expenses, Companies Registrars' fees, initial fees and GCT).

14. By virtue of the Latest Audited Accounts the name and addresses of the auditors to the Company are as set out in such Audited Accounts.

15. As far as the Nominator is aware, the Company is not engaged in any litigation, nor is it aware of any pending litigation.

By virtue of the fact that this Prospectus is NOT issued by the Company and that no proceeds of the Invitation will be paid to the Company, no additional information is required to be presented by the Nominator pursuant to section 41 and the Third Schedule to the Companies Act.

Section 15 **<u>Documents Available for Inspection</u>**

Copies of the following documents may be inspected at the offices of the Lead Broker at "The Atrium", 32 Trafalgar Road, Kingston 10 between the hours of 9:00 a.m. to 4:00 p.m. on Mondays to Fridays, up to and including the Closing Date (or the extended Closing Date as the case may be):

1. This Prospectus
2. The Articles of Incorporation of the Company;
3. Copy of the Latest Audited Accounts for the Company for the year ending 2017;
4. Copy of the First Quarter financial results for 2018 with respect to the Company.

Section 16 Signatures of Directors of Nominator

The Directors of the Nominator whose signatures appear below are individually and collectively responsible for the contents of the Prospectus and each has signed same pursuant to a resolution of the Directors of the Nominator authorizing the issue of this Prospectus as at the date first hereinbefore stated.

Paul B. Scott

Niall O'Brien

Nicholas Scott

Patrick Scott

Jose Misrahi

Patrick Flick

Javier Rocio

Julian Jordan

Melanie Subratie

Section 17 **<u>Appendices</u>**

Appendix 1 – Financial Statements

Audited Financial Statements for **Seprod Limited** for Financial Year ended December 31, 2017; AND

Unaudited Interim Financial Statements for **Seprod Limited** for the six month period ending June 30, 2018

[SEE NEXT PAGE]

Seprod Limited

Financial Statements
31 December 2017

Independent auditor's report

To the Members of Seprod Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Seprod Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2017, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

Seprod Limited's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our 2017 audit was planned and executed having regard to the fact that the operations of the Group and Company remain largely unchanged from the prior year.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group consists of 10 legal entities located in Jamaica and St. Lucia, each of which is considered as a component for the audit scoping purposes. The accounting records for these entities are maintained in Jamaica at the Group head office. All entities within the Group are audited by the same engagement team and leader from PwC Jamaica. Full scope audits were performed for all components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of unquoted equity securities (Group and Stand-Alone) *See notes 2i and 17 to the financial statements for disclosures of related accounting policies, judgements and estimates.*	
Unquoted equity securities on the consolidated and stand-alone statement of financial position total $1,370 million as at 31 December 2017, which represent 7% and 8% of total assets of the Group and Company, respectively.	We evaluated management's future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets of the investee. We compared previous forecasts to actual results to assess the performance of the investee and management's ability to forecast.

Key audit matter	How our audit addressed the Key audit matter
Seprod Limited holds equity securities in an affiliated company over which it does not exercise significant influence. These securities are not quoted in an active market. The fair value of these securities is determined using a valuation model based on discounted future cash flows. The magnitude of the balance, the complexity of the valuation model used, the use of management assumptions and the potential for misstatement caused us to focus on this balance. In particular we focused on management's judgements relating to the investee's future cash flows, growth rates and selection of an appropriate discount rate. Management used an independent valuation expert to assist in the valuation process.	We assessed the reasonableness of the key assumptions management applied by: • Comparing long term growth rates in the forecasts to historical results and economic and industry forecasts. • Evaluating, with the assistance of our own valuation expert, management's assumptions around the selected growth rates and discount rates by reference to industry data and valuations of similar companies. • Comparing the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates. • Applying sensitivities in evaluating management's assessment of the planned growth rate in cash flows and changes in discount rates. As a result of our testing, no differences requiring adjustment were identified.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS 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 stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Recardo Nathan.

PricewaterhouseCoopers

Chartered Accountants
24 April 2018
Kingston, Jamaica

Seprod Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue	5	16,511,206	15,781,917
Direct expenses		(12,687,358)	(12,291,448)
Gross Profit		3,823,848	3,490,469
Finance and other operating income	6	753,103	1,051,619
Selling expenses		(624,930)	(589,830)
Administration expenses		(2,352,441)	(2,171,049)
Other operating expenses		(268,611)	(192,493)
Operating Profit		1,330,969	1,588,716
Finance costs	9	(337,773)	(374,631)
Share of results of joint venture	18	(54,236)	(28,161)
Profit before Taxation		938,960	1,185,924
Taxation	10	(291,117)	(310,715)
Net Profit		647,843	875,209
Other Comprehensive Income, net of taxes			
Item that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	10	3,150	166,725
Item that may be subsequently reclassified to profit or loss -			
Unrealised fair value losses on available-for-sale investments	10	(126,345)	(132,385)
TOTAL COMPREHENSIVE INCOME		524,648	909,549
Net Profit is attributable to:			
Stockholders of the Company	11	735,043	1,092,043
Non-controlling interest	18	(87,200)	(216,834)
		647,843	875,209
Total Comprehensive Income is attributable to:			
Stockholders of the Company		611,848	1,126,383
Non-controlling interest		(87,200)	(216,834)
		524,648	909,549
Earnings per Stock Unit attributable to Stockholders of the Company	12	$1.42	$2.11

Seprod Limited

Consolidated Statement of Financial Position

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	Restated 2016 $'000	Restated 2015 $'000
Non-current Assets				
Property, plant and equipment	14	4,101,869	4,116,287	3,907,037
Intangible assets	16	-	1,694	4,234
Available-for-sale investments	17	1,369,574	1,495,919	1,628,304
Investment in joint venture	18	345,006	399,242	427,403
Long term receivables	19	2,243,724	3,543,922	2,584,476
Post-employment benefit asset	20	38,500	40,300	-
Biological assets	21	292,628	236,343	250,759
Deferred tax assets	28	19,237	20,063	73,701
		8,410,538	9,853,770	8,875,914
Current Assets				
Inventories	22	2,495,063	1,930,268	1,746,461
Biological assets	21	508,745	513,198	510,516
Trade and other receivables	23	6,175,651	3,991,910	1,740,697
Financial assets at fair value through profit or loss		-	-	807,069
Current portion of long term receivables	19	1,487,134	76,439	121,836
Taxation recoverable		93,631	29,754	38,178
Short term deposits		-	153,906	142,824
Cash and bank balances		837,294	667,505	1,312,707
		11,597,518	7,362,980	6,420,288
Current Liabilities				
Payables	24	6,807,507	4,468,479	1,981,790
Current portion of long term liabilities	27	2,012,776	2,182,838	1,447,781
Taxation payable		70,587	9,198	86,876
		8,890,870	6,660,515	3,516,447
Net Current Assets		2,706,648	702,465	2,903,841
		11,117,186	10,556,235	11,779,755
Equity Attributable to Stockholders of the Company				
Share capital	25	560,388	560,388	560,388
Capital reserves	26	943,884	1,070,229	1,202,614
Retained earnings		8,384,942	8,137,327	8,546,526
		9,889,214	9,767,944	10,309,528
Non-controlling Interest		(879,402)	(792,202)	(575,368)
		9,009,812	8,975,742	9,734,160
Non-current Liabilities				
Post-employment benefit obligations	20	148,400	143,000	297,900
Long term liabilities	27	1,716,732	1,245,659	1,565,114
Deferred tax liabilities	28	242,242	191,834	182,581
		2,107,374	1,580,493	2,045,595
		11,117,186	10,556,235	11,779,755

Approved for issue by the Board of Directors on 24 April 2018 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 2017

(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
Balance at 1 January 2016, as restated	516,339	560,388	1,202,614	8,546,526	10,309,528	(575,368)	9,734,160
Profit for the year	-	-	-	1,092,043	1,092,043	(216,834)	875,209
Re-measurements on post-employment benefits	-	-	-	166,725	166,725	-	166,725
Fair value losses on investments	-	-	(132,385)	-	(132,385)	-	(132,385)
Total comprehensive income	-	-	(132,385)	1,258,768	1,126,383	(216,834)	909,549
Transactions with owners:							
Dividends paid (Note 13)	-	-	-	(1,667,967)	(1,667,967)	-	(1,667,967)
Balance at 31 December 2016, as restated	516,339	560,388	1,070,229	8,137,327	9,767,944	(792,202)	8,975,742
Profit for the year	-	-	-	735,043	735,043	(87,200)	647,843
Re-measurements on post-employment benefits	-	-	-	3,150	3,150	-	3,150
Fair value losses on investments	-	-	(126,345)	-	(126,345)	-	(126,345)
Total comprehensive income	-	-	(126,345)	738,193	611,848	(87,200)	524,648
Transactions with owners:							
Dividends paid (Note 13)	-	-	-	(490,578)	(490,578)	-	(490,578)
Balance at 31 December 2017	516,339	560,388	943,884	8,384,942	9,889,214	(879,402)	9,009,812

Seprod Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Cash provided by operating activities	29	825,631	882,883
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(474,247)	(708,464)
Proceeds on disposal of property, plant and equipment		5,557	12,399
Proceeds from disposal of fair value through profit and loss		-	1,178,195
Issue of long term receivables		(48,053)	(793,930)
Repayment of long term receivables		78,129	284,199
Redemption/(purchase) of short term deposits		153,906	(11,082)
Interest received		116,167	150,516
Dividends received		400	18,398
Cash (used in)/provided by investing activities		(168,141)	130,231
Cash Flows from Financing Activities			
Long term loans received		1,739,272	958,311
Long term loans repaid		(1,439,317)	(728,030)
Dividends paid		(490,578)	(1,667,967)
Interest paid		(305,713)	(237,276)
Cash used in financing activities		(496,336)	(1,674,962)
Increase/(decrease) in cash and cash equivalents		161,154	(661,848)
Net effect of foreign currency translation on cash		8,635	16,646
Cash and cash equivalents at beginning of year		667,505	1,312,707
CASH AND CASH EQUIVALENTS AT END OF YEAR		837,294	667,505

Seprod Limited

Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Group costs recovered from subsidiaries		846,988	738,445
Finance and other operating income	6	393,263	1,682,168
Administration expenses	7	(1,513,966)	(838,899)
Operating (Loss)/Profit		(273,715)	1,581,714
Finance costs	9	(190,453)	(185,589)
(Loss)/Profit before Taxation		(464,168)	1,396,125
Taxation	10	(53,082)	(151,086)
Net (Loss)/Profit	11	(517,250)	1,245,039
Other Comprehensive Income, net of taxes			
Item that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	10	3,150	166,725
Item that may be subsequently reclassified to profit or loss -			
Unrealised fair value losses on available-for-sale investments	10	(126,345)	(132,385)
TOTAL COMPREHENSIVE INCOME		(640,445)	1,279,379

Seprod Limited
Statement of Financial Position
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	Restated 2016 $'000	Restated 2015 $'000
Non-current Assets				
Property, plant and equipment	14	527,270	454,167	257,646
Available-for-sale investments	17	1,369,574	1,495,919	1,628,304
Investment in subsidiaries	18	4,829,188	1,398,010	1,398,107
Investment in joint venture	18	434,114	434,114	434,114
Long term receivables	19	2,105,349	3,431,474	2,553,392
Post-employment benefit assets	20	38,500	40,300	-
Deferred tax assets	28	-	-	64,223
		9,303,995	7,253,984	6,335,786
Current Assets				
Trade and other receivables	23	3,818,478	2,098,676	110,256
Current portion of long term receivables	19	1,468,012	47,696	89,754
Tax recoverable		77,889	-	-
Due from subsidiaries		992,677	4,325,913	4,128,841
Cash and bank balances		477,304	300,382	1,097,907
		6,834,360	6,772,667	5,426,758
Current Liabilities				
Payables	24	2,267,967	2,120,108	934,281
Current portion of long term liabilities	27	1,709,169	2,012,219	1,285,262
Taxation payable		-	5,049	9,116
Due to subsidiaries		5,272,290	2,751,240	1,676,709
		9,249,426	6,888,616	3,905,368
Net Current (Liabilities)/Assets		(2,415,066)	(115,949)	1,521,390
		6,888,929	7,138,035	7,857,176
Equity				
Share capital	25	560,388	560,388	560,388
Capital reserves	26	383,346	509,691	642,076
Retained earnings		4,495,931	5,500,609	5,756,812
		5,439,665	6,570,688	6,959,276
Non-current Liabilities				
Post-employment benefit obligations	20	148,400	143,000	297,900
Long term liabilities	27	1,200,000	379,024	600,000
Deferred tax liabilities	28	100,864	45,323	-
		1,449,264	567,347	897,900
		6,888,929	7,138,035	7,857,176

