



SEPROD LIMITED

Interim Report

9 Months Ended

30 September 2019



SEPROD LIMITED

Interim Report to the Stockholders

Overview of our Q3 2019 results

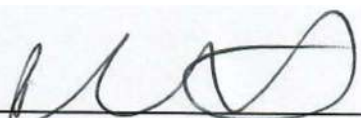
For the nine (9) months ended 30 September 2019, the Seprod Group achieved revenues from continuing operations of J\$24.80 billion, an increase of J\$10.10 billion or 69% over the corresponding period in 2018. This was driven primarily by the acquisition of the Facey Consumer Division in Q4 2018 and by an increase in the export business.

Net profit from continuing operations for the period was J\$1.16 billion, a decrease of J\$80 million or 6% over the corresponding period in 2018. The decline in profits from continuing operations was due in large part to one-off expenses (inclusive of redundancy payments) related to the consolidation of the dairy business and closure of the sugar factory during the period.

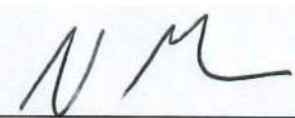
On 15 July 2019, management executed on its previously communicated decision to close the sugar factory and, in so doing, curtail the ten (10) years of operational losses from sugar manufacturing. This move will positively impact the Group's return on equity and its cashflows in the future. The losses from this discontinued operation for the nine (9) months ended 30 September 2019 amounted to J\$455 million (J\$275 million for the corresponding period in 2018).

2019 has been a year of consolidation for the Seprod Group. Management has taken several difficult decisions that will ensure that the Group will generate sustainable value creation for 2019 and beyond.

Thanks to all our valued partners, customers, consumers, employees and shareholders for your continued support of the Seprod Group. We are committed to making you proud in everything that we do.



P. B. Scott
Chairman



R. R. Pandohie
Chief Executive Officer

November 14, 2019



SEPROD LIMITED

Shareholders' Profile as at 30 September 2019

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. ATL Group Pension Fund Trustee Nominee Limited	6,424,347
8. VM Wealth Equity Fund	5,786,571
9. NCB Insurance Company Limited - A/C 109	5,648,346
10. Richard Pandohie	3,959,381

Shareholding of Directors, along with their connected persons

1. Paul B. Scott (Chairman)	Nil
- connected persons	358,982,031
2. Peter J. Thwaites (Vice Chairman)	5,000
3. Richard R. Pandohie (Chief Executive Officer)	3,959,381
4. Byron E. Thompson	1,220,668
5. Melanie Subratie	Nil
- connected persons	358,982,031
6. Michael J. Subratie	Nil
7. Nicholas Scott	Nil
- connected persons	1,206,768
8. Christopher Gentles	Nil
9. Hugh Gentles	Nil
- connected person	500,000
10. Patrick Scott	3,000,000
11. Nicholas Jones	Nil



SEPROD LIMITED

Shareholding of Management

1. Marilyn Anderson	25,000
2. Carol Andrade	13,000
3. Dr. Gavin Bellamy	41,600
4. Angela Cooper	38,854
5. Damion Dodd	300,000
6. Roger Drinkall	200,000
7. Glenise Durrant-Freckleton	65,000
8. Chana Hay	1,375,500
9. Tricia Hill	Nil
10. Kerrian Johnson	25,000
11. Efrain Lara	Nil
12. Roger Lewis	75,300
13. Milton Maragh	Nil
14. Jeffrey Moss-Solomon	201,900
15. Kimberly Naar	Nil
16. Richard Pandohie	3,959,381
17. Patrick Scott	3,000,000
18. Dr. Patrick Sterling	20,700
19. Amanda Watson *	460,000
20. Basil Watson *	460,000

* held jointly



SEPROD LIMITED

Interim Financial Statements (Unaudited)

6 months ended 30 September 2019

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SEPROD LIMITED

Consolidated Statement of Comprehensive Income (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 30 September		9 months ended 30 September	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	8,194,846	4,857,276	24,797,566	14,701,888
Direct expenses	(5,311,563)	(3,316,365)	(15,774,120)	(9,790,809)
Gross Profit	2,883,283	1,540,911	9,023,446	4,911,079
Other operating income	(149,003)	451,918	175,028	676,661
Other operating expenses	(2,083,387)	(1,353,492)	(6,989,274)	(3,599,353)
Operating Profit	650,893	639,337	2,209,200	1,988,387
Finance costs	(331,795)	(152,812)	(866,660)	(433,982)
Share of results of joint venture	(9,030)	2,844	45,512	17,425
Profit before Taxation	310,068	489,369	1,388,052	1,571,830
Taxation	(25,456)	(66,071)	(223,814)	(327,657)
Net Profit from continuing operations	284,612	423,298	1,164,238	1,244,173
Net loss from discontinued operations	(128,984)	(52,034)	(455,493)	(274,511)
	155,628	371,264	708,745	969,662
Other Comprehensive Income, net of taxes				
Fair value gains and losses on investments	51,287	68,600	92,235	77,382
Total Comprehensive Income	206,915	439,864	800,980	1,047,044

