



Seprod Limited

**Financial Statements
31 December 2019**

Seprod Limited

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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 2019, 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 2019;
- 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 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

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Our audit approach

Audit scope

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

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

Consistent with the prior year, our 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.



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 4 and 17 to the consolidated and stand-alone 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 \$1.5 billion as at 31 December 2019, which represents 4.0% and 5.6% 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, terminal growth rates, discount rates and market participant minority discount.

Management used an independent valuation expert to assist in the valuation process.

We updated our understanding and 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 compared prior management budgets to actual results of the investee to evaluate the accuracy of managements forecast process.

We tested the reasonableness of management's key assumptions as follows:

- Compared long term growth rates in the forecasts to historical results and economic and industry forecasts.
- Evaluated, with the assistance of our own valuation expert, management's assumptions concerning the selected growth rates, terminal growth rates, discount rates and market participant minority discount by reference to industry data.
- Compared the key assumptions to externally derived data, where possible, including market expectations of investment return, projected economic growth and interest rates.
- Sensitised management's planned growth rate in cash flows and changes in discount rates.

As a result of our testing, no differences requiring adjustment were identified.



Other information

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

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

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

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

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

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 Paul Williams.


Chartered Accountants
Kingston, Jamaica
24 April 2020

Seprod Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Revenue	5	32,694,821	22,499,784
Direct expenses		(23,894,709)	(15,585,707)
Gross Profit		8,800,112	6,914,077
Finance and other operating income	6	1,313,817	841,184
Selling expenses		(449,963)	(708,646)
Administration and other operating expenses		(6,886,330)	(4,506,503)
Net impairment losses on trade receivables		24,999	(57,832)
Operating Profit		2,802,635	2,482,280
Finance costs	9	(1,472,947)	(789,026)
Share of results of joint venture	18	57,705	57,930
Profit before Taxation		1,387,393	1,751,184
Taxation	10	318,255	(378,757)
Net Profit from Continuing Operations		1,705,648	1,372,427
Net loss from discontinued operations	34	(732,314)	(310,372)
Net Profit		973,334	1,062,055
Other Comprehensive Income, net of taxes			
Item that may be reclassified to profit or loss -			
Currency translation gains and losses	10	18,101	4,579
Items that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	10	(9,650)	9,900
Unrealized fair value gains and losses on investments	10	85,765	44,871
TOTAL COMPREHENSIVE INCOME		1,067,550	1,121,405
Net Profit from continuing operations is attributable to:			
Stockholders of the Company	12	1,705,648	1,372,427
Non-controlling interest		-	-
		1,705,648	1,372,427
Net Loss from discontinued operations is attributable to:			
Stockholders of the Company	12	(638,214)	(190,402)
Non-controlling interest		(94,100)	(119,970)
		(732,314)	(310,372)
Total Comprehensive Income is attributable to:			
Stockholders of the Company		1,161,650	1,241,375
Non-controlling interest		(94,100)	(119,970)
		1,067,550	1,121,405
Earnings per Stock Unit attributable to Stockholders of the Company	12		
Continuing operations		\$2.33	\$2.40
Discontinued operations		(\$0.87)	(\$0.33)
		\$1.46	\$2.07

Seprod Limited

Consolidated Statement of Financial Position

31 December 2019

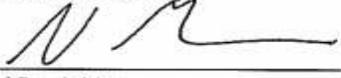
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Non-current Assets			
Property, plant and equipment	14	7,197,435	7,427,259
Right of use assets	15	1,040,734	-
Intangible assets	16	9,414,737	9,657,764
Investments	17	1,500,210	1,414,445
Investment in joint venture	19	454,070	402,936
Long term receivables	20	713,815	703,774
Post-employment benefit asset	21	35,100	36,000
Biological assets	22	409,370	342,564
Deferred tax assets	29	1,299,895	702,772
		<u>22,065,366</u>	<u>20,687,514</u>
Current Assets			
Inventories	23	6,914,312	6,548,105
Biological assets	22	286,549	439,303
Trade and other receivables	24	5,239,220	5,043,326
Current portion of long term receivables	20	17,500	372,096
Non-current assets held for sale	34	289,241	-
Taxation recoverable		210,060	152,685
Cash and bank balances		1,476,292	2,055,335
		<u>14,433,174</u>	<u>14,610,850</u>
Current Liabilities			
Payables	25	6,321,220	6,373,833
Current portion of long term liabilities	28	829,438	2,051,691
Current portion of lease obligation	15	67,731	-
Taxation payable		235,285	139,731
		<u>7,453,674</u>	<u>8,565,255</u>
Net Current Assets			
		<u>6,979,500</u>	<u>6,045,595</u>
		<u>29,044,866</u>	<u>26,733,109</u>
Equity Attributable to Stockholders of the Company			
Share capital	26	5,768,558	5,768,558
Capital reserves	27	1,097,200	993,334
Retained earnings		8,104,479	8,983,102
		<u>14,970,237</u>	<u>15,744,994</u>
Non-controlling Interest			
		-	(999,372)
		<u>14,970,237</u>	<u>14,745,622</u>
Non-current Liabilities			
Post-employment benefit obligations	21	148,300	136,200
Long term liabilities	28	11,393,938	10,327,786
Lease obligation	15	1,105,372	-
Deferred tax liabilities	29	1,427,019	1,523,501
		<u>14,074,629</u>	<u>11,987,487</u>
		<u>29,044,866</u>	<u>26,733,109</u>

Approved for issue by the Board of Directors on 24 April 2020 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 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company					Non-	Total
	Number of Shares '000	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000	controlling	Equity
						Interest	\$'000
Balance at 1 January 2018	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	1,191,925	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 declared (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
Effect of adoption of new accounting standards	-	-	-	(83,437)	(83,437)	-	(83,437)
	733,488	5,768,558	993,334	8,899,665	15,661,557	(999,372)	14,662,185
Profit for the year	-	-	-	1,067,434	1,067,434	(94,100)	973,334
Re-measurements on post-employment benefits	-	-	-	(9,650)	(9,650)	-	(9,650)
Currency translation gains and losses	-	-	18,101	-	18,101	-	18,101
Fair value gains on investments	-	-	85,765	-	85,765	-	85,765
Total comprehensive income	-	-	103,866	1,057,784	1,161,650	(94,100)	1,067,550
Transactions with owners:							
Acquisition of shareholding of non-controlling interests	-	-	-	(1,119,413)	(1,119,413)	1,093,472	(25,941)
Dividends declared (Note 13)	-	-	-	(733,557)	(733,557)	-	(733,557)
Balance at 31 December 2019	733,488	5,768,558	1,097,200	8,104,479	14,970,237	-	14,970,237