Approved for issue by the Board of Directors on 24 April 2018 and signed on its behalf by:

Paul B. Scott Director

Richard Pandohie Director

Seprod Limited

Statement of Changes in Equity

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares ‘000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2016, as restated	516,339	560,388	642,076	5,756,812	6,959,276
Profit for the year	-	-	-	1,245,039	1,245,039
Re-measurements on post-employment benefits	-	-	-	166,725	166,725
Fair value losses on investments	-	-	(132,385)	-	(132,385)
Total comprehensive income	-	-	(132,385)	1,411,764	1,279,379
Transactions with owners:					
Dividends paid (Note 13)	-	-	-	(1,667,967)	(1,667,967)
Balance at 31 December 2016, as restated	516,339	560,388	509,691	5,500,609	6,570,688
Loss for the year	-	-	-	(517,250)	(517,250)
Re-measurements on post-employment benefits	-	-	-	3,150	3,150
Fair value losses on investments	-	-	(126,345)	-	(126,345)
Total comprehensive income	-	-	(126,345)	(514,100)	(640,445)
Transactions with owners:					
Dividends paid (Note 13)	-	-	-	(490,578)	(490,578)
Balance at 31 December 2017	516,339	560,388	383,346	4,495,931	5,439,665

Seprod Limited

Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Cash provided by/(used in) operating activities	29	247,267	(1,422)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(106,878)	(228,764)
Proceeds on disposal of property, plant and equipment		-	8,112
Issue of long term receivables		-	(681,482)
Repayment of long term receivables		45,677	45,064
Interest received		111,773	681,243
Dividends received		400	758,619
Cash provided by investing activities		50,972	582,792
Cash Flows from Financing Activities			
Long term loans received		1,672,626	963,512
Long term loans repaid		(1,125,101)	(507,289)
Dividends paid		(490,578)	(1,667,967)
Interest paid		(187,163)	(183,797)
Cash used in financing activities		(130,216)	(1,395,541)
Increase/(decrease) in cash and cash equivalents		168,023	(814,171)
Net effect of foreign currency translation on cash		8,899	16,646
Cash and cash equivalents at beginning of year		300,382	1,097,907
CASH AND CASH EQUIVALENTS AT END OF YEAR		477,304	300,382

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".

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

Subsidiary	Principal activities
Belvedere Limited	Agriculture
Caribbean Products Company Limited	Manufacture and sale of oils and fats
Golden Grove Sugar Company Limited, and its subsidiary	Sugar production
- Golden Grove Funding Limited	Investments
Industrial Sales Limited	Sale of consumer products
International Biscuits Limited	Manufacture and sale of biscuit products
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

Joint venture entity	Principal activities
Jamaica Grain and Cereals Limited	Manufacture and sale of corn and wheat products and cereals

All subsidiaries are wholly owned, with the exception of Golden Grove Sugar Company Limited which is owned 71.2% by the Company.

Jamaica Grain and Cereals Limited, a former subsidiary, became a 50% joint venture in 2015 following the disposal of 50% interest in the entity and the joint sharing of decision making responsibility with the other shareholder.

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

The consolidated financial statements of the Group and the financial statements of the Company standing alone (together referred to as the 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 financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and biological assets at fair value through profit 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, interpretations and amendments to published accounting standards effective in the current financial year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial period. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

Amendments to IAS 7, 'Statement of Cash Flows' (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The adoption of these amendments resulted in additional disclosures of information enabling users to evaluate changes in liabilities arising from financing activities (Note 27).

Amendments to IAS 12, 'Income Taxes' (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets. There was no significant impact on the Group's financial statements arising from the adoption of the amendments.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods, but were not effective at the date of the statement of financial position. The Group has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be immediately relevant to its operations, and has concluded as follows:

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month expected credit losses on initial recognition of financial assets that are not credit impaired (or lifetime expected credited losses for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit losses rather than 12-month expected credit losses. The model includes operational simplifications for lease and trade receivables. The analysis of the impact of the new impairment model requires the identification of the credit risk associated with counterparties. The counterparties are for trade receivables from customers for products sold. In determining the level of impairment, the Group will use a provisions matrix for trade receivables reflecting past experience of losses incurred due to default as well as forward looking information.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

There is no expected impact on the Group's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the Group does not currently have any such liabilities.

Changes in accounting policies resulting from adoption will be applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Group will recognise any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings.

IFRS 15, 'Revenue from Contracts with Customers' (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

Annual Improvements 2014-2016, (effective for annual periods beginning on or after 1 January 2018). The IASB issued its Annual Improvements to IFRSs 2014-2016 cycles amending a number of standards, the following of which are relevant to the Group: *Amendment to IFRS 12, 'Disclosure of interests in other entities'* which clarified the scope of the standard; and *Amendment to IAS 28, 'Investments in associates and joint ventures'* which clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 January 2019). In January 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets. The Group is assessing the impact of future adoption of the amendments on its financial statements.

IFRIC 23, 'Uncertainty over income tax treatments' (effective for annual period beginning on or after 1 January 2019). This Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The Interpretation had previously clarified that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. The Interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The Group does not expect any significant impact from the adoption of this Interpretation.

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.

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; i.e., 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.

Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual right and obligations of each investor. The Group has assessed the nature of its joint arrangement and has determined it to be a joint venture. The Group's interest in the joint venture is accounted for using the equity accounting method. Under the equity accounting method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for the post acquisition changes in the Group's share of the net assets of the joint venture, less any impairment.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. Losses of the joint venture in excess of the group's interest are not recognised unless the group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Significant Accounting Policies (Continued)

(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.

(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	30 – 50 years
Plant, equipment and furniture	3 – 40 years
Motor vehicles	3 - 5 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.

2. Significant Accounting Policies (Continued)

(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.

(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.

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.

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'.

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.

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.

2. Significant Accounting Policies (Continued)

(j) Impairment of financial assets

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.

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

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.

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.

2. Significant Accounting Policies (Continued)

(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.

(o) Payables

Trade payables are obligations to pay for goods or services that have been acquired n 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) 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.

(r) 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.

(s) 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.

2. Significant Accounting Policies (Continued)

(t) 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 post-employment benefits

The Group provides post-employment healthcare benefits to its 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.

(u) 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.

(v) 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.

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.

(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.

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.

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.

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Notes to the Financial Statements

31 December 2017

(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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
30 – 60 days	326,640	412,466	-	-
60 – 90 days	72,740	139,341	-	-
Greater than 90 days	188,747	70,176	-	-
	588,127	621,983	-	-

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

Trade receivables of $128,524,000 (2016 – $110,705,000) for the Group and $Nil (2016 – $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 is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
At start of year	110,705	82,442	3,619	3,619
Amounts recovered during the year	(8,664)	(18,935)	-	-
Provided during the year	67,873	102,121	-	-
Written off during the year	(41,390)	(54,923)	(3,619)	-
At end of year	128,524	110,705	-	3,619

The creation and release of provision for impaired receivables have been included in administration expenses in profit and 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.

Trade receivables by customer sector

The credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector, is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Supermarket chains	69,259	95,155	-	-
Retailers & Wholesalers	784,227	854,787	-	-
Distributors	356,997	267,688	-	-
Manufacturers	71,845	67,145	-	-
Others	85,288	100,744	-	3,619
	1,367,616	1,385,519	-	3,619
Less: Provision for impairment	(128,524)	(110,705)	-	(3,619)
	1,239,092	1,274,814	-	-

The majority of the Group's trade receivables are receivable from customers in Jamaica.

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3. Financial Risk Management (Continued)

(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; and (v) managing the concentration and profile of debt maturities.

Undiscounted contractual cash flows of financial liabilities

The maturity profile of financial liabilities, based on contractual undiscounted payments, is as follows:

	The Group					
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
			2017			
Long term liabilities	130,349	1,052,383	1,031,489	2,171,953	43,806	4,429,980
Trade payables	1,921,358	-	-	-	-	1,921,358
Due to affiliates	4,169,943	-	-	-	-	4,169,943
Other payables	210,971	-	-	-	-	210,971
	6,432,621	1,052,383	1,031,489	2,171,953	43,806	10,732,252
			2016			
Long term liabilities	31,137	156,801	2,174,498	1,237,611	77,462	3,677,509
Trade payables	1,640,404	-	-	-	-	1,640,404
Due to affiliates	2,103,555	-	-	-	-	2,103,555
Other payables	304,693	-	-	-	-	304,693
	4,079,789	156,801	2,174,498	1,237,611	77,462	7,726,161

	The Company				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
			2017		
Long term liabilities	56,564	977,508	806,375	1,620,000	3,460,447
Due to subsidiaries	5,272,290	-	-	-	5,272,290
Due to affiliates	1,854,836	-	-	-	1,854,836
Other payables	178,261	-	-	-	178,261
	7,361,951	977,508	806,375	1,620,000	10,765,834
			2016		
Long term liabilities	17,689	112,321	2,036,530	393,036	2,559,576
Due to subsidiaries	2,751,240	-	-	-	2,751,240
Due to affiliates	1,743,364	-	-	-	1,743,364
Other payables	238,377	-	-	-	238,377
	4,750,670	112,321	2,036,530	393,036	7,292,557

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

3. Financial Risk Management (Continued)

(c) Market risk

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

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

Currency risk

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

The Group is exposed to foreign exchange risk arising from 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 for the Group at 31 December 2017 includes aggregate net foreign assets of US$14,981,000 and £216,000 (2016 – aggregate net foreign assets of US$29,009,000, £133,000 and (CND$7,000)); while the statement of financial position for the Company at 31 December 2017 includes aggregate net foreign assets of US$26,443,000, £48,000 (2016 – aggregate net foreign assets of US$16,351,000, £184,000), 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 and on other items of equity arising from changes in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 4% devaluation/2% revaluation (2016 - 6% devaluation/1% revaluation) 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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit before taxation -				
US$				
4% devaluation (2016 – 6%)	17,168	39,371	76,404	116,103
2% revaluation (2016 – 1%)	(8,584)	(236,225)	(38,202)	(14,513)
Other currencies				
4% devaluation (2016 – 6%)	1,468	202	328	1,734
2% revaluation (2016 – 1%)	(734)	(1,216)	(164)	(289)
Effect on other items of equity -				
US$				
4% devaluation (2016 – 6%)	57,167	89,755	57,167	89,755
2% revaluation (2016 – 1%)	(28,583)	(14,959)	(28,583)	(14,959)

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 1%/(1%) increase/(decrease) in interest rates in respect of Jamaican dollar denominated instruments (2016 – 1%/(1%) increase/decrease) and a 1.0%/(0.5%) increase/(decrease) in respect of United States dollar denominated instruments (2016 – 1%/(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
2017	2017	2017	2016	2016	2016
JMD / USD	$'000	$'000	JMD / USD	$'000	$'000
The Group					
+100/+100	(9,369)	-	+100/+100	7,354	-
-100/-50	4,684	-	-100/-50	(3,677)	-
The Company					
+100/+100	(9,369)	-	+100/+100	12,418	-
-100/-50	4,684	-	-100/-50	(6,209)	-

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3. Financial Risk Management (Continued)

