



# **SEPROD LIMITED**

## Interim Report

9 Months Ended

30 September 2018



## SEPROD LIMITED

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### Interim Report to the Stockholders

#### Overview of our Q3 2018 results

For the nine (9) months ended 30 September 2018, the Seprod Group achieved revenues of J\$15.50 billion, an increase of J\$3.36 billion or 28% over the corresponding period in 2017. Net profit for the period was J\$970 million, an increase of J\$387 million or 66% 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 nine (9) months ended 30 September 2018 would have been J\$1.14 billion or 8% and the increase in net profit would have been J\$318 million or 49%.

Consistent with the Group's Q2 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 continues to reap the benefits of product innovations, increased exports, acquisitions and improved productivity from retooling.

Unfortunately, the Group suffered a J\$275 million loss in the sugar operation for the period and we are now actively engaged in discussions with stakeholders as we move to eliminate these losses in the sugar manufacturing operation.



## SEPROD LIMITED

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### Management projection

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 continue the consolidation of the dairy manufacturing operations.

The acquisition of the Facey Consumer business was completed in October 2018. The details of the acquisition, as well as the contribution of the Facey Consumer business to the Seprod Group, will be included in our 4<sup>th</sup> quarter Interim Report.

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

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

P. B. Scott  
Chairman

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

R. R. Pandohie  
Chief Executive Officer

12 November 2018



## SEPROD LIMITED

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### Shareholders' Profile as at 30 September 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	2,187,000

#### 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
11. Nicholas Jones	Nil



## SEPROD LIMITED

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### Shareholding of Management

1. Marilyn Anderson	Nil
2. Carol Andrade	Nil
3. Dr. Gavin Bellamy	Nil
4. Dalton Brown	Nil
5. Angela Cooper	18,854
6. Damion Dodd	Nil
7. Glenise Durrant-Freckleton	Nil
8. Devon Francis	4,000
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



## **SEPROD LIMITED**

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### **Interim Financial Statements (Unaudited)**

**9 months ended 30 September 2018**

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## SEPROD LIMITED

### Consolidated Statement of Comprehensive Income (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 30 September		9 months ended 30 September	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Revenue</b>	5,065,845	3,772,099	15,501,228	12,137,309
Direct expenses	(3,501,837)	(2,876,620)	(10,497,931)	(9,189,855)
<b>Gross Profit</b>	1,564,008	895,479	5,003,297	2,947,454
Finance and other operating income	452,866	255,037	682,008	639,585
Selling expenses	(348,230)	(197,234)	(584,636)	(558,227)
Administration expenses	(1,070,019)	(588,800)	(3,347,333)	(1,817,036)
<b>Operating Profit</b>	598,625	364,482	1,753,336	1,211,776
Finance costs	(164,134)	(82,446)	(473,442)	(252,462)
Share of results of joint venture	2,844	(25,638)	17,425	(67,069)
<b>Profit before Taxation</b>	437,335	256,398	1,297,319	892,245
Taxation	(66,071)	(135,445)	(327,657)	(309,452)
<b>Net Profit</b>	371,264	120,953	969,662	582,793
<b>Other Comprehensive Income, net of taxes</b>				
Fair value gains on investments	68,600	11,664	77,382	13,775
<b>Total Comprehensive Income</b>	439,864	132,617	1,047,044	596,568
<b>Net Profit is attributable to:</b>				
Stockholders of the Company	386,260	194,158	1,048,776	725,153
Non-controlling interest	(14,996)	(73,205)	(79,114)	(142,360)
	371,264	120,953	969,662	582,793
<b>Total Comprehensive Income is attributable to:</b>				
Stockholders of the Company	454,860	205,822	1,126,158	738,928
Non-controlling interest	(14,996)	(73,205)	(79,114)	(142,360)
	439,864	132,617	1,047,044	596,568
<b>Earnings per Stock Unit</b>	\$0.85	\$0.38	\$2.03	\$1.40