Seprod Limited**Consolidated Statement of Cash Flows****Year ended 31 December 2019**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities			
Cash provided by operating activities	30	2,526,180	1,084,373
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(1,223,804)	(1,816,806)
Proceeds on disposal of property, plant and equipment		209,462	457,364
Acquisition of shareholdings of non-controlling interests		(25,941)	-
Acquisition of subsidiaries		-	(1,194,342)
Issue of long term receivables		(27,949)	(175,031)
Repayment of long term receivables		274,723	971,706
Interest received		29,512	143,050
Dividends received		337	680
Cash used in investing activities		(763,660)	(1,613,379)
Cash Flows from Financing Activities			
Long term loans received		2,744,424	4,728,099
Long term loans repaid		(2,928,435)	(2,001,885)
Lease obligation		(87,419)	-
Dividends paid		(696,588)	(258,486)
Interest paid		(1,402,129)	(734,792)
Cash (used in)/provided by financing activities		(2,370,147)	1,732,936
(Decrease)/increase in cash and cash equivalents		(607,627)	1,203,930
Net effect of foreign currency translation on cash		28,584	14,111
Cash and cash equivalents at beginning of year		2,055,335	837,294
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,476,292	2,055,335

Seprod Limited

Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Group costs recovered from subsidiaries		900,769	889,797
Finance and other operating income	6	4,136,290	528,063
Administration expenses	7	(990,642)	(3,003,803)
Operating Profit/(Loss)		<u>4,046,417</u>	<u>(1,585,943)</u>
Finance costs	9	(552,494)	(300,604)
Profit/(Loss) before Taxation		<u>3,493,923</u>	<u>(1,886,547)</u>
Taxation	10	48,246	(27,842)
Net Profit/(Loss)	11	<u>3,542,169</u>	<u>(1,914,389)</u>
Other Comprehensive Income, net of taxes			
Items that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits		(9,650)	9,900
Unrealised fair value gains and losses on investments		85,765	44,871
TOTAL COMPREHENSIVE INCOME		<u><u>3,618,284</u></u>	<u><u>(1,859,618)</u></u>

Seprod Limited

Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Non-current Assets			
Property, plant and equipment	14	635,775	572,055
Investments	17	1,500,210	1,414,445
Investment in subsidiaries	18	7,863,313	10,137,630
Investment in joint venture	19	434,114	434,114
Long term receivables	20	1,557,957	2,626,370
Post-employment benefit assets	21	35,100	36,000
Deferred tax assets	29	27,548	-
		<u>12,054,017</u>	<u>15,220,614</u>
Current Assets			
Trade and other receivables	24	128,513	569,879
Current portion of long term receivables	20	3,118,881	970,552
Taxation recoverable		-	78,396
Due from subsidiaries		10,673,105	4,694,818
Cash and bank balances		199,738	703,414
		<u>14,120,237</u>	<u>7,017,059</u>
Current Liabilities			
Payables	25	866,628	597,680
Current portion of long term liabilities	28	198,981	683,243
Tax payable		32,780	-
Due to subsidiaries		6,399,130	7,298,750
Bank overdraft		309,774	-
		<u>7,807,293</u>	<u>8,579,673</u>
Net Current Assets/(Liabilities)		<u>6,312,944</u>	<u>(1,562,614)</u>
		<u>18,366,961</u>	<u>13,658,000</u>
Equity			
Share capital	26	5,768,558	5,768,558
Capital reserves	27	513,982	428,217
Retained earnings		4,802,109	2,003,147
		<u>11,084,649</u>	<u>8,199,922</u>
Non-current Liabilities			
Post-employment benefit obligations	21	148,300	136,200
Long term liabilities	28	7,134,012	5,189,872
Deferred tax liabilities	29	-	132,006
		<u>7,282,312</u>	<u>5,458,078</u>
		<u>18,366,961</u>	<u>13,658,000</u>

Approved for issue by the Board of Directors on 24 April 2020 and signed on its behalf by:

Paul B. Scott

Director

Richard Pandohie

Director

Seprod Limited

Statement of Changes in Equity

Year ended 31 December 2019

(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 2018	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
Profit for the year	-	-	-	3,542,169	3,542,169
Re-measurements on post-employment benefits	-	-	-	(9,650)	(9,650)
Fair value gains on investments	-	-	85,765	-	85,765
Total comprehensive income	-	-	85,765	3,532,519	3,618,284
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(733,557)	(733,557)
Balance at 31 December 2019	733,488	5,768,558	513,982	4,802,109	11,084,649

Seprod Limited

Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities			
Cash used in operating activities	30	(195,511)	(905,710)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(142,323)	(83,433)
Proceeds on disposal of property, plant and equipment		49,338	5,225
Acquisition of shareholdings of non-controlling interests		(25,941)	-
Acquisition of subsidiaries		-	(2,141,499)
Issue of long term receivables		(1,062,577)	(84,359)
Repayment of long term receivables		275,284	953,706
Interest received		48,563	87,722
Dividends received		337	680
Cash used in investing activities		(857,319)	(1,261,958)
Cash Flows from Financing Activities			
Long term loans received		2,447,105	4,257,715
Long term loans repaid		(1,003,899)	(1,390,657)
Dividends paid		(696,588)	(258,486)
Interest paid		(535,822)	(228,905)
Cash provided by financing activities		210,796	2,379,667
(Decrease)/increase in cash and cash equivalents		(842,034)	211,999
Net effect of foreign currency translation on cash		28,584	14,111
Cash and cash equivalents at beginning of year		703,414	477,304
CASH AND CASH EQUIVALENTS AT END OF YEAR		(110,036)	703,414

Seprod Limited

Notes to the Financial Statements

31 December 2019

(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, and its subsidiaries	Manufacture and sale of oils and fats	Jamaica
- Golden Grove Sugar Company Limited	Sale of consumer products	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	Sale of milk products and juices	Trinidad and Tobago
- Musson International Dairies Republica Dominicana SRL	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 Group was restructured during the year as follows:

- Golden Grove Sugar Company Limited discontinued its sugar manufacturing operation, but continues its distribution of sugar and other commodities;
- The Company, then a 71.2% shareholder in Golden Grove Sugar Company Limited, acquired the remaining 28.8% shareholding in Golden Grove Sugar Company Limited from non-controlling interests;
- The Company transferred the entire shareholding of Golden Grove Sugar Company Limited to Caribbean Products Company Limited; and
- The Company transferred the entire shareholdings of Serge Island Dairies Limited and Serge Island Farms Limited to Musson Holdings Limited.

The interests in Facey Commodity Holdings Limited and Musson Holdings Limited were acquired in 2018 (Note 35).