Net Profit from continuing operations is attributable to Stockholders of the Company

Net Loss from discontinued operations is attributable to:

Stockholders of the Company	(128,984)	(37,038)	(361,393)	(195,397)
Non-controlling interest	-	(14,996)	(94,100)	(79,114)
	(128,984)	(52,034)	(455,493)	(274,511)

Total Comprehensive Income is attributable to:

Stockholders of the Company	206,915	454,860	895,080	1,126,158
Non-controlling interest	-	(14,996)	(94,100)	(79,114)
	206,915	439,864	800,980	1,047,044

Earnings per Stock Unit attributable to Stockholders of the Company

Continuing operations	\$0.21	\$0.82	\$1.58	\$2.41
Discontinued operations	-	(\$0.07)	(\$0.49)	(\$0.38)
Total	\$0.21	\$0.75	\$1.09	\$2.03



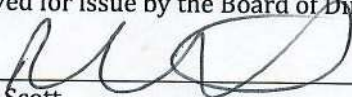
SEPROD LIMITED

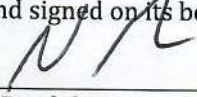
Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	30 September 2019 \$'000	30 September 2018 \$'000	31 December 2018 \$'000
Non-current Assets			
Property, plant and equipment	7,261,620	6,690,465	7,427,259
Intangible assets	9,475,597	1,074,947	9,657,764
Investments	1,506,680	1,446,956	1,414,445
Investment in joint venture	448,448	362,431	402,936
Long term receivables	736,476	872,596	703,774
Post-employment benefit asset	36,000	38,500	36,000
Biological assets	345,209	294,366	342,564
Deferred tax assets	710,256	90,262	702,772
	<u>20,520,286</u>	<u>10,870,523</u>	<u>20,687,514</u>
Current Assets			
Inventories	5,693,840	4,100,637	6,548,105
Biological assets	336,549	382,959	439,303
Receivables	6,327,090	5,729,288	5,043,326
Current portion of long term receivables	136,545	1,025,768	372,096
Taxation recoverable	-	-	152,685
Cash and bank balances	1,554,371	1,254,735	2,055,335
	<u>14,048,395</u>	<u>12,493,387</u>	<u>14,610,850</u>
Current Liabilities			
Payables	5,242,487	4,959,704	6,373,833
Current portion of long term liabilities	1,593,731	2,049,957	2,051,691
Taxation payable	237,730	30,351	139,731
	<u>7,073,948</u>	<u>7,040,012</u>	<u>8,565,255</u>
Net Current Assets	<u>6,974,447</u>	<u>5,453,375</u>	<u>6,045,595</u>
	<u>27,494,733</u>	<u>16,323,898</u>	<u>26,733,109</u>
Equity attributable to Stockholders of the Company			
Share capital	5,768,558	560,388	5,768,558
Capital reserves	1,085,569	1,021,266	993,334
Retained earnings	8,299,753	9,175,232	8,983,102
	<u>15,153,880</u>	<u>10,756,886</u>	<u>15,744,994</u>
Non-controlling Interest	-	(958,516)	(999,372)
	<u>15,153,880</u>	<u>9,798,370</u>	<u>14,745,622</u>
Non-current Liabilities			
Post-employment benefit obligations	136,200	148,400	136,200
Long term liabilities	10,674,094	5,956,408	10,327,786
Deferred tax liabilities	1,530,559	420,720	1,523,501
	<u>12,340,853</u>	<u>6,525,528</u>	<u>11,987,487</u>
	<u>27,494,733</u>	<u>16,323,898</u>	<u>26,733,109</u>

Approved for issue by the Board of Directors on 14 November 2019 and signed on its behalf by:


 Paul B. Scott Chairman


 Richard R. Pandohie Director



SEPROD LIMITED

Consolidated Statement of Changes in Equity (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	9 months ended 30 September 2019					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	5,768,558	993,334	8,983,102	15,744,994	(999,372)	14,745,622
Total comprehensive income:						
Profit for the period	-	-	802,845	802,845	(94,100)	708,745
Fair value gains on investments	-	92,235	-	92,235	-	92,235
	-	92,235	802,845	895,080	(94,100)	800,980
Dividends paid	-	-	(366,783)	(366,783)	-	(366,783)
Acquisition of shareholding of non-controlling interests	-	-	(1,119,411)	(1,119,411)	1,093,472	(25,939)
At 30 September 2019	5,768,558	1,085,569	8,299,753	15,153,880	-	15,153,880