## SEPROD LIMITED

### Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	30 September 2018 \$'000	30 September 2017 \$'000	31 December 2017 \$'000
<b>Non-current Assets</b>			
Property, plant and equipment	6,690,465	3,996,788	4,101,869
Intangible assets	1,074,947	-	-
Investments	1,446,956	1,509,694	1,369,574
Investment in joint venture	362,431	332,173	345,006
Long term receivables	872,596	3,561,835	2,243,724
Post-employment benefit asset	38,500	40,300	38,500
Biological assets	294,366	243,434	292,628
Deferred tax assets	90,262	27,603	19,237
	<u>10,870,523</u>	<u>9,711,827</u>	<u>8,410,538</u>
<b>Current Assets</b>			
Inventories	4,100,637	2,084,059	2,495,063
Biological assets	382,959	449,415	508,745
Receivables	5,729,288	4,872,937	6,175,651
Current portion of long term receivables	1,025,768	220,232	1,487,134
Taxation recoverable	-	-	93,631
Cash and bank balances	1,254,735	686,874	837,294
	<u>12,493,387</u>	<u>8,313,517</u>	<u>11,597,518</u>
<b>Current Liabilities</b>			
Payables	4,959,704	5,075,319	6,807,507
Current portion of long term liabilities	2,049,957	2,194,730	2,012,776
Taxation payable	30,351	161,670	70,587
	<u>7,040,012</u>	<u>7,431,719</u>	<u>8,890,870</u>
<b>Net Current Assets</b>	<u>5,453,375</u>	<u>881,798</u>	<u>2,706,648</u>
	<u>16,323,898</u>	<u>10,593,625</u>	<u>11,117,186</u>
<b>Equity attributable to Stockholders of the Company</b>			
Share capital	560,388	560,388	560,388
Capital reserves	1,021,266	1,084,004	943,884
Retained earnings	9,175,232	8,552,640	8,384,942
	<u>10,756,886</u>	<u>10,197,032</u>	<u>9,889,214</u>
<b>Non-controlling Interest</b>	<u>(958,516)</u>	<u>(934,562)</u>	<u>(879,402)</u>
	<u>9,798,370</u>	<u>9,262,470</u>	<u>9,009,812</u>
<b>Non-current Liabilities</b>			
Post-employment benefit obligations	148,400	143,000	148,400
Long term liabilities	5,956,408	969,390	1,716,732
Deferred tax liabilities	420,720	218,765	242,242
	<u>6,525,528</u>	<u>1,331,155</u>	<u>2,107,374</u>
	<u>16,323,898</u>	<u>10,593,625</u>	<u>11,117,186</u>

Approved for issue by the Board of Directors on 12 November 2018 and signed on its behalf by:

Paul B. Scott

Chairman

Richard R. Pandohie

Director





## SEPROD LIMITED

### Consolidated Statement of Changes in Equity (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	9 months ended 30 September 2018					Total Equity \$'000
	Attributable to Stockholders of the Company				Non- controlling Interests \$'000	
	Share Capital \$'000	Capital Reserves \$'000	Retained Earnings \$'000	Sub- Total \$'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	-	-	1,048,776	1,048,776	(79,114)	969,662
Fair value gains on investments	-	77,382	-	77,382	-	77,382
	-	77,382	1,048,776	1,126,158	(79,114)	1,047,044
Dividends paid	-	-	(258,486)	(258,486)	-	(258,486)
<b>At 30 September 2018</b>	<b>560,388</b>	<b>1,021,266</b>	<b>9,175,232</b>	<b>10,756,886</b>	<b>(958,516)</b>	<b>9,798,370</b>

	9 months ended 30 September 2017					Total Equity \$'000
	Attributable to Stockholders of the Company				Non- controlling Interests \$'000	
	Share Capital \$'000	Capital Reserves \$'000	Retained Earnings \$'000	Sub- Total \$'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	-	-	725,153	725,153	(142,360)	582,793
Fair value gains on investments	-	13,775	-	13,775	-	13,775
	-	13,775	725,153	738,928	(142,360)	596,568
Dividends paid	-	-	(309,840)	(309,840)	-	(309,840)
<b>At 30 September 2017</b>	<b>560,388</b>	<b>1,084,004</b>	<b>8,552,640</b>	<b>10,197,032</b>	<b>(934,562)</b>	<b>9,262,470</b>



