CHAMPIONS IN **MANUFACTURING AND EXPORT**

2018 ANNUAL REPORT

BRANDS **WE LOVE**

OUR MISSION

Provide a sufficient quantity of good quality products at reasonable prices to our customers.

Maintain a good return on investment to our shareholders.

Provide our employees with reasonable remuneration and opportunities for personal development and job satisfaction.

Perform the role of a good corporate citizen and contribute to the public welfare.

GOLD SEAL
COUNTER

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NOTICE OF ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the **EIGHTIETH ANNUAL GENERAL MEETING** of Seprod Limited will be held at the **Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston** on **September 9, 2019**, at **11:00 a.m.**, for the purpose of transacting the following business:

1. **TO RECEIVE THE AUDITED ACCOUNTS AND THE REPORTS OF THE DIRECTORS AND AUDITORS**
   To consider and if thought fit pass the following resolution:
   "THAT the Directors' Report, the Auditors' Report and the Audited Accounts for the year ended December 31, 2018 be and are hereby adopted."

2. **TO ELECT DIRECTORS**
   The Directors retiring from office by rotation pursuant to Articles 89 and 91 of the company's Articles of Association are **Messrs. Christopher Gentles, Hugh Gentles, Nicholas Jones and Patrick Scott** who, being eligible, offer themselves for re-election..
   To consider and if thought fit pass the following resolutions:
   i) "THAT Messrs. Christopher Gentles, Hugh Gentles, Nicholas Jones and Patrick Scott be re-elected Directors of the company.

3. **TO FIX THE REMUNERATION OF DIRECTORS.**
   To consider and if thought fit pass the following resolution:
   "That the amount shown in the Audited Accounts for the year ended 31st December, 2018 be and is hereby approved.

4. **TO APPOINT AUDITORS AND AUTHORIZE THE DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS.**
   To consider and if thought fit pass the following resolutions:
   i) "THAT PricewaterhouseCoopers having indicated their willingness to continue in office as Auditors be re-appointed Auditors for the ensuing year."
   ii) "THAT the Directors be authorized to agree on the remuneration of the auditors.

5. **TO TRANSACT ANY OTHER BUSINESS WHICH MAY PROPERLY BE TRANSACTED AT AN ANNUAL GENERAL MEETING.**

DATED this 8th day of April, 2019
BY ORDER OF THE BOARD

.....
Damion Dodd
Secretary

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member. Proxy forms must be lodged at the Company's registered office, 3 Felix Fox Boulevard, Kingston, not less than 48 hours before time of meeting.

DIRECTORS' **REPORT**

The Directors of Seprod Limited submit herewith their Annual Report and Audited Accounts for the year ended December 31, 2018.

FINANCIAL RESULTS

The Group ended the year with a profit before tax of $1.4 Billion and a net profit attributable to shareholders of $1.2 Billion. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the Company are set out in the Management Discussion and Analysis and the Financial Statements which are included as part of the Report.

DIVIDEND

A dividend of fifty cents ($0.50) per ordinary stock unit to stockholders on record as at 25th July, 2018 was paid on 31st August, 2018. A further dividend of forty-five cents ($0.45) per ordinary stock unit to stockholders on record as at 24th December, 2018 was paid on 31st January, 2019.

The Directors do not recommend any further payment of dividend for 2018.

DIRECTORS

Dr. Nigel Clarke resigned from the Board of Directors effective March 27, 2018. Messr. Granville Marsh passed away on June 15, 2018. Messrs. Patrick Scott and Nicholas Jones were appointed on April 4, 2018 and September 20, 2018 respectively.

In accordance with Articles 89 and 91 of the Company's Articles of Association, the following Directors are retiring from office by rotation and, being eligible, offer themselves for re-election:

- Christopher Gentles
- Hugh Gentles
- Patrick Scott
- Nicholas Jones

AUDITORS

The Auditors, Messrs. PricewaterhouseCoopers have indicated their willingness to continue in office. The Directors recommend their re-appointment.

AUDIT COMMITTEE

The Board of Directors of Seprod Limited exercises its responsibilities for the Financial Statements included in this Report through its Audit Committee, which consists of non-management Board members: Mrs. Melanie Subratie, Chairperson and members: Mr. Byron Thompson, Mr. Peter Thwaites and Mr. Nicholas Scott.

The independent accountants and internal auditors have full and free access to the Audit Committee. The Audit Committee meets quarterly with the independent accountants and the Internal Auditors, both privately and with management present, to discuss accounting, auditing and financial reporting matters.

EMPLOYEES

The Directors wish to express their appreciation to the employees for their loyal service throughout the year.

Submitted on behalf of the Board of Directors.

P.B. Scott
CHAIRMAN

CORPORATE **DATA**

REGISTERED OFFICE:

3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220
Fax: (876) 922-6948 or 922-7344
Email: corporate@seprod.com

AUDITORS:

PricewaterhouseCoopers
Scotiabank Centre
Corner of Duke & Port Royal Streets
Kingston, Jamaica

ATTORNEYS:

DunnCox
48 Duke Street
Kingston, Jamaica

Samuda & Johnson
2-6 Grenada Crescent
Kingston 5, Jamaica

BANKERS:

CIBC First Caribbean International Bank
23-27 Knutsford Boulevard,
Kingston 5

First Global Bank
24-48 Barbados Avenue,
Kingston 5

National Commercial Bank Jamaica Limited
1-7 Knutsford Boulevard, Kingston 5, Jamaica

Sagicor Bank
17 Dominica Drive
Kingston 5, Jamaica

Citibank N.A. Jamaica
19 Hillcrest Avenue
Kingston 5, Jamaica

REGISTRAR AND TRANSFER AGENTS:

Jamaica Central Securities Depository Limited
40 Harbour Street, Kingston,
Jamaica

CONTACT **INFORMATION**

INDUSTRIAL SALES LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220

Distribution Outlet
107 Marcus Garvey Drive, Kingston 11
Tel: (876) 923-8953, (876) 937-7084
Fax: (876) 757-9449, (876) 923-6722

SERGE ISLAND FARMS LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220

Dairy Farm
Seaforth, St. Thomas
Tel: (876) 706-5844-6
Fax: (876) 706-5843

INTERNATIONAL BISCUITS LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220

Manufacturing Plant
2e Valentine Drive, P.O. Box 453,
Kingston 19
Tel: (876) 925-9418

CARIBBEAN PRODUCTS COMPANY LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220

Manufacturing Plant
228 Spanish Town Road, Kingston 11
Tel: (876) 923-0125-8, (876) 923-6516-8,
(876) 937-3372
Fax: (876) 923-4043

GOLDEN GROVE SUGAR COMPANY LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220

Manufacturing Plant
Duckenfield, Golden Grove P.O., St. Thomas
Tel: (876) 706-0522
Fax: (876) 706-0520

JAMAICA GRAIN & CEREALS LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220
Fax: (876) 967-7479

MUSSON INTERNATIONAL DAIRIES LIMITED
SERGE ISLAND DAIRIES LIMITED
3 Felix Fox Boulevard, Kingston
Tel: (876) 922-1220

Manufacturing Plant
Bybrook, Bog Walk, St. Catherine
Tel: (876) 985-1479-83

FACEY COMMODITY COMPANY LIMITED
109 Marcus Garvey Drive, Kingston 13

Merchandise and Pharmaceutical Divisions
61 Newport Boulevard , Kingston 13
Tel: (876) 923-9221
Fax: (876) 901-6815

SHAREHOLDERS' **PROFILE**

AS AT DECEMBER 31, 2018

TEN LARGEST SHAREHOLDERS

1.	Musson (Jamaica) Limited	*233,747,988
2.	Coconut Industry Board	163,420,345
3.	JCSD Trustee Services Limited – Facey Group Limited	*125,234,043
4.	Grace Kennedy Limited Pension Scheme	21,955,904
5.	National Insurance Fund	15,443,045
6.	Scotia Jamaica Investment Management – A/C 3119	9,074,455
7.	NCB Insurance Company Limited – A/C 109	5,648,346
8.	JCSD Trustee Services Limited – Sigma Equity	4,878,220
9.	VM Wealth Equity Fund	4,797,205
10.	Richard R. Pandohie	4,248,482

* -Connected Persons: Paul B. Scott, Melanie M. Subratie

SHAREHOLDINGS OF DIRECTORS ALONG WITH THEIR CONNECTED PERSONS

1.	Paul B. Scott	NIL
	Shareholding of connected persons	358,982,031
2.	Melanie M. Subratie	NIL
	Shareholding of connected persons	358,982,031
3.	Byron E. Thompson	1,220,668
4.	Richard R. Pandohie	4,248,482
5.	Nicholas A. Scott	NIL
	Shareholding of connected persons	1,206,768
6.	Hugh Gentles	94,541
	Shareholding of connected person	500,000
7.	Peter J. Thwaites	5,000
8.	Michael J. Subratie	NIL
9.	Christopher Gentles	NIL
10.	Patrick Scott	3,000,000
11.	Nicholas Jones	NIL

SHAREHOLDINGS OF MANAGEMENT

1. Marilyn Anderson	50,000
2. Carol Andrade	13,000
3. Dr. Gavin Bellamy	41,600
4. Dalton Brown	2,500
5. Angela Cooper	38,854
6. Damion Dodd	300,000
7. Roger Drinkall	200,000
8. Glenise Durrant-Freckleton	100,000
9. Pernal Elliston	24,479
10. Devon Francis	304,000
11. Chana Hay	1,375,500
12. Tricia Hill	NIL
13. Kerrian Johnson	25,000
14. Elmae Jones	400,000
15. Ryan Kirlew	70,000
16. Efrain Lara	NIL
17. Junior Levine	500,000
18. Roger Lewis	83,300
19. Jannett Lym	42,500
20. Milton Maragh	NIL
21. Joyce Miller	35,000
22. Everton Morgan	62,500
23. Jeffrey Moss-Solomon	416,900
24. Michael Myers	5,552
25. Richard Pandohie	4,248,482
26. Patrick Scott	3,000,000
27. Dr. Patrick Sterling	20,700
28. Alton Sweeney	25,000
29. Amanda Watson	460,000

SEPROD

CORPORATE **GOVERNANCE**

Corporate Governance remains a key area of focus for Seprod Limited and is central to the Company's strategic objectives. The principles and the structure of our policy ensure the highest standards of transparency, oversight and independence, which serve the best interest of all our stakeholders. The practices are consistent with world best practices and adhere to the relevant legal and regulatory framework.

Our Corporate Governance Charter was established in December, 2012 by the Board of Directors and reviewed in December, 2018. The charter can be seen in more detail on the Company's website – **www.seprod.com**

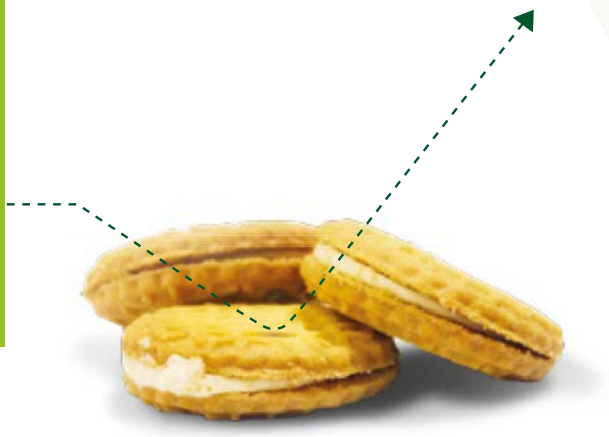
Only the very best
- from us to you.

Serge
9g PROTEIN
35% CALCIUM
NO ADDED SUGAR
100%
PURE COW'S
MILK
GRADE A
1 Litre
HOMOGENIZED

CHAIRMAN'S **REPORT**

P.B. Scott
Chairman

64%
IMPROVEMENT OF PROFIT



In 2018 Seprod executed a number of long laid plans which we believe the shareholders will see the benefits of for many years to come. All three divisions of Ingredients, Dairy and Distribution had significant structural changes. Changes that resulted in a 64% improvement of profit year over year. But also changes that will develop momentum for continued growth and profit.

DISTRIBUTION

During the year Seprod purchased Facey Commodity Company Ltd. This was done through a mixture of cash and shares. The benefits of this transaction were not truly reflected in the year 2018 as only 3 months of operations were attributable to 2018. However in 2019 we will see a significant contribution from Facey in both the addition of the Facey's profit but also strategically as Seprod now controls the distribution of the vast majority of it's own brands. We hope this will result in improved coordination in the marketing of these products resulting in even further sales growth and profit. We will continue to invest in our distribution operations over the next few years. This year we will see stage 1 of our new warehouse complex at Seprod completed. We expect to build on this in the coming years to deliver the very best in class logistics center.

INGREDIENTS

2018 represented the first full year of operation for our grain mill. I would like to take this opportunity to thank all our customers who have supported us in the last year in growing that business. We knew that with a focus to being customer centric and a deep commitment to quality that business would offer real value to the trade. We feel privileged that we are now providing the very best quality product to the trade and we are honored to have received such support. The investment that was done jointly with our partners Seaboard Corporation into Jamaica Grain and Cereals Limited will continue to do well as we maintain our focus on quality as well as new export markets in the coming year.

We will see the closure of the sugar operation in 2019. This is long overdue. Unfortunately had the industry been restructured in a timely manner this could have been avoided. However despite 9 years of lobbying about various issues we can no longer support the losses. On the bright side this will have a direct improvement in our profitability as we cut out the losses. We will be investing in new profitable projects on the lands and in 2019 these projects will come to light leading to improved prospects in the parish of St. Thomas.

During the year we also invested in a new co-generation plant at Caribbean Products which will result in significant energy savings in 2019 and beyond. We will be evaluating all our operations for energy efficiencies as we continue on the path of the development of our factories and distributions centers.

DAIRY

2018 was the last year of Serge processing and packing at the factory in St. Thomas. The merger of the two dairy factories (St. Thomas and Bog Walk) will be completed in 2019. The result will be a first class dairy facility with the ability to contract pack for global leaders as well as have enough capacity to grow our own business. Essentially volumes drive unit price and we have put two factories together resulting in a material improvement in efficiencies. We are very bullish on the dairy industry. The dairy industry in Jamaica has potential to expand and reduce imports. It also has the opportunity to expand through exports. We intend on doing both. We will see product expansion and we will see significant growth in our export brands as well our contract packing in the next year.

I would like to take this opportunity to thank the management and employees, many of whom I am now privileged to consider partners (20% of employees now own stock in Seprod), who worked tremendously hard throughout 2018 to deliver significantly improved results. Results which will be built on in 2019. During the year Dr. Nigel Clarke resigned as a director of the company. He did so in order to serve the people of Jamaica as a Member of Parlaiment. Dr. Clarke contributed greatly to the company during his years as a director and will be missed. However we console ourselves in knowing our loss will be Jamaica's gain. Sadly Mr. Granville Marsh our longest standing director passed away during the year. He will be greatly missed by directors and management alike. I would like to thank the Board for their commitment and hard work. The leadership of the company has delivered a high level of energy and commitment. They have executed well during the year and their actions in investing in the company speak louder than words.

P.B Scott
CHAIRMAN

TRY ME!
Be smart about your health
DRINK FAT FREE MILK

% FAT
Yo%u got this!
Serge
ZERO fat
ZERO added sugar
100% GREAT taste

BOARD OF **DIRECTORS**

P. B. SCOTT
CHAIRMAN

PB Scott is the Chairman, CEO and principal shareholder of the Musson Group.

He joined the group in 1994 and became CEO in 2004. In 2009 he was appointed Chairman of the Board. He is responsible for the strategic direction, performance and overall operations of the Musson Group and all of its subsidiaries including the Seprod Group, PBS Group, T. Geddes Grant Distributors Ltd., General Accident Insurance Company Ltd. among others.

In addition to his responsibilities at Musson he serves on many public boards and commissions. He is a trustee of the American International School of Jamaica and currently is Chairman of the Development Bank of Jamaica (DBJ). He is a past President of the Private Sector Organization of Jamaica.

PETER J. THWAITES
VICE CHAIRMAN

Mr. Thwaites is a retired Insurance Executive, a past President of the Private Sector Organisation of Jamaica and a past Chairman of the Electoral Advisory Committee, now the Electoral Commission of Jamaica. He is a Director of Facey Commodity Company Limited, Crime Stop Jamaica, Thwaites Finson Sharp Insurance Brokers, Guardian General Insurance Jamaica, a subsidiary of Guardian Holdings of Trinidad and Tobago and Rototech International Limited.

RICHARD R. PANDOHIE, JP
CEO/MANAGING DIRECTOR

Mr. Pandohie has been the Chief Executive Officer and Managing Director of Seprod Limited since January, 2015. He has held managerial positions in several corporations in the Caribbean and Central America. He has been the Deputy President of the Jamaica Manufacturers Association (now the Jamaica Manufacturers and Exporters Association) since 2015 and a Director of Red Stripe Limited since 2016. He holds a MBA in Corporate Finance and Operations Management from the McGill University and a BSc in Chemical Engineering from The University of the West Indies.

BYRON E. THOMPSON, JP, MBA

Mr. Thompson is a former Chief Executive Officer and Managing Director of the Seprod Group of Companies. He also sits on the Board of Seprod's subsidiaries and Audit Committee. He is also a Director of Eppley Limited and the Salvation Army Advisory Board and a Council member of the Bureau of Standards. He holds a Bachelor's Degree in Chemistry and Geology from the University of the West Indies and an MBA from Barry University, Florida, USA.

MELANIE M. SUBRATIE, BSC. (HONS.)

Melanie Subratie is Chairman and CEO of Stanley Motta Ltd, a company listed on the Jamaica Stock Exchange, responsible for developing over 230k sq ft of real estate from concept to completed construction, to a fully tenanted technology park.