At year end, all subsidiaries are effectively wholly owned by the Company (2018 – 28.8% of the shareholding of Golden Grove Sugar Company Limited was held by non-controlling interests).

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.

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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 measurement of investments at fair value, assets held for sale and biological assets measured at fair value less costs to sell, and defined benefit pension plan assets measured at fair value.

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 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 changed its accounting policy for leases (Note 2(q)) as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The effect of adoption of IFRS 16 is disclosed in Note 36.

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 interpretation had no significant impact on the Group's operations.

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 amendment had no significant impact on the Group's operations.

Amendment to IAS 19, Employee benefits' (effective for annual periods beginning on or after 1 January 2019). This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. Any reduction in a surplus is recognised in profit or loss as a part of past service cost or gain or loss on settlement regardless of whether that surplus was not previously recognised due to the impact of the asset ceiling. Any changes in the asset ceiling is recognised separately in other comprehensive income. The amendment had no significant impact on the Group's operations.

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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)

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.
- *Amendment to IAS 23, 'Borrowing costs'* which clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- *Amendment to IFRS 3, 'Business combinations'* which clarifies that an entity should remeasure its previously held interest in a joint operation at fair value when it obtains control of the business.
- *Amendment to IFRS 11, 'Joint arrangements'* clarifies that an entity should not remeasure its previously held interest in a joint operation at fair value when it obtains joint control of the business.

The improvements had no significant impact on the Group's operations.

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:

Amendments to IAS 1, 'Presentation of financial statements' and to IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020). These amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendments also clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The Group does not expect any significant impact from the adoption of these amendments.

Amendment to IFRS 3, 'Business combinations' (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term outputs is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Group will apply this amendment to future business combinations.

Revised conceptual framework for financial reporting (effective for annual periods beginning on or after 1 January 2020). The revised framework will be used with immediate effect in standard-setting decisions; however no changes will be made to any of the current accounting standards. Entities that apply the conceptual framework in determining accounting policies will need to consider whether their accounting policies remain appropriate under the revised framework. The Group is currently assessing the impact of this revision.

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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

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

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

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.

(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 components of animal feed being substituted by sugar cane. Changes in fair value are recognised in profit or loss.

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2. Significant Accounting Policies (Continued)

(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) Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable, and are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset is recognised at the date of derecognition. Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

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2. Significant Accounting Policies (Continued)

(q) Leases

As lessee, the Group mainly leases various warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 10 years, but may have extension options which are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Prior to 1 January 2019, leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The Group adopted IFRS 16 as of 1 January 2019 applying the simplified approach and has elected not to restate comparative information in accordance with the transitional provisions of the standard. As a result, the comparative information provided continues to be in accordance with this previous accounting policy.

As of 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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2. Significant Accounting Policies (Continued)

(r) 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.

(s) 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.

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2. Significant Accounting Policies (Continued)

(t) 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.

(u) 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.

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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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial Assets				
Investments, at fair value through other comprehensive income	1,500,210	1,414,445	1,500,210	1,414,445
Long term receivables, at fair value through profit or loss	155,741	162,432	77,671	84,359
At cost or amortised cost –				
Long term receivables	575,574	913,438	4,599,077	3,512,563
Trade and other receivables	4,793,779	4,565,268	3,064	489,390
Due from subsidiaries	-	-	10,673,105	4,694,818
Cash and bank balances	1,476,292	2,055,335	199,738	703,414
	<u>6,845,645</u>	<u>7,534,041</u>	<u>15,474,984</u>	<u>9,400,185</u>
	<u>8,501,596</u>	<u>9,110,918</u>	<u>17,052,865</u>	<u>10,898,989</u>
Financial Liabilities				
At cost or amortised cost –				
Bank overdraft	-	-	309,774	-
Due to subsidiaries	-	-	6,399,130	7,298,750
Trade and other payables	5,043,009	5,174,997	302,607	208,613
Long term liabilities	12,223,376	12,379,477	7,332,993	5,873,115
Lease obligation	1,173,103	-	-	-
	<u>18,439,488</u>	<u>17,554,474</u>	<u>14,344,504</u>	<u>13,380,478</u>

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 arising on loans to employees for the purchase of the Company's shares by holding a contractual right to deduct the interest and principal on the loan from the employees' remuneration, and by holding a contractual right to the shares that were acquired from the proceeds of the loan in the event that the employment contract is terminated and the loan is not repaid.

The Group has limited exposure to credit risk arising on receivables from its joint venture entity as the Group jointly controls the entity. The Group also has significant purchases from the entity, the payables arising from which may be set off against the long term receivables.

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.

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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.

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:

	2019					Total
	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> than 120 days	
Trade receivables	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Supermarket chains	846,630	222,226	17,238	4,681	35,745	1,126,520
Retailers & wholesalers	264,116	73,674	12,079	(141)	46,441	396,169
Distributors	429,041	282,203	130,140	87,518	69,911	998,813
Manufacturers	96,296	19,849	12,292	20,264	23,021	171,722
Others	339,628	266,740	48,105	84,889	396,608	1,135,970
	1,975,711	864,692	219,854	197,211	571,726	3,829,194
Average expected loss rates	%	%	%	%	%	
	0.51	0.74	2.06	4.62	57.09	
Loss allowance	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	10,026	6,403	4,518	9,102	326,410	356,459
	2018					Total
	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> than 120 days	
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	%	%	%	%	%	
	1.22	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

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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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At start of year	381,383	128,524	-	-
Restated through opening retained earnings	-	5,470	-	-
	<u>381,383</u>	<u>133,994</u>	<u>-</u>	<u>-</u>
Business combinations	-	185,510	-	-
Amounts recovered during the year	(86)	(19,870)	-	-
Provided during the year	(24,999)	124,345	-	-
Written off during the year	161	(42,596)	-	-
At end of year	<u>356,459</u>	<u>381,383</u>	<u>-</u>	<u>-</u>

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.

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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
	2019					
Long term liabilities	80,783	309,909	1,298,317	9,828,740	4,360,750	15,878,499
Lease obligation	17,181	45,363	132,312	678,160	838,193	1,711,209
Trade and other payables	5,043,009	-	-	-	-	5,043,009
	5,140,973	355,272	1,430,629	10,506,900	5,198,943	22,632,717
2018						
Long term liabilities	1,012,135	574,428	1,329,760	8,355,964	5,226,173	16,498,460
Trade and other payables	5,174,997	-	-	-	-	5,174,997
	6,187,132	574,428	1,329,760	8,355,964	5,226,173	21,673,457
	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
	2019					
Long term liabilities	76,030	75,417	594,795	6,524,191	2,359,500	9,629,933
Due to subsidiaries	6,399,130	-	-	-	-	6,399,130
Other payables	302,607	-	-	-	-	302,607
Bank overdraft	309,774	-	-	-	-	309,774
	7,087,541	75,417	594,795	6,524,191	2,359,500	16,641,444
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

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

Seprod Limited

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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 2019 includes aggregate net foreign assets of US\$4,670,000 and £253,000 (2018 – aggregate net foreign assets/(liabilities) of (US\$18,220,000) and £232,000); while the statement of financial position for the Company at 31 December 2019 includes aggregate net foreign assets of US\$31,747,000 and £166,000 (2018 – aggregate net foreign assets of US\$31,189,000 and £157,000), 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, payables and long term liabilities.

