



SEPROD LIMITED

Interim Report

Year Ended

31 December 2019



SEPROD LIMITED

Interim Report to the Stockholders

Overview of our 2019 results

For the year ended 31 December 2019, the Seprod Group achieved revenues from continuing operations of J\$34.35 billion, an increase of J\$11.85 billion or 53% over 2018. This was driven primarily by the acquisition of the Facey Consumer Division in Q4 2018 and by an increase in the export business.

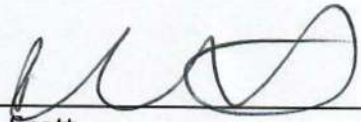
Net profit from continuing operations for the year was J\$1.99 billion, an increase of J\$510 million or 34% over 2018. The increase in profits from continuing operations was due in large part to efficiencies gained from internal reorganizations of the ingredients and the distribution businesses, and from the consolidation of the dairy business.

During 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 (inclusive of redundancy payments and estimated impairment losses) amounted to J\$814 million.

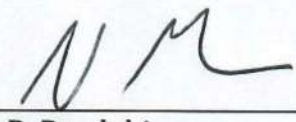
The resulting net profit for the year was J\$1.18 billion, an increase of J\$119 million or 11% over 2018. As previously mentioned, this result was impacted by several one-off costs related to the Golden Grove closure and to the dairy consolidation.

2019 has been a year of consolidation for the Seprod Group. The difficult decisions taken has placed the Group in a very good position to generate sustainable value creation for 2020 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

February 14, 2020



SEPROD LIMITED

Shareholders' Profile as at 31 December 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. Chana Hay	1,375,500
8. Tricia Hill	Nil
9. Kerrian Johnson	25,000
10. Efrain Lara	Nil
11. Roger Lewis	75,300
12. Milton Maragh	Nil
13. Jeffrey Moss-Solomon	201,900
14. Richard Pandohie	3,959,381
15. Patrick Scott	3,000,000
16. Dr. Patrick Sterling	20,700
17. Dave Virtue	Nil
18. Amanda Watson *	460,000
19. Basil Watson *	460,000

* held jointly



SEPROD LIMITED

Interim Financial Statements (Unaudited)

12 months ended 31 December 2019

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SEPROD LIMITED

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

	3 months ended 31 December		12 months ended 31 December	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	9,549,494	7,797,896	34,347,060	22,499,784
Direct expenses	(5,974,442)	(5,769,489)	(21,748,562)	(15,560,298)
Gross Profit	3,575,052	2,028,407	12,598,498	6,939,486
Other operating income	19,926	160,997	194,954	837,658
Other operating expenses	(2,797,576)	(1,633,652)	(9,786,850)	(5,233,005)
Operating Profit	797,402	555,752	3,006,602	2,544,139
Finance costs	(508,037)	(304,001)	(1,374,697)	(737,983)
Share of results of joint venture	54,789	40,505	100,301	57,930
Profit before Taxation	344,154	292,256	1,732,206	1,864,086
Taxation	486,551	(51,100)	262,737	(378,757)
Net Profit from continuing operations	830,705	241,156	1,994,943	1,485,329
Net loss from discontinued operations	(27,700)	(148,763)	(814,193)	(423,274)
Net Profit	803,005	92,393	1,180,750	1,062,055
Other comprehensive income, net of taxes	(53,688)	(18,032)	38,547	59,350
Total Comprehensive Income	749,317	74,361	1,219,297	1,121,405

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

Net Loss from discontinued operations is attributable to:

Stockholders of the Company	(27,700)	(107,907)	(720,093)	(303,304)
Non-controlling interest	-	(40,856)	(94,100)	(119,970)
	(27,700)	(148,763)	(814,193)	(423,274)

Total Comprehensive Income is attributable to:

Stockholders of the Company	749,317	115,217	1,125,197	1,241,375
Non-controlling interest	-	(40,856)	(94,100)	(119,970)
	749,317	74,361	1,219,297	1,121,405