She is Vice Chairman of Musson (Ja) Ltd, a Director of all its subsidiaries, in addition to being Vice Chairman of General Accident, Eppley Ltd, and T. Geddes Grant. She is Chairman of Transaction E-Pins Ltd. and sits on the executive of Seprod Group of Companies and all of its subsidiary boards. Melanie chairs the Audit Committee for both Productive Business Solutions Ltd and Seprod Ltd.

She is Chairman of Seprod Foundation, Musson Foundation, a founder and Chairperson of Jamaican Girls Coding, and Chairman of RISE Life Management. A number of her foundation projects have included a major focus on developing technology and coding skills for Jamaican youth. Melanie is a keen Angel investor, sits on the Boards of LoanCirrus, Bookfusion, and is a board member of First Angels itself. She sits on the Boards of Bustamante Children's Hospital and the National Museum of Jamaica. She is currently working to set up Jamaica's first large scale skatepark.

Melanie is fourth Vice President of the Jamaica Chamber of Commerce, and is the current Chair of the Legislation, Regulation and Process Improvement Committee. Melanie is an honors graduate of the London School of Economics, and worked for a political newswire start up and as a consultant in the Financial Services Division of Deloitte and Touche in London before returning to Jamaica. Melanie is mother to three girls.

PATRICK A. SCOTT

Patrick A. W Scott is the Chairman and Chief Executive Officer of Facey Commodity Company Limited and the Executive Deputy Chairman of the Facey Group. Prior to these appointments, he served as Managing Director and as a Director of the company. A seasoned executive, Mr. Scott also sits on the main Boards of the Musson Group and was a key figure in the global development of Facey's Telecom business. Additionally, during his tenure as General Manager of the Pharmaceutical Division of Facey Commodity Company Limited, he was instrumental in its strong and rapid growth. Marketing- trained, he attended Seneca College and Ryerson University in Toronto, Canada.

NICHOLAS A. SCOTT

Mr. Nicholas Scott is the Chief Investment Officer of the Musson Group and serves as a Director of most of its subsidiaries and affiliates. He is also the Managing Director of Eppley Limited and the Chairman of the Eppley Caribbean Property Fund Limited SCC. Mr. Scott is the Chairman of the Student Loan Bureau and is a former Vice-President of the Private Sector Organisation of Jamaica. He holds a B.Sc. in Economics from the Wharton School at the University of Pennsylvania, an M.B.A from Columbia Business School and an M.P.A. from the Harvard Kennedy School of Government.

CHRISTOPHER C. GENTLES

Christopher Gentles was appointed a Director of the Seprod Board in April 2016. He is currently the Chairman of the Coconut Industry Board and employed to the Spirits Pool Association, and its subsidiary Caribbean Molasses Company Jamaica Ltd. as General Manager. He was former General Manager-Farm Operations of JP Tropical Foods Ltd., former Group Produce Manager for SuperPlus Food Stores and the former Director General of the Coffee Industry Board of Jamaica. He was the former President of Promecafe, the regional organization that promotes the development of the culture of coffee cultivation, and marketing within seven Latin American and Caribbean countries. He has undergone training programmes in Irrigation and Extension from the Ruppin Institute in Israel, and completed courses in merchandizing from Kellog's Business School, the University of Michigan. He holds his Global MBA from the Manchester Business School in the United Kingdom as well as his Bachelor's in Agronomy from UWI, St. Augustine, Trinidad.

HUGH W. GENTLES, JP, B.A

Appointed in 2016, Mr. Hugh Gentles is a graduate of York University, Toronto, Canada. He is the owner of Glastonbury Farm and Founder/Manager of Glastonbury Purveyor Company Ltd. Mr. Gentles has served on several national Boards including Rural Agricultural Development Authority (RADA), Banana Export Company (BECO) and Correctional Services Production Company (COSPROD). He currently sits on the Coconut Industry Board and is also a founding member and current Chairman of Potato & Onion Producers Association of Jamaica (POPA).

MICHAEL J. SUBRATIE, BCE, MSCE, EIT, JP

Mr. Michael Subratie is the Managing Director of T. Geddes Grant (Distributors) Limited as well as the Chief Operating Officer and a Director of the Musson (Jamaica) Ltd. in charge of Musson's manufacturing and trading business entities. He has served on several government Boards including the Urban Development Corporation, Jamaica Urban Transit Company, Jamaica Railway Corporation, Montego Freeport Limited and the former Pegasus Hotel. He also sits on the Board of the American Chamber of Commerce, and is the Honorary Consul of Bangladesh. In November, 2016, Michael was appointed as Dean of The Consular Corps of Jamaica. In his capacity as Dean, Michael represents over 47 countries that do not have resident ambassadors in Jamaica. Michael is an active member of the Young Presidents' Organization (YPO). He holds a Bachelor's Degree in Civil Engineering with highest honor from Georgia Institute of Technology and a Master's Degree in Structural Engineering from Purdue University.

NICHOLAS A. JONES

Mr. Nicholas Jones has been the Managing Director and Chairman of Fred M. Jones Estates Limited since 2013. He currently serves as a Director on the Coconut Industry Board and the Jamaica Agricultural Development Foundation. He formerly held the position of the Agricultural Director of the Jamaica Producers Group, the Managing Director of Montpelier Citrus Company and General Manager of Guardsman Ltd. Mr. Jones has a BSc in Agriculture from the University of Georgia in the USA and a MSC in Agricultural Science from Melbourne University in Australia and has attended advanced management programs at the University of the West Indies and the Wharton School at the University of Pennsylvania.

DIRECTORS' **ATTENDANCE - 2018**

	Seprod Board	Executive Committee	Audit Committee	Superannuation Committee	Insurance Committee
Number of Meetings	**11**	**11**	**4**	**4**	**1**
Paul Scott	11	11			
Richard Pandohie	11	11			
Peter Thwaites	11	11	4	4	1
Byron Thompson	11	11	4		1
Melanie Subratie	10	10	4	4	
Michael Subratie	10				
Nicholas Scott	10		1		
Christopher Gentles	10				
Hugh Gentles	10				
Patrick Scott (appointed April 2018)	8	8			
Nicholas Jones (appointed September 2018)	3				

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BETTY

FULL CREAM & 1% LOW FAT MILK

ANOTHER REASON
*TO **LOVE** BETTY!*

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BOARD **SUB-COMMITTEES**

EXECUTIVE COMMITTEE

Mr. P.B. Scott
Chairperson

Mr. P.J. Thwaites

Mr. B.E. Thompson

Mr. R.R. Pandohie

Mrs. M. M. Subratie

Mr. P.A. Scott

AUDIT COMMITTEE

Mrs. M. M. Subratie
Chairperson

Mr. B.E. Thompson

Mr. P. J. Thwaites

Mr. N.A. Scott

INSURANCE COMMITTEE

Mr. P.J. Thwaites
Chairperson

Mr. P.B. Scott

Mr. B.E. Thompson

Mr. N.A. Scott

SUPERANNUATION COMMITTEE

Mr. P.J. Thwaites
Chairperson

Mr. N.A. Scott

Mrs. M.M. Subratie

AUDIT COMMITTEE **REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

OVERVIEW

The Audit Committee is established by the board as a sub-committee and its powers are delegated by the board. The Audit Committee assists the board in fulfilling specific oversight responsibilities, which include the Seprod Group's financial reporting, internal control systems, risk management systems and the internal and external audit functions. The board retains responsibility for decisions, performance and outcomes of the Audit Committee.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee meets quarterly and comprises four (4) independent board members, inclusive of the chair, Mrs. Melanie Subratie. The table on page 26 shows the members' attendance to these meetings.

Audit Committee meetings are also attended by the Chief Executive Officer, Chief Financial Officer/ Corporate Secretary and other members of senior management of the Seprod Group as relevant to the particular matters being discussed, as well as the internal and external auditors. The Committee also meets quarterly with the internal and external auditors without any member of the management team present, in order for the Committee members to have a discussion about any matters of significance that arose during the audit processes.

ACTIVITIES OF THE AUDIT COMMITTEE

The main objectives of the Committee include assisting the board to discharge its responsibility in relation to the following areas:

- Reporting of financial information;
- Application of accounting policies;
- Review of Internal control systems and procedures;
- Adequacy of risk management procedures and practices;
- Propriety of business policies and practices;
- Compliance with applicable laws, regulations, standards and best practice guidelines;
- Formal forum for communication between the board and senior management;
- Communication between the board and the internal and external auditors;
- Facilitating the maintenance of the independence of the external auditor;
- Providing a structured reporting line for internal audit and facilitating the independence of the internal auditor; and
- Consideration of significant matters that were raised during the audit processes.

The Audit Committee effectively carried out these objectives during and in respect of the year ended 31 December 2018. In particular, the Committee: assessed and approved the scopes of the internal and external audit plans; reviewed internal audit reports and assessed management's responses and actions with respect to the finding and the recommendations made; reviewed management letters from external auditors and assessed management's responses and actions with respect to the finding and the recommendations made; and reviewed and recommended board approval for the unaudited quarterly financial reports and the annual audited financial statements.

Melanie M. Subratie
CHAIRPERSON

MANAGEMENT **PROFILE**

1. **RICHARD R. PANDOHIE, JP**
   GROUP CHIEF EXECUTIVE OFFICER
   AND MANAGING DIRECTOR
2. **MILTON MARAGH**
   GROUP BUSINESS DEVELOPMENT MANAGER
3. **GLENISE DURRANT-FRECKLETON**
   GROUP STRATEGY AND PLANNING MANAGER
4. **DAMION D. DODD**
   GROUP CHIEF FINANCIAL OFFICER AND
   CORPORATE SECRETARY

1. **KERRIAN JOHNSON**
   GROUP MARKETING MANAGER
2. **AMANDA WATSON**
   EXPORT MANAGER
3. **TRICIA HILL**
   COUNTRY MANAGER
   TRINIDAD & TOBAGO
4. **EFRAIN LARA**
   AREA MANAGER
   DOMINICAN REPUBLIC

MANAGEMENT **PROFILE**

1. **MARILYN ANDERSON, JP**
   GENERAL MANAGER
   CARIBBEAN PRODUCTS COMPANY LIMITED
2. **DR. GAVIN BELLAMY, JP**
   GENERAL MANAGER
   SERGE ISLAND FARMS LIMITED
3. **ANGELA COOPER**
   FINANCIAL CONSULTANT
4. **CAROL GORDON-ANDRADE**
   GROUP INNOVATION AND QUALITY MANAGER
5. **JEFFREY MOSS-SOLOMON**
   GENERAL MANAGER
   JAMAICA GRAIN AND CEREALS LIMITED
6. **DEVON FRANCIS**
   GENERAL MANAGER
   MUSSON INTERNATIONAL DAIRIES LIMITED

1. **RYAN F. KIRLEW**
   GENERAL MANAGER
   INDUSTRIAL SALES LIMITED
2. **PATRICK STERLING, PHD.**
   GROUP HUMAN RESOURCE
   AND INDUSTRIAL RELATIONS MANAGER
3. **ROGER DRINKALL**
   GENERAL MANAGER
   FACEY PHARMACEUTICAL DIVISION
4. **DAVE VIRTUE**
   GROUP SECURITY, SAFETY, HEALTH
   AND ENVIRONMENT MANAGER
5. **CHANA HAY**
   GENERAL MANAGER
   FACEY MERCHANDISE DIVISION
6. **ROGER LEWIS**
   LEAD INFORMATION
   TECHNOLOGY MANAGER

MANAGEMENT **DISCUSSION & ANALYSIS**

Richard R. Pandohie
CEO/Managing Director

Dear Shareholders, Associates and Customers,

Thank you for your confidence and support of the Seprod Group. Everything that we do and every investment that we make is designed to bring value to you. It was a watershed year for the organization, being given the Prime Minister's Award for Large Champion Exporter, the Governor General's Award for Overall Champion Exporter and the Governor General's Award for Manufacturer of the Year. We were elated and humbled by these recognitions and have recommitted to raising the bar even higher.

We have been on this journey for the past four (4) years to create a best-in-class organization; as such, this report is simply an update to outline how we have delivered so far against the commitments made.

The table below summarizes some of our key financial performance indicators

	2018 ($)	2017 ($)	Change ($)	Change (%)
Revenue	$23.5b	$16.5b	$7b	43%
Operating profit	$2.2b	$1.3b	$841m	63%
Net profit	$1.1b	$648m	$414m	64%
Total assets	$35.3b	$20.0b	$15.3b	77%
Equity	$15.7b	$9.9b	$5.8b	59%

Seprod's good performance, as well as a solid balance sheet reinforces that the Group is on a firm footing to continue to pursue its growth agenda.

2018 was another year of innovations, domestic sales growth, export sales growth and a massively expanded distribution footprint through the acquisition of the Facey Consumer Division. The purchase of Facey Consumer Division has given us the privilege of working with world class brands such as Brunswick, Mondelez, Kraft, Goya, Eve, Roche, Pfizer and Boehringer Ingelheim.

We began the consolidation of the dairy business in 2018, a massive undertaking that will culminate in one amazing factory based in Bog Walk and major technological upgrades to the farms. The project is well on the way to completion and the benefits will start being seen in the second half of 2019.

The Grain Mill has delivered as expected and has brought tremendous benefit to households and manufacturers through its superior quality products. Revenue continues to rise steadily, and our distribution footprint for flour and corn products now covers several CARICOM countries, USA, UK, Canada, Colombia and Haiti. The Company will be introducing some exciting innovations in this space that will have a positive impact on the farming communities throughout the length and breadth of Jamaica.

As we double down on equipment investment and retooling, we have never lost sight of the critical role that our people play in ensuring our success. In 2018, the Board approved a scheme that resulted in employees having the option of owning Seprod shares. Approximately 20% of the employees availed themselves of the option making them owners in the business. I am delighted when I go on a factory floor and someone engages me in a serious discussion on what Management is doing to ensure that his/her share price is improving and that dividends will be paid. The mental shift from employee to owner will unleash entrepreneurial zeal and ensure that our employees participate in wealth creation.

Despite the positive performance, there remains some issues that will have to be addressed to further improve results and enhance shareholder value. The most pressing of these is to eliminate the losses at Golden Grove Sugar Company Limited (GGSC). The Company has been exploring several options to help us transition the business, and these will be more fully explained in the coming months.

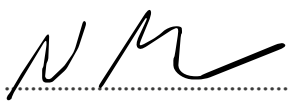
Seprod continues to strengthen its focus on quality and food safety. We have implemented a program to ensure that all our factories and farms are FSSC 22000 certified (Food Safety System). This will be succeeded by ISO 9001 (Quality) Certification across all our facilities. All our factories (except for Golden Grove) are now FSSC 2200 compliant, with our two largest factories being certified. Certification for the other two factories and the farms are in progress and slated for completion by 2020.

2019 AND BEYOND

Management will deliver revenue and operating profit growth in 2019 by:

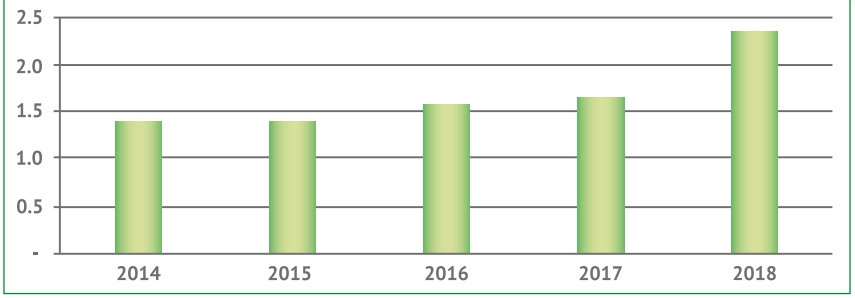
- Continuing to drive growth through innovations in all our operations.
- Driving distribution synergies to improve our efficiencies and distribution footprint and gain more control of the supply chain from factory to retail shelves.
- Continuing to look for acquisition opportunities and partnerships (locally and internationally) that will be value enhancing.
- Driving export growth. Our expectation is to grow exports more than 25% each year.
- Attracting and investing in talented people – Seprod continues to invest in its Internship programme, bringing on board some amazing young people, who will form the core of the next generation of leaders in the Group.
- Attracting contract manufacturing opportunities.
- Investing in our over 1,500 employees and by extension, their families, to ensure alignment to vision, consumer-centric behavior and passion for the business.

Our plans are ambitious but realistic; the challenges are many, but the opportunities are even greater. Team Seprod is fully engaged and is confident that we will unlock our full potential to deliver shareholder value and contribute to Jamaica being a place of choice to live and work. I want to thank Chairman PB Scott and the Board for their unwavering support and guidance. This has made all the difference in having the confidence to pursue big ambitions and to drive for transformational results. On behalf of all the employees of Seprod, I want to thank you for your continued confidence in our company. It has been an incredible journey and the best is yet to come.