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Effect on profit before taxation -				
US\$				
6% devaluation (2018 – 4%)	(53,051)	(149,890)	158,915	101,062
4% revaluation (2018 – 2%)	35,367	73,875	(105,943)	(50,531)
Other currencies				
6% devaluation (2018 – 4%)	2,538	1,168	1,669	999
4% revaluation (2018 – 2%)	(1,692)	(584)	(1,112)	(499)
Effect on other items of equity -				
US\$				
6% devaluation (2018 – 4%)	88,306	55,997	88,306	55,997
4% revaluation (2018 – 2%)	(58,870)	(27,999)	(58,870)	(27,999)

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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
2019	2019	2019	2018	2018	2018
JMD / USD	\$'000	\$'000	JMD / USD	\$'000	\$'000
The Group					
+100/+100	(19,621)	-	+100/+100	(22,042)	-
-100/-100	19,621	-	-100/-100	22,042	-
The Company					
+100/+100	-	-	+100/+100	(1,277)	-
-100/-100	-	-	-100/-100	1,277	-

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	The Company						Total \$'000
	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	
	2019						
Financial assets							
Investments	-	-	-	-	-	1,500,210	1,500,210
Long term receivables	-	46,818	2,152,989	968,815	589,142	919,074	4,676,838
Trade and other receivables	-	-	-	-	-	3,064	3,064
Due from subsidiaries	-	-	-	-	-	10,673,105	10,673,105
Cash and bank	199,664	-	-	-	-	74	199,738
	199,664	46,818	2,152,989	968,815	589,142	13,095,527	17,052,955
Financial liabilities							
Long term liabilities	1,522	3,138	156,157	4,957,494	2,176,518	38,164	7,332,993
Payables	-	-	-	-	-	302,607	302,607
Due to subsidiaries	-	-	-	-	-	6,399,130	6,399,130
Bank overdraft	309,774	-	-	-	-	-	309,774
	311,296	3,138	156,157	4,957,494	2,176,518	6,739,901	14,344,504
Total interest repricing gap	(111,632)	43,680	1,996,832	(3,988,679)	(1,587,376)	6,355,626	2,708,451
	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)

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 2018 and 2019, 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 2019, the Group had quoted equity securities classified in Level 1 amounting to \$28,492,000.

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 2019, 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 2019, The Group had unquoted equity securities with a fair value of \$1,471,718,000 (2018 – \$1,399,898,000) classified as fair value through other comprehensive income and categorised as Level 3.

The movement in these instruments is as follows:

	2019 \$'000	2018 \$'000
At start of year	1,399,898	1,369,574
Fair value gains and losses	33,272	6,460
Foreign exchange gains and losses	38,548	23,864
At end of year	<u>1,471,718</u>	<u>1,399,898</u>

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%	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

Up to the discontinuation of the sugar manufacturing operations in July 2019, estimates and judgements in determining the fair value of sugar cane related 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 were obtained from Jamaica Cane Products Sales Limited, the authorised sales agent for sugar in Jamaica. The JRCS is determined by the Sugar Industry Authority.

Subsequent to the discontinuation of the sugar manufacturing operation, estimates and judgements in determining the fair value of sugar cane related to the ingredients in animal feed for which the sugar cane is used as a substitute. The ingredients in animal feed that are substituted and the related cost are determined independently by animal feed manufacturers and contracted farmers.

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

	2019	2018
	\$'000	\$'000
Opening balance	342,564	292,628
Decreases due to sales	(66,234)	(44,981)
Total gains or losses for the period included in profit or loss	115,860	94,917
Other	17,180	-
Closing balance	<u>409,370</u>	<u>342,564</u>
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'	<u>115,860</u>	<u>94,917</u>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>114,478</u>	<u>76,509</u>

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

	2019	2018
	\$'000	\$'000
Opening balance	439,303	508,745
Net cost of cane cultivation and value and cane harvested	(179,804)	(209,542)
Total gains or losses for the period included in profit or loss	27,050	140,100
Closing balance	<u>286,549</u>	<u>439,303</u>
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'	<u>27,050</u>	<u>140,100</u>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(152,754)</u>	<u>(69,442)</u>

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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 2019		
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Dairy livestock price	\$29,750-\$119,000 (\$88,086) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$9,350-\$110,500 (\$77,559) per animal	The higher the market price, the higher the fair value.

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.

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 2019		
Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Price of fodder being substituted	\$4,000 per metric tonne	The higher the price of fodder being substituted, the higher the fair value.

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 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 24) and payables (Note 25).

The carrying values of long term receivables (Note 20) 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 28) 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 \$20,469,000.

Sugar cane

The sugar cane in the fields at 31 December 2019 will be used as a substitute for components of animal feed. In doing the valuation for sugar cane, the Group first determines a price per tonne of cane based on the prices per tonne of the components of animal feed that will be substituted. 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 per tonne of the components of animal feed that will be substituted.

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 \$14,327,000.

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\$5,000,000 to US\$3,390,000/US\$7,080,000; 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\$5,000,000 to US\$5,750,000/US\$4,340,000.

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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 \$1,767,000 which would not result in an impairment of goodwill.