Earnings per Stock Unit attributable to Stockholders of the Company

Continuing operations	\$1.13	\$0.33	\$2.72	\$2.60
Discontinued operations	\$(0.04)	\$(0.15)	\$(0.98)	\$(0.53)
Total	\$1.09	\$0.18	\$1.74	\$2.07



SEPROD LIMITED

Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	31 December 2019 \$'000	31 December 2018 \$'000
Non-current Assets		
Property, plant and equipment	7,443,253	7,427,259
Intangible assets	9,414,737	9,657,764
Investments	1,452,992	1,414,445
Investment in joint venture	503,237	402,936
Long term receivables	558,075	703,774
Post-employment benefit asset	36,000	36,000
Biological assets	345,209	342,564
Deferred tax assets	1,316,318	702,772
	<u>21,069,821</u>	<u>20,687,514</u>
Current Assets		
Inventories	5,907,092	6,548,105
Biological assets	286,549	439,303
Receivables	6,333,194	5,043,326
Current portion of long term receivables	-	372,096
Taxation recoverable	149,310	152,685
Cash and bank balances	1,850,784	2,055,335
	<u>14,526,929</u>	<u>14,610,850</u>
Current Liabilities		
Payables	6,336,600	6,373,833
Current portion of long term liabilities	798,428	2,051,691
Taxation payable	-	139,731
	<u>7,135,028</u>	<u>8,565,255</u>
Net Current Assets	<u>7,391,901</u>	<u>6,045,595</u>
	<u>28,461,722</u>	<u>26,733,109</u>
Equity attributable to Stockholders of the Company		
Share capital	5,768,558	5,768,558
Capital reserves	1,031,881	993,334
Retained earnings	8,404,975	8,983,102
	<u>15,205,414</u>	<u>15,744,994</u>
Non-controlling Interest	-	(999,372)
	<u>15,205,414</u>	<u>14,745,622</u>
Non-current Liabilities		
Post-employment benefit obligations	136,200	136,200
Long term liabilities	11,589,549	10,327,786
Deferred tax liabilities	1,530,559	1,523,501
	<u>13,256,308</u>	<u>11,987,487</u>
	<u>28,461,722</u>	<u>26,733,109</u>

Approved for issue by the Board of Directors on 14 February 2020 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)

	12 months ended 31 December 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	-	-	1,274,850	1,274,850	(94,100)	1,180,750
Fair value gains on investments	-	38,547	-	38,547	-	38,547
	-	-	1,274,850	1,313,397	(94,100)	1,219,297
Dividends declared	-	-	(733,566)	(733,566)	-	(733,566)
Acquisition of shareholding of non-controlling interests	-	-	(1,119,411)	(1,119,411)	1,093,472	(25,939)
At 31 December 2019	5,768,558	1,031,881	8,404,975	15,205,414	-	15,205,414

	12 months ended 31 December 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
New accounting standards	-	-	(5,470)	(5,470)	-	(5,470)
Total comprehensive income:						
Profit for the period	-	-	1,182,025	1,182,025	(119,970)	1,062,055
Post-employment benefits	-	-	9,900	9,900	-	9,900
Currency translation gains	-	4,579	-	4,579	-	4,579
Fair value gains on investments	-	44,871	-	44,871	-	44,871
	-	49,450	1,191,125	1,241,375	(119,970)	1,121,405
Issue of ordinary shares	5,208,170	-	-	5,208,170	-	5,208,170
Dividends declared	-	-	(588,295)	(588,295)	-	(588,295)
At 31 December 2018	5,768,558	993,334	8,983,102	15,744,994	(999,372)	14,745,622