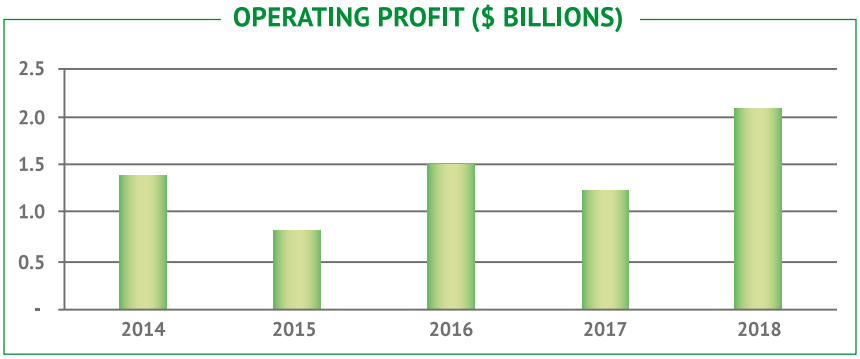


Richard R. Pandohie, JP
CEO/MANAGING DIRECTOR

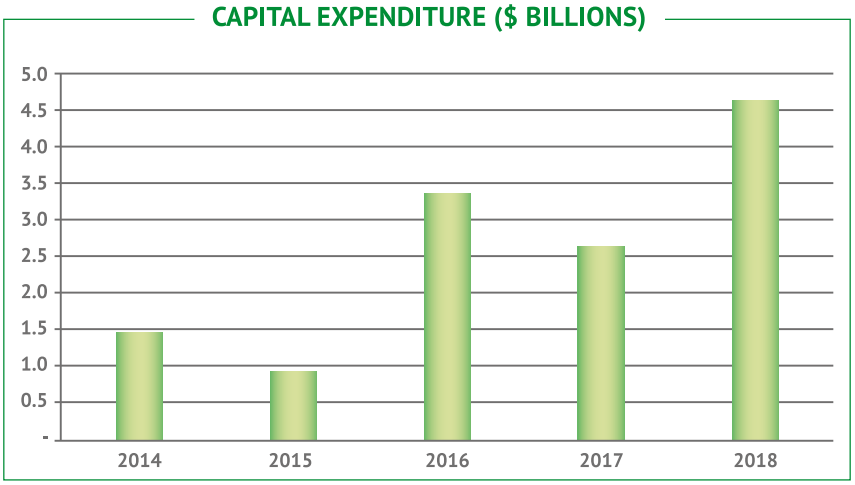
REVENUE ($ BILLIONS)



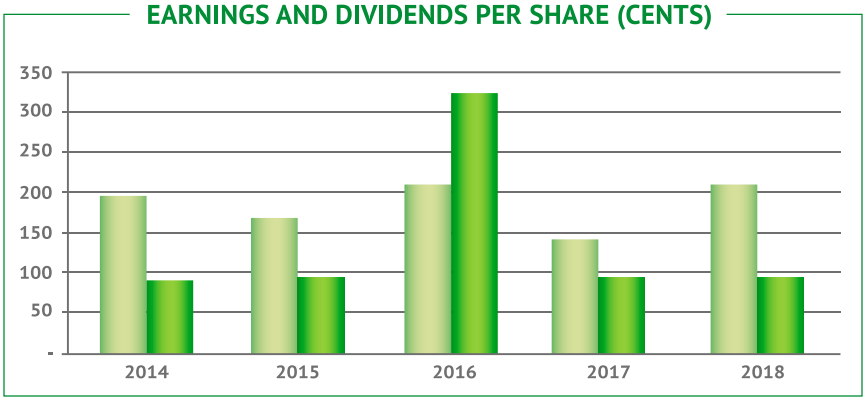
OPERATING PROFIT ($ BILLIONS)



CAPITAL EXPENDITURE ($ BILLIONS)



EARNINGS AND DIVIDENDS PER SHARE (CENTS)



STATISTICAL **HIGHLIGHTS**

		2018	2017	2016	2015
Revenue	$'000	23,553,769	16,511,206	15,781,917	13,777,863
Operating profit	$'000	2,171,908	1,330,969	1,588,716	900,823
Profit before taxation	$'000	1,440,812	938,960	1,185,924	604,058
Net profit	$'000	1,062,055	647,843	875,209	576,900
Shareholders' equity	$'000	15,744,994	9,889,214	9,767,944	10,309,528
Capital expenditure:	$'000				
- the Group		1,816,806	1,330,969	1,588,716	900,823
- joint venture entity		152,052	1,302,866	1,746,465	17,672
- on acquisition of subsidiaries		2,659,125	-	-	-
- Total capital expenditure		4,627,983	2,633,835	3,335,181	918,495
Key ratios and other information					
Earnings per stock unit (cents)		207	142	211	168
Dividends per stock unit (cents)		95	95	323	95
Operating profit to revenue (%)		9.22	8.06	10.07	6.54
Return on equity (%)		6.75	6.55	8.96	5.60

	2014	2013	2012	2011	2010	2009
	14,007,117	13,921,759	12,723,578	12,005,202	9,776,563	9,495,060
	1,460,478	1,419,318	1,305,328	1,256,314	1,206,866	2,210,782
	1,170,645	1,118,394	1,199,632	1,193,951	1,170,927	2,185,901
	895,375	767,876	834,027	767,280	830,263	1,485,937
	9,868,072	9,366,647	8,596,211	8,072,140	7,761,085	6,978,781
	1,460,478	1,419,318	1,305,328	1,256,314	1,206,866	2,210,782
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,460,478	1,419,318	1,305,328	1,256,314	1,206,866	2,210,782
	196	175	170	169	195	286
	90	83	83	76	75	65
	10.43	10.19	10.26	10.46	12.34	23.28
	9.07	8.20	9.70	9.51	10.70	21.29

SEPROD

CHAMPIONS IN MANUFACTURING & EXPORT 2018!

WINNING CULTURE AT SEPROD
CELEBRATING EXCELLENCE

At the biggest night in Manufacturing and Export, the Jamaica Manufacturer's and Exporters Association Awards, Seprod took home the following awards:

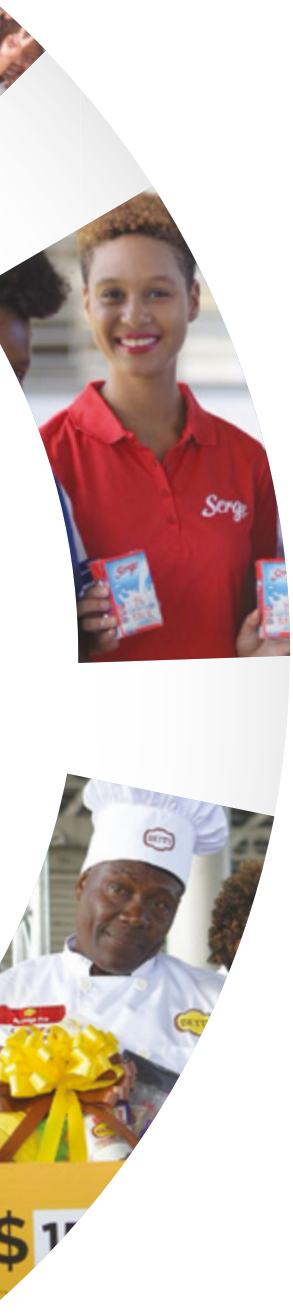
- **Prime Minister's Award for Large Champion Exporter**
- **Governor General's Award for Exporter of the Year**
- **Governor General's Award for Manufacturer of the Year**

The Seprod team are all smiles after winning the Govenor General's Award for Manufacturer of the Year.

The Seprod team celebrates after winning the top three awards at the JMEA Awards ceremony.

A true testament to the passion we show for what we do! Providing quality products for the region and beyond. Proud winners of these prestigious awards.

Marketing REPORT



INTRODUCTION

As we continue to break new frontiers, we have been continuing our journey of transformation for our beloved brands and Seprod as a whole. 2018 proved to be an energetic year with innovative executions and a few exciting firsts in our Marketing programmes. Here are the exciting highlights:

Serge®

The Serge brand showed its continuity and versatility through innovation – our 0% Fat milk. This latest addition to the Serge family is testament to the commitment we have to offer quality, healthy options for our customers.

Serge introduced its new ambassador, Mrs. Shani McGraham-Shirley, a fitness guru, to propel the mantra of healthy living to our Serge family.

SERGE 0% FAT MILK LAUNCH 2018

The new product was launched on July 25, 2018 at Emancipation Park in an unconventional way that yielded a phenomenal response. The event was hosted by Rohan 'Quite Perry' Perry and featured Agent Sasco as the special entertainment guest. In collaboration with the Ministry of Health's Jamaica Moves campaign and the brand's commitment toward healthy lifestyles, the event featured a full-on exercise programme with brand ambassador Shani McGraham-Shirley and hosted over 300 guests and patrons.

Top Left: Minister of Health the Hon. Christopher Tufton, Rohan Perry, Metry Seaga, Shani McGraham-Shirley & Richard Pandohie

GETTING INVOLVED WITH OUR COMMUNITY

SERGE ST. THOMAS MAJOR LEAGUE

Serge was the major sponsor of the St. Thomas Football League with a $3,100,000 donation to the development of the league. The sponsorship is a significant one as it aids in the development of sport in the parish and cements our commitment to the St. Thomas community in which we operate.

Congratulations to Seaforth Sports Club, crowned #SergeIsland St. Thomas Major League Champions

WORLD SCHOOL MILK DAY – SEPTEMBER 2018

"Helping to build strong bones and healthy bodies for our nation's youth"... Serge celebrated World School Milk Day in schools across St. Thomas including Yallahs High School, Silver Stone Basic School and Calabar High School in Kingston.

MAJOR INVOLVEMENTS

Serge was a proud sponsor of JISA National Prep School Championships on June 15, 2018. The brand is committed to providing proper nutrition for our nation's children. Milk is an excellent re-hydrator for muscles and promotes bone health.

Class 1 Girls 100M winner Jounee Armstrong being presented her Serge basket by Richard Parchment

PRIMARY SCHOOL SPORTS DAY SUPPORT

Serge and Butterkist partnered and supported numerous school sports days across the island.

Franklyn Town Primary School

Windward Road Primary School

Daniel Gayle and Terrica Francis of St. Francis Primary and Infant School who were declared the Champion Boy and Girl at their Sports Day.

NATIONAL CHESS COMPETITION

Under 8 female champion Najean Brown (centre) at the National Chess Competition. Flanking her are Brand Executive Shanice Barrett (left) and Jomo Pitterson, Grand Master for the National Chess Association.

DENBIGH 2018

Serge once again had a spectacular showing at Denbigh 2018 where we won Supreme Champion Dairy Heifer 2018 & Challenge Cup for Supreme Champion Dairy Cow 2018.

Serge farm assistant, Romain Brown handles one of our prize winning cows.

Our Serge intern, Chenille Hume, who trained our champion cow Mitsy.

BETTY BREAKFAST WITH LOVE

Betty launched its "Betty Breakfast with Love" Programme with our newly introduced Betty Full Cream and Betty Low Fat Milk. The programme included donations of milk and breakfast to a number of children. The programme also included a reading element where volunteers visited schools and read to the children. Team Betty also donated books to all the participating schools. The schools in the programme are Maxfield Park Primary School, Shortwood Practising Primary School and Central Branch Primary.

Children at Maxfield Park Primary School enjoying Betty Low Fat milk.

Brand Executive, Patrice Williams presents a teacher at the Maxfield Park Primary School with a Betty basket.

BETTY SWEET MOMENTS

The Betty Porridge Cook Off was launched in 2017 and 2018 proved to be bigger and more exciting! We had more entrants, bigger and better prizes and a superb atmosphere from the patrons who attended. The event held at the Half Way Tree Transport Centre was hosted by Christopher 'Johnny' Daley and RJR morning hosts, Francois St. Juste and Paula Ann Porter-Jones on November 16, 2018.

Courtney Cousins won first place with his 3-in-1 special while Kenroy Lewis came second with his "One an' Move". Third place went to Kameka Simpson with "The Bulga Booster"

GUARDSMAN GAMES 2018

We practice what we preach: Great liquid nutritional supplement for active lifestyles. Our Seprod team brought the fire at the 2018 Guardsman Games with Keroy Benjamin winning the Individual first place prize in the Elite section. Seprod's winning team was trained by Stokely Rose of Trainfit.

DANCING DYNAMITES

Supligen once again sponsored the popular Dancing Dynamites and made strides in 2018.

Dance Team extraordinaire, Street Team took the top honours. Brand Executive, Richard Parchment presents the $150,000 prize to the winning team

GOLD SEAL FLOUR

JAMAICA FOOD & DRINK FESTIVAL 2018

Our CEO Richard Pandohie joined in the festivities and fried up a storm with the Aunt May team at Meet Street at the Jamaica Food and Drink Festival

GOLD SEAL BEST BUNS 2018 – UNIVERSITY OF TECHNOLOGY

Partnering with the University of Technology, Gold Seal Flour hosted the first staging of their Best Buns Competition. Six students from the School of Hospitality competed for a chance to win a share of $350,000 in prize money paid toward their tuition. The event held on Wednesday, March 28, 2018 was a platform for students to explore their creativity and passion for baking.

GOLD SEAL FLOUR

Jamaica Grain and Cereals Limited official factory opening and the launch of Gold Seal Flour on Thursday March 15, 2018 saw the Prime Minister the Hon. Andrew Holness reaffirming that the Government is on a path of retaking the manufacturing industry.

GROWING **EXPORTS**

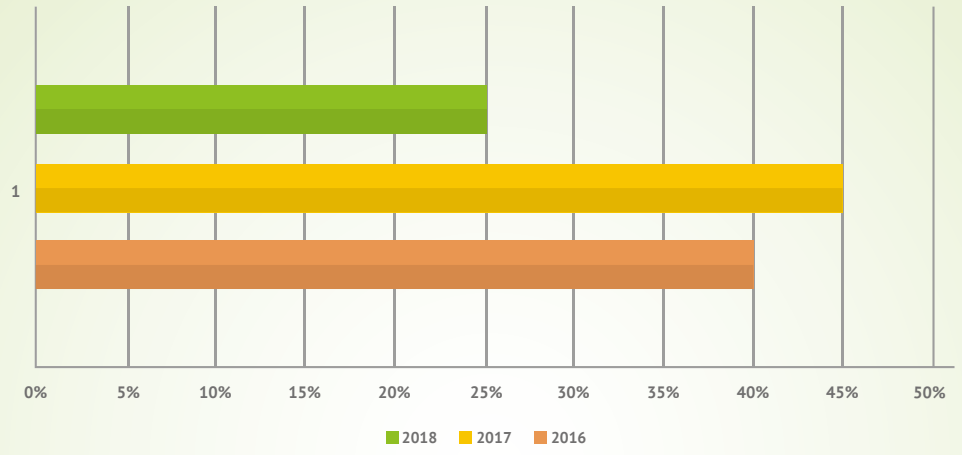
2018 was another year of focus on both regional and international Export Growth.

GROWTH DRIVERS:

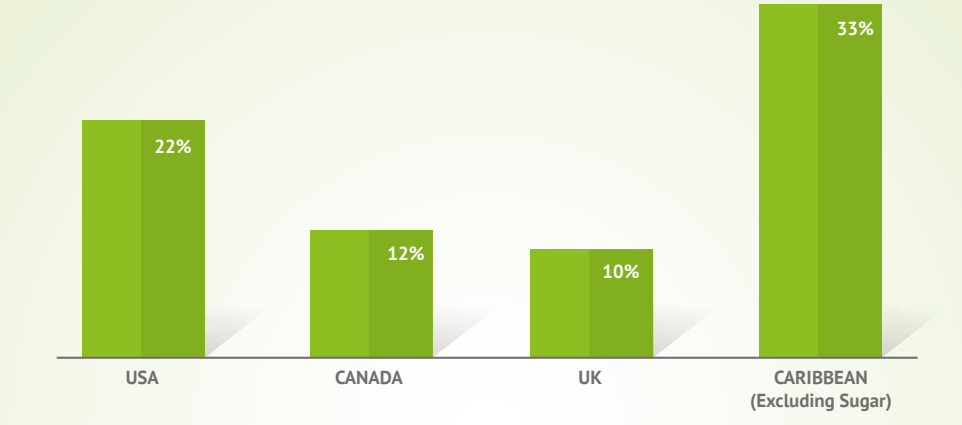
- New Innovations
- New Markets
- Distribution and Portfolio Expansion in Existing Markets.

It was a challenging year for exports as we made the decision to discontinue the export of bulk sugar. This affected our overall export growth. However, the rest of the Seprod portfolio saw a 25% growth in exports for 2018 vs. 2017 continuing on the trajectory of double-digit growth seen in both 2017 and 2016

SEPROD YOY EXPORT GROWTH

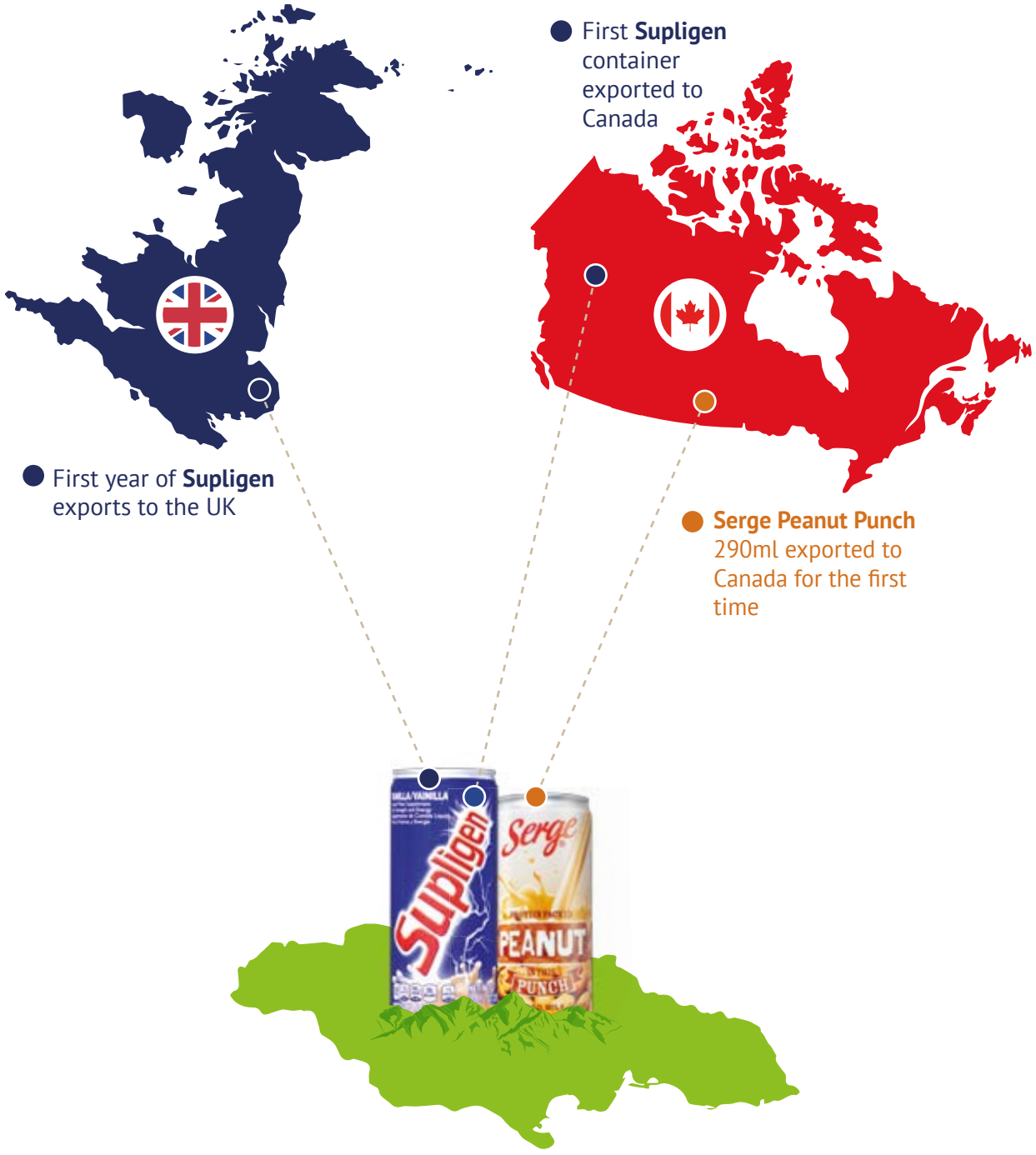


2018 MARKET GROWTH



2018 EXPORT HIGHLIGHTS

DISTRIBUTION AND PORTFOLIO EXPANSION IN EXISTING MARKETS



NEW INNOVATIONS

Launch of Supligen Irish Moss which was exported to the US, UK and Caribbean.