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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6. Finance and Other Operating Income

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Dividend income on quoted investments	337	680	337	680
Gain/(loss) on disposal of property, plant and equipment	17,272	(691)	19,474	3,995
Interest income from subsidiaries	-	-	179,861	248,838
Other interest income	33,394	155,327	24,947	87,118
Management fees	-	-	16,500	66,000
Net foreign exchange gains and losses	863,012	334,546	168,183	93,770
Rental income from subsidiaries	-	-	47,433	21,383
Other rental income	36,345	57,700	833	882
Gain on Group restructuring	-	-	3,688,214	-
Other	363,457	293,622	(9,492)	5,397
	<u>1,313,817</u>	<u>841,184</u>	<u>4,136,290</u>	<u>528,063</u>

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Advertising and promotion	631,527	356,595	12,176	9,991
Amortisation of intangible assets	243,027	131,017	-	-
Auditors' remuneration	48,335	40,312	8,528	11,616
Cost of inventories recognised as an expense	20,138,860	11,711,854	-	-
Delivery charges	584,185	296,701	164	-
Depreciation of property, plant and equipment	632,170	558,714	44,214	37,410
Depreciation of right of use assets	171,843	-	-	-
Donations	31,613	31,752	31,613	31,752
Feed, chemicals and veterinary supplies	415,823	479,777	-	-
Fertilising	6,462	11,080	-	-
Impairment of investment in subsidiary	-	-	-	2,041,227
Insurance	380,855	287,541	26,665	23,477
Motor vehicle expenses	57,560	135,690	14,748	14,478
Net impairment losses on trade receivables	(24,999)	57,832	-	-
Non-recoverable GCT	90,191	153,955	30,985	41,703
Professional services	180,550	179,408	92,209	85,925
Raw and packaging material	562,189	653,605	-	-
Repairs and maintenance	884,664	562,442	9,266	13,396
Security	220,923	223,334	45,241	33,452
Staff costs (Note 8)	3,727,198	2,600,977	519,917	500,402
Supplies	10,700	7,879	1,881	843
Utilities	1,154,213	1,024,093	31,749	32,812
Other	1,058,114	1,354,130	121,286	125,319
	<u>31,206,003</u>	<u>20,858,688</u>	<u>990,642</u>	<u>3,003,803</u>

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8. Staff Costs

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	2,873,359	1,949,874	379,605	369,274
Statutory contributions	316,139	215,854	40,851	35,732
Pension – defined benefit (Note 21)	3,400	3,600	3,400	3,600
Pension – defined contribution (Note 21)	68,917	51,020	8,993	10,728
Other post-employment benefits (Note 21)	9,300	11,800	9,300	11,800
Other	456,083	368,829	77,768	69,268
	<u>3,727,198</u>	<u>2,600,977</u>	<u>519,917</u>	<u>500,402</u>

9. Finance Costs

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Net foreign exchange gains and losses	45,603	(3,921)	27,712	-
Interest expense –				
Long term liabilities	1,137,049	713,037	450,410	275,911
Lease obligation	100,240	-	-	-
Other	148,038	62,815	45,245	12,623
Amortisation of deferred financing fees	42,017	17,095	29,127	12,070
	<u>1,472,947</u>	<u>789,026</u>	<u>552,494</u>	<u>300,604</u>

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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current taxation	346,875	281,209	108,158	-
Adjustment to prior year provision	(298)	8,613	-	-
	<u>346,577</u>	<u>289,822</u>	<u>108,158</u>	<u>-</u>
Deferred taxation (Note 29)	(664,832)	88,935	(156,404)	27,842
	<u>(318,255)</u>	<u>378,757</u>	<u>(48,246)</u>	<u>27,842</u>

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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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Profit/(loss) before taxation	1,387,393	1,751,184	3,493,923	(1,886,547)
Tax calculated at a tax rate of 25%	346,849	437,796	873,481	(471,637)
Adjusted for the effect of:				
Investment income not subject to tax	(33,182)	(31,324)	(955,236)	(31,324)
Adjustment to prior year provision	(298)	8,613	-	-
Employment tax credit	(87,453)	(90,584)	-	-
Expenses not deductible	135,060	34,784	41,265	523,364
Results of joint venture included net of tax	(14,426)	(14,483)	-	-
Recognition of previously unrecognised tax losses	(673,191)	-	-	-
Other charges and credits	8,386	33,955	(7,756)	7,439
	<u>(318,255)</u>	<u>378,757</u>	<u>(48,246)</u>	<u>27,842</u>

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

	The Group		
	Before Tax \$'000	Tax Effect \$'000	After Tax \$'000
	2019		
Currency translation gains and losses	18,101	-	18,101
Re-measurements of post-employment benefit obligations	(12,800)	3,150	(9,650)
Unrealised fair value gains and losses on investments	85,765	-	85,765
Other comprehensive income	<u>91,066</u>	<u>3,150</u>	<u>94,216</u>
	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	<u>62,650</u>	<u>(3,300)</u>	<u>59,350</u>
	The Company		
	2019		
Re-measurements of post-employment benefit obligations	(12,800)	3,150	(9,650)
Unrealised fair value gains and losses on investments	85,765	-	85,765
Other comprehensive income	<u>72,965</u>	<u>3,150</u>	<u>76,115</u>
	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	<u>58,071</u>	<u>(3,300)</u>	<u>54,771</u>

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11. Net Profit Attributable to Stockholders of the Company

Net Profit attributable to stockholders of the Company (Note 12) is dealt with as follows in the financial statements:

	2019	2018
	\$'000	\$'000
The Company	3,542,169	(1,914,389)
Reversal of gains on Group restructuring on consolidation	(3,688,214)	-
Reversal of impairment of subsidiary on consolidation	-	2,041,227
	<u>(146,045)</u>	<u>126,838</u>
Subsidiaries	1,155,774	997,257
Joint venture	57,705	57,930
	<u>1,067,434</u>	<u>1,182,025</u>

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 of the Company by the weighted average number of ordinary stock units in issue, as follows.

	2019	2018
	\$'000	\$'000
Net profit attributable to stockholders of the Company		
Continuing operations	1,705,648	1,372,427
Discontinued operations	(638,214)	(190,402)
	<u>1,067,434</u>	<u>1,182,025</u>
Weighted average number of ordinary stock units ('000)	733,488	570,626
Basic earnings per stock unit (\$)		
Continuing operations	2.33	2.40
Discontinued operations	(0.87)	(0.33)
	<u>1.46</u>	<u>2.07</u>

The weighted average number of ordinary stock units for the year ended 31 December 2019 is calculated based on 733,488,000 stock units in issue for the entire year.

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 Company has no dilutive potential ordinary shares.

13. Dividends Declared

	2019	2018
	\$'000	\$'000
Interim dividends –		
50 cents per stock unit – 25 July 2018	-	258,486
45 cents per stock unit – 24 December 2018	-	329,809
50 cents per stock unit – 17 July 2019	366,779	-
50 cents per stock unit – 16 December 2019	366,778	-
	<u>733,557</u>	<u>588,295</u>