	9 months ended 30 September 2018					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	560,388	943,884	8,384,942	9,889,214	(879,402)	9,009,812
Total comprehensive income:						
Profit for the period	-	-	1,048,776	1,048,776	(79,114)	969,662
Fair value gains on investments	-	77,382	-	77,382	-	77,382
	-	77,382	1,048,776	1,126,158	(79,114)	1,047,044
Dividends paid	-	-	(258,486)	(258,486)	-	(258,486)
At 30 September 2018	560,388	1,021,266	9,175,232	10,756,886	(958,516)	9,798,370



SEPROD LIMITED

Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	9 months ended 30 September	
	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities		
Net profit	708,745	969,662
Items not affecting cash resources:		
Amortization of intangible assets	182,167	76,053
Depreciation	576,378	494,200
Interest income	(56,647)	(181,078)
Interest expense	866,660	473,442
Results of joint venture	(45,512)	(17,425)
Taxation	223,814	327,657
	<u>2,455,605</u>	<u>2,142,511</u>
Changes in operating assets and liabilities:		
Inventories	854,265	(1,017,436)
Receivables	(1,283,764)	299,384
Biological assets	100,109	124,048
Payables	(2,102,644)	(1,277,671)
	<u>23,571</u>	<u>270,836</u>
Taxation paid, net	26,444	(252,966)
Cash provided by operating activities	<u>50,015</u>	<u>17,870</u>
Cash Flows from Investing Activities		
Net purchase of property, plant and equipment	(410,739)	(707,057)
Long term receivables	189,231	(72,660)
Net cash inflow on business combination	-	157,919
Acquisition of shareholding of non-controlling interests	(25,939)	-
Interest received	70,265	156,986
Cash used in investing activities	<u>(177,182)</u>	<u>(464,812)</u>
Cash Flows from Financing Activities		
Long term loans	1,139,927	1,541,020
Dividends paid	(696,592)	(418,151)
Interest paid	(817,132)	(258,486)
Cash (used in)/provided by financing activities	<u>(373,797)</u>	<u>864,383</u>
(Decrease)/increase in cash and cash equivalents	(500,964)	417,441
Cash and cash equivalents at beginning of year	2,055,335	837,294
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,554,371</u>	<u>1,254,735</u>



SEPROD LIMITED

Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

9 months ended 30 September 2019	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	8,089,848	18,071,436	-	26,161,284
Inter-segment revenue	6,932,707	-	(6,932,707)	-
Total revenue	15,022,555	18,071,436	(6,932,707)	26,161,284
Segment result	1,663,587	683,623	-	2,347,210
Unallocated income and expenses				(569,935)
Operating profit				1,777,275
Segment assets	16,910,051	8,248,469	-	25,158,520
Unallocated assets				9,410,161
Total assets				34,568,681
Segment liabilities	5,637,421	6,291,836	-	11,929,257
Unallocated liabilities				7,485,544
Total liabilities				19,414,801
Capital expenditure	109,831	290,639	-	400,470
Unallocated capital expenditure				10,269
Total capital expenditure				410,739
Depreciation	490,319	54,111	-	544,430
Unallocated depreciation				31,948
Total depreciation				576,378
9 months ended 30 September 2018				
	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	10,257,186	5,244,042	-	15,501,228
Inter-segment revenue	4,355,368	-	(4,355,368)	-
Total revenue	14,612,554	5,244,042	(4,355,368)	15,501,228
Segment result	1,926,173	111,101	-	2,037,274
Unallocated income and expenses				(283,938)
Operating profit				1,753,336
Segment assets	15,810,210	1,301,826	-	17,112,036
Unallocated assets				6,251,874
Total assets				23,363,910
Segment liabilities	4,800,789	663,170	-	5,463,960
Unallocated liabilities				6,514,943
Total liabilities				11,978,903
Capital expenditure	259,864	(3,503)	-	256,351
Unallocated capital expenditure				46,914
Total capital expenditure				303,275
Depreciation	464,767	2,589	-	467,356
Unallocated depreciation				26,844
Total depreciation				494,200

Total revenue for the period includes export sales of \$1,144,294,000 (2018 – \$937,029,000)



SEPROD LIMITED

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

Basis of preparation

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

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2018.

Earnings per stock unit for the 3 and 9 months ended 30 September 2019 is calculated based on 733,488,000 units in issue for those periods.

Earnings per stock unit for the 3 and 9 months ended 30 September 2018 is calculated based on 516,339,000 units in issue for those periods.

These interim financial statements do not reflect adjustments for the re-measurement of post-employment benefits or for the fair value of investments (other than those resulting from changes in foreign exchange rates). Such adjustments are made during our annual audit process based on independent valuations and are reflected in our annual audited financial statements.