Betty UHT Milk launched and exported to Antigua, Montserrat and Cayman.

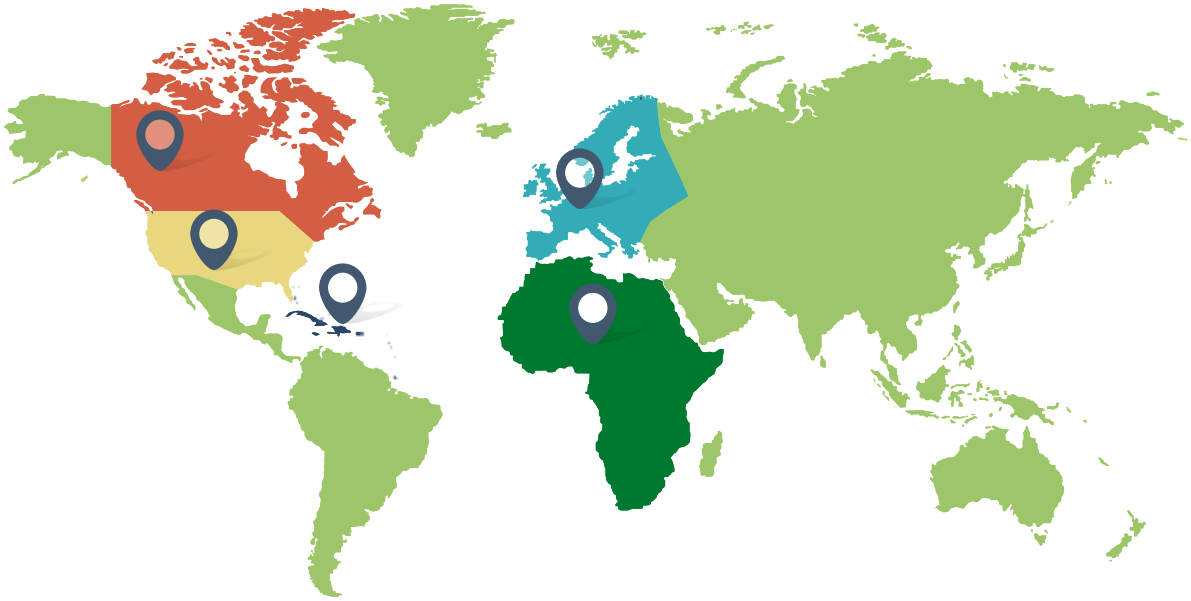
Corn Grits exported to Trinidad for the first time.

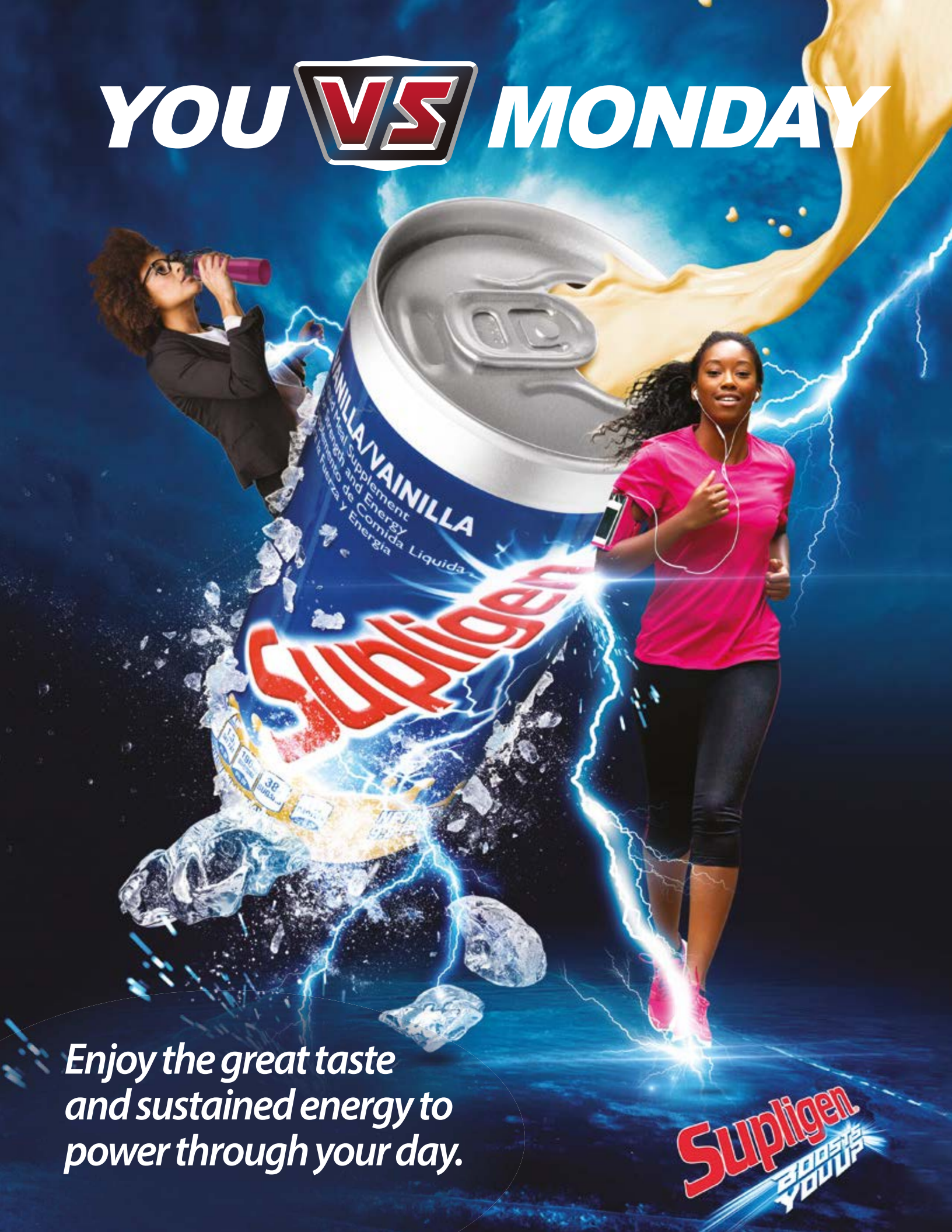
Gold Seal Flour exported to Barbados and Trinidad for the first time.

NEW MARKETS

DISTRIBUTION FOOTPRINT

- 1. Antigua
- 2. Barbados
- 3. Bahamas
- 4. Cayman
- 5. Dominica
- 6. Dominican Republic
- 7. Grenada
- 8. Guyana
- 9. Haiti
- 10. St. Kitts
- 11. St. Lucia
- 12. St. Martin
- 13. St. Vincent & Grenadines
- 14. Trinidad
- 15. British Virgin Islands
- 16. UK
- 17. Belgium
- 18. Canada
- 19. USA
- 20. Mauritius
- 21. Nigeria




YOU VS MONDAY
VANILLA/VAINILLA
Meal Supplement
Strength and Energy
Sustituto de Comida Liquida
Fuerza y Energia
Supligen
Enjoy the great taste
and sustained energy to
power through your day.
Supligen
BOOSTS YOU UP

JMEA EXPO BREAKING NEW FRONTIERS

Seprod was a proud participant of the 2018 JMEA Expo held at the National Arena on April 22, 2018. The company is pleased to be associated with events that support local manufacturers and help to promote the country's offerings to the region and the rest of the world.

Our #Seprod team makes everyone feel like family! Our CEO Richard Pandohie and our Group Marketing Manager Kerrian Johnson made sure that the Prime Minister The Most Honourable Andrew Holness and Mrs Michelle Chong experienced that!

Our Seprod Team with with Mayor of Kingston Delroy Williams.

Seprod Export team: Amanda Watson and Judith Johnson making connections with distributors from Belize.

Consumers enjoy sampling baked treats made with Gold Seal Flour.

VOLUNTEERING SPIRIT

CHRISTMAS TREAT AT THE TIVOLI GARDENS COMMUNITY CENTRE

The Seprod Staff volunteered at the Tivoli Community Centre to treat the elderly members of the community.

COMMUNITY INVOLVEMENT –
LABOUR DAY AT DENHAM TOWN POLICE STATION AND ST. ALBAN'S PRIMARY SCHOOL

SEPROD IS PARTNERING WITH THE JAMAICA CONSTABULARY FORCE (JCF) TO HELP SUPPORT APPROXIMATELY 100 NEEDY WESTMORELAND FAMILIES BY DONATING $400,000 WORTH OF PRODUCTS.

The police are all in good spirits here at their Headquarters in Savanna-la-mar as we hand over our donations to the citizens affected by fire caused by gun men in the parish.

PREMIUM QUALITY
GOLD SEAL
MILLED IN JAMAICA
FLOUR
GOOD FI EVERY POCKET.
GOLD SEAL
COUNTER FLOUR
ENRICHED
GOOD FI EVERY POT!
The affordable breakfast ingredient, to keep them going through the day.
GMO FREE
Low in Sodium, Cholesterol & Fat
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SEPROD **FOUNDATION**

SEPROD SCHOLARSHIPS

Seprod awarded 32 new scholarships in 2018 to Grade Six Achievement Test (GSAT) and College of Agricultural Science and Education (CASE) students. This continues the ongoing scholarship programme which awarded 83 students overall. A new scholarship was created in honor of the late Granville Marsh to recognize his contribution to the company, and was awarded to the two top students from St. Thomas, Okita Wright and Kamar Nicholas. Speaking at the scholarship awards ceremony, guest speaker, Emprezz Golding moved the students with her riveting motivational speech.

> **If you haven't failed, you haven't tried. You have to fall down sometimes. You will not break but it will be your guide, it will light your street, when you make a mistake, and when you fail in something, you know not to do it again**
>
> **Emprezz Golding**
> *Youth Advocate*

SCRATCH JR WORKSHOPS

In one week, 10 workshops were held at five inner city schools where five mentors taught over 400 students from grades two and three how to use the "scratch" MIT developed coding program to create a fun story. The workshops were aimed at promoting and encouraging the learning of coding skills among students from an early age. It is intended to boost Jamaica's technological capacities to eventually drive national economic growth and development. The workshop had an overwhelmingly positive impact on the students' development and it left students with a new interest in technology and with a new love to learn, specifically in coding.

Scratch Jr Workshop at Holy Family Primary

SOS CHILDREN'S VILLAGE

The Foundation continued to support the annual Labour Day project for the children at the SOS Children's Village in Stony Hill. This year's project was done as a Wall Restoration (Children's Picture Mural) with artists from The Edna Manley College for the Visual and Performing Arts. We were happy to lend support as it contributed to the improvement of children's social behavior and positive outlook on being productive members to our society and country.

YOUTH CAN DO IT

The Foundation promoted 30 girls getting mentorship for a full year. We were elated to forge a partnership with YouthCanDoIt on this exciting 1-year pilot program, IT Mentoring, aimed at exposing girls to the most versatile and fastest growing industry in the world. It is envisioned that the young women will become more empowered to take a more active approach to their goals and dreams. This program provided them with a networking community of support on which they can call on, and also taught them how to recognise and realize that they possess all the strength and skills they need to progress. It is important to boost the confidence of our girls in Jamaica to break the stigma of gendered high paying IT jobs only being allocated to men. The Foundation continued to springboard this meeting of Mentees with Mentors, to help guide their transition from school to an IT career.

> **We don't just focus on technical skills but also the right mindset, belief in yourself and community support to help you along the way. Three girls have started businesses as a result of this programmme. Seprod Foundation was instrumental in the success of the programme by coming on board from inception**
>
> **Lianne McNaughton**
> *Founder of YouthCanDoIt*

WORLD ROBOTIC OLYMPIAD

Seprod was Gold Sponsor for this incredible event which had 20 schools participating, and led to two teams winning the Jamaican competition, and facilitating them travelling to the finals in Thailand. This global robotics competition was geared toward children and young people from primary school up to 15 years old, with over 100,000 participants and 22,000 teams. The key success from our perspective, was the range of schools participating from primary, preparatory, and international and inner city schools. These schools received valuable robotics materials they can continue to use in their classes, equipping them for significant development in robotics.

> **"I think it's important to note that corporate Jamaica is recognizing that equipping Jamaican kids for the future is key, and acknowledging that robotics can also play an incredibly important role in that future, as Jamaica takes its spot in a new phase of its economic development."**
>
> Melanie Subratie

MONTH OF PLAY

Seprod partnered with TalkUpYout to raise the awareness of the importance of play in developing children. Play matters was about enhancing creativity, solidifying concepts, encouraging parents to engage with their children, and incorporating play within the classroom, creating memories as you go along. It focused on guided play vs free play. Eight inner-city primary schools were visited, and through training sessions, 62 teachers were left with a changed outlook and were provided with knowledge on how to play and teach simultaneously with their children and students.

RISE LIFE MANAGEMENT

We continued to support RISE LIFE Management Services in their community interventions in various ways and were pleased to see this incredibly important Non Govermental Organisation (NGO) continue its work in the inner city. Some of the programs include Parenting Workshops, Parenting Sessions; Island wide Substance Abuse Prevention Sensitization Training; Business Management Training Sessions and HIV Prevention for most at risk populations. We will continue to support RISE.

DEBATE MATE

With the focus on conflict resolution and raising aspirations, this adopt-a-school program empowered secondary schools' students throughout Kingston and Montego Bay with vital life skills. It was great to see students gaining core life skills such as speaking and listening skills as well as developing key employment skills like leadership and self-management. These life skills will help the participants not only with working together at school but in a work environment and in their personal capacity for the rest of their lives. We continued to support the programs at our two sponsored schools: Kingston High School and St. Andrew Technical High School who finished 3rd best ranked club in the Debate Mate Cups Finals.

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FINANCIAL STATEMENTS

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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 2018, 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 2018;
- 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 2018;
- 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore

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.

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 16 legal entities located in Jamaica, St. Lucia, Trinidad and Tobago and the Dominican Republic, each of which is considered as a component for the audit scoping purposes. The accounting records for 10 of the legal entities are maintained at the Group head office, the remaining 6 entities' accounting records are kept at other offices in Jamaica. All entities within the Group are audited by PwC Jamaica and full scope audits were performed for all components.

Context

The context of our audit is set by the Group's major activities in 2018. The most significant event of the year under audit has been the acquisition of 100% of the share capital of Facey Commodity Holdings Limited (FCHL) and its wholly owned subsidiary Facey Commodity Company Limited (FCCL). In addition, Musson (Jamaica) Limited, a related party, transferred the shares of Musson Holdings Limited and its wholly owned subsidiaries Musson International Dairies Limited (MIDL), Musson International Dairies Trinidad and Tobago Limited and Musson International Dairies Republica Dominicana SRL to the Group. These acquisitions have therefore become a new key audit matter for our audit in 2018 given the number of significant management estimates and judgements required to account for the transaction, including the impact of acquisition accounting and the recognition and measurement of intangible assets identified.

Consistent with the prior year, our other key audit matter relates to the valuation of unquoted equity securities as this continues to involve significant levels of judgement by management and expert knowledge.

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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) *Refer to notes 2h and 16 to the financial statements for disclosures of related accounting policies, judgements and estimates.* Unquoted equity securities included within investments on the consolidated and stand-alone statement of financial position total $1,399 million as at 31 December 2018, which represents 3.9% and 6.2% of total assets of the Group and Company, respectively. The unquoted equity securities relate to an investment in an affiliated company over which Seprod Limited 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 and the use of management determined assumptions led 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 evaluated management's future cash flow forecasts, and the process by which they were determined, including testing the underlying calculations and comparing them to the latest Board approved budgets of the investee. We evaluated management's forecasts by comparing previous budgets to actual results of the investee. We tested 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 concerning the selected growth rates and discount rates by reference to industry data. • 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.