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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
	2019					
Cost -						
At 1 January 2019	752,718	2,251,251	7,488,981	571,392	847,683	11,912,025
Change in accounting policy (Note 15)	-	-	-	(183,956)	-	(183,956)
Transfer to assets held for sale	(13,000)	(91,528)	(1,156,974)	(183,561)	-	(1,445,063)
Additions	-	148,809	380,353	60,369	588,769	1,178,300
Disposals	(3,118)	(36,265)	(452,531)	(110,292)	-	(602,206)
Write-offs/Adjustments	-	-	-	-	(8,373)	(8,373)
Transfers	-	297,308	162,950	-	(460,258)	-
At 31 December 2019	736,600	2,569,575	6,422,779	153,952	967,821	10,850,727
Accumulated Depreciation -						
At 1 January 2019	-	636,452	3,490,172	358,142	-	4,484,766
Change in accounting policy (Note 15)	-	-	-	(40,874)	-	(40,874)
Transfer to assets held for sale	-	(20,424)	(901,837)	(183,561)	-	(1,105,822)
Charge for the year	-	51,299	643,014	34,670	-	728,983
On disposals	-	(9,208)	(298,707)	(105,770)	-	(413,685)
Write-offs/Adjustments	-	-	(76)	-	-	(76)
At 31 December 2019	-	658,199	2,932,566	62,607	-	3,653,292
Net Book Value -						
At 31 December 2019	736,600	1,911,456	3,490,213	91,345	967,821	7,197,435
	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

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14. Property, Plant and Equipment (Continued)

	The Company					
	Freehold Land & Site Improvements	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2019					
Cost -						
At 1 January 2019	163,199	514,460	236,002	53,674	23,157	990,492
Additions	-	-	13,742	12,775	115,806	142,323
Disposals	(3,118)	(35,860)	-	(6,683)	-	(45,661)
Write-offs/Adjustments	-	-	-	-	(4,601)	(4,601)
Transfers	-	93,309	35,077	-	(128,386)	-
At 31 December 2019	160,081	571,909	284,821	59,766	5,976	1,082,553
Accumulated Depreciation -						
At 1 January 2019	-	229,226	163,485	25,726	-	418,437
Charge for the year	-	8,942	21,120	14,152	-	44,214
Relieved on disposals	-	(9,114)	-	(6,683)	-	(15,797)
Adjustments	-	-	(76)	-	-	(76)
At 31 December 2019	-	229,054	184,529	33,195	-	446,778
Net Book Value -						
At 31 December 2019	160,081	342,855	100,292	26,571	5,976	635,775
	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

Certain of the Group's property, plant and equipment have been pledged as security for its borrowings (Note 28).

The Group's motor vehicles acquired under lease arrangements with a net book value of \$143,082,000 were reclassified as right of use assets (Note 15) following a change in accounting policy for leases on adoption of IFRS 16.

Property, plant and equipment for the Group with a net book value of \$339,241,000 were reclassified as assets held for sale (Note 34) following the closure of the sugar manufacturing operations and subsequent advertising of said assets for sale. Depreciation charge for the year on these assets, prior to their reclassification, amounted to \$96,813,000. This depreciation charge is included in the loss from discontinued operations in the statement of comprehensive income.

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15. Right of Use Assets and Related Lease Obligation

Prior to 1 January 2019, leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The Group adopted IFRS 16 as of 1 January 2019 applying the simplified approach and has elected not to restate comparative information in accordance with the transitional provisions of the standard. As a result, the comparative information provided continues to be in accordance with this previous accounting policy.

As of 1 January 2019, leases are recognised as right of use assets and a corresponding liability at the date at which the leased assets are available for use by the Group. The movement in the right of use assets is as follows:

	The Group		
	Buildings \$'000	Motor Vehicles \$'000	Total \$'000
	2019		
Gross amount –			
Transferred from property, plant and equipment (Note 14)	-	183,956	183,956
Assets recognized on change in accounting policy	1,342,214	-	1,342,214
Additions	45,504	-	45,504
Disposals	-	(3,863)	(3,863)
At 31 December 2019	1,387,718	180,093	1,567,811
Accumulated Depreciation –			
Transferred from property, plant and equipment (Note 14)	-	40,874	40,874
On assets recognized on change in accounting policy	314,554	-	314,554
Charge for the year	136,253	35,590	171,843
On disposals	-	(194)	(194)
At 31 December 2019	450,807	76,270	527,077
Net Book Value –			
At 31 December 2019	936,911	103,823	1,040,734
At 1 January 2019	1,027,660	143,082	1,170,742

The related lease obligation recognised in the statement of financial position is as follows:

	The Group	
	2019 \$'000	1 January 2019 \$'000
Current obligations	67,731	91,554
Non-current obligations	1,105,372	1,168,968
	<u>1,173,103</u>	<u>1,260,522</u>

Total lease payments for 2019 in respect of right of use assets amounted to \$234,161,000.

Interest expense for 2019 in relation to the lease obligation amounted to \$100,240,000 (Note 9).

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16. Intangible Assets

	The Group					Total \$'000
	Goodwill \$'000	Distribution network \$'000	Supplier relationships \$'000	Trade name \$'000	Brands \$'000	
Cost -						
At 1 January 2018	-	-	-	-	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 and 31 December 2019	4,794,911	2,090,000	1,340,000	404,000	1,233,277	9,862,188
Accumulated Amortisation -						
At 1 January 2018	-	-	-	-	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
Charge for the year	-	-	112,632	20,848	109,547	243,027
At 31 December 2019	-	-	139,507	25,236	282,708	447,451
Net Book Value -						
At 31 December 2019	4,794,911	2,090,000	1,200,493	378,764	950,569	9,414,737
At 31 December 2018	4,794,911	2,090,000	1,313,125	399,612	1,060,116	9,657,764

Goodwill of \$330,459,000 is 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%

17. Investments

	The Group & The Company	
	2019 \$'000	2018 \$'000
Quoted equity securities denominated in Jamaican dollars	28,492	14,547
Unquoted equity securities denominated in US dollars	1,471,718	1,399,898
	<u>1,500,210</u>	<u>1,414,445</u>

Unquoted equity securities denominated in US dollars

The Company owns 42,214 (11.6%) 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.

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18. Investment in Subsidiaries

	2019	2018
	\$'000	\$'000
Balance at 1 January	10,137,630	4,829,188
Acquisition of subsidiaries	-	7,349,669
Acquisition of non-controlling interests	25,941	-
Transfer of subsidiaries under Group restructuring	(2,300,258)	-
Impairment of subsidiary	-	(2,041,227)
Balance at 31 December	<u>7,863,313</u>	<u>10,137,630</u>

All subsidiaries are included in the consolidation. The proportion of the voting rights in each subsidiary does not differ from the proportion of ordinary shares held.

The balance for investment in subsidiaries was affected by the following Group restructuring activities during the year:

- The Company, then a 71.2% shareholder in Golden Grove Sugar Company Limited, acquired the remaining 28.8% shareholding in Golden Grove Sugar Company Limited from non-controlling interests for a consideration of \$25,941,000;
- The Company then transferred the entire shareholding of Golden Grove Sugar Company Limited to Caribbean Products Company Limited for a consideration equivalent to the nominal value of the original investment; and
- The Company transferred the entire shareholdings of Serge Island Dairies Limited and Serge Island Farms Limited to Musson Holdings Limited for a consideration equivalent to the nominal value of the original investment.