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

	The Group						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
				2017			
Financial assets							
Available-for-sale investments	-	-	-	-	-	1,369,574	1,369,574
Long term receivables	5,061	11,160	953,398	2,761,239	-	-	3,730,858
Trade and other receivables	-	-	-	-	-	5,782,616	5,782,616
Cash and bank	818,534	-	-	-	-	18,760	837,294
	823,595	11,160	953,398	2,761,239	-	7,170,950	11,720,342
Financial liabilities							
Long term liabilities	80,287	1,261,004	638,109	1,690,065	60,043	-	3,729,508
Payables	-	-	-	-	-	6,302,272	6,302,272
	80,287	1,261,004	638,109	1,690,065	60,043	6,302,272	10,031,780
Total interest repricing gap	743,308	(1,249,844)	315,289	1,071,174	(60,043)	868,678	1,688,562
				2016 (Restated)			
Financial assets							
Available-for-sale investments	-	-	-	-	-	1,495,919	1,495,919
Long term receivables	-	28,743	-	356,945	2,843,547	391,126	3,620,361
Trade and other receivables	-	-	-	-	-	3,680,904	3,680,904
Short term deposits	-	-	153,906	-	-	-	153,906
Cash and bank	648,485	-	-	-	-	19,020	667,505
	648,485	28,743	153,906	356,945	2,843,547	5,586,969	9,618,595
Financial liabilities							
Long term liabilities	8,383	1,227,744	222,903	1,764,572	72,624	132,271	3,428,497
Payables	-	-	-	-	-	4,048,652	4,048,652
	8,383	1,227,744	222,903	1,764,572	72,624	4,180,923	7,477,149
Total interest repricing gap	640,102	(1,199,001)	(68,997)	(1,407,627)	2,770,923	1,406,046	2,141,446

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	The Company						
	Within 1 Month $'000	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
				2017			
Financial assets							
Available-for-sale investments	-	-	-	-	-	1,369,574	1,369,574
Long term receivables	3,720	11,160	935,618	2,622,863	-	-	3,573,361
Trade and other receivables	-	-	-	-	-	3,754,842	3,754,842
Due from subsidiaries	-	-	-	-	-	992,677	992,677
Cash and bank	477,230	-	-	-	-	74	477,304
	480,950	11,160	935,618	2,622,863	-	6,117,167	10,167,758
Financial liabilities							
Long term liabilities	-	1,205,693	463,598	1,214,104	-	-	2,883,395
Payables	-	-	-	-	-	1,854,836	1,854,836
Due to subsidiaries	-	-	-	-	-	5,272,290	5,272,290
	-	1,205,693	463,598	1,214,104	-	7,127,126	10,010,521
Total interest repricing gap	480,950	(1,194,533)	472,020	1,408,759	-	(1,009,959)	157,237
				2016 (Restated)			
Financial assets							
Available-for-sale investments	-	-	-	-	-	1,495,919	1,495,919
Long term receivables	10,017	7,873	35,772	1,206,951	2,218,557	-	3,479,170
Trade and other receivables	-	-	-	-	-	2,032,860	2,032,860
Due from subsidiaries	-	-	-	-	-	4,325,913	4,325,913
Cash and bank	300,305	-	-	-	-	77	300,382
	310,322	7,873	35,772	1,206,951	2,218,557	7,854,769	11,634,244
Financial liabilities							
Long term liabilities	-	81,391	1,939,063	370,789	-	-	2,391,243
Payables	-	-	-	-	-	1,981,741	1,981,741
Due to subsidiaries	-	-	-	-	-	2,751,240	2,751,240
	-	81,391	1,939,063	370,789	-	4,732,981	7,124,224
Total interest repricing gap	310,322	(73,518)	(1,903,291)	836,162	2,218,557	3,121,788	4,510,020

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.

Based on its holding of investments as at 31 December 2016 and 2017, there is no impact on the Group's stockholders' equity at either year end arising from changes in equity prices.

3. Financial Risk Management (Continued)

(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

Fair values of financial instruments

Financial instruments classified 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.

At 31 December 2017, there were no financial instruments classified in Level 1.

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. Specific valuation techniques used to value such financial instruments include: (i) quoted market prices or dealer quotes for similar instruments; and (ii) other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

At 31 December 2017, there were no financial instruments classified in Level 2.

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.

At 31 December 2017, The Group and the Company had unquoted equites with a fair value of $1,369,574,000 (2016 – $1,495,919,000) classified as available-for-sale and categorised as Level 3.

The movement in these instruments is as follows:

	2017 $'000	Restated 2016 $'000
At start of year	1,495,919	1,628,304
Fair value losses	(80,899)	(238,474)
Foreign exchange (losses)/gains	(45,446)	106,089
At end of year	1,369,574	1,495,919

There were no transfers between levels during the year.

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	12.00%	If the discount rate increases the fair value decreases

Discounted cash flow valuation techniques were used to value the unquoted equities.

3. Financial Risk Management (Continued)

(e) Fair value estimates

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 classifies 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.

The movement in the fair value of livestock is as follows:

	2017	**2016**
	$'000	**$'000**
Opening balance	236,343	250,759
Decreases due to sales	(49,705)	(69,980)
Total gains or losses for the period included in profit or loss	105,990	55,564
Closing balance	292,628	236,343
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'	105,990	55,564
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	68,946	2,440

The movement in the fair value of sugar cane is as follows:

	2017	**2016**
	$'000	**$'000**
Opening balance	513,198	510,516
Net cost of cane cultivation and value and cane harvested	(233,173)	(181,104)
Total gains or losses for the period included in profit or loss	228,720	183,786
Closing balance	508,745	513,198
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'	228,720	183,786
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(4,453)	2,682

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3. Financial Risk Management (Continued)

(e) Fair value estimates (continued)

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 2017

Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Dairy livestock price	\$11,050 - \$106,250 (\$73,297) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$7,013 - \$99,623 (\$70,778) per animal	The higher the market price, the higher the fair value.

Fair Value at 2016

Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Dairy livestock price	\$10,286 - \$105,013 (\$60,449) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$6,458 - \$99,623 (\$45,360) per animal	The higher the market price, the higher the fair value.

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

Fair Value at 2017

Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
JRCS	8.94	The higher the JRCS, the higher the fair value.

Fair Value at 2016

Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
JRCS	8.60	The higher the JRCS, the higher the fair value.

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:

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, trade receivables (Note 23) and trade payables (Note 24).

The carrying values of long term receivables (Note 19) approximate their fair values, as these receivables are carried at amortised cost and the interest rates are reflective of current market rates for similar transactions.

The carrying values of long term loans (Note 27) 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.

Post-employment benefit obligations
The present value of the pension and other post-employment benefit 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 (or income) for post-employment benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of post-employment benefit 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 post-employment benefit 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 obligation. Other key assumptions for post-employment benefit obligations are based in part on current market conditions. Sensitivity disclosures in relation to changes in assumptions are disclosed in Note 20.

Fair value of certain biological assets
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 $14,631,000.

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 $28,787,000.

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 12% and a market participant minority discount of 20%. For the valuation of unquoted ordinary shares at the year-end, if the discount rate had increased/decreased to 13%/11% with all other variables constant, the fair value would decrease/increase from US$5,300,000 to US$3,840,000/US$7,130,000.

Joint venture
The joint venture agreements in relation to the Jamaica Grain and Cereals Limited require unanimous consent from all parties for all relevant activities. The partners have rights to the net assets of the arrangement. This entity is therefore classified as a joint venture and the Group recognises its share of the results for the year.

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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 and wheat products, cereals, milk products, juices, sugar and biscuits.

(ii) Distribution – The merchandising of consumer goods.

	2017			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	9,636,861	6,874,345	-	16,511,206
Inter-segment revenue	4,975,998	-	(4,975,998)	-
Total revenue	14,612,859	6,874,345	(4,975,998)	16,511,206
Segment result	961,210	74,964	-	1,036,174
Unallocated corporate income				294,795
Operating profit				1,330,969
Segment assets	8,450,424	1,327,770	-	9,778,194
Unallocated corporate assets				10,229,862
Total consolidated assets				20,008,056
Segment liabilities	3,842,154	1,771,833	-	5,613,987
Unallocated corporate liabilities				5,384,257
Total consolidated liabilities				10,998,244
Other segment items –				
Capital expenditure	366,415	954	-	367,369
Unallocated capital expenditure				106,878
Total capital expenditure				474,247
Depreciation	439,782	6,005	-	445,787
Unallocated depreciation				32,435
Total depreciation				478,222

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5. Business Segments (Continued)

	2016 (Restated)			
	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 corporate income				823,300
Operating profit				1,588,716
Segment assets	7,536,809	1,412,056	-	8,948,865
Unallocated corporate assets, as restated				8,267,885
Total consolidated assets, as restated				17,216,750
Segment liabilities	3,854,179	365,747	-	4,219,926
Unallocated corporate liabilities				4,021,082
Total consolidated liabilities				8,241,008
Other segment items –				
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

The Group's customers are mainly resident in, and operate from, Jamaica. Revenues of $15,214,496,000 (2016 - $14,906,124,000) were earned from Jamaican customers, while revenues of $1,296,710,000 (2016 - $875,793,000) were earned from customers resident in other countries.

6. Finance and Other Operating Income

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Dividend income from subsidiary	-	-	-	758,414
Dividend income on available-for-sale investments	400	205	400	205
Dividend income on financial assets at fair value through profit or loss	-	18,193	-	-
(Loss)/gain on disposal of property, plant and equipment	(4,574)	3,857	(1,340)	5,766
Gain on sale of financial assets at fair value through profit or loss	-	360,140	-	-
Interest income from subsidiaries	-	-	-	345,757
Other interest income	352,789	384,165	347,690	364,423
Management fees	248,927	52,465	71,500	52,465
Net foreign exchange (losses)/gains	(36,409)	135,480	(50,758)	139,349
Rental income	50,725	10,971	21,640	10,971
Other	141,245	86,143	4,131	4,818
	753,103	1,051,619	393,263	1,682,168

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Advertising and promotion	163,477	166,452	21,526	13,354
Amortisation of intangible assets	1,694	2,540	-	-
Auditors' remuneration	23,071	21,562	6,249	5,980
Bad debt expense, net of recoveries	14,212	63,766	-	977
Cost of inventories recognised as an expense	9,024,547	8,750,336	-	-
Delivery charges	171,191	161,211	393	-
Depreciation	478,222	488,545	32,435	28,757
Donations	36,886	31,247	36,886	31,247
Feed, chemicals and veterinary supplies	545,629	461,794	-	-
Fertilising	7,599	11,057	-	-
Impairment of investment in subsidiary	-	-	568,822	-
Insurance	179,294	183,881	20,393	18,691
Motor vehicle expenses	64,814	62,628	11,264	13,292
Non-recoverable GCT	270,463	196,711	61,410	-
Professional services	119,526	146,889	89,259	77,850
Raw and packaging material	622,678	659,462	-	-
Repairs and maintenance	399,657	560,532	37,566	46,284
Security	187,289	174,316	33,149	26,142
Staff costs (Note 8)	2,147,023	1,909,875	469,997	490,223
Supplies	23,029	78,453	429	-
Utilities	707,784	583,892	36,199	24,561
Other	745,255	529,671	87,989	61,541
	15,933,340	15,244,820	1,513,966	838,899

8. Staff Costs

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	1,625,313	1,416,641	336,656	332,811
Statutory contributions	173,156	151,683	33,925	35,041
Pension – defined benefit (Note 20)	10,600	27,000	10,600	27,000
Pension – defined contribution (Note 20)	32,302	31,494	8,142	10,103
Pension – defined contribution (Note 20)	2,722	850	-	-
Other post-employment benefits (Note 20)	12,700	12,300	12,700	12,300
Other	290,230	269,907	67,974	72,968
	2,147,023	1,909,875	469,997	490,223

9. Finance Costs

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Foreign exchange (gains)/losses	(4,263)	130,362	-	-
Interest expense –				
Long term loans	265,926	195,172	184,433	177,999
Other	62,349	43,896	6,020	7,590
Amortisation of deferred financing fees	13,761	5,201	-	-
	337,773	374,631	190,453	185,589

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10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 25%.

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current taxation	244,469	303,284	-	97,000
Adjustment to prior year provision	(3,536)	115	(1,409)	115
	240,933	303,399	(1,409)	97,115
Deferred taxation (Note 28)	50,184	7,316	54,491	53,971
	291,117	310,715	53,082	151,086

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Profit/(loss) before taxation	938,960	1,185,924	(464,168)	1,396,125
Tax calculated at a tax rate of 25%	234,742	296,481	(116,042)	349,031
Adjusted for the effect of:				
Investment income not subject to tax	-	(124,726)	-	(34,837)
Adjustment to prior year provision	(3,536)	115	(1,409)	115
Employment tax credit	(61,854)	(64,926)	-	-
Profit of subsidiaries not subject to tax	-	5,777	-	-
Expenses not deductible	29,124	36,000	165,762	31,867
Loss of joint venture included net of tax	13,559	7,040	-	-
Tax losses of subsidiaries for which no deferred tax assets have been created	75,757	163,061	-	-
Income taxed at different rates	-	(5,748)	-	(195,351)
Other charges and credits	3,325	(2,359)	4,771	261
	291,117	310,715	53,082	151,086

A subsidiary is 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. Consequently, profits of the subsidiary amounting to $37,051,000 (2016 – $16,870,000) were not subject to tax.