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Accounting for business combinations (Group)

Refer to notes 2b, 15 and 33 of the financial statements for disclosures of related accounting policies, judgements and estimates.

On 1 January 2018, 100% of the share capital of Musson Holdings Limited (MHL) and its wholly owned subsidiaries were transferred from a related entity. Additionally, on 1 October 2018, the Group acquired Facey Commodity Holdings Limited (FCHL) and its wholly owned subsidiary Facey Commodity Company Limited.

Both of these transactions were accounted for by management as business combinations. The acquisitions resulted in the Group recognising goodwill of $4,795 million, of which $330 million related to MHL, and $4,465 million related to FCHL. In addition to goodwill, the Group recognised identified intangible assets of $4,994 million, of which $1,340 related to supplier relationships, $2,090 million to distribution network, $404 million to trade name and $1,160 million to brands.

We focused on this area due to the significance of the goodwill and intangible assets acquired and because it required management to exercise judgement in determining certain assumptions and estimates within discounted cash flow (DCF) models. The key assumptions utilised by management in the DCF were revenue growth and discount rates.

Management engaged an expert to assist in the valuation of certain intangibles.

We read the share purchase agreements and evaluated the appropriateness of the accounting for the acquisitions as business combinations against management's accounting policies and the applicable accounting standards. We obtained an understanding of the key terms of the transactions and associated contractual terms.

We assessed the competence and capability of management's expert.

With the assistance of our valuation specialist, we performed the following procedures:

- Evaluated the appropriateness of valuation methodologies utilised to derive the fair value of identified intangible assets;
- Agreed the key assumptions, being the revenue growth and discount rates to historic and prospective financial, industry and economic information, taking into consideration our knowledge of the Group and its industries.
- Assessed the reasonableness of the purchase price allocation through the use of the weighted average return on assets analysis, reconciliation of the discount rate to the internal rate of return and comparing the nature of identified intangible assets and the proportionate allocation to publicly announced transactions.
- Agreed the remaining useful lives of each intangible asset identified to the period over which the cash flows are expected to be generated.

We further tested the mathematical accuracy of management's discounted cash flow by reperforming the underlying calculations.

Based on the audit procedures performed, no adjustments were considered necessary.

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 or 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 or 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
31 May 2019
Kingston, Jamaica

SEPROD LIMITED

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue	5	23,553,769	16,511,206
Direct expenses		(16,498,200)	(12,687,358)
Gross Profit		7,055,569	3,823,848
Finance and other operating income	6	845,426	753,103
Selling expenses		(708,646)	(624,930)
Administration expenses		(4,695,024)	(2,352,441)
Net impairment losses on trade receivables		(124,345)	-
Other operating expenses		(201,072)	(268,611)
Operating Profit		2,171,908	1,330,969
Finance costs	9	(789,026)	(337,773)
Share of results of joint venture	18	57,930	(54,236)
Profit before Taxation		1,440,812	938,960
Taxation	10	(378,757)	(291,117)
Net Profit		1,062,055	647,843
Other Comprehensive Income, net of taxes			
Item that may be reclassified to profit or loss –			
Currency translation gains and losses	10	4,579	-
Items that will not be reclassified to profit or loss –			
Re-measurements of post-employment benefits	10	9,900	3,150
Unrealised fair value gains and losses on investments	10	44,871	(126,345)
TOTAL COMPREHENSIVE INCOME		1,121,405	524,648
Net Profit is attributable to:			
Stockholders of the Company	11	1,182,025	735,043
Non-controlling interest	17	(119,970)	(87,200)
		1,062,055	647,843
Total Comprehensive Income is attributable to:			
Stockholders of the Company		1,241,375	611,848
Non-controlling interest		(119,970)	(87,200)
		1,121,405	524,648
Earnings per Stock Unit attributable to Stockholders of the Company	12	$2.07	$1.42

SEPROD LIMITED

Consolidated Statement of Financial Position

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-current Assets			
Property, plant and equipment	14	7,427,259	4,101,869
Intangible assets	15	9,657,764	-
Investments	16	1,414,445	1,369,574
Investment in joint venture	18	402,936	345,006
Long term receivables	19	703,774	2,243,724
Post-employment benefit asset	20	36,000	38,500
Biological assets	21	342,564	292,628
Deferred tax assets	28	702,772	19,237
		20,687,514	8,410,538
Current Assets			
Inventories	22	6,548,105	2,495,063
Biological assets	21	439,303	508,745
Trade and other receivables	23	5,043,326	6,175,651
Current portion of long term receivables	19	372,096	1,487,134
Taxation recoverable		152,685	93,631
Cash and bank balances		2,055,335	837,294
		14,610,850	11,597,518
Current Liabilities			
Payables	24	6,373,833	6,807,507
Current portion of long term liabilities	27	2,051,691	2,012,776
Taxation payable		139,731	70,587
		8,565,255	8,890,870
Net Current Assets		6,045,595	2,706,648
		26,733,109	11,117,186
Equity Attributable to Stockholders of the Company			
Share capital	25	5,768,558	560,388
Capital reserves	26	993,334	943,884
Retained earnings		8,983,102	8,384,942
		15,744,994	9,889,214
Non-controlling Interest		(999,372)	(879,402)
		14,745,622	9,009,812
Non-current Liabilities			
Post-employment benefit obligations	20	136,200	148,400
Long term liabilities	27	10,327,786	1,716,732
Deferred tax liabilities	28	1,523,501	242,242
		11,987,487	2,107,374
		26,733,109	11,117,186

Approved for issue by the Board of Directors on 31 May 2019 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 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company					Non-controlling Interest	Total Equity
	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000	$'000	$'000
Balance at 1 January 2017	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
Effect of adoption of new accounting standards	-	-	-	(5,470)	(5,470)	-	(5,470)
	516,339	560,388	943,884	8,379,472	9,883,744	(879,402)	9,004,342
Profit for the year	-	-	-	1,182,025	1,182,025	(119,970)	1,062,055
Re-measurements on post-employment benefits	-	-	-	9,900	9,900	-	9,900
Currency translation gains and losses			4,579	-	4,579	-	4,579
Fair value gains on investments	-	-	44,871	-	44,871	-	44,871
Total comprehensive income	-	-	49,450	1,191,125	1,241,375	(119,970)	1,121,405
Transactions with owners:							
Issue of ordinary shares	217,149	5,208,170	-	-	5,208,170	-	5,208,170
Dividends paid (Note 13)	-	-	-	(588,295)	(588,295)	-	(588,295)
Balance at 31 December 2018	733,488	5,768,558	993,334	8,983,102	15,744,994	(999,372)	14,745,622

SEPROD LIMITED

Consolidated Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Cash provided by operating activities	29	1,084,373	825,631
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(1,816,806)	(474,247)
Proceeds on disposal of property, plant and equipment		457,364	5,557
Acquisition of subsidiaries		(1,194,342)	-
Issue of long term receivables		(175,031)	(48,053)
Repayment of long term receivables		971,706	78,129
Redemption of short term deposits		-	153,906
Interest received		143,050	116,167
Dividends received		680	400
Cash used in investing activities		(1,613,379)	(168,141)
Cash Flows from Financing Activities			
Long term loans received		4,728,099	1,739,272
Long term loans repaid		(2,001,885)	(1,439,317)
Dividends paid		(258,486)	(490,578)
Interest paid		(734,792)	(305,713)
Cash provided by/(used in) financing activities		1,732,936	(496,336)
Increase in cash and cash equivalents		1,203,930	161,154
Net effect of foreign currency translation on cash		14,111	8,635
Cash and cash equivalents at beginning of year		837,294	667,505
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,055,335	837,294

SEPROD LIMITED

Statement of Comprehensive Income

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	$'000	$'000
Group costs recovered from subsidiaries		889,797	846,988
Finance and other operating income	6	528,063	393,263
Administration expenses	7	(3,003,803)	(1,513,966)
Operating Loss		(1,585,943)	(273,715)
Finance costs	9	(300,604)	(190,453)
Loss before Taxation		(1,886,547)	(464,168)
Taxation	10	(27,842)	(53,082)
Net Loss	11	(1,914,389)	(517,250)
Other Comprehensive Income, net of taxes			
Items that will not be reclassified to profit or loss –			
Re-measurements of post-employment benefits	10	9,900	3,150
Unrealised fair value gains and losses on investments	10	44,871	(126,345)
TOTAL COMPREHENSIVE INCOME		(1,859,618)	(640,445)

SEPROD LIMITED

Statement of Financial Position

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-current Assets			
Property, plant and equipment	14	572,055	527,270
Investments	16	1,414,445	1,369,574
Investment in subsidiaries	17	10,137,630	4,829,188
Investment in joint venture	18	434,114	434,114
Long term receivables	19	2,626,370	2,105,349
Post-employment benefit assets	20	36,000	38,500
		15,220,614	9,303,995
Current Assets			
Trade and other receivables	23	569,879	3,818,478
Current portion of long term receivables	19	970,552	1,468,012
Taxation recoverable		78,396	77,889
Due from subsidiaries		4,694,818	992,677
Cash and bank balances		703,414	477,304
		7,017,059	6,834,360
Current Liabilities			
Payables	24	597,680	2,267,967
Current portion of long term liabilities	27	683,243	1,709,169
Due to subsidiaries		7,298,750	5,272,290
		8,579,673	9,249,426
Net Current Liabilities		(1,562,614)	(2,415,066)
		13,658,000	6,888,929
Equity			
Share capital	25	5,768,558	560,388
Capital reserves	26	428,217	383,346
Retained earnings		2,003,147	4,495,931
		8,199,922	5,439,665
Non-current Liabilities			
Post-employment benefit obligations	20	136,200	148,400
Long term liabilities	27	5,189,872	1,200,000
Deferred tax liabilities	28	132,006	100,864
		5,458,078	1,449,264
		13,658,000	6,888,929

Approved for issue by the Board of Directors on 31 May 2019 and signed on its behalf by:

'aul B. Scott Director

Richard Pandohie Director

SEPROD LIMITED

Statement of Changes in Equity

Year ended 31 December 2018

(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 2017	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 declared (Note 13)	-	-	-	(490,578)	(490,578)
Balance at 31 December 2017	516,339	560,388	383,346	4,495,931	5,439,665
Loss for the year	-	-	-	(1,914,389)	(1,914,389)
Re-measurements on post-employment benefits	-	-	-	9,900	9,900
Fair value gains on investments	-	-	44,871	-	44,871
Total comprehensive income	-	-	44,871	(1,904,489)	(1,859,618)
Transactions with owners:					
Issue of ordinary shares	217,149	5,208,170	-	-	5,208,170
Dividends declared (Note 13)	-	-	-	(588,295)	(588,295)
Balance at 31 December 2018	733,488	5,768,558	428,217	2,003,147	8,199,922

SEPROD LIMITED

Statement of Cash Flows

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Cash Flows from Operating Activities			
Cash (used in)/provided by operating activities	29	(905,710)	247,267
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(83,433)	(106,878)
Proceeds on disposal of property, plant and equipment		5,225	-
Acquisition of subsidiaries		(2,141,499)	-
Issue of long term receivables		(84,359)	-
Repayment of long term receivables		953,706	45,677
Interest received		87,722	111,773
Dividends received		680	400
Cash (used in)/provided by investing activities		(1,261,958)	50,972
Cash Flows from Financing Activities			
Long term loans received		4,257,715	1,672,626
Long term loans repaid		(1,390,657)	(1,125,101)
Dividends paid		(258,486)	(490,578)
Interest paid		(228,905)	(187,163)
Cash provided by/(used in) financing activities		2,379,667	(130,216)
Increase in cash and cash equivalents		211,999	168,023
Net effect of foreign currency translation on cash		14,111	8,899
Cash and cash equivalents at beginning of year		477,304	300,382
CASH AND CASH EQUIVALENTS AT END OF YEAR		703,414	477,304

SEPROD LIMITED

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

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, their principal activities and their countries of incorporation and domicile are as follows:

Subsidiary	Principal activity	Country of Incorporation and Domicile
Belvedere Limited	Agriculture	Jamaica
Caribbean Products Company Limited	Manufacture and sale of oils and fats	Jamaica
Golden Grove Sugar Company Limited, and its subsidiary	Sugar production	Jamaica
- Golden Grove Funding Limited	Investments	St. Lucia
Facey Commodity Holdings Limited, and its subsidiary	Investments	Barbados
- Facey Commodity Company Limited	Sale of consumer and pharmaceutical products	Jamaica
Industrial Sales Limited	Sale of consumer products	Jamaica
International Biscuits Limited	Manufacture and sale of biscuit products	Jamaica
Jamaica Edible Oils and Fats Company Limited	Dormant	Jamaica
Musson Holdings Limited, and its subsidiaries	Investments	St. Lucia
- Musson International Dairies Limited	Manufacture and sale of milk products and juices	Jamaica
- Musson International Dairies Trinidad and Tobago Limited	Manufacture and sale of milk products and juices	Trinidad and Tobago
- Musson International Dairies Republica Dominicana SRL	Manufacture and sale of milk products and juices	Dominican Republic
Serge Island Dairies Limited	Manufacture and sale of milk products and juices	Jamaica
Serge Island Farms Limited	Dairy farming	Jamaica

Joint venture entity	Principal activity	Country of Incorporation and Domicile
Jamaica Grain and Cereals Limited	Manufacture and sale of corn and wheat products and cereals	Jamaica

The interests in Musson Holdings Limited and Facey Commodity Holdings Limited were acquired during the year (Note 33).

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.

SEPROD LIMITED
Notes to the Financial Statements
Year ended 31 December 2018
(expressed in Jamaican dollars unless otherwise indicated)

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 existing standards effective in the current financial year

Certain new standards, interpretations and amendments 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:

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 now uses a provisions matrix for trade receivables reflecting past experience of losses incurred due to default as well as forward looking information.

There is no 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.

The adoption of the new standard did not result in a change to the classification or measurement of financial assets or liabilities. However, the adoption of the standard resulted in increase of $5,470,000 in the impairment loss allowance for the Group's trade receivables as at 1 January 2018 (Note 3(a)). Changes in accounting policies resulting from adoption have been applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Group has recognised the adjustment to the opening impairment loss allowance 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 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 has assessed its commercial arrangements with its customers and has concluded that the adoption of this new standard has no significant impact on its results or financial position based on the nature of goods and services that it offers and the terms under which such goods and services are offered.

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective in the current financial year (continued)

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. This interpretation has no significant impact on the Group's financial statements.

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 cycle 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. These amendments have no significant impact on the Group's financial statements.

Standards, interpretations and amendments 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 2019 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 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. Further, an interest expense on the lease liability and depreciation on the right-of-use asset will be presented in the statement of comprehensive income. 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 standard 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.

Amendment to IFRS 9, 'Financial Instruments', 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). This amendment enables entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The Group does not expect any significant impact from the adoption of this amendment.

Amendment to IAS 28, 'Investment in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that IFRS 9 is not applied where long term interests in associates and joint ventures are accounted for using the equity method. The Group uses the equity method to account for long term interests in associates and joint ventures.

Annual Improvements 2015-2017, (effective for annual periods beginning on or after 1 January 2019). The IASB issued its Annual Improvements to IFRSs 2015-2017 cycle amending a number of standards, the following of which are relevant to the Group: *Amendment to IAS 12, 'Income taxes'* which clarifies that the income tax consequences of dividends on financial instruments should be recognised according to where the past transactions or events that generated distribution profits were recognised. The Group does not expect any significant impact from the adoption of this amendment.

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intercompany transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Loans to subsidiaries that are intended to provide subsidiaries with a long-term source of additional capital are considered additions to the Company's investment. Accordingly, these loans are included in Investment in Subsidiaries on the Company's statement of financial position.

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.

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2. Significant Accounting Policies (Continued)

(c) Revenue and income recognition

Sales of goods

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 when control of the goods has been established – being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been transported to a specific predetermined location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered, at which point in time the consideration is deemed unconditional and only the passage of time is required before the payment is due.

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 the Company's functional currency.

The foreign exchange differences arising from the translation of the results and financial position of the Group's entities that have a functional currency other than Jamaican dollars are recognised in other comprehensive income. Such exchange differences are recognised in profit or loss where the related Group entity is sold or partially sold.

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) 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.

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2. Significant Accounting Policies (Continued)

(f) Intangible assets

Goodwill

Goodwill is recorded at cost and represents the excess of the fair value of the consideration paid over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to cash-generating units that benefit from the business combination in which the goodwill arose. Impairment losses on goodwill are not reversed.

Distribution network

Distribution network obtained by the Group in a business combination are recognised at fair value at the acquisition date. This intangible asset is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses are not subsequently reversed.

Supplier relationships, trade names and brands

Supplier relationships, trade names and brands obtained by the Group in a business combination are recognised at fair value at the acquisition date. These intangible assets 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 values over their estimated useful lives. The expected useful lives are as follows: Supplier relationships - 12 years; Trade names - 20 years; and Brands - 10 to 15 years. Amortisation of intangible assets is included in administration and other operating expenses in the statement of comprehensive income.

(g) 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.

(h) Financial assets

Classification as of 1 January 2018

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through profit or loss or through other comprehensive income); and those to be measured at amortised cost. The classification depends on the business model used for managing the financial assets and, in respect of debt instruments, the contractual terms of the cash flows.

Recognition and measurement as of 1 January 2018

Debt instruments held for the collection of contractual cash flows, where those represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method. Any gains or losses arising on derecognition are recognised directly in profit or loss. Impairment losses are presented as a separate line in the statement of comprehensive income.

Debt instruments that are held for the collection of contractual cash flows and for the selling of financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income and impairment gains and losses are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method. Any gains or losses arising on derecognition are recognised directly in profit or loss. Impairment losses are presented as a separate line in the statement of comprehensive income.