In 2018, the Group acquired Facey Commodity Holdings Limited and Musson Holdings Limited (Note 35).

The non-controlling interest for 2018 and for 2019 up to its acquisition by the Company is entirely in respect of Golden Grove Sugar Company Limited. Summarised financial information (before intercompany eliminations) for Golden Grove Sugar Company Limited up to the acquisition by the Company of non-controlling interests, is as follows:

Summarised statement of comprehensive income for the 6-months ending (2018 – year ending):

	June 2019	Dec 2018
	\$'000	\$'000
Revenue	1,089,014	1,117,658
Depreciation	(64,963)	(133,711)
Net loss	<u>(326,510)</u>	<u>(416,559)</u>

Summarised statement of financial position as at:

	June 2019	Dec 2018
	\$'000	\$'000
Non-current assets	646,393	711,029
Current assets	1,095,794	1,283,356
Non-current liabilities	(60,984)	(108,944)
Intercompany balance owed to the Company	(883,113)	(949,383)
Other current liabilities	(514,838)	(326,295)
Net Assets	<u>283,252</u>	<u>609,763</u>

Summarised statement of cash flows for the 6-months ending (2018 – year ending):

	June 2019	Dec 2018
	\$'000	\$'000
Cash flows from operating activities	244,807	(432,695)
Cash flows from investing activities	9,940	7,856
Intercompany financing provided by the Company	(108,862)	711,931
Other cash flows from financing activities	(57,772)	(302,916)
Cash and cash equivalents at end of period	<u>90,972</u>	<u>2,859</u>

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19. 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	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	402,936	345,006	434,114	434,114
Effect of adoption of a new accounting policy	(6,571)	-	-	-
Share of results	57,705	57,930	-	-
Balance at the end of the year	<u>454,070</u>	<u>402,936</u>	<u>434,114</u>	<u>434,114</u>

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

Summarised statement of comprehensive income

	2019	2018
	\$'000	\$'000
Revenue	3,768,874	3,133,769
Depreciation	141,707	128,037
Net profit	<u>115,410</u>	<u>115,859</u>

Summarised statement of financial position

	2019	2018
	\$'000	\$'000
Property, plant and equipment and other non-current assets	2,996,167	3,111,082
Current assets:		
Inventories	1,063,998	514,301
Cash and cash equivalents	228,316	138,784
Receivables and other current assets	671,487	1,022,972
	<u>1,963,801</u>	<u>1,676,057</u>
Non-current liabilities:		
Due to joint venture partners	(1,140,092)	(1,098,360)
Long term loan	(1,668,475)	(1,799,589)
Other non-current liabilities	(148,922)	-
	<u>(2,957,489)</u>	<u>(2,897,949)</u>
Current liabilities:		
Due to joint venture partners	(845,114)	(886,312)
Current portion of long term loan	(171,534)	(102,400)
Payables and other current liabilities	(83,439)	(100,354)
	<u>(1,100,087)</u>	<u>(1,089,066)</u>
Net assets	<u>902,392</u>	<u>800,124</u>

Summarised statement of cash flows

	2019	2018
	\$'000	\$'000
Cash flows from operating activities	387,273	266,044
Cash flows from investing activities	(31,163)	(127,052)
Cash flows from financing activities	(266,578)	(136,078)

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20. Long Term Receivables

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Facey Group Limited	-	207,723	-	207,723
(b) Facey Commodity Company Limited	-	-	922,122	-
(c) Musson International Dairies Limited	-	-	2,106,171	2,000,669
(d) Golden Grove Funding Limited	-	-	93,636	-
(e) Jamaica Grain and Cereals Limited	558,074	541,342	558,074	541,342
(f) Employee loans	155,741	162,432	77,761	84,359
(g) Bercyn Farms Limited –				
(i) Mobilisation loan for farming operations	-	14,925	-	-
(ii) Advance for replanting and farming operations	-	135,830	-	-
	713,815	1,062,252	3,757,764	2,834,093
Interest receivable	17,500	13,618	919,074	762,829
	731,315	1,075,870	4,676,838	3,596,922
Less: Current portion	(17,500)	(372,096)	(3,118,881)	(970,552)
	713,815	703,774	1,557,957	2,626,370

- (a) This related party receivable of US\$2,800,000 was scheduled to be received at maturity on 31 December 2018 but was received during the year. The agreement attracted interest of 10% per annum, payable monthly.
- (b) This related party receivable of J\$922,122,000 is scheduled to be received at maturity on 26 September 2024. The agreement attracts interest of 8% per annum, payable monthly.
- (c) This related party receivable of US\$15,892,000 is repayable at maturity on 23 September 2020. The agreement attracts interest of 6% per annum.
- (d) This related party receivable is in respect of a bank loan that was originally payable by Golden Grove Funding Limited, but the liability was restructured and the direct obligation transferred to the Company.

Resulting from the debt restructuring, Golden Grove Funding Limited now has a liability to the Company (originally, with a balance of J\$140,455,000 at the point of restructuring) and the Company has the direct obligation to the bank (Note 28(d)). The agreement attracts interest of 6% per annum, payable quarterly, with the last payment due on 30 September 2020.

- (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.
- (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%, payable monthly.
- (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.

The outstanding balances on these receivables from Bercyn Farms Limited were deemed fully impaired on discontinuation of the sugar manufacturing operations in July 2019 (Note 34). At the date of discontinuation, the carrying values of these receivables amounted to \$132,538,000.

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21. Post-employment Benefits

	The Group & The Company	
	2019	2018
	\$'000	\$'000
Asset/(Liability) recognised in the statement of financial position –		
Pension scheme	35,100	36,000
Medical benefits	(148,300)	(136,200)
Expense recognised in profit or loss –		
Pension scheme	3,400	3,600
Medical benefits	9,300	11,800
Gains and losses recognised in other comprehensive income –		
Pension scheme	1,400	(100)
Medical benefits	(14,200)	13,300

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 \$68,917,000 (2018 – \$51,020,000) and \$8,993,000 (2018 – \$10,728,000), 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, up to the discontinuation of the operations in July 2019, amounted to \$1,921,000 (2018 – \$2,867,000).

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 2019.