Tax charge relating to components of other comprehensive income are as follows:

	The Group & The Company		
	Before Tax	**Tax Effect**	**After Tax**
	$'000	**$'000**	**$'000**
		2017	
Re-measurements of post-employment benefit obligations	4,200	(1,050)	3,150
Fair value losses – Available-for-sale financial assets	(126,345)	-	(126,345)
Other comprehensive income	(122,145)	(1,050)	(123,195)
		2016	
Re-measurements of post-employment benefit obligations	222,300	(55,575)	166,725
Fair value losses – Available-for-sale financial assets	(132,385)	-	(132,385)
Other comprehensive income	89,915	(55,575)	34,340

11. Net Profit Attributable to Stockholders of the Company

Dealt with as follows in the financial statements:

	2017	2016
	$'000	$'000
The Company	(517,250)	1,245,039
Reversal of impairment of subsidiary on consolidation	568,822	-
Dividend income from subsidiaries	-	(758,414)
	51,572	486,625
Subsidiaries	737,707	633,579
Joint venture	(54,236)	(28,161)
	735,043	1,092,043

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.

	2017	2016
Net profit attributable to stockholders ($'000)	735,043	1,092,043
Weighted average number of ordinary stock units ('000)	516,339	516,339
Basic earnings per stock unit ($)	1.42	2.11

The Company has no dilutive potential ordinary shares.

13. Dividends

	2017	2016
	$'000	$'000
Interim dividends –		
60 cents per stock unit – 8 July 2016	-	309,839
263 cents per stock unit – 7 November 2016	-	1,358,128
60 cents per stock unit – 14 July 2017	309,839	-
35 cents per stock unit – 6 December 2017	180,739	-
	490,578	1,667,967

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14. Property, Plant and Equipment

	The Group					
	Freehold Land & Site Improvements $'000	**Buildings $'000**	**Plant, Equipment & Furniture $'000**	**Motor Vehicles $'000**	**Work in Progress $'000**	**Total $'000**
			2017			
Cost -						
At 1 January 2017	658,165	1,603,516	5,044,228	387,908	96,467	7,790,284
Additions	54,910	13,380	245,385	7,438	153,134	474,247
Disposals	-	(45,394)	(64,210)	(1,857)	-	(111,461)
Write-offs/Adjustments	-	-	(1,513)	-	(156)	(1,669)
Transfers	-	14,735	55,489	6,917	(77,141)	-
At 31 December 2017	713,075	1,586,237	5,279,379	400,406	172,304	8,151,401
Accumulated Depreciation -						
At 1 January 2017	-	596,772	2,761,228	315,997	-	3,673,997
Charge for the year	-	33,451	407,124	37,647	-	478,222
On disposals	-	(41,375)	(58,098)	(1,857)	-	(101,330)
Write-offs/Adjustments	-	-	(1,357)	-	-	(1,357)
At 31 December 2017	-	588,848	3,108,897	351,787	-	4,049,532
Net Book Value -						
At 31 December 2017	713,075	997,389	2,170,482	48,619	172,304	4,101,869
			2016			
Cost -						
At 1 January 2016	616,165	1,255,163	4,558,979	415,180	380,297	7,225,784
Additions	42,000	167,646	280,924	7,071	210,823	708,464
Disposals	-	(8,533)	(98,961)	(34,343)	-	(141,837)
Write-offs/Adjustments	-	-	(364)	-	(1,763)	(2,127)
Transfers	-	189,240	303,650	-	(492,890)	-
At 31 December 2016	658,165	1,603,516	5,044,228	387,908	96,467	7,790,284
Accumulated Depreciation -						
At 1 January 2016	-	572,525	2,446,726	299,496	-	3,318,747
Charge for the year	-	31,082	408,231	49,232	-	488,545
On disposals	-	(6,835)	(93,729)	(32,731)	-	(133,295)
At 31 December 2016	-	596,772	2,761,228	315,997	-	3,673,997
Net Book Value -						
At 31 December 2016	658,165	1,006,744	2,283,000	71,911	96,467	4,116,287

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14. Property, Plant and Equipment (Continued)

	The Company					
	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
			2017			
Cost -						
At 1 January 2017	108,289	525,839	176,169	36,324	15,339	861,960
Additions	54,910	6,187	22,885	-	22,896	106,878
Disposals	-	(39,513)	(5,305)	-	-	(44,818)
Transfers	-	13,237	12,278	-	(25,515)	-
At 31 December 2017	163,199	505,750	206,027	36,324	12,720	924,020
Accumulated Depreciation -						
At 1 January 2017	-	249,816	134,088	23,889	-	407,793
Charge for the year	-	8,428	16,032	7,975	-	32,435
Relieved on disposals	-	(38,174)	(5,304)	-	-	(43,478)
At 31 December 2017	-	220,070	144,816	31,864	-	396,750
Net Book Value -						
At 31 December 2017	163,199	285,680	61,211	4,460	12,720	527,270
			2016			
Cost -						
At 1 January 2016	66,289	383,576	160,634	50,945	433	661,877
Additions	42,000	149,027	4,290	6,155	27,292	228,764
Disposals	-	(6,764)	-	(20,776)	-	(27,540)
Write-off	-	-	-	-	(1,141)	(1,141)
Transfers	-	-	11,245	-	(11,245)	-
At 31 December 2016	108,289	525,839	176,169	36,324	15,339	861,960
Accumulated Depreciation -						
At 1 January 2016	-	248,934	121,634	33,663	-	404,231
Charge for the year	-	6,912	12,454	9,390	-	28,756
Relieved on disposals	-	(6,030)	-	(19,164)	-	(25,194)
At 31 December 2016	-	249,816	134,088	23,889	-	407,793
Net Book Value -						
At 31 December 2016	108,289	276,023	42,081	12,435	15,339	454,167

Certain of the Group's property, plant and equipment have been pledged as security for its borrowings (Note 27).

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15. Financial Instruments

	The Group		The Company	
		Restated		Restated
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial Assets				
Available-for-sale, at fair value (Note 17)	1,369,574	1,495,919	1,429,171	1,495,919
Loans and receivables, at cost or amortised cost –				
Long term receivables (Note 19)	3,730,858	3,620,361	3,573,361	3,479,170
Trade and other receivables	5,782,616	3,680,904	3,764,312	2,032,860
Due from subsidiaries	-	-	992,677	4,325,913
Short term deposits	-	153,906	-	-
Cash and bank balances	837,294	667,505	477,304	300,382
	10,350,768	8,122,676	8,807,654	10,138,325
	11,720,342	9,618,595	10,236,825	11,634,244
Financial Liabilities				
At cost or amortised cost –				
Due to subsidiaries	-	-	5,272,290	2,751,240
Trade and other payables	6,302,272	4,048,652	2,033,097	1,981,741
Long term liabilities (Note 27)	3,729,508	3,428,497	2,909,169	2,391,243
	10,031,780	7,477,149	10,214,556	7,124,224

16. Intangible Assets

Intangible assets comprise brands acquired by the Group, and are amortised over their estimated useful lives of 10 years. Amortisation of intangible is included in administration and other operating expenses in the statement of comprehensive income. The carrying value of intangible assets was determined as follows:

	The Group	
	2017	2016
	$'000	$'000
Fair value of brands on acquisition	73,407	73,407
Less: Accumulated amortisation	(73,407)	(71,713)
	-	1,694

17. Available-for-Sale Investments

Available-for-sale financial statements comprise the following:

	The Group & The Company		
		Restated	Restated
	2017	2016	2015
	$'000	$'000	$'000
Equity securities denominated in Jamaican dollars	40	40	40
Equity securities denominated in US dollars	1,369,534	1,495,879	1,628,264
	1,369,574	1,495,919	1,628,304

Equity securities denominated in US dollars
The Company owns 42,214 ordinary shares (10.3%) (2015 and 2016 – 9.65%) and 20,486 preference shares (34.1%) in Facey Group Limited, a related company over which the Company does not exercise significant influence. 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 12% (2016 – 12%).

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18. Investment in Subsidiaries and Joint Venture

Investment in subsidiaries

	2017 $'000	2016 $'000
Balance at 1 January	1,398,010	1,398,107
Capitalisation of subsidiary	4,000,000	-
Impairment of subsidiary	(568,822)	-
Disposal of subsidiary (Note 33)	-	(97)
Balance at 31 December	4,829,188	1,398,010

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.

During 2016, the group wound up the activities of a wholly owned subsidiary, Xaymaca Limited, that was dormant at the time of winding up.

Effective 1 January 2017, the Company further capitalised Golden Grove Sugar Company Limited by $4 billion using intercompany balances owed to the Company by the subsidiary. The Company recorded an impairment charge of $569 million in relation to this subsidiary during the year.

The total non-controlling interest for the year of ($87,200,000) (2016 – ($216,834,000)) is entirely attributable to Golden Grove Sugar Company Limited. Summarised financial information for Golden Grove Sugar Company Limited, before intercompany eliminations, is as follows:

Summarised statement of comprehensive income

	2017 $'000	2016 $'000
Revenue	1,382,775	1,310,500
Depreciation	(141,538)	(151,968)
Interest on intercompany balances owed to the Company	-	(345,757)
Net loss	(302,777)	(752,372)

Summarised statement of financial position

	2017 $'000	2016 $'000
Non-current assets	982,902	1,090,760
Current assets	984,027	1,079,260
Non-current liabilities	(292,917)	(651,383)
Intercompany balance owed to the Company	(262,681)	(3,918,886)
Other current liabilities	(379,539)	(225,017)
Net Assets/(Liabilities)	1,031,792	(2,625,266)

Summarised statement of cash flows

	2017 $'000	2016 $'000
Cash flows from operating activities	(119,142)	(197,973)
Cash flows from investing activities	133,495	(84,802)
Intercompany financing provided by the Company	303,634	809,449
Other cash flows from financing activities	(317,943)	(517,716)
Cash and cash equivalents at end of year	18,683	18,903

18. Investment in Subsidiaries and Joint Venture (Continued)

Investment in joint venture

The Group owns 50% of Jamaica Grain and Cereals Limited, a former subsidiary that manufactures and sells corn and wheat products and cereals. The carrying value of the investment approximates 50% of the carrying value of the net assets of the joint venture entity.

The movement in investment in joint venture is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance at the beginning of the year	399,242	427,403	434,114	434,114
Share of loss	(54,236)	(28,161)	-	-
Balance at the end of the year	345,006	399,242	434,114	434,114

The summarised financial information for the joint venture is as follows:

Summarised statement of comprehensive income

	2017	**2016**
	$'000	**$'000**
Revenue	953,965	798,637
Depreciation	31,679	13,480
Net loss	(108,472)	(56,323)

Summarised statement of financial position

	2017	**2016**
	$'000	**$'000**
Non-current assets:		
Property, plant and equipment	3,121,230	1,866,587
Deferred tax assets	37,580	1,480
	3,158,810	1,868,067
Current assets:		
Inventories	318,254	99,907
Cash and cash equivalents	143,677	208,838
Other current assets	205,512	72,500
	667,443	381,245
Current liabilities:		
Due to joint venture partners	(1,171,725)	(1,386,454)
Bank loan	(1,875,006)	-
Payables	(95,257)	(70,121)
	(3,141,988)	(1,456,575)
Net assets	684,265	792,737

Summarised statement of cash flows

	2017	**2016**
	$'000	**$'000**
Cash flows from operating activities	(710,240)	1,915,850
Cash flows from investing activities	(1,296,246)	(1,746,429)
Cash flows from financing activities	1,925,253	-

19. Long Term Receivables

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
(a) Musson (Jamaica) Limited	188,565	240,366	188,565	240,366
(b) Facey Commodity Company Limited	346,102	356,945	346,102	356,945
(c) Facey Group Limited	559,756	577,293	559,756	577,293
(d) Musson International Dairies Limited	1,964,343	2,025,888	1,964,343	2,025,888
(e) Bercyn Farms Limited –				
(i) Mobilisation loan for farming operations	26,757	27,757	-	-
(ii) Advance for replanting and farming operations	129,399	112,448	-	-
(iii) Other	-	350	-	-
	3,214,922	3,341,047	3,058,766	3,200,492
Interest receivable	515,936	279,314	514,595	278,678
	3,730,858	3,620,361	3,573,361	3,479,170
Less: Current portion	(1,487,134)	(76,439)	(1,468,012)	(47,696)
	2,243,724	3,543,922	2,105,349	3,431,474

(a) This related party receivable is due in equal monthly installments of US$30,000 with the remaining principal receivable in full on 31 January 2020. The agreement attracts interest of 9% per annum.