Debt instruments that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains and losses on such instruments are recognised in profit or loss in the period in which they arise.

Equity instruments held for trading are measured at fair value through profit or loss. Other equity instruments are held at fair value through other comprehensive income. When the equity instrument is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's rights to receive payments are established.

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2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

Impairment as of 1 January 2018

Application of the General Model to financial assets other than trade receivables

Under this model, the Group assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The ECL will be recognized in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. The impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:
Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD – the probability of default occurring over the next 12 months.
Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD – the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
Stage 3 – Financial assets that have an objective evidence of impairment are included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Group uses judgement when considering the following factors that affect the determination of impairment:
Assessment of significant increase in credit risk
To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic factors, forward looking information and multiple scenarios
The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurements of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected life
When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach to trade receivables
For trade receivables other than those deemed specifically impaired, the Group applies the simplified approach which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables. The lifetime ECLs are determined by taking into consideration historical rates of default for each category of aged receivables as well as the estimated impact of forward looking information.

2. Significant Accounting Policies (Continued)

(h) Financial assets (continued)

Classification prior to 1 January 2018

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 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. *Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'trade and other receivables', long term receivables and 'cash and cash equivalents'. *Available-for-sale financial assets* are non-derivatives that are either designated in this category or not classified in any of the other categories.

Recognition and measurement prior to 1 January 2018

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.

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.

Impairment prior to 1 January 2018

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. In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

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 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.

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 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 statement of comprehensive income.

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2. Significant Accounting Policies (Continued)

(i) 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. Changes in fair value are recognised in profit or loss.

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 are recognised in profit or loss.

(j) 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.

(k) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(l) 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.

(m) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) 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.

(o) 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.

(p) 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.

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2. Significant Accounting Policies (Continued)

(q) Income taxes

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax assets and liabilities are offset in the statement of financial position when there is a legally enforceable right to set off current tax assets against current tax liabilities. 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.

(r) Employee benefits

Pension obligations

Defined benefit plan

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

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

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

Defined contribution plan

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

Other 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.

SEPROD LIMITED

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(s) 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. 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.

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.

(t) 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.

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.

SEPROD LIMITED

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Year ended 31 December 2018

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3. Financial Risk Management (Continued)

The carrying values of the Group's financial instruments are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial Assets				
Investments, at fair value through other comprehensive income	1,414,445	1,369,574	1,414,445	1,369,574
Long term receivables, at fair value through profit or loss	162,432	-	84,359	-
At cost or amortised cost –				
Long term receivables	913,438	3,730,858	3,512,563	3,573,361
Trade and other receivables	4,565,268	5,992,104	489,390	3,764,312
Due from subsidiaries	-	-	4,694,818	992,677
Cash and bank balances	2,055,335	837,294	703,414	477,304
	7,534,041	10,560,256	9,400,185	8,807,654
	9,110,918	11,929,830	10,898,989	10,177,228
Financial Liabilities				
At cost or amortised cost –				
Due to subsidiaries	-	-	7,298,750	5,272,290
Trade and other payables	5,174,997	6,302,272	208,613	2,033,097
Long term liabilities	12,379,477	3,729,508	5,873,115	2,909,169
	17,554,474	10,031,780	13,380,478	10,214,556

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.

Long term receivables

The Group limits its exposure to credit risk from arising on receivables from farmers by ensuring that the value of the receivables do not exceed the anticipated purchases from the farmers, and that the Group has the right of setoff of the receivables against payments for the crop.

Cash and bank balances

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

SEPROD LIMITED

Notes to the Financial Statements

Year ended 31 December 2018

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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. 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. The Group has procedures in place to restrict customer orders if the order will exceed their credit terms. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

As of 1 January 2018, to measure expected credit losses, trade receivables are grouped by customer sector (based on shared risk characteristics) as well as by aging buckets. Lifetime expected credit losses are determined by taking into consideration historical rates of default for the totals of each customer segment of aged receivables as well as the estimated impact of forward looking information. In determining historical rates of default, trade receivables greater than 120 days past due are used as a proxy for historical losses. On this basis, the Group's loss allowance for trade receivables was determined as follows:

	31 December 2018					
	Within 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**> than 120 days**	**Total**
Trade receivables	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Supermarket chains	586,328	221,234	47,842	24,112	195,929	1,075,445
Retailers & wholesalers	596,140	111,394	26,944	10,752	97,543	842,773
Distributors	156,021	235,443	96,417	31,227	148,354	667,462
Manufacturers	64,361	9,719	2,048	-	6,068	82,196
Others	491,514	118,317	34,428	37,798	35,707	717,764
	1,894,364	**696,107**	**207,679**	**103,889**	**483,601**	**3,385,640**
Average expected loss rates	**%**	**%**	**%**	**%**	**%**	
	1.219	1.43	2.71	22.97	66.04	
Loss allowance	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
	22,589	9,920	5,623	23,866	319,385	381,383

	1 January 2018					
	Within 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**> than 120 days**	**Total**
Trade receivables	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Supermarket chains	220,821	90,878	3,876	2,088	15,613	333,276
Retailers & wholesalers	187,162	68,354	8,011	3,561	48,265	315,353
Distributors	267,909	103,225	55,571	18,601	9,430	454,736
Manufacturers	51,264	16,687	1,392	1,617	5,149	76,109
Others	64,406	25,698	3,643	29,073	65,322	188,142
	791,562	304,842	72,493	54,940	143,779	1,367,616
Average expected loss rates	**%**	**%**	**%**	**%**	**%**	
	0.98	1.16	2.40	18.95	76.89	
Loss allowance	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
	7,757	3,536	1,740	10,411	110,550	133,994

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Year ended 31 December 2018
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3. Financial Risk Management (Continued)

(a) Credit risk (continued)
Trade receivables (continued)

Prior to 1 January 2018, the Group established an allowance for impairment that represented its estimate of incurred losses in respect of trade receivables. On this basis, trade receivables of $128,524,000 were considered impaired and were fully provided for. The individually impaired receivables mainly relate to wholesalers who were in unexpected difficult economic situations. All of the aforementioned impaired receivables balances were greater than 90 days old.

The movement in the provision for impairment of trade receivables is as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At start of year	128,524	110,705	-	3,619
Restated through opening retained earnings	5,470	-	-	-
	133,994	110,705	-	3,619
Business combinations	185,510	-	-	-
Amounts recovered during the year	(19,870)	(8,664)	-	-
Provided during the year	124,345	67,873	-	-
Written off during the year	(42,596)	(41,390)	-	(3,619)
At end of year	381,383	128,524	-	-

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.

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

SEPROD LIMITED

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Year ended 31 December 2018

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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
	2018					
Long term liabilities	1,012,135	574,428	1,329,760	8,355,964	5,226,173	16,498,460
Trade payables	3,221,384	-	-	-	-	3,221,384
Due to affiliates	1,455,879	-	-	-	-	1,455,879
Other payables	497,734	-	-	-	-	497,734
	6,187,132	574,428	1,329,760	8,355,964	5,226,173	21,673,457
	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

	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	Total $'000
	2018					
Long term liabilities	479,219	227,617	339,270	4,270,438	2,519,000	7,835,544
Due to subsidiaries	7,298,750	-	-	-	-	7,298,750
Other payables	208,613	-	-	-	-	208,613
	7,986,582	227,617	339,270	4,270,438	2,519,000	15,342,907
	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

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

SEPROD LIMITED

Notes to the Financial Statements

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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 2018 includes aggregate net foreign assets/(liabilities) of (US$18,220,000) and £232,000 (2017 – aggregate net foreign assets of US$14,981,000 and £216,000); while the statement of financial position for the Company at 31 December 2018 includes aggregate net foreign assets of US$31,189,000, £157,000 (2017 – aggregate net foreign assets of US$26,443,000 and £48,000), 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 based on 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit before taxation -				
US$				
4% devaluation (2017 – 4%)	(149,890)	17,168	101,062	76,404
2% revaluation (2017 – 2%)	73,875	(8,584)	(50,531)	(38,202)
Other currencies				
4% devaluation (2017 – 4%)	1,168	1,468	999	328
2% revaluation (2017 – 2%)	(584)	(734)	(499)	(164)
Effect on other items of equity -				
US$				
4% devaluation (2017 – 4%)	55,997	57,167	55,997	57,167
2% revaluation (2017 – 2%)	(27,999)	(28,583)	(27,999)	(28,583)

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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 other 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 other debt instruments. The sensitivity of other components of equity is calculated by revaluing fixed rate investments for the effects of the assumed changes in interest rates.

The following table indicates the sensitivity to a reasonably possible change in interest rates in respect of Jamaican dollar and United States dollar denominated instruments, 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
2018 JMD / USD	2018 $'000	2018 $'000	2017 JMD / USD	2017 $'000	2017 $'000
			The Group		
+100/+100	(1,277)	-	+100/+100	(9,369)	-
-100/-100	1,277	-	-100/-100	4,684	-
			The Company		
+100/+100	(1,277)	-	+100/+100	(9,369)	-
-100/-100	1,277	-	-100/-100	4,684	-

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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
				2018			
Financial assets							
Investments	-	-	-	-	-	1,414,445	1,414,445
Long term receivables	208,407	-	14,925	73,095	630,679	148,764	1,075,870
Trade and other receivables	-	-	-	-	-	4,565,268	4,565,268
Cash and bank	2,055,201	-	-	-	-	134	2,055,335
	2,263,608	-	14,925	73,095	630,679	6,128,611	9,110,918
Financial liabilities							
Long term liabilities	1,777,895	388,108	668,995	5,819,905	3,645,540	79,034	12,379,477
Payables	-	-	-	-	-	5,174,997	5,174,997
	1,777,895	388,108	668,995	5,819,905	3,645,540	5,254,031	17,554,474
Total interest repricing gap	485,713	(388,108)	(654,070)	(5,746,810)	(3,014,861)	874,580	(8,443,556)
				2017			
Financial assets							
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	-	-	-	-	-	5,992,104	5,992,104
Cash and bank	818,534	-	-	-	-	18,760	837,294
	823,595	11,160	953,398	2,761,239	-	7,380,438	11,929,830
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)	1,078,166	1,898,050

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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
				2018			
Financial assets							
Investments	-	-	-	-	-	1,414,445	1,414,445
Long term receivables	207,723	-	-	2,038,631	587,739	762,829	3,596,922
Trade and other receivables	-	-	-	-	-	489,390	489,390
Due from subsidiaries	-	-	-	-	-	4,694,818	4,694,818
Cash and bank	703,340	-	-	-	-	74	703,414
	911,063	-	-	2,038,631	587,739	7,361,556	10,898,989
Financial liabilities							
Long term liabilities	399,736	167,063	38,113	2,998,374	2,191,498	78,331	5,873,115
Payables	-	-	-	-	-	208,613	208,613
Due to subsidiaries	-	-	-	-	-	7,298,750	7,298,750
	399,736	167,063	38,113	2,998,374	2,191,498	7,585,694	13,380,478
Total interest repricing gap	511,327	(167,063)	(38,113)	(959,743)	(1,603,759)	(224,138)	(2,481,489)
				2017			
Financial assets							
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	-	-	-	-	-	3,764,312	3,764,312
Due from subsidiaries	-	-	-	-	-	992,677	992,677
Cash and bank	477,230	-	-	-	-	74	477,304
	480,950	11,160	935,618	2,622,863	-	6,126,637	10,177,228
Financial liabilities							
Long term liabilities	25,774	1,205,693	463,598	1,214,104	-	-	2,909,169
Payables	-	-	-	-	-	2,033,097	2,033,097
Due to subsidiaries	-	-	-	-	-	5,272,290	5,272,290
	25,774	1,205,693	463,598	1,214,104	-	7,305,387	10,214,556
Total interest repricing gap	455,176	(1,194,533)	472,020	1,408,759	-	(1,178,750)	(37,328)

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 2017 and 2018, there is no significant impact on the Group's stockholders' equity at either year end arising from changes in equity prices.

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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 2018, the Group had quoted equity securities classified in Level 1 amounting to $14,547,000.

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 2018, 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 2018, The Group had unquoted equity securities with a fair value of $1,399,898,000 (2017 – $1,369,574,000) classified as fair value through other comprehensive income and categorised as Level 3.

The movement in these instruments is as follows:

	2018 $'000	2017 $'000
At start of year	1,369,574	1,495,919
Fair value gains and losses	6,460	(80,899)
Foreign exchange gains and losses	23,864	(45,446)
At end of year	1,399,898	1,369,574

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	11% (2017 - 12%)	If the discount rate increases the fair value decreases
Terminal growth rate	3%	If the terminal growth rate increases the fair value increases
Market participant minority discount	20%	If the market participant minority discount increases the fair value decreases

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

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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:

	2018 $'000	2017 $'000
Opening balance	292,628	236,343
Decreases due to sales	(44,981)	(49,705)
Total gains or losses for the period included in profit or loss	94,917	105,990
Closing balance	342,564	292,628
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'	94,917	105,990
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	76,509	68,946

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

	2018 $'000	2017 $'000
Opening balance	508,745	513,198
Net cost of cane cultivation and value and cane harvested	(209,542)	(233,173)
Total gains or losses for the period included in profit or loss	140,100	228,720
Closing balance	439,303	508,745
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'	140,100	228,720
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(69,442)	(4,453)

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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 2018	
Unobservable Inputs	**Range of unobservable inputs (weighted average)**	**Relationship of unobservable inputs to fair value**
Dairy livestock price	$17,000 - $114,750 ($79,263) per animal	The higher the market price, the higher the fair value.
Other livestock price	$8,500 - $99,623 ($58,675) per animal	The higher the market price, the higher the fair value.

	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.

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 2018	
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 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 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 and other receivables (Note 23) and 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.

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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 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 $17,128,000.

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 equity securities
The fair value of securities not quoted in an active market are determined using valuation techniques. The Group exercises judgement and estimates on the quantity and quality of cashflow projections used. Where no market data is available, the Group values positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard for this purpose. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are reviewed by external experts. The fair value is sensitive to the assumptions used in the computation, the primary assumptions being the discount rate of 11%, terminal growth rate of 3% 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 12%/10% with all other variables constant, the fair value would decrease/increase from US$4,940,000 to US$3,340,000/US$7,000,000; and if the terminal growth rate had increased/decreased to 3.5%/2.5% with all other variables constant, the fair value would increase/decrease from US$4,940,000 to US$5,690,000/US$4,280,000.

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

Business combinations
Business combinations are accounted for using the acquisition method. The Group determines the identifiable assets and liabilities using the Purchase Price Allocation method. Under this method, the Group makes estimates about future cash flows which are derived based on factors such as revenue growth, future margins, attrition rates and discount rates in determining the fair values of the identifiable intangible assets.

Goodwill
The Group test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rate. Any changes in these variables would impact the value in use calculations.

A 1% increase in the discount rates and a 1% reduction in revenue growth would result in a reduction in the value in use by $906,331,000 which would not result in an impairment of goodwill (Note 16).

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: Manufacturing – This incorporates the operations for manufacturing and sale of oils and fats, corn and wheat products, cereals, milk products, juices, sugar and biscuits; and Distribution – The merchandising of consumer goods.

	2018			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	12,358,669	11,195,100	-	23,553,769
Inter-segment revenue	7,598,411	48,433	(7,646,844)	-
Total revenue	19,957,080	11,243,533	(7,646,844)	23,553,769
Segment result	1,654,717	391,911	-	2,046,628
Unallocated corporate income				125,280
Operating profit				2,171,908
Segment assets	12,317,938	7,841,549	-	20,159,487
Unallocated corporate assets				15,138,877
Total consolidated assets				35,298,364
Segment liabilities	5,347,363	6,984,778	-	12,332,141
Unallocated corporate liabilities				8,220,601
Total consolidated liabilities				20,552,742
Other segment items –				
Capital expenditure	1,725,136	8,237	-	1,733,373
Unallocated capital expenditure				83,433
Total capital expenditure				1,816,806
Depreciation	626,824	28,191	-	655,015
Unallocated depreciation				37,410
Total depreciation				692,425

	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

The Group's customers are mainly resident in, and operate from, Jamaica. Revenues of $1,252,349,000 (2017 - $1,296,710,000) were earned from customers resident in other countries.