SEPROD LIMITED

Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	12 months ended 31 December	
	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities		
Net profit	1,180,750	1,062,055
Items not affecting cash resources:		
Amortization of intangible assets	243,027	131,017
Depreciation	741,032	692,425
Interest income	(56,647)	(155,327)
Interest expense	1,215,423	775,852
Results of joint venture	(100,301)	(57,930)
Impairment charge on discontinued operations	(331,000)	-
Taxation	(262,737)	378,757
	<u>3,291,547</u>	<u>2,826,849</u>
Changes in operating assets and liabilities:		
Inventories	542,013	(875,138)
Receivables	(1,289,868)	4,882,162
Biological assets	100,109	19,506
Payables	(74,207)	(5,402,506)
	<u>2,569,594</u>	<u>1,450,873</u>
Taxation paid, net	(480,107)	(366,500)
Cash provided by operating activities	<u>2,089,487</u>	<u>1,084,373</u>
Cash Flows from Investing Activities		
Net purchase of property, plant and equipment	(807,026)	(1,359,442)
Long term receivables	372,177	796,675
Net cash outflow on business combinations	-	(1,194,342)
Acquisition of shareholding of non-controlling interests	(25,939)	-
Interest received	70,265	143,730
Cash used in investing activities	<u>(390,523)</u>	<u>(1,613,379)</u>
Cash Flows from Financing Activities		
Long term loans	48,910	2,726,214
Dividends paid	(696,592)	(258,486)
Interest paid	(1,255,833)	(734,792)
Cash (used in)/provided by financing activities	<u>(1,903,515)</u>	<u>1,732,936</u>
(Decrease)/increase in cash and cash equivalents	(204,551)	1,203,930
Cash and cash equivalents at beginning of year	<u>2,055,335</u>	<u>851,405</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>1,850,784</u></u>	<u><u>2,055,335</u></u>



SEPROD LIMITED

Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

12 months ended 31 December 2019	Manufacturing \$'000	Distribution \$'000	Eliminations \$'000	Group \$'000
External revenue	11,192,467	24,350,040	-	35,542,507
Inter-segment revenue	9,680,181	-	(9,680,181)	-
Total revenue	20,872,648	24,350,040	(9,680,181)	35,542,507
Segment result	1,167,552	865,583	-	2,033,135
Unallocated income and expenses				186,070
Operating profit				2,219,205
Segment assets	16,270,649	15,753,686	-	32,024,335
Unallocated assets				3,572,415
Total assets				35,596,750
Segment liabilities	5,745,977	6,854,927	-	12,600,904
Unallocated liabilities				7,790,432
Total liabilities				20,391,336
Capital expenditure	166,547	287,198	-	453,745
Unallocated capital expenditure				353,281
Total capital expenditure				807,026
Depreciation	624,616	70,750	-	695,366
Unallocated depreciation				45,666
Total depreciation				741,032
12 months ended 31 December 2018	Manufacturing \$'000	Distribution \$'000	Eliminations \$'000	Group \$'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 income and expenses				125,280
Operating profit				2,171,908
Segment assets	12,317,938	7,841,549	-	20,159,487
Unallocated assets				15,138,877
Total assets				35,298,364
Segment liabilities	5,347,363	6,984,778	-	12,332,141
Unallocated liabilities				8,220,601
Total liabilities				20,552,742
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

Total revenue for the period includes export sales of \$1,350,366,000 (2018 – \$1,252,349,000)



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.

These interim financial statements do not reflect adjustments for the re-measurement of post-employment benefits or for the fair value of investments (other than those resulting from changes in foreign exchange rates) as at 31 December 2019. Additionally, these interim financial statements do not reflect adjustments in respect of the adoption of IFRS 16, which became effective during the year. Such adjustments are made during our annual audit process based on independent valuations and will be reflected in our audited financial statements for the year ended 31 December 2019.

Earnings per stock unit attributable to stockholders of the Company

Earnings per stock unit for the 3 months ended 31 December 2019 and 31 December 2018, as well as for the year ended 31 December 2019, is calculated based on 733,488,000 units in issue for those periods.

Earnings per stock unit for the year ended 31 December 2018 is calculated based on a weighted average number of units of 570,626,000 (derived based on 516,339,000 units in issue for 9 months of the year and 733,488,000 units in issue for 3 months of the year).