(b) This related party receivable of US$2,800,000 is repayable on maturity at 31 December 2018. The agreement attracts interest of 10% per annum, payable monthly.

(c) This related party receivable of US$4,533,000 is repayable on maturity at 31 December 2018. The agreement attracts interest of 10% per annum, payable monthly.

(d) This related party receivable of US$15,892,000 is repayable on maturity at 23 September 2020. The agreement attracts interest of 12% per annum, payable monthly.

(e) (i) This loan was granted as part of the farm management contract for Golden Grove Sugar Company Limited. The principal of $40,000,000 is repayable in periodic discretionary installments until maturity in November 2019. The agreement attracts interest of 10% per annum.

(ii) This represents advances in respect of the 2016/2017 crop, as well as balance receivable from the sale of spares, farming equipment and other supplies. In the prior year, the amounts were repayable in 3 installments as follows: $22,618,000 in 2017 and two payments of $44,915,000 each in 2018 and 2019. The agreement was renegotiated during the year to be payable in 6 installments and due by November 2020. The agreement does not attract interest.

(iii) This represents a balance receivable from the sale of spares, farming equipment and other supplies. The balance was repayable in 14 instalments totalling $11,084,000 per year until maturity in November 2017.

20. Post-employment Benefits

	The Group & The Company	
	2017	**2016**
	$'000	**$'000**
Asset/(Liability) recognised in the statement of financial position –		
Pension scheme	38,500	40,300
Medical benefits	(148,400)	(143,000)
Expense recognised in profit or loss –		
Pension scheme	10,600	27,000
Medical benefits	12,700	12,300
Gains/(losses) recognised in other comprehensive income –		
Pension scheme	6,800	207,500
Medical benefits	(2,600)	14,800

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 $32,302,000 (2016 – $31,494,000) and $8,142,000 (2016 – $10,103,000), respectively (Note 8).

On 1 January 2015, the fortnightly sugarcane employees of Golden Grove Sugar Company Limited commenced contributing to a defined contribution pension scheme. The pension scheme is administered by an independent insurance company. The subsidiary contributes 2% of the employee's basic salary. The subsidiary's contribution for the year amounted to $2,722,000 (2016 – $850,000).

Defined benefit plan
The Group operates a defined benefit scheme for employees 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 2017.

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

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

	2017	**2016**
	$'000	**$'000**
Present value of funded obligations	(921,200)	(896,700)
Fair value of plan assets	994,000	957,300
Liability in the statement of financial position	72,800	60,600
Unrecognised asset due to limitation	(34,300)	(20,300)
	38,500	40,300

20. Post-employment Benefits (Continued)

Pension schemes (continued)

The movement in the amounts recognised in the statement of financial position is as follows:

	2017 $'000	2016 $'000
Asset/(liability) at beginning of year	40,300	(142,800)
Amounts recognised in profit or loss in the statement of comprehensive income	(10,600)	(27,000)
Amounts recognised in other comprehensive income	6,800	207,500
Contributions paid	2,000	2,600
Asset at end of year	38,500	40,300

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

	2017 $'000	2016 $'000
Balance at beginning of year	(896,700)	(993,900)
Current service cost	(10,700)	(13,700)
Interest cost	(76,500)	(83,700)
Re-measurements – experience (losses)/gains	(54,800)	147,100
Members' contributions	(3,200)	(4,500)
Benefits paid	120,700	52,000
Balance at end of year	(921,200)	(896,700)

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $175,100,000 (2016 – $349,700,000) relating to active employees, and $746,100,000 (2016 – $547,000,000) relating to members in retirement.

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

	2017 $'000	2016 $'000
Balance at beginning of year	957,300	851,100
Interest income	78,300	70,400
Re-measurement – return on plan assets, excluding amounts included in interest income	73,900	80,700
Employer's contributions	2,000	2,600
Members' contributions	3,200	4,500
Benefits paid	(120,700)	(52,000)
Balance at end of year	994,000	957,300

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

	2017 $'000	2016 $'000
Current service cost	10,700	13,700
Interest costs	76,500	83,700
Interest income	(78,300)	(70,400)
Interest on effect of unrecognised asset due to limitation	1,800	-
Total, included in staff costs (Note 8)	10,600	27,000

Expected employer contributions to the post-employment pension plan for the year ending 31 December 2018 amount to $2,000,000.

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20. Post-employment Benefits (Continued)

Pension schemes (continued)
Plan assets are comprised as follows:

	Quoted $'000	Unquoted $'000	Total $'000	%
		2017		
Debt securities:				
Government of Jamaica	-	256,452	256,452	25.8
Corporate	-	93,436	93,436	9.4
Real estate	-	73,556	73,556	7.4
Equity securities	332,990	-	332,990	33.5
Preference shares	70,574	-	79,574	7.1
Repurchase agreements	-	95,424	95,424	9.6
Other	-	71,568	71,568	7.2
	403,564	590,436	994,000	100
		2016		
Debt securities:				
Government of Jamaica	-	285,378	285,378	29.8
Corporate	-	43,858	43,858	4.6
Real estate	-	71,262	71,262	7.4
Equity securities	314,787	-	314,787	32.9
Preference shares	55,329	-	55,329	5.8
Repurchase agreement	-	113,282	113,282	11.8
Other	-	73,435	73,404	7.7
	370,116	587,215	957,300	100

At 31 December, the fund had investments with a fair value of $55,759,000 (2016 - $53,600,000) in the Company's own shares held as plan assets.

The significant actuarial assumptions used were a discount rate of 8.0% (2016 – 9.0%); future salary increases of 5.0% (2016 – 6.0%); and future pension increases of 2.25% (2016 – 2.5%). The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		2017		2016	
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	1%	(83,800)	101,900	(78,800)	94,200
Future salary increases	1%	7,900	(7,100)	8,100	(7,900)
Expected pension increase	1%	93,100	(78,300)	83,300	(86,700)

Further, 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. If the assumption for life expectancy was increased/(decreased) by 1 year, the effect on the defined benefit obligation would be an increase/(decrease) of $17,200,000/($14,700,000) (2016 – $14,100,000/($14,700,000)).

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.

20. Post-employment Benefits (Continued)

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. The obligations under the medical benefit scheme are unfunded. 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.

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

	2017 $'000	2016 $'000
Balance at beginning of year	(143,000)	(155,100)
Current service cost	(300)	(300)
Interest expense	(12,400)	(12,000)
Re-measurements – experience (losses)/gains	(2,600)	14,800
Benefits paid	9,900	9,600
Balance at end of year	(148,400)	(143,000)

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

	2017 $'000	2016 $'000
Current service cost	300	300
Interest cost	12,400	12,000
Total, included in staff costs (Note 8)	12,700	12,300

The movement in the amounts recognised in the statement of financial position is as follows:

	2017 $'000	2016 $'000
Liability at beginning of year	143,000	155,100
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	12,700	12,300
Amounts recognised in other comprehensive income	2,600	(14,800)
Contributions by employer	(9,900)	(9,600)
Liability at end of year	148,400	143,000

Expected employer contributions to the post-employment plan for the year ending 31 December 2018 amount to $10,000,000.

In addition to the assumptions used for pension schemes, the main actuarial assumption is long-term increase in health cost of 7.5% (2016 – 8.5%) per annum. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		2017		2016	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000	$'000	$'000
Discount rate	0.5% (2016 – 1%)	(7,100)	7,700	(19,000)	4,600
Medical cost	0.5% (2016 – 1%)	7,700	(7,100)	4,600	(19,000)

Further, if the assumption for life expectancy was increased/(decreased) by 1 year, the effect on the defined benefit obligation would be an increase/(decrease) of $6,600,000/($6,400,000) (2016 – $5,800,000/($18,200,000)).

20. Post-employment Benefits (Continued)

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 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.

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.

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 2020. The Company considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The weighted average duration of the defined benefit obligation is 10.6 years for the both the pension fund and for the post-employment medical benefits.

21. Biological Assets

Livestock – classified as non-current assets in the statement of financial position

	The Group	
	2017	**2016**
	$'000	**$'000**
Dairy livestock –		
2,700 (2016 – 2,486) Cows able to produce milk	148,692	100,866
2,103 (2016 – 2,446) Heifers being raised to produce milk in the future	140,766	132,924
Other livestock –		
144 (2016 – 46) Bulls raised for sale and reproduction	3,050	2,433
4 (2016 – 4) Horses	120	120
	292,628	236,343

7,223,412 litres (2016 – 6,787,124 litres) of milk with a fair value (less estimated point-of-sale costs) of $614,068,000 (2016 – $559,938,000) were produced during the period.

Sugar cane – classified as current assets in the statement of financial position

	The Group	
	2017	**2016**
	$'000	**$'000**
96,104 tonnes (2016 – 94,104 tonnes)	508,745	513,198

16,789 tonnes (2016 – 18,363 tonnes) of sugar and molasses with a fair value (less estimated point-of-sale costs) of $1,154,055,000 (2016 – $1,126,714,000) were produced during the period.

22. Inventories

	The Group	
	2017	**2016**
	$'000	**$'000**
Raw and packaging materials	1,099,904	1,201,390
Work in progress	33,243	53,570
Finished goods	242,201	134,047
Merchandise for resale	186,516	246,213
Goods in transit	610,899	122,145
Other	322,300	172,903
	2,495,063	1,930,268

The cost of inventories recognised as write-offs and included in direct expenses amounted to $32,866,000 (2016 - $6,607,000).

23. Trade and Other Receivables

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	1,367,616	1,385,519	-	3,619
Less: Provision for impairment	(128,524)	(110,705)	-	(3,619)
	1,239,092	1,274,814	-	-
Advances and prepayments	183,547	195,911	54,166	65,816
Due from affiliates	4,543,524	2,406,090	3,764,312	2,032,860
Other	209,488	115,095	-	-
	6,175,651	3,991,910	3,818,478	2,098,676

24. Payables

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	1,921,358	1,640,404	-	-
Accruals	505,235	419,827	234,870	138,367
Due to affiliates	4,169,943	2,103,555	1,854,836	1,743,364
Other	210,971	304,693	178,261	238,377
	6,807,507	4,468,479	2,267,967	2,120,108

25. Share Capital

	2017	**2016**	**2017**	**2016**
	'000	**'000**	**$'000**	**$'000**
Authorised – ordinary shares	530,000	530,000	530,000	530,000
Issued and fully paid –				
Ordinary stock units	516,398	516,398	561,287	561,287
Treasury shares	(59)	(59)	(899)	(899)
	516,339	516,339	560,388	560,388

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.

26. Capital Reserves

	The Group	
		Restated
	2017	**2016**
	$'000	**$'000**
Revaluation surplus on assets carried at deemed cost	312,600	312,600
Fair value gains on available-for-sale investments	136,862	263,207
Profits of subsidiaries capitalised	336,537	336,537
Redemption reserve	14,800	14,800
Realised gains on sale of investments	120,855	120,855
Other realised surplus	22,230	22,230
	943,884	1,070,229

26. Capital Reserves (Continued)

	The Company	
		Restated
	2017	2016
	$'000	$'000
Revaluation surplus on assets carried at deemed cost	105,340	105,340
Fair value gains on available-for-sale investments	136,862	263,207
Realised gains on sale of investments	120,855	120,855
Other realised surplus	20,289	20,289
	383,346	509,691

Included in capital reserves are fair value gains on available-for-sale investments representing the accumulated unrealised gains and losses on the revaluation of these investments. The movement in this reserve during the year is recognised in other comprehensive income.