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6. Finance and Other Operating Income

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Dividend income on quoted investments	680	400	680	400
(Loss)/gain on disposal of property, plant and equipment	(691)	(4,574)	3,995	(1,340)
Interest income from subsidiaries	-	-	248,838	-
Other interest income	155,327	352,789	87,118	347,690
Management fees	-	248,927	66,000	71,500
Net foreign exchange gains and losses	334,546	(36,409)	93,770	(50,758)
Rental income from subsidiaries	-	-	21,383	-
Other rental income	57,700	50,725	882	21,640
Other	297,864	141,245	5,397	4,131
	845,426	753,103	528,063	393,263

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Advertising and promotion	356,595	163,477	9,991	21,526
Amortisation of intangible assets	131,017	1,694	-	-
Auditors' remuneration	40,312	23,071	11,616	6,249
Cost of inventories recognised as an expense	12,334,130	9,024,547	-	-
Delivery charges	296,701	171,191	-	393
Depreciation	692,425	478,222	37,410	32,435
Donations	31,752	36,886	31,752	36,886
Feed, chemicals and veterinary supplies	479,777	545,629	-	-
Fertilising	11,080	7,599	-	-
Impairment of investment in subsidiary	-	-	2,041,227	568,822
Insurance	301,888	179,294	23,477	20,393
Motor vehicle expenses	143,721	64,814	14,478	11,264
Net impairment losses on trade receivables	124,345	14,212	-	-
Non-recoverable GCT	197,421	270,463	41,703	61,410
Professional services	197,523	119,526	85,925	89,259
Raw and packaging material	653,605	622,678	-	-
Repairs and maintenance	620,819	399,657	13,396	37,566
Security	250,147	187,289	33,452	33,149
Staff costs (Note 8)	2,786,011	2,147,023	500,402	469,997
Supplies	28,671	23,029	843	429
Utilities	1,153,002	707,784	32,812	36,199
Other	1,396,345	745,255	125,319	87,989
	22,227,287	15,933,340	3,003,803	1,513,966

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8. Staff Costs

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Wages and salaries	2,103,126	1,625,313	369,274	336,656
Statutory contributions	231,523	173,156	35,732	33,925
Pension – defined benefit (Note 20)	3,600	10,600	3,600	10,600
Pension – defined contribution (Note 20)	51,020	32,302	10,728	8,142
Pension – defined contribution (Note 20)	2,867	2,722	-	-
Other post-employment benefits (Note 20)	11,800	12,700	11,800	12,700
Other	382,075	290,230	69,268	67,974
	2,786,011	2,147,023	500,402	469,997

9. Finance Costs

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Net foreign exchange gains and losses	(3,921)	(4,263)	-	-
Interest expense –				
Long term loans	713,037	265,926	275,911	184,433
Other	62,815	62,349	12,623	6,020
Amortisation of deferred financing fees	17,095	13,761	12,070	-
	789,026	337,773	300,604	190,453

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current taxation	281,209	244,469	-	-
Adjustment to prior year provision	8,613	(3,536)	-	(1,409)
	289,822	240,933	-	(1,409)
Deferred taxation (Note 28)	88,935	50,184	27,842	54,491
	378,757	291,117	27,842	53,082

SEPROD LIMITED

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10. Taxation Expense (Continued)

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

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Profit/(loss) before taxation	1,440,812	938,960	(1,886,547)	(464,168)
Tax calculated at a tax rate of 25%	360,203	234,740	(471,637)	(116,042)
Adjusted for the effect of:				
Investment income not subject to tax	(31,324)	-	(31,324)	-
Adjustment to prior year provision	8,613	(3,536)	-	(1,409)
Employment tax credit	(90,584)	(61,854)	-	-
Expenses not deductible	34,784	29,124	523,364	165,762
Results of joint venture included net of tax	(14,483)	13,559	-	-
Tax losses of subsidiaries for which no deferred tax assets have been created	104,160	75,757	-	-
Other charges and credits	7,388	3,327	7,439	4,771
	378,757	291,117	27,842	53,082

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 $Nil (2017 – $37,051,000) were not subject to tax.

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

	The Group		
	Before Tax $'000	Tax Effect $'000	After Tax $'000
		2018	
Currency translation gains and losses	4,579	-	4,579
Re-measurements of post-employment benefit obligations	13,200	(3,300)	9,900
Unrealised fair value gains and losses on investments	44,871	-	44,871
Other comprehensive income	62,650	(3,300)	59,350
		2017	
Re-measurements of post-employment benefit obligations	4,200	(1,050)	3,150
Unrealised fair value gains and losses on investments	(126,345)	-	(126,345)
Other comprehensive income	(122,145)	(1,050)	(123,195)

	The Company		
	Before Tax $'000	Tax Effect $'000	After Tax $'000
		2018	
Re-measurements of post-employment benefit obligations	13,200	(3,300)	9,900
Unrealised fair value gains and losses on investments	44,871	-	44,871
Other comprehensive income	58,071	(3,300)	54,771
		2017	
Re-measurements of post-employment benefit obligations	4,200	(1,050)	3,150
Unrealised fair value gains and losses on investments	(126,345)	-	(126,345)
Other comprehensive income	(122,145)	(1,050)	(123,195)

SEPROD LIMITED

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11. Net Profit Attributable to Stockholders of the Company

Dealt with as follows in the financial statements:

	2018	2017
	$'000	$'000
The Company	(1,914,389)	(517,250)
Reversal of impairment of subsidiary on consolidation	2,041,227	568,822
	126,838	51,572
Subsidiaries	997,257	737,707
Joint venture	57,930	(54,236)
	1,182,025	735,043

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.

	2018	2017
Net profit attributable to stockholders ($'000)	1,182,025	735,043
Weighted average number of ordinary stock units ('000)	570,626	516,339
Basic earnings per stock unit ($)	2.07	1.42

The weighted average number of ordinary stock units for the year ended 31 December 2018 is calculated based on 516,339,000 stock units in issue for 9 months of the year and 733,488,000 units in issue for 3 months of the year.

The weighted average number of ordinary stock units for the year ended 31 December 2017 is calculated based on 516,339,000 stock units in issue for the entire year.

The Company has no dilutive potential ordinary shares.

13. Dividends

	2018	2017
	$'000	$'000
Interim dividends –		
60 cents per stock unit – 14 July 2017	-	309,839
35 cents per stock unit – 6 December 2017	-	180,739
50 cents per stock unit – 25 July 2018	258,486	-
45 cents per stock unit – 24 December 2018	329,809	-
	588,295	490,578

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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
			2018			
Cost -						
At 1 January 2018	713,075	1,586,237	5,279,379	400,406	172,304	8,151,401
Business combinations	39,643	635,245	1,822,345	161,892	-	2,659,125
Additions	-	16,659	655,840	39,968	1,104,339	1,816,806
Disposals	-	(1,893)	(539,303)	(30,874)	(143,134)	(715,204)
Write-offs/Adjustments	-	-	(103)	-		(103)
Transfers	-	15,003	270,823	-	(285,826)	-
At 31 December 2018	752,718	2,251,251	7,488,981	571,392	847,683	11,912,025
Accumulated Depreciation -						
At 1 January 2018	-	588,848	3,108,897	351,787	-	4,049,532
Charge for the year	-	47,455	610,650	34,320	-	692,425
On disposals	-	(487)	(228,407)	(28,255)	-	(257,149)
Write-offs/Adjustments	-	636	(968)	290	-	(42)
At 31 December 2018	-	636,452	3,490,172	358,142	-	4,484,766
Net Book Value -						
At 31 December 2018	752,718	1,614,799	3,998,809	213,250	847,683	7,427,259
			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

SEPROD LIMITED

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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
			2018			
Cost -						
At 1 January 2018	163,199	505,750	206,027	36,324	12,720	924,020
Additions	-	-	17,415	32,887	33,131	83,433
Disposals	-	(1,424)	-	(15,537)	-	(16,961)
Transfers	-	10,134	12,560	-	(22,694)	-
At 31 December 2018	163,199	514,460	236,002	53,674	23,157	990,492
Accumulated Depreciation -						
At 1 January 2018	-	220,070	144,816	31,864	-	396,750
Charge for the year	-	8,714	19,587	9,109	-	37,410
Relieved on disposals	-	(194)	-	(15,537)	-	(15,731)
Adjustments	-	636	(918)	290	-	8
At 31 December 2018	-	229,226	163,485	25,726	-	418,437
Net Book Value -						
At 31 December 2018	163,199	285,234	72,517	27,948	23,157	572,055
			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

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

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15. Intangible Assets

	The Group					
	Goodwill $'000	Distribution network $'000	Supplier relationships $'000	Trade name $'000	Brands $'000	Total $'000
Cost -						
At 1 January 2017 and 31 December 2017	-	-	-	-	73,407	73,407
Business combinations	4,794,911	2,090,000	1,340,000	404,000	1,159,870	9,788,781
At 31 December 2018	4,794,911	2,090,000	1,340,000	404,000	1,233,277	9,862,188
Accumulated Amortisation -						
At 1 January 2017	-	-	-	-	71,713	71,713
Charge for the year	-	-	-	-	1,694	1,694
At 31 December 2017	-	-	-	-	73,407	73,407
Charge for the year	-	-	26,875	4,388	99,754	131,017
At 31 December 2018	-	-	26,875	4,388	173,161	204,424
Net Book Value -						
At 31 December 2018	4,794,911	2,090,000	1,313,125	399,612	1,060,116	9,657,764
At 31 December 2017	-	-	-	-	-	-

At 31 December 2018, goodwill of $330,459,000 was allocated to Musson Holdings Limited, and $4,464,452,000 to Facey Commodity Company Limited. Musson Holdings Limited is in the manufacturing segment, while Facey Commodity Company Limited is in the Distribution segment.

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows. The cash flow projections are based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates (which do not exceed the long-term average growth rate for the business in which the CGU operates). The key assumptions used for value in use calculations are as follows:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Musson Holdings Limited	4%	16.2%	1%	20.7%
Facey Commodity Company Limited	4%	6.8%	1%	16.0%

16. Investments

	The Group & The Company	
	2018 $'000	2017 $'000
Quoted equity securities denominated in Jamaican dollars	14,547	-
Unquoted equity securities denominated in Jamaican dollars	-	40
Unquoted equity securities denominated in US dollars	1,399,898	1,369,534
	1,414,445	1,369,574

Unquoted equity securities denominated in US dollars
The Company owns 42,214 (11.6% (2017 – 10.3%)) of the issued ordinary shares and 20,486 (34.1%) of the issued preference shares of 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 11% (2017 – 12%).

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17. Investment in Subsidiaries

	2018	2017
	$'000	$'000
Balance at 1 January	4,829,188	1,398,010
Acquisition of subsidiaries	7,349,669	-
Capitalisation of subsidiary	-	4,000,000
Impairment of subsidiary	(2,041,227)	(568,822)
Balance at 31 December	10,137,630	4,829,188

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 the year, the group acquired Musson Holdings Limited and Facey Commodity Holdings Limited (Note 33).

Effective 1 January 2017, the Company further capitalised Golden Grove Sugar Company Limited by $4,000,000 using intercompany balances owed to the Company by the subsidiary.

The Company recorded an impairment charge of $2,041,227,000 (2017 – $568,822,000) in relation to this subsidiary during the year.

The total non-controlling interest for the year of ($119,970,000) (2017 – ($87,200,000)) 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

	2018	2017
	$'000	$'000
Revenue	1,117,658	1,382,775
Depreciation	(133,711)	(141,538)
Net loss	(416,559)	(302,777)

Summarised statement of financial position

	2018	2017
	$'000	$'000
Non-current assets	711,029	982,902
Current assets	1,283,356	984,027
Non-current liabilities	(108,944)	(292,917)
Intercompany balance owed to the Company	(949,383)	(262,681)
Other current liabilities	(326,295)	(379,539)
Net Assets	609,763	1,031,792

Summarised statement of cash flows

	2018	2017
	$'000	$'000
Cash flows from operating activities	(432,695)	(119,142)
Cash flows from investing activities	7,856	133,495
Intercompany financing provided by the Company	711,931	303,634
Other cash flows from financing activities	(302,916)	(317,943)
Cash and cash equivalents at end of year	2,859	18,683

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18. 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	345,006	399,242	434,114	434,114
Share of results	57,930	(54,236)	-	-
Balance at the end of the year	402,936	345,006	434,114	434,114

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

Summarised statement of comprehensive income

	2018 $'000	2017 $'000
Revenue	3,133,769	953,965
Depreciation	128,037	31,679
Net profit/(loss)	115,859	(108,472)

Summarised statement of financial position

	2018 $'000	2017 $'000
Non-current assets:		
Property, plant and equipment	3,100,643	3,121,230
Deferred tax assets	10,439	37,580
	3,111,082	3,158,810
Current assets:		
Inventories	514,301	318,254
Cash and cash equivalents	138,784	143,677
Receivables and other current assets	1,022,972	205,512
	1,676,057	667,443
Non-current liabilities:		
Due to joint venture partners	(1,098,360)	-
Long term loan	(1,799,589)	-
	(2,897,949)	-
Current liabilities:		
Due to joint venture partners	(886,312)	(1,171,725)
Current portion of long term loan/short term loan	(102,400)	(1,875,006)
Payables and other current liabilities	(100,354)	(95,257)
	(1,089,066)	(3,141,988)
Net assets	800,124	684,265

Summarised statement of cash flows

	2018 $'000	2017 $'000
Cash flows from operating activities	266,044	(710,240)
Cash flows from investing activities	(127,052)	(1,296,246)
Cash flows from financing activities	(136,078)	1,925,253

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19. Long Term Receivables

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(a) Musson (Jamaica) Limited	-	188,565	-	188,565
(b) Facey Group Limited	207,723	346,102	207,723	346,102
(c) Facey Commodity Company Limited	-	559,756	-	559,756
(d) Musson International Dairies Limited	-	1,964,343	2,000,669	1,964,343
(e) Jamaica Grain and Cereals Limited	541,342	-	541,342	-
(f) Employee loans	162,432	-	84,359	-
(g) Bercyn Farms Limited –				
(i) Mobilisation loan for farming operations	14,925	26,757	-	-
(ii) Advance for replanting and farming operations	135,830	129,399	-	-
	1,062,252	3,214,922	2,834,093	3,058,766
Interest receivable	13,618	515,936	762,829	514,595
	1,075,870	3,730,858	3,596,922	3,573,361
Less: Current portion	(372,096)	(1,487,134)	(970,552)	(1,468,012)
	703,774	2,243,724	2,626,370	2,105,349

(a) This related party receivable was due in equal monthly installments of US$30,000 with the remaining principal receivable in full on 31 January 2020. The agreement attracted interest of 9% per annum. The loan was fully received during the year.

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

(c) This related party receivable of US$4,533,000 was scheduled to be received at maturity on 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 at maturity on 23 September 2020. The agreement attracts interest of 12% per annum, payable monthly. Musson International Dairies Limited was acquired during the year.

(e) This receivable from joint venture of US$4,300,000 is repayable at maturity on 31 December 2027. The agreement attracts interest of 3.07% per annum, payable annually. Prior to 31 December 2018, the balance was due at call and included in due from affiliates (Note 23).

(f) This receivable represents loans granted to employees as part of a scheme to assist employees in purchasing shares in the Company. The receivable is due on 31 October 2025 and attracts interest at 7.5%.

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

(ii) This represents crop advances, as well as balance receivable from the sale of spares, farming equipment and other supplies. The principal is repayable in periodic discretionary installments until maturity in November 2020. The agreement does not attract interest.

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20. Post-employment Benefits

	The Group & The Company	
	2018	**2017**
	$'000	**$'000**
Asset/(Liability) recognised in the statement of financial position –		
Pension scheme	36,000	38,500
Medical benefits	(136,200)	(148,400)
Expense recognised in profit or loss –		
Pension scheme	3,600	10,600
Medical benefits	11,800	12,700
Gains and losses recognised in other comprehensive income –		
Pension scheme	(100)	6,800
Medical benefits	13,300	(2,600)

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 $51,020,000 (2017 – $32,302,000) and $10,728,000 (2017 – $8,142,000), 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 $2,867,000 (2017 – $2,722,000).

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 2018.

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:

	2018	**2017**
	$'000	**$'000**
Present value of funded obligations	(906,500)	(921,200)
Fair value of plan assets	998,300	994,000
Asset in the statement of financial position	91,800	72,800
Unrecognised asset due to limitation	(55,800)	(34,300)
	36,000	38,500

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20. Post-employment Benefits (Continued)

Pension schemes (continued)

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

	2018 $'000	2017 $'000
Asset at beginning of year	38,500	40,300
Amounts recognised in profit or loss in the statement of comprehensive income	(3,600)	(10,600)
Amounts recognised in other comprehensive income	(100)	6,800
Contributions paid	1,200	2,000
Asset at end of year	36,000	38,500

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

	2018 $'000	2017 $'000
Balance at beginning of year	(921,200)	(896,700)
Current service cost	(5,000)	(10,700)
Interest cost	(70,500)	(76,500)
Re-measurements – experience gains and losses	(2,000)	(54,800)
Members' contributions	(2,100)	(3,200)
Benefits paid	94,300	120,700
Balance at end of year	(906,500)	(921,200)

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $142,000,000 (2017 – $175,100,000) relating to active employees, and $763,500,000 (2017 – $746,100,000) relating to members in retirement.

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

	2018 $'000	2017 $'000
Balance at beginning of year	994,000	957,300
Interest income	74,600	78,300
Re-measurement – return on plan assets, excluding amounts included in interest income	20,700	73,900
Employer's contributions	1,200	2,000
Members' contributions	2,100	3,200
Benefits paid	(94,300)	(120,700)
Balance at end of year	998,300	994,000

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

	2018 $'000	2017 $'000
Current service cost	5,000	10,700
Interest costs	70,500	76,500
Interest income	(74,600)	(78,300)
Interest on effect of unrecognised asset due to limitation	2,700	1,800
Total, included in staff costs (Note 8)	3,600	10,600

Expected employer contributions to the post-employment pension plan for the year ending 31 December 2019 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	%
		2018		
Debt securities:				
Government of Jamaica	-	251,816	251,816	25.2
Corporate	-	122,950	122,950	12.3
Real estate	-	72,068	72,068	7.2
Equity securities	394,280	-	394,280	39.5
Preference shares	68,118	-	68,118	6.8
Repurchase agreements	-	58,498	58,498	5.9
Other	-	30,570	30,570	3.1
	462,398	535,902	998,300	100
		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 agreement	-	95,424	95,424	9.6
Other	-	71,568	71,568	7.2
	403,564	590,436	994,000	100

At 31 December, the fund had investments with a fair value of $53,960,000 (2017 - $55,759,000) in the Company's own shares held as plan assets.

The significant actuarial assumptions used were a discount rate of 7.0% (2017 – 8.0%); future salary increases of 4.0% (2017 – 5.0%); and future pension increases of 1.5% (2017 – 2.25%). The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		2018		2017	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000	$'000	$'000
Discount rate	0.5% (2017 - 1%)	(43,100)	47,300	(83,800)	101,900
Future salary increases	0.5% (2017 - 1%)	3,700	(3,600)	7,900	(7,100)
Expected pension increase	0.5% (2017 - 1%)	43,400	(39,800)	93,100	(78,300)

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 $17,300,000/($17,600,000) (2017 – $17,200,000/($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.