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:

	2019	2018
	\$'000	\$'000
Present value of funded obligations	(881,100)	(906,500)
Fair value of plan assets	1,158,700	998,300
Asset in the statement of financial position	277,600	91,800
Unrecognised asset due to limitation	(242,500)	(55,800)
	<u>35,100</u>	<u>36,000</u>

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21. Post-employment Benefits (Continued)

Pension schemes (continued)

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

	2019	2018
	\$'000	\$'000
Asset at beginning of year	36,000	38,500
Amounts recognised in profit or loss in the statement of comprehensive income	(3,400)	(3,600)
Amounts recognised in other comprehensive income	1,400	(100)
Contributions paid	1,100	1,200
Asset at end of year	<u>35,100</u>	<u>36,000</u>

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

	2019	2018
	\$'000	\$'000
Balance at beginning of year	(906,500)	(921,200)
Current service cost	(4,100)	(5,000)
Interest cost	(61,600)	(70,500)
Re-measurements – experience gains and losses	28,400	(2,000)
Members' contributions	(2,000)	(2,100)
Benefits paid	64,700	94,300
Balance at end of year	<u>(881,100)</u>	<u>(906,500)</u>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$162,600,000 (2018 – \$142,000,000) relating to active employees, and \$718,500,000 (2018 – \$763,500,000) relating to members in retirement.

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

	2019	2018
	\$'000	\$'000
Balance at beginning of year	998,300	994,000
Interest income	66,200	74,600
Re-measurement – return on plan assets, excluding amounts included in interest income	155,800	20,700
Employer's contributions	1,100	1,200
Members' contributions	2,000	2,100
Benefits paid	(64,700)	(94,300)
Balance at end of year	<u>1,158,700</u>	<u>998,300</u>

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

	2019	2018
	\$'000	\$'000
Current service cost	4,100	5,000
Interest costs	61,600	70,500
Interest income	(66,200)	(74,600)
Interest on effect of unrecognised asset due to limitation	3,900	2,700
Total, included in staff costs (Note 8)	<u>3,400</u>	<u>3,600</u>

Expected employer contributions to the post-employment pension plan for the year ending 31 December 2020 amount to \$2,000,000.

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21. Post-employment Benefits (Continued)

Pension schemes (continued)

Plan assets are comprised as follows:

	Quoted \$'000	Unquoted \$'000	Total \$'000	%
2019				
Government of Jamaica debt securities	-	264,556	264,556	23
Corporate debt securities	-	136,863	136,863	12
Real estate	-	39,925	39,925	3
Ordinary shares	546,880	150	547,030	47
Preference shares	-	69,670	69,670	6
Repurchase agreement	-	64,565	64,565	6
Other	-	36,091	36,091	3
	<u>546,880</u>	<u>611,820</u>	<u>1,158,700</u>	<u>100</u>
2018				
Government of Jamaica debt securities	-	251,816	251,816	25
Corporate debt securities	-	122,950	122,950	12
Real estate	-	72,068	72,068	7
Ordinary shares	394,280	-	394,280	40
Preference shares	-	68,118	68,118	7
Repurchase agreement	-	58,498	58,498	6
Other	-	30,570	30,570	3
	<u>394,280</u>	<u>604,020</u>	<u>998,300</u>	<u>100</u>

Ordinary shares include shares in the Company with a fair value of \$60,461,000 (2018 - \$53,960,000).

The significant actuarial assumptions used were a discount rate of 7.5% (2018 - 7.0%); future salary increases of 5.0% (2018 - 4.0%); and future pension increases of 1.75% (2018 - 1.5%). The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in Assumption	2019		2018	
		Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000	\$'000	\$'000
Discount rate	0.5%	(40,400)	44,100	(43,100)	47,300
Future salary increases	0.5%	3,600	(3,600)	3,700	(3,600)
Expected pension increase	0.5%	40,400	37,200	43,400	(39,800)

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 \$16,600,000/(\$16,900,000) (2018 - \$17,300,000/(\$17,600,000)).

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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21. 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:

	2019 \$'000	2018 \$'000
Balance at beginning of year	(136,200)	(148,400)
Current service cost	(100)	(300)
Interest expense	(9,200)	(11,500)
Re-measurements – experience gains and losses	(14,200)	13,300
Benefits paid	11,400	10,700
Balance at end of year	<u>(148,300)</u>	<u>(136,200)</u>

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

	2019 \$'000	2018 \$'000
Current service cost	100	300
Interest cost	9,200	11,500
Total, included in staff costs (Note 8)	<u>9,300</u>	<u>11,800</u>

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

	2019 \$'000	2018 \$'000
Liability at beginning of year	136,200	148,400
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	9,300	11,800
Amounts recognised in other comprehensive income	14,200	(13,300)
Contributions by employer	(11,400)	(10,700)
Liability at end of year	<u>148,300</u>	<u>136,200</u>

Expected employer contributions to the post-employment plan for the year ending 31 December 2020 amount to \$11,000,000.

In addition to the assumptions used for pension schemes, the main actuarial assumption is long-term increase in health cost of 6.5% (2018 – 5.5%) per annum. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in Assumption	2019		2018	
		Increase in Assumption \$'000	Decrease in Assumption \$'000	Increase in Assumption \$'000	Decrease in Assumption \$'000
Discount rate	0.5%	(7,400)	8,100	(6,700)	7,300
Medical cost	0.5%	8,100	(7,400)	7,300	(6,700)

Further, if the assumption for life expectancy was increased/(decreased) by 1 year, the effect on the defined benefit obligation would be an increase/(decrease) of \$6,400,000/(\$6,200,000) (2018 – \$5,600,000/(\$5,500,000)).

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21. 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 10.5 years for the pension fund and 11 years for the post-employment medical benefits.

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22. Biological Assets

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

	The Group	
	2019	2018
	\$'000	\$'000
Dairy livestock –		
2,886 (2018 – 2,966) Cows able to produce milk	222,115	192,662
2,138 (2018 – 2,081) Heifers being raised to produce milk in the future	165,597	146,389
Other livestock –		
97 (2018 – 136) Bulls raised for sale and reproduction	4,358	3,393
4 (2018 – 4) Horses	120	120
Other	17,180	-
	<u>409,370</u>	<u>342,564</u>

7,690,379 litres (2018 – 7,970,048 litres) of milk with a fair value (less estimated point-of-sale costs) of \$692,734,000 (2018 – \$353,367,000) were produced during the period.

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

At year end, the Group had 79,955 tonnes (2018 – 85,620 tonnes) of sugar cane with a value of \$286,549,000 (2018 – \$439,303,000).

12,721 tonnes (2018 – 14,749 tonnes) of sugar and molasses with a fair value (less estimated point-of-sale costs) of \$918,118,000 (2018 – \$977,558,000) were produced during the period. The sugar manufacturing operations were discontinued in July 2019 and the sugar cane will be repurposed for animal feed.

23. Inventories

	The Group	
	2019	2018
	\$'000	\$'000
Raw and packaging materials	1,699,022	1,824,447
Work in progress	51,440	44,917
Finished goods	606,753	821,701
Merchandise for resale	