27. Long Term Liabilities

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
(a) Tetra Pak – 8%	217,181	253,265	-	-
(b) Tetra Pak – 7.81%	51,746	-	-	-
(c) Sugar Industry Authority – 5%	22,296	25,346	-	-
(d) National Commercial Bank (Jamaica) Limited – 11.5% (2016 – 6.50%)	509,844	758,643	-	-
(e) Bonds – WATBY+2.5%	-	600,000	-	600,000
(f) Bonds – 8.75% for first 3 years, thereafter WATBY + 3.75%	1,200,000	-	1,200,000	-
(g) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 3%	686,857	705,738	686,857	705,738
(h) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 3%	250,008	-	250,008	-
(i) Eppley Limited – 6.5%	72,733	72,444	72,733	72,444
(j) Coconut Industry Board – 3%	360,869	370,789	360,869	370,789
(k) Food Ingredients Limited – Nil	-	116,860	-	116,860
(l) National Commercial Bank (Jamaica) Limited – 12%	-	190,000	-	190,000
(m) JMMB Merchant Bank Limited – 10%	220,000	220,000	220,000	220,000
(n) First Global Bank – 13%	100,000	100,000	100,000	100,000
	3,691,534	3,413,085	2,890,467	2,375,831
Interest payable	37,974	15,412	18,702	15,412
	3,729,508	3,428,497	2,909,169	2,391,243
Less: Current portion	(2,012,776)	(2,182,838)	(1,709,169)	(2,012,219)
	1,716,732	1,245,659	1,200,000	379,024

27. Long Term Liabilities (Continued)

(a) US dollar denominated financing agreement from a supplier, repayable in 32 quarterly installments of US$96,000 commencing in 2015 and secured by property, plant and equipment acquired under the financing agreement.

(b) US dollar denominated financing agreement from a supplier, repayable in 32 quarterly installments of US$18,000 commencing in 2017 and secured by property, plant and equipment acquired under the financing agreement.

(c) Jamaican dollar denominated loan facility of $33,156,000 repayable over 10 years commencing in 2015 by way of annual deductions from proceeds of cane sales, contract work and earnings from harvesting operations, where applicable.

(d) Golden Grove Sugar Company Limited received a loan in March 2014 in two tranches – 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; and 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.

In April 2017, this loan was refinanced as a Jamaican dollar denominated loan in the original amount of J$608,637,000 repayable in 13 quarterly instalments of J46,818,000 and secured by the fixed and floating assets of the subsidiary.

(e) Unsecured Jamaican dollar denominated Bonds issued in November 2015 for a period of 3 years, due in full at maturity.

(f) Unsecured Jamaican dollar denominated Bonds issued in November 2018 for a period of 5 years, due in full at maturity.

(g) US dollar denominated annual revolving loan initially received in March 2015, secured by a promissory note issued by Seprod Limited.

(h) US dollar denominated annual revolving loan initially received in October 2017, secured by a promissory note issued by Seprod Limited.

(i) Unsecured US dollar denominated insurance premium financing repayable in 12 monthly instalments.

(j) Unsecured US dollar denominated loan received in November 2016, due in full at maturity in November 2018.

(k) US dollar denominated vendor financing agreement, repayable in 5 quarterly installments of US$303,000 commencing May 2016.

(l) Unsecured Jamaican dollar denominated revolving facility with each drawdown having a maximum tenor of 3 months.

(m) Unsecured Jamaican dollar denominated revolving facility with each drawdown having a maximum tenor of 3 months.

(n) Unsecured Jamaican dollar denominated revolving facility with each drawdown having a maximum tenor of 1 year.

The movement in long term liabilities is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance at start of year	3,428,497	3,012,895	2,391,243	1,885,262
Loans received	1,739,272	958,311	1,672,626	963,512
Loan principal repayments	(1,439,317)	(728,030)	(1,125,101)	(507,289)
Foreign exchange gains and losses	(35,267)	178,328	(32,889)	47,966
Deferred fees amortised (Note 9)	13,761	5,201	-	-
Interest charged (Note 9)	265,926	195,172	184,433	177,999
Interest paid	(243,364)	(193,380)	(181,143)	(176,207)
Balance at end of year	3,729,508	3,428,497	2,909,169	2,391,243

28. 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:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	19,237	20,063	-	-
Deferred tax liabilities	(242,242)	(191,834)	(100,864)	(45,323)
Net liabilities	(223,005)	(171,771)	(100,864)	(45,323)

These amounts include deferred tax assets/liabilities to be recovered within 12 months of $3,180,000/$2,450,000 (2016 – $108,311000/$51,351,000) for the Group, and deferred tax liabilities of $116,854,000 (2016 – $62,935,000) for the Company.

The movement in deferred taxation is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance at start of year	(171,771)	(108,880)	(45,323)	64,223
Charged to profit or loss (Note 10)	(50,184)	(7,316)	(54,491)	(53,971)
Charged to other comprehensive income (Note 10)	(1,050)	(55,575)	(1,050)	(55,575)
Balance at end of year	(223,005)	(171,771)	(100,864)	(45,323)

The deferred tax charged to profit or loss comprises the following temporary differences:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Accelerated tax depreciation	4,709	50,576	(6,808)	(2,350)
Post-employment benefits	2,850	6,775	2,850	6,775
Tax losses carried forward	(1,513)	(1,890)	3,386	-
Interest receivable	(58,960)	(58,500)	(58,960)	(58,500)
Other	2,730	(4,277)	5,041	104
	(50,184)	(7,316)	(54,491)	(53,971)

The deferred tax liabilities in the statement of financial position comprise the following temporary differences:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Accelerated tax depreciation	(178,004)	(182,609)	(14,871)	(8,063)
Post-employment benefits	27,475	25,675	27,475	25,675
Tax losses carried forward	32,655	36,660	3,386	-
Interest receivable	(128,649)	(69,689)	(128,649)	(69,689)
Other	23,518	18,192	11,795	6,754
	(223,005)	(171,771)	(100,864)	(45,323)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of the Company and certain subsidiaries amount to $4,091,367,000 (2016 – $4,020,579,000). Of those losses, no deferred tax assets have been created in respect of $3,960,749,000 (2016 – $3,800,292,000) as the Group is uncertain of its ability to utilise those losses in the future.

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29. Cash Generated from Operations

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net profit/(loss)	647,843	875,209	(517,250)	1,245,039
Items not affecting cash resources:				
Amortisation of intangible assets	1,694	2,540	-	-
Depreciation	478,222	488,545	32,435	28,756
Foreign exchange losses/(gains)	52,147	(5,118)	54,261	(139,349)
Gain on financial assets through profit or loss	-	(371,126)	-	-
Loss/(gain) on disposal of property, plant and equipment	4,574	(3,857)	1,340	(5,766)
Property, plant and equipment written off	312	2,127	-	1,141
Impairment of subsidiary	-	-	568,822	-
Interest income	(352,789)	(384,165)	(347,690)	(710,180)
Amortisation of deferred fees	13,761	5,201	-	-
Unremitted equity income in joint venture	54,236	28,161	-	-
Loss on disposal of interest in subsidiary	-	-	-	97
Interest expense	328,275	239,068	190,453	185,589
Post-employment benefits	11,400	27,100	11,400	27,100
Dividend income	(400)	(18,398)	(400)	(758,619)
Taxation	291,117	310,715	53,082	151,086
	1,530,392	1,196,002	46,453	24,894
Changes in operating assets and liabilities:				
Inventories	(564,795)	(183,807)	-	-
Trade and other receivables	(2,183,741)	(2,255,082)	(1,719,802)	(1,988,420)
Biological assets	(51,832)	11,734	-	-
Due from subsidiaries	-	-	(666,764)	(197,072)
Due to subsidiaries	-	-	2,521,050	1,074,531
Payables	2,339,028	2,486,689	147,859	1,185,827
	1,069,052	1,255,536	328,796	99,760
Taxation paid	(243,421)	(372,653)	(81,529)	(101,182)
Cash provided by/(used in) operating activities	825,631	882,883	247,267	(1,422)

30. 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$60 per hectare per annum, the annual lease cost to the subsidiary is US$92,000.

(b) At 31 December 2017, capital commitments were $251,159,000 (2016 - $58,072,000) for the Group.

(c) At 31 December 2017, management had approved $Nil (2016 – approximately $64 million) for capital expenditure in respect of certain subsidiaries.

31. Litigation, Claims, Assessments and Provisions

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.

32. Related Party Transactions

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

Sales and purchases of goods and services
Sales of $3,540,561,000 (2016 – $3,402,530,000) to and purchases of $2,282,952,000 (2016 – $819,153,000) from Musson (Jamaica) Limited, T.Geddes Grant (Distributors) Limited, Musson International Diaries 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. The resulting receivables and payables in respect of these and other transactions are included in Notes 23 and 24, respectively.

A subsidiary paid cess of $4,574,000 (2016 – $4,438,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the Company.

Key management compensation

	2017 $'000	2016 $'000
Wages and salaries	157,698	150,746
Statutory contributions	18,309	19,149
Other	530	530
	176,537	170,425
Directors' emoluments –		
Fees	8,479	7,499
Medical insurance premiums	8,429	7,559
Management remuneration (included above)	69,676	60,978

Advances and loans
Loans to related parties are disclosed in Note 19. Interest earned on these loans during the year amounted to $341,746,000 (2016 – $356,950,000).

33. Liquidation of Subsidiary – prior year

Xaymaca Limited was wound up as at 31 December 2016. The details of the entity's net assets at liquidation date were as follows:

	2016 $'000
Receivables	140
Current assets – due from group company	2,047
Net assets	2,187

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

	2016 $'000
Net assets at liquidation date	97
Net liability	43
Loss on liquidation	140

The Company's loss on liquidation was calculated as follows:

	2016 $'000
Write-off of amounts payable to group company	2,047
Less: Write-off of the Company's investment in subsidiary	(97)
Less: Amount taken over by the Company	(2,090)
Loss on liquidation	(140)

34. Post Balance Sheet Events

Transfer of the former Jamaican dairy operations of Nestle Jamaica Limited into the Group
Effective 1 January 2018, the shares of Musson Holdings Limited were transferred to the Company at a nominal cost from Musson (Jamaica) Limited.

Musson Holdings Limited is the parent company of Musson International Dairies Limited, Musson International Dairies Trinidad and Tobago Limited, and Musson International Dairies Republica Dominicana SRL. In February 2016, Musson Holdings Limited acquired the brands associated with the Jamaican dairy operations of Nestle Jamaica Limited. On that date, Musson International Dairies Limited acquired the key assets comprising those dairy operations and commenced its principal activity of producing and selling milk-based products from the plant located in Bog Walk, St. Catherine. Musson International Dairies Trinidad and Tobago Limited and Musson International Dairies Republica Dominicana SRL. were subsequently established to manage the distribution of the milk-based products in key export markets. The Company has been managing the operations carried out by these entities since inception in 2016.

Announcement of the acquisition of Facey Group Limited's consumer business
The Company has reached an agreement pursuant to which it will acquire Facey Group Limited's consumer business, consisting solely of Facey Group Limited's distribution of consumer goods and pharmaceutical products in Jamaica. The Company's Board of Directors unanimously approved the terms of the acquisition, which includes paying a mix of cash and shares to acquire the consumer business consistent with an independent valuation.

The closing of transaction remains subject to definitive legal documentation, corporate actions and the satisfaction of customary closing conditions among other matters.

Increase in authorised ordinary shares
At an extraordinary general meeting of the Company on 9 April 2018, the Company's shareholders agreed to an increase in the authorised ordinary shares of the Company by the creation of 250,000,000 new ordinary shares. As a result, as of that date the authorised shares of the Company increased from 530,000,000 ordinary shares to 780,000,000 ordinary shares.

35. Restatement

The Company owns 42,214 ordinary shares and 20,486 preference shares in Facey Group Limited, a related company. The investment is carried as available-for-sale, with fair value and foreign exchange gains and losses reflected in capital reserves.

Facey Group Limited issued additional ordinary shares in 2014 to facilitate an equity investment. Consequently, Seprod Limited's percentage ownership of Facey Group Limited's ordinary shares decreased. While the number of ordinary shares of Facey Group Limited owned by Seprod Limited was unchanged, the financial statements for the years ended 31 December 2016 and 2015 were restated to reflect Seprod Limited's lower percentage ownership of Facey Group Limited.