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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:

	2018 $'000	2017 $'000
Balance at beginning of year	(148,400)	(143,000)
Current service cost	(300)	(300)
Interest expense	(11,500)	(12,400)
Re-measurements – experience gains and losses	13,300	(2,600)
Benefits paid	10,700	9,900
Balance at end of year	(136,200)	(148,400)

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

	2018 $'000	2017 $'000
Current service cost	300	300
Interest cost	11,500	12,400
Total, included in staff costs (Note 8)	11,800	12,700

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

	2018 $'000	2017 $'000
Liability at beginning of year	148,400	143,000
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	11,800	12,700
Amounts recognised in other comprehensive income	(13,300)	2,600
Contributions by employer	(10,700)	(9,900)
Liability at end of year	136,200	148,400

Expected employer contributions to the post-employment plan for the year ending 31 December 2019 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 5.5% (2017 – 7.5%) per annum. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		2018		2017	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000	$'000	$'000
Discount rate	0.5%	(6,700)	7,300	(7,100)	7,700
Medical cost	0.5%	7,300	(6,700)	7,700	(7,100)

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 $5,600,000/($5,500,000) (2017 – $6,600,000/($6,400,000)).

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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 10.7 years for the both the pension fund and for the post-employment medical benefits.

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21. Biological Assets

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Dairy livestock –		
2,966 (2017 – 2,700) Cows able to produce milk	192,662	148,692
2,081 (2017 – 2,103) Heifers being raised to produce milk in the future	146,389	140,766
Other livestock –		
136 (2017 – 144) Bulls raised for sale and reproduction	3,393	3,050
4 (2017 – 4) Horses	120	120
	342,564	292,628

7,970,048 litres (2017 – 7,223,412 litres) of milk with a fair value (less estimated point-of-sale costs) of $353,367,000 (2017 – $614,068,000) were produced during the period.

Sugar cane – classified as current assets in the statement of financial position
At year end, the Group had 85,620 tonnes (2017 – 96,104 tonnes) of sugar cane with a value of $439,303,000 (2017 – $508,745,000).

14,749 tonnes (2017 – 16,789 tonnes) of sugar and molasses with a fair value (less estimated point-of-sale costs) of $977,558,000 (2017 – $1,154,055,000) were produced during the period.

22. Inventories

	The Group	
	2018	**2017**
	$'000	**$'000**
Raw and packaging materials	1,824,447	1,099,904
Work in progress	44,917	33,243
Finished goods	821,701	242,201
Merchandise for resale	2,725,009	186,516
Goods in transit	705,513	610,899
Other	426,518	322,300
	6,548,105	2,495,063

The cost of inventories recognised as write-offs and included in direct expenses amounted to $29,317,000 (2017 - $32,866,000).

23. Trade and Other Receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	3,385,640	1,367,616	-	-
Less: Provision for impairment	(381,383)	(128,524)	-	-
	3,004,257	1,239,092	-	-
Advances and prepayments	478,058	183,547	80,489	54,166
Due from affiliates	1,294,850	4,543,524	489,390	3,764,312
Other	266,161	209,488	-	-
	5,043,326	6,175,651	569,879	3,818,478

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24. Payables

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables	3,221,384	1,921,358		-
Accruals	869,027	505,235	59,258	234,870
Due to affiliates	1,455,879	4,169,943	-	1,854,836
Dividends payable	329,809	-	329,809	-
Other	497,734	210,971	208,613	178,261
	6,373,833	6,807,507	597,680	2,267,967

25. Share Capital

	2018	2017	2018	2017
	'000	'000	$'000	$'000
Authorised – ordinary shares	780,000	530,000	780,000	530,000
Issued and fully paid –				
Ordinary stock units	733,547	516,398	5,769,457	561,287
Treasury shares	(59)	(59)	(899)	(899)
	733,488	516,339	5,768,558	560,388

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. In October 2018, the Company issued 217,149,000 of these units at a fair value of $5,208,170,000 (net of transaction costs of $1,235,000) as part consideration for a business combination (Note 33).

In 2013 the Company purchased 59,000 of its shares at a fair value of $899,000.

26. Capital Reserves

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Revaluation surplus on assets carried at deemed cost	312,600	312,600	105,340	105,340
Fair value gains and losses on investments	181,733	136,862	181,733	136,862
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	14,800	14,800	-	-
Realised gains on sale of investments	120,855	120,855	120,855	120,855
Currency translation gains and losses	4,579	-	-	-
Other realised surplus	22,230	22,230	20,289	20,289
	993,334	943,884	428,217	383,346

Included in capital reserves are fair value gains on 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.

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27. Long Term Liabilities

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(a) Tetra Pak – 8%	180,986	217,181	-	-
(b) Tetra Pak – 7.81%	49,024	51,746	-	-
(c) Sugar Industry Authority – 5%	18,981	22,296	-	-
(d) National Commercial Bank (Jamaica) Limited – 11.5%	280,909	515,001	-	-
(e) National Commercial Bank (Jamaica) Limited – 9.5%	1,630,680	-	-	-
(f) National Commercial Bank (Jamaica) Limited – 8.5%	371,421	-	-	-
(g) JMMB Merchant Bank Limited – 8.5%	300,000	-	300,000	-
(h) CIBC FirstCaribbean International Bank Jamaica Limited – 8.25%	1,302,409	-	-	-
(i) CIBC FirstCaribbean International Bank Jamaica Limited – 6.8%	1,222,162	-	-	-
(j) Bonds – 10.5% for first 2 years, then WATBY + 2.75%	854,350	-	-	-
(k) Bonds – 8.25% for first 3 years, then WATBY + 2.25%	1,200,000	1,200,000	1,200,000	1,200,000
(l) Bonds – 7.5%	1,600,000	-	1,600,000	-
(m) Bonds – 7.25%	2,200,000	-	2,200,000	-
(n) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 3%	127,716	686,857	127,716	686,857
(o) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 3%	-	250,008	-	250,008
(p) Sygnus – 15%	503,848	-	-	-
(q) Eppley Limited – 8% to 12%	124,285	72,733	87,869	72,733
(r) Coconut Industry Board – 3%	368,698	360,869	368,698	360,869
(s) JMMB Merchant Bank Limited – 10%	-	220,000	-	220,000
(t) First Global Bank – 13%	-	100,000	-	100,000
(u) Eppley Limited 6.5%-8.7%	131,371	-	-	-
Deferred financing costs	(166,397)	(5,157)	(89,499)	-
	12,300,443	3,691,534	5,794,784	2,890,467
Interest payable	79,034	37,974	78,331	18,702
	12,379,477	3,729,508	5,873,115	2,909,169
Less: Current portion	(2,051,691)	(2,012,776)	(683,243)	(1,709,169)
	10,327,786	1,716,732	5,189,872	1,200,000

The movement in long term liabilities is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at start of year	3,729,508	3,428,497	2,909,169	2,391,243
Business combination	5,889,954	-	-	-
Loans received	4,728,099	1,739,272	4,257,715	1,672,626
Loan principal repayments	(2,001,885)	(1,439,317)	(1,390,657)	(1,125,101)
Foreign exchange gains and losses	(24,354)	(35,267)	25,189	(32,889)
Deferred fees amortised (Note 9)	17,095	13,761	12,070	-
Interest charged and capitalised (Note 9)	3,169	-	-	-
Interest charged and expensed (Note 9)	713,037	265,926	275,911	184,433
Interest paid	(675,146)	(243,364)	(216,282)	(181,143)
Balance at end of year	12,379,477	3,729,508	5,873,115	2,909,169

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27. Long Term Liabilities (Continued)

A summary of the terms of the long term liabilities is as follows:

(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 2013 by way of annual deductions from proceeds of cane sales, contract work and earnings from harvesting operations, where applicable.

(d) Jamaican dollar denominated loan facility of $608,637,000, repayable in 13 quarterly installments of $46,818,000 commencing June 2017 and secured by the fixed and floating assets of Golden Grove Sugar Company Limited.

(e) Unsecured Jamaican dollar denominated loan facility of $1,755,000,000, repayable in 13 quarterly installments of $41,440,000 commencing June 2018.

(f) Jamaican dollar denominated financing agreement repayable in 32 quarterly installments of $13,969,000 commencing September 2018 and secured by property, plant and equipment acquired under the financing agreement.

(g) Unsecured Jamaican dollar denominated loan facility of $300,000,000, repayable in 60 monthly installments of $6,155,000 (inclusive of interest) commencing January 2019.

(h) Unsecured Jamaican dollar denominated loan facility repayable in 28 quarterly installments of $48,237,000 commencing December 2018.

(i) Unsecured US dollar denominated loan facility repayable in 28 quarterly installments of US$357,000 commencing December 2018.

(j) Jamaican dollar denominated Bonds issued in February 2016 for a period of 10 years, due in full at maturity and secured by the fixed and floating assets of Musson International Dairies Limited and Musson Holdings Limited.

(k) Unsecured Jamaican dollar denominated Bonds issued in November 2017 for a period of 5 years, due in full at maturity.

(l) Unsecured Jamaican dollar denominated Bonds issued in July 2018 for a period of 3 years, due in full at maturity.

(m) Unsecured Jamaican dollar denominated Bonds issued in November 2018 for a period of 7 years, due in full at maturity.

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

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

(p) US dollar denominated monthly inventory factoring arrangement.

(q) Unsecured insurance premium financing repayable in 12 monthly instalments.

(r) Unsecured US dollar denominated loan received in November 2016, due in full at maturity in November 2018. The loan was renewed to mature in January 2019.

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

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

(u) Unsecured insurance premium financing repayable in 12 monthly installments.

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28. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25%. Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax assets	702,772	19,237	-	-
Deferred tax liabilities	(1,523,501)	(242,242)	(132,006)	(100,864)
Net liabilities	(820,729)	(223,005)	(132,006)	(100,864)

These amounts include deferred tax assets/liabilities to be recovered within 12 months of $118,456,000/$168,180,000 (2017 – $3,180,000/$108,311,000) for the Group, and deferred tax liabilities of $165,459,000 (2017 – $116,854,000) for the Company.

The movement in deferred taxation is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at start of year	(223,005)	(171,771)	(100,864)	(45,323)
Business combination	(505,489)	-	-	-
Charged to profit or loss (Note 10)	(88,935)	(50,184)	(27,842)	(54,491)
Charged to other comprehensive income (Note 10)	(3,300)	(1,050)	(3,300)	(1,050)
Balance at end of year	(820,729)	(223,005)	(132,006)	(100,864)

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

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	(16,675)	4,709	(2,104)	(6,808)
Post-employment benefits	875	2,850	875	2,850
Tax losses carried forward	(50,036)	(1,513)	21,992	3,386
Interest receivable	(5,787)	(58,960)	(62,058)	(58,960)
Other	(17,312)	2,730	13,453	5,041
	(88,935)	(50,184)	(27,842)	(54,491)

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

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	(310,460)	(178,004)	(16,975)	(14,871)
Post-employment benefits	25,050	27,475	25,050	27,475
Tax losses carried forward	762,872	32,655	25,378	3,386
Interest receivable	(356)	(128,649)	(190,707)	(128,649)
Intangible assets recognised on business combinations	(1,248,467)	-	-	-
Other	(49,368)	23,518	25,248	11,795
	(820,729)	(223,005)	(132,006)	(100,864)

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 $7,149,766,000 (2017 – $4,091,367,000). Of those losses, no deferred tax assets have been created in respect of $4,098,280,000 (2017 – $3,960,749,000) 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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Net profit/(loss)	1,062,055	647,843	(1,914,389)	(517,250)
Items not affecting cash resources:				
Amortisation of intangible assets	131,017	1,694	-	-
Depreciation	692,425	478,222	37,410	32,435
Net foreign exchange gain and losses	(159,996)	52,147	(91,861)	54,261
Net gains and losses on disposal of property, plant and equipment	691	4,574	(3,995)	1,340
Property, plant and equipment written off	61	312	8	-
Impairment of subsidiary	-	-	2,041,227	568,822
Interest income	(155,327)	(352,789)	(335,956)	(347,690)
Amortisation of deferred fees	17,095	13,761	12,070	-
Share of results of joint venture	(57,930)	54,236	-	-
Interest expense	775,852	328,275	288,534	190,453
Post-employment benefits	3,500	11,400	3,500	11,400
Dividend income	(680)	(400)	(680)	(400)
Taxation	378,757	291,117	27,842	53,082
	2,687,520	1,530,392	63,710	46,453
Changes in operating assets and liabilities:				
Inventories	(875,138)	(564,795)	-	-
Trade and other receivables	4,882,162	(2,183,741)	308,925	(1,719,802)
Biological assets	19,506	(51,832)	-	-
Due from subsidiaries	-	-	(1,304,202)	(666,764)
Due to subsidiaries	-	-	1,006,223	2,521,050
Payables	(5,263,177)	2,339,028	(979,859)	147,859
	1,450,873	1,069,052	(905,203)	328,796
Taxation paid	(366,500)	(243,421)	(507)	(81,529)
Cash provided by/(used in) operating activities	1,084,373	825,631	(905,710)	247,267

SEPROD LIMITED

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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 2018, capital commitments were $369,962,000 (2017 - $251,159,000) for the Group.

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

During the year, the Group had sales of $3,683,121,000 (2017 – $3,540,561,000) to and purchases of $1,044,520,000 (2017 – $2,282,952,000) from Musson (Jamaica) Limited, T.Geddes Grant (Distributors) Limited and Jamaica Grain and Cereals Limited, as well as from Musson International Diaries Limited and Facey Commodity Company Limited prior to these entities becoming subsidiaries of the Group. 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 $4,246,000 (2017 – $4,574,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the Company.

Key management compensation

	2018 $'000	2017 $'000
Wages and salaries	356,502	157,698
Statutory contributions	38,293	18,309
Other	22,355	530
	417,150	176,537
Directors' emoluments –		
Fees	8,226	8,479
Medical insurance premiums	7,635	8,429
Management remuneration (included above)	75,599	69,676

Advances and loans

Loans to related parties are disclosed in Note 19. Interest earned on these loans during the year amounted to $84,106,000 (2017 – $356,950,000).

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33. Business Combinations

Transfer of Musson Holdings Limited into the Group
Effective 1 January 2018, the shares of Musson Holdings Limited were transferred to the Company at a nominal cost from a related party. 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.

These operations will significantly expand the Group's capacity for the processing of milk products and juices.

Musson Holdings Limited and its subsidiaries reported revenues, operating profit and net profit of $4,967,120,000, $695,403,000 and $148,772,000, respectively, for the year ended 31 December 2018.

Details of net assets acquired, purchase consideration and goodwill determined on a provisional basis, were as follows:

	$'000
Property, plant and equipment	2,375,739
Intangible assets	967,870
Deferred tax assets	69,778
Inventories	588,138
Trade and other receivables	670,084
Net balances due from the Group	691,075
Taxation recoverable	603
Cash and cash equivalents	157,920
Payables	(399,116)
Taxation payable	(26,906)
Long term liabilities	(2,649,821)
Loan payable to the Company	(2,533,856)
Deferred tax liabilities	(241,967)
	(330,459)

As the shares were transferred at a nominal amount, the fair values of net assets acquired amounting to $330,459,000 represents the goodwill on acquisition. Further, the acquired cash and cash equivalents of $157,920,000 represents the net cash inflow on acquisition.

SEPROD LIMITED

Notes to the Financial Statements

Year ended 31 December 2018

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33. Business Combinations (Continued)

Acquisition of Facey Commodity Holdings Limited

Effective 1 October 2018, the Group acquired the shares of Facey Commodity Holdings Limited, the holding company of Facey Commodity Company Limited, from a related party. The terms of the acquisition required that, prior to the acquisition date, Facey Commodity Holdings Limited and Facey Commodity Company Limited dispose of all businesses other than the distribution of consumer goods and pharmaceutical products in Jamaica. The consideration is consistent with an independent valuation and was settled by a mix of a cash payment and an issue of shares.

These operations will significantly expand the Group's distribution capability.

Facey Commodity Holdings Limited and its subsidiary reported revenues, operating profit and net profit of $4,388,200,000, $358,055,000 and $155,717,000, respectively, for the 3 months ended 31 December 2018.

Details of net assets acquired, purchase consideration and goodwill determined on a provisional basis, were as follows:

	$'000
Property, plant and equipment	283,386
Intangible assets	4,026,000
Inventories	2,589,766
Trade and other receivables	2,935,883
Taxation recoverable	6,631
Cash and cash equivalents	789,237
Payables	(4,105,157)
Taxation payable	(67,096)
Long term liabilities	(3,240,133)
Deferred tax liabilities	(333,300)
	2,885,217

The goodwill on acquisition was determined as follows:

	$'000
Cash paid forming part of the purchase consideration	2,141,499
Issue of shares forming part of the purchase consideration	5,208,170
Total purchase consideration	7,349,669
Fair values of net assets acquired	(2,885,217)
	4,464,452

The net cash outflow for the acquisition was follows:

	$'000
Cash paid forming part of the purchase consideration	2,141,499
Cash balances of the acquired business	(789,237)
	1,352,262

34. Post Balance Sheet Event

In April 2019, the Company increased its shareholding in Golden Grove Sugar Company Limited from 71.2% to 89% by acquiring the holding of another shareholder of the subsidiary.

NOTES

FORM **OF PROXY**

I..... of .....
..... being a member of Seprod Limited, hereby appoint
..... of .....
or failing him ..... of .....
as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on the 9th day of September 2019, and at any adjournment thereof.

.....
Signature

Note: 1) If the appointer is a corporation, this form must be under its common seal and under the hand of an officer or attorney duly authorised.

2) To be valid, this proxy must be lodged with the Secretary of the Company, 3 Felix Fox Boulevard, Kingston, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.

$100.00 stamp to be affixed

SEPROD