## SEPROD LIMITED

### Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	9 months ended 30 September	
	2018 \$'000	2017 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	969,662	582,793
Items not affecting cash resources:		
Amortization of intangible assets	76,053	1,694
Depreciation	494,200	361,368
Interest income	(181,078)	(285,268)
Interest expense	473,442	252,462
Results of joint venture	(17,425)	67,069
Taxation	327,657	309,452
	<u>2,142,511</u>	<u>1,289,570</u>
Changes in operating assets and liabilities:		
Inventories	(1,017,436)	(153,791)
Receivables	299,384	(881,027)
Biological assets	124,048	56,692
Payables	(1,277,671)	606,840
	<u>270,836</u>	<u>918,284</u>
Taxation paid	<u>(252,966)</u>	<u>(107,835)</u>
Cash provided by operating activities	<u>17,870</u>	<u>810,449</u>
<b>Cash Flows from Investing Activities</b>		
Net purchase of property, plant and equipment	(707,057)	(241,869)
Long term receivables	(72,660)	32,342
Cash acquired on business combination	157,919	-
Short term deposits	-	153,906
Interest received	156,986	91,220
Cash (used in)/provided by investing activities	<u>(464,812)</u>	<u>35,599</u>
<b>Cash Flows from Financing Activities</b>		
Long term loans	1,541,020	(268,594)
Interest paid	(418,151)	(248,245)
Dividends paid	(258,486)	(309,840)
Cash provided by/(used in) financing activities	<u>864,383</u>	<u>(826,679)</u>
Increase in cash and cash equivalents	417,441	19,369
Cash and cash equivalents at beginning of year	837,294	667,505
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>1,254,735</u>	<u>686,874</u>



## SEPROD LIMITED

### Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

9 months ended 30 September 2018	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	10,257,186	5,244,042	-	15,501,228
Inter-segment revenue	4,355,368	-	(4,355,368)	-
<b>Total revenue</b>	<b>14,612,554</b>	<b>5,244,042</b>	<b>(4,355,368)</b>	<b>15,501,228</b>
Segment result	1,926,173	111,101	-	2,037,274
Unallocated income				(283,938)
<b>Operating profit</b>				<b>1,753,336</b>
Segment assets	15,810,210	1,301,826	-	17,112,036
Unallocated assets				6,251,874
<b>Total assets</b>				<b>23,363,910</b>
Segment liabilities	4,800,789	663,170	-	5,463,960
Unallocated liabilities				6,514,943
<b>Total liabilities</b>				<b>11,978,903</b>
Capital expenditure	259,864	(3,503)	-	256,351
Unallocated capital expenditure				46,914
<b>Total capital expenditure</b>				<b>303,275</b>
Depreciation	464,767	2,589	-	467,356
Unallocated depreciation				26,844
<b>Total depreciation</b>				<b>494,200</b>
<b>9 months ended 30 September 2017</b>	<b>Manufacturing</b>	<b>Distribution</b>	<b>Eliminations</b>	<b>Group</b>
	\$'000	\$'000	\$'000	\$'000
External revenue	6,934,618	5,202,691	-	12,137,309
Inter-segment revenue	4,003,747	-	(4,003,747)	-
<b>Total revenue</b>	<b>10,938,365</b>	<b>5,202,691</b>	<b>(4,003,747)</b>	<b>12,137,309</b>
Segment result	1,249,108	186,304	-	1,435,412
Unallocated income				(223,636)
<b>Operating profit</b>				<b>1,211,776</b>
Segment assets	8,260,758	1,234,343	-	9,495,101
Unallocated assets				8,530,243
<b>Total assets</b>				<b>18,025,344</b>
Segment liabilities	2,537,382	1,408,690	-	3,946,072
Unallocated liabilities				4,816,802
<b>Total liabilities</b>				<b>8,762,874</b>
Capital expenditure	157,392	3,987	-	161,380
Unallocated capital expenditure				80,490
<b>Total capital expenditure</b>				<b>241,869</b>
Depreciation	332,454	4,648	-	337,102
Unallocated depreciation				24,266
<b>Total depreciation</b>				<b>361,368</b>

Total revenue for the period includes export sales of \$937,029,000 (2017 – \$939,362,000)



## SEPROD LIMITED

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### Notes to the Interim Financial Statements (expressed in Jamaican dollars unless otherwise indicated)

#### **Basis of preparation**

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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 September 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.