There was no effect on the statement of comprehensive income and the statement of cash flows for the year ended 31 December 2016. The only impact on the statement of changes in equity relates to the reduction in the capital reserves as shown in the statements of financial position below. The effect on the statements of financial position as at 31 December 2016 and 2015 is summarised as follows:

The Group

	2016			2015		
	Previously stated $'000	Effect of restatement $'000	Restated $'000	Previously stated $'000	Effect of restatement $'000	Restated $'000
Net assets						
Available-for-sale investments	1,705,475	(209,556)	1,495,919	1,837,860	(209,556)	1,628,304
Other non-current assets	8,357,851	-	8,357,851	7,247,610	-	7,247,610
Net current assets	702,465	-	702,465	2,903,841	-	2,903,841
Non-current liabilities	(1,580,493)	-	(1,580,493)	(2,045,595)	-	(2,045,595)
	9,185,298	(209,556)	8,975,742	9,943,716	(209,556)	9,734,160
Stockholders' equity						
Capital reserves	1,279,785	(209,556)	1,070,229	1,412,170	(209,556)	1,202,614
Other items of equity	7,905,513	-	7,905,513	8,531,546	-	8,531,546
	9,185,298	(209,556)	8,975,742	9,943,716	(209,556)	9,734,160

The Company

	2016			2015		
	Previously stated $'000	Effect of restatement $'000	Restated $'000	Previously stated $'000	Effect of restatement $'000	Restated $'000
Net assets						
Available-for-sale investments	1,705,475	(209,556)	1,495,919	1,837,860	(209,556)	1,628,304
Other non-current assets	5,758,065	-	5,758,065	4,707,482	-	4,707,482
Net current liabilities/(assets)	(115,949)	-	(115,949)	1,521,390	-	1,521,390
Non-current liabilities	(567,347)	-	(567,347)	(897,900)	-	(897,900)
	6,780,244	(209,556)	6,570,688	7,168,832	(209,556)	6,959,276
Stockholders' equity						
Capital reserves	719,247	(209,556)	509,691	851,632	(209,556)	642,076
Other items of equity	6,060,997	-	6,060,997	6,317,200	-	6,317,200
	6,780,244	(209,556)	6,570,688	7,168,832	(209,556)	6,959,276

SEPROD LIMITED

Interim Report

6 Months Ended

30 June 2018

Interim Report to the Stockholders

Overview of our Q2 2018 results

For the six (6) months ended 30 June 2018, the Seprod Group achieved revenues of J$10.44 billion, an increase of J$2.07 billion or 25% over the corresponding period in 2017. Net profit for the period was J$598 million, an increase of J$136 million or 29% over the corresponding period in 2017.

The 2018 results are 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. In 2017, these operations were operated by Seprod under a management services contract and were not included in the Group's results. Had these operations been included in the Group's results in 2017, the increase in revenues for the six (6) months ended 30 June 2018 would have been J$1.20 billion or 13% and the increase in net profit would have been J$77 million or 15%.

Consistent with the Group's Q1 report, 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 the Group reaps the benefits of product innovations, acquisitions and improved productivity from retooling.

Unfortunately, the Group would have had much better results had it not been for the J$220 million loss in the sugar operation for the period. Management has exhausted almost all options to make these operations achieve even a breakeven status and we are committed to, in very short order, eliminating these nine years of erosion in shareholders' value.

Management projection

As indicated in the Q1 report, the revenue and profit growth are anticipated to continue for the rest of the year.

The major focus for the remainder of the year will be to improve employee engagement, to maximize synergies in the dairy operations and to complete the acquisition of Facey Consumer division.

Thanks to all our valued partners and customers for your continued support of the Seprod Group.

P. J. Thwaites
Vice Chairman

R. R. Pandohie
Chief Executive Officer

8 August 2018

Shareholders' Profile as at 30 June 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. JCSD Trustee Services Limited – Sigma Optima	2,940,097
9. Guardian Life Limited - Pension Fund	2,332,085
10. BPM Financial Limited - A/C BP905	2,176,000

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	148,482
5. Nicholas Scott	Nil
Shareholding of connected person	103,768
6. Hugh Gentles	48,933
Shareholding of connected person	45,534
7. Peter J. Thwaites	Nil
8. Michael J. Subratie	Nil
9. Christopher Gentles	Nil
10. Patrick Scott	Nil

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.	Damion Dodd	Nil
7.	Glenise Durrant-Freckleton	Nil
8.	Devon Francis	Nil
9.	Tricia Hill	Nil
10.	Kerrian Johnson	Nil
11.	Ryan Kirlew	Nil
12.	Efrain Lara	Nil
13.	Roger Lewis	Nil
14.	Milton Maragh	Nil
15.	Jeffrey Moss-Solomon	Nil
16.	Richard Pandohie	148,482
17.	Dr. Patrick Sterling	Nil
18.	Amanda Watson	Nil

Interim Financial Statements (Unaudited)

6 months ended 30 June 2018

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Consolidated Statement of Comprehensive Income (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 30 June		6 months ended 30 June	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	5,483,701	4,113,869	10,435,383	8,365,210
Direct expenses	(3,522,467)	(3,120,893)	(6,996,094)	(6,313,235)
Gross Profit	1,961,234	992,976	3,439,289	2,051,975
Finance and other operating income	102,778	201,775	229,142	384,548
Selling expenses	(81,373)	(169,386)	(236,406)	(360,993)
Administration expenses	(1,365,050)	(634,639)	(2,277,314)	(1,228,235)
Operating Profit	617,589	390,725	1,154,711	847,294
Finance costs	(170,204)	(100,162)	(309,308)	(170,016)
Share of results of joint venture	11,650	(23,687)	14,581	(41,432)
Profit before Taxation	459,035	266,877	859,984	635,847
Taxation	(153,534)	(87,999)	(261,586)	(174,007)
Net Profit	305,501	178,878	598,398	461,840
Other Comprehensive Income, net of taxes				
Fair value gains on investments	(5,221)	(1,712)	8,782	2,111
Total Comprehensive Income	300,280	177,166	607,180	463,951
Net Profit is attributable to:				
Stockholders of the Company	324,790	237,581	662,516	530,995
Non-controlling interest	(19,289)	(58,703)	(64,118)	(69,155)
	305,501	178,878	598,398	461,840
Total Comprehensive Income is attributable to:				
Stockholders of the Company	319,569	235,869	671,298	533,106
Non-controlling interest	(19,289)	(58,703)	(64,118)	(69,155)
	300,280	177,166	607,180	463,951
Earnings per Stock Unit	$0.63	$0.46	$1.28	$1.03

Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	30 June 2018 $'000	30 June 2017 $'000	31 December 2017 $'000
Non-current Assets			
Property, plant and equipment	6,074,344	4,045,929	4,101,869
Intangible assets	1,096,552	423	-
Investments	1,378,356	1,498,030	1,369,574
Investment in joint venture	359,587	357,810	345,006
Long term receivables	772,082	3,548,390	2,243,724
Post-employment benefit asset	38,500	40,300	38,500
Biological assets	289,445	238,870	292,628
Deferred tax assets	82,906	1,440	19,237
	10,091,772	9,731,192	8,410,538
Current Assets			
Inventories	3,262,880	2,188,408	2,495,063
Biological assets	325,634	415,720	508,745
Receivables	5,042,350	4,824,333	6,175,651
Current portion of long term receivables	1,003,814	139,356	1,487,134
Taxation recoverable	-	-	93,631
Cash and bank balances	884,241	779,170	837,294
	10,518,919	8,346,987	11,597,518
Current Liabilities			
Payables	4,228,431	4,972,794	6,807,507
Current portion of long term liabilities	2,012,966	2,287,419	2,012,776
Taxation payable	38,681	96,564	70,587
	6,280,078	7,356,777	8,890,870
Net Current Assets	4,238,841	990,210	2,706,648
	14,330,613	10,721,402	11,117,186
Equity attributable to Stockholders of the Company			
Share capital	560,388	560,388	560,388
Capital reserves	952,666	1,072,340	943,884
Retained earnings	9,047,458	8,668,322	8,384,942
	10,560,512	10,301,050	9,889,214
Non-controlling Interest	(943,520)	(861,357)	(879,402)
	9,616,992	9,439,693	9,009,812
Non-current Liabilities			
Post-employment benefit obligations	148,400	143,000	148,400
Long term liabilities	4,284,034	974,523	1,716,732
Deferred tax liabilities	281,187	164,186	242,242
	4,713,621	1,281,709	2,107,374
	14,330,613	10,721,402	11,117,186

Approved for issue by the Board of Directors on 8 August 2018 and signed on its behalf by:

Peter J. Thwaites — Vice Chairman

Richard R. Pandohie — Director

Consolidated Statement of Changes in Equity (Unaudited)
(expressed in Jamaican dollars unless otherwise indicated)

	6 months ended 30 June 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	-	-	662,516	662,516	(64,118)	598,398
Fair value gains on investments	-	8,782	-	8,782	-	8,782
	-	8,782	662,516	671,298	(64,118)	607,180
At 30 June 2018	560,388	952,666	9,047,458	10,560,512	(943,520)	9,616,992

	6 months ended 30 June 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	-	-	530,995	530,995	(69,155)	461,840
Fair value gains on investments	-	2,111	-	2,111	-	2,111
	-	2,111	530,995	533,106	(69,155)	463,951
At 30 June 2017	560,388	1,072,340	8,668,322	10,301,050	(861,357)	9,439,693

Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	6 months ended 30 June	
	2018	**2017**
	$'000	**$'000**
Cash Flows from Operating Activities		
Net profit	598,398	461,840
Items not affecting cash resources:		
Amortization of intangible assets	54,448	1,271
Depreciation	376,818	238,574
Interest income	(106,575)	(184,716)
Interest expense	309,308	170,016
Results of joint venture	(14,581)	41,432
Taxation	261,586	174,007
	1,479,402	902,424
Changes in operating assets and liabilities:		
Inventories	(179,679)	(258,140)
Receivables	1,008,381	(832,423)
Biological assets	186,294	94,951
Payables	(2,008,944)	504,315
	485,454	411,127
Taxation paid	(310,742)	(65,912)
Cash provided by operating activities	174,712	345,215
Cash Flows from Investing Activities		
Net purchase of property, plant and equipment	26,446	(168,216)
Long term receivables	20,003	63,157
Cash acquired on business combination	157,919	-
Short term deposits	-	153,906
Interest received	90,229	54,174
Cash provided by investing activities	294,597	103,021
Cash Flows from Financing Activities		
Long term loans	(90,554)	(168,496)
Interest paid	(331,808)	(168,075)
Cash used in financing activities	(422,362)	(336,571)
Increase in cash and cash equivalents	46,947	111,665
Cash and cash equivalents at beginning of year	837,294	667,505
CASH AND CASH EQUIVALENTS AT END OF YEAR	884,241	779,170

Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

6 months ended 30 June 2018	Manufacturing	Distribution	Eliminations	Group
	$'000	$'000	$'000	$'000
External revenue	6,963,034	3,472,349	-	10,435,383
Inter-segment revenue	2,956,315	-	(2,956,315)	-
Total revenue	9,919,349	3,472,349	(2,956,315)	10,435,383
Segment result	1,361,575	108,652	-	1,470,227
Unallocated income				(315,516)
Operating profit				1,154,711
Segment assets	14,800,741	1,182,143	-	15,982,884
Unallocated assets				4,627,807
Total assets				20,610,691
Segment liabilities	4,231,550	521,438	-	4,752,988
Unallocated liabilities				6,240,711
Total liabilities				10,993,699
Capital expenditure	74,983	3,834	-	78,817
Unallocated capital expenditure				(52,371)
Total capital expenditure				26,446
Depreciation	356,996	1,992	-	358,988
Unallocated depreciation				17,830
Total depreciation				376,818

6 months ended 30 June 2017	Manufacturing	Distribution	Eliminations	Group
	$'000	$'000	$'000	$'000
External revenue	4,674,076	3,691,134	-	8,365,210
Inter-segment revenue	2,823,326	-	(2,823,326)	-
Total revenue	7,497,402	3,691,134	(2,823,326)	8,365,210
Segment result	905,786	130,186	-	1,035,972
Unallocated income				(188,678)
Operating profit				847,294
Segment assets	8,314,507	1,279,401	-	9,593,908
Unallocated assets				8,484,271
Total assets				18,078,179
Segment liabilities	2,829,010	1,148,027	-	3,977,037
Unallocated liabilities				4,661,449
Total liabilities				8,638,486
Capital expenditure	88,254	3,441	-	91,695
Unallocated capital expenditure				76,521
Total capital expenditure				168,216
Depreciation	219,670	3,132	-	222,802
Unallocated depreciation				15,772
Total depreciation				238,574

Total revenue for the period includes export sales of $608,559,000 (2017 – $635,131,000)

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 investments and biological assets.

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 investments (other than those resulting from changes in foreign exchange rates) as at 30 June 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.

Appendix 2 – Application Procedures & Conditions

[SEE NEXT PAGE]

APPENDIX II

APPLICATION FORM - ORDINARY SHARES

PUBLIC OFFERING

APPLICATION PROCEDURES, TERMS AND CONDITIONS

1. Each Applicant (whether a Reserved Share Applicant or a member of the general public) may apply to purchase from the Nominator Ordinary Shares in the Invitation by means of the applicable Application Form included in this Prospectus. Each duly completed and signed Application Form, accompanied/supported by payment, or evidence thereof, for the full amount payable, by method approved by the Lead Broker an "Approved Payment Method", must be taken to the head office of the Lead Broker/Selling Agent on or before 4:30 pm (Jamaica time) or the other locations detailed below on or before the closing hour for the respective branch location on the Closing Date.

2. The allocation of shares will be completed by the JSE as a Block Trade. Accordingly, the following transaction fee will apply:

   JSE Cess and Settlement Fee: 0.33% of the value of the shares proposed to be purchased.

3. The full amount payable for the Ordinary Shares proposed to be purchased (being the number of Ordinary Shares, multiplied by the Invitation Price per Ordinary Share (plus JCSD processing fee JMD 163.10 (inclusive of GCT) and JSE Cess and settlement Fee of 0.33% of the amount for which an application is made) must be paid in one of the following four (4) ways.

   i. By Real Time Gross Settlement System ("RTGS System") or Automated Clearing House (ACH) for amounts below J$1,000,000.00 to the Lead Broker using the following information, and evidence of such payment supplied with the completed and signed Application Form:

NCB CAPITAL MARKETS LIMITED

Bank:	National Commercial Bank Jamaica Limited
BIC:	JNCBJMKX
Branch:	1-7 Knutsford Boulevard (New Kingston)
Account Name:	NCB Capital Markets Limited
Beneficiary Address:	NCB Atrium, 32 Trafalgar Road, Kingston 10
Account number:	241406067

(Please include the Applicant's name and JCSD account number or TRN in the transaction details of the RTGS or ACH)

   i. Applicants who have an NCBJ bank account may use NCBJ online or do a direct deposit in an NCBJ branch using the above banking information and evidence of such payment supplied with the completed and signed application form.

   ii. Applicants who have an investment account with the Lead Broker or Selling Agent may instruct the Broker to take payment from their investment account by completing the relevant section in the Appendix 1: Subscription Form.

   iii. Payment may also be made via a J$ Manager's Cheque drawn on a Jamaican commercial bank made payable to the Lead Broker and will be accepted only in respect of payments for less than J$1,000,000.00.

4. The Nominator in its sole discretion may accept (in whole or in part) or reject any application to purchase Ordinary Shares even if the application is received, validated and processed.

5. If your application to purchase Shares is accepted (in whole or in part), this will be a binding contract under which you will have agreed to purchase the Ordinary Shares in respect of which your application has been accepted at the Invitation Price.

6. Once the Invitation closes, if the Invitation is oversubscribed:

   (i) Applicants may be allocated and issued fewer Ordinary Shares than they applied for, or

   (ii) Ordinary Shares may be allocated to Applicants on a "Pro Rata" basis, with the Applications submitted earlier (following the opening of the Invitation) being allocated Ordinary Shares prior to those Applications which were submitted later, and the Applications submitted later may be scaled down to the extent necessary given the respective numbers of Ordinary Shares available in the Invitation.

7. Each Application for Ordinary Shares must be for a minimum of 1,000 Ordinary Shares with increments in multiples of 100 Ordinary Shares.

8. The monies, which are refundable to the Applicant if the Application has only been accepted in part, will be paid directly to the Applicant's broker account.

9. Where the Primary Holder is an Individual, such persons must be at least 18 years old.

10. See list of NCB Capital Markets Ltd. locations on page three [3] of Appendix II

APPENDIX II: SUBSCRIPTION FORM – ORDINARY SHARES

PLEASE READ CAREFULLY BEFORE COMPLETING THIS FORM

To: The Nominator of Seprod Limited

Re: Invitation for Subscription for the purchase of up to 91,914,894 Ordinary shares in Seprod Limited made pursuant to the Prospectus dated the ____day of __________ 2018 (the "Prospectus").

I/We confirm that I/we have read and understood and hereby agree to be bound by the terms and conditions contained in the Prospectus, all of which are incorporated into Application Form by reference.

I/We hereby offer to purchase ______________________________ Ordinary shares in Seprod Limited proposed to be sold by the Nominator on and subject to the terms and conditions of the Invitation set out in the Prospectus at the price of J$23.99. I/We agree to pay the sum of J$ ______________________for my/our subscription and the JCSD processing fee of JMD 163.10 (inclusive of GCT) and JSE Cess and Settlement Fee of 0.33% of the value of shares being applied for with proof of payment attached or I/we request my broker to make payment on my/our behalf from cleared funds held by them in my/our names in account numbered ___________________________ with them.

I/We agree to accept the same or any smaller number of Ordinary Shares in respect of which this application may be accepted, subject to the terms and conditions in the Prospectus and the Articles of Incorporation of Seprod Limited, by which I/We agree to be bound. I/We request you to sell and transfer to me/us the number of Ordinary shares, which may be allocated to me/us at the close of the said Invitation the terms and conditions governing applications, as set forth in the Prospectus. I/We hereby agree to accept the Ordinary Shares that may be allocated to me/us to be credited to an account in my/our name(s) in the Jamaica Central Securities Depository.

Instructions for completing application form: All fields are relevant and must be completed. All applications must be submitted along with copies of Tax Registration Number (TRN) or relevant other unique identifier for each applicant.

Share Pool: General Pool   Employee Reserved ☐ Shareholders Reserved ☐ Broker Reserved ☐

SECTION I - PRIMARY HOLDER

Full Name of Applicant (Individual or Company)

TRN

Occupation/ Line of Business

Address

Nationality or Incorporation Country

Telephone (Home)

Telephone (Work)

Telephone (Cellular)

Facsimile

Email Address

Broker Code

JCSD Number

Broker Account Number

Date of Application

Signatures (Company) ______________________ **DIRECTOR** ______________________ **DIRECTOR/SECRETARY**

Signature (individual) ______________________ **APPLICANT**

SEAL OR STAMP REQUIRED FOR COMPANIES

SECTION II - SECONDARY HOLDERS

Full Name (First Joint Holder)

TRN

Occupation

Signature (Individual) ______________________

Date

Full Name (Second Joint Holder)

TRN

Occupation

Signature (individual) ______________________

Date

Full Name (Third Joint Holder)

TRN

Occupation

Signature (individual) ______________________

Date

SECTION III – PAYMENT VERIFICATION INFORMATION

NCB Capital Markets Account ○ Yes ○ No If no, please complete one of the payment options below

Managers Cheque

Cheque number Cheque Amount , , , Institution

Cheque date Issuing Branch

Direct Deposit

Transaction reference number Cash/Cheque Amount , , ,

Transaction date Issuing Branch

ACH/RTGS

Amount , , , Confirmation/ Reference # Institution

Sender's Account Name Sender's Account #

Date of Transfer

Online Transfer

Amount , , , Confirmation/ Reference # Institution

Sender's Account Name Sender's Account #

Date of Transfer

SECTION IV – DIVIDEND MANDATE

Bank/Broker Name Bank/Broker Account Number

Bank Branch **Account: Type** ○ **Savings** ○ **Chequing** ● **Broker** BIC

SECTION V – REFUND MANDATE (Please select preferred option)

Bank/Broker Name Bank/Broker Account Number

Bank Branch **Account: Type** ○ **Savings** ○ **Chequing** ○ **Broker** BIC

ALL APPLICANTS MUST INPUT THEIR TRN NUMBERS. THIS OFFER IS NOT MADE TO PERSONS RESIDENT OUTSIDE JAMAICA

ADDITIONAL INFORMATION

1. Applicants must apply for a minimum of 1,000 Shares with increments in multiples of 100. Applications in other denominations will not be processed or accepted.

2. You must attach your payment for the specified number Shares you have applied for, in the form of either:

   a. Manager's cheque made payable to [NCB Capital Markets Limited];

   b. Transfer or deposit of funds to the following account:

Bank:	National Commercial Bank Jamaica Limited
BIC:	JNCBJMKX
Branch:	1-7 Knutsford Boulevard (New Kingston)
Account Name:	NCB Capital Markets Limited
Beneficiary Address:	NCB Atrium, 32 Trafalgar Road, Kingston 10
Account number:	241406067

3. If you are applying jointly with any other person, you must complete the Joint Holder Information (in order appearing on account) and each joint holder must sign the Application Form at the place indicated.

4. Where the Primary Holder is an Individual, such persons must be at least 18 years old.

5. Share certificates will not be issued. Instead, the Ordinary Shares allocated to a successful applicant will be credited to the applicant's account at the Jamaica Central Securities Depository. Applicants may refer to the notice posted on the JSE website (www.jamstockex.com) for instructions on confirming Share allocations.All Applicants must have a broker account for their application form to accepted.

6. Applicants must provide valid identification, proof of address, proof of source of funds and satisfy the Lead Broker acceptance requirements for account opening.

7. All Applicants are deemed to have accepted the terms and conditions set out in the Prospectus generally.

SECTION VI – FOR USE BY BROKER ONLY

Full Name of Applicant

Date Application Received

Time Received :

Payment Method: ○ **Cheque** ○ **Authorisation Letter** ○ **RTGS/ACH** ○ **Online Transfer** ○ **NCB Capital Markets Account**

Date of Transaction

Payment Amount , , ,

Pool

Broker Authorised Signatory & Stamp

NCB CAPITAL MARKETS BRANCH LOCATIONS

1-7 Knutsford Blvd, Kingston, Jamaica, W.I.	Half-Way Tree, 94 HWT Rd., Kingston, Jamaica, W.I.
Matildas Corner, 15 Northside Plaza, P.O. Box 72, Kingston, Jamaica, W.I.	St. Jago, St. Jago Shopping Centre, St. Catherine, Jamaica, W.I.
University Branch, Mona Campus, Kingston, Jamaica, W.I.	Portmore, 13- 14 West Trade Way, Portmore, St. Catherine, Jamaica, W.I.
Duke & Barry Street, 37 Duke St., Kingston, Jamaica, W.I.	Constant Spring, 124-126 Constant Spring Rd., Kingston, Jamaica, W.I.
Cross Roads, 90-94 Slipe Rd. P.O. Box 5 Kingston, Jamaica, W.I.	Atrium, 32 Trafalgar Road, Kingston, Jamaica, W.I.
Fairview, Lot B3 – Section 1-5, Bogue Estate, Montego Bay, St. James	Santa Cruz, 7 Coke Drive, Santa Cruz P.O., St. Elizabeth, Jamaica, W.I
St. Ann's Bay, 19-21 Main St. St. Ann's Bay, St. Ann, Jamaica, W.I	Mandeville, 6 Perth Road, P.O. Box 61 Mandeville, Manchester, Jamaica, W.I
41 Main St., P.O. Box 29, May Pen, Clarendon, Jamaica, W.I	Ocho Rios 40 Main St., Ocho Rios, St. Ann, Jamaica, W.I
Savanna-La-Mar, 68 Great Georges St. P.O Box 10 Savanna-la-mar, Jamaica, W.I	Private Client Services – (separate from Constant Spring) 124-126 Constant Spring Rd., Kingston, Jamaica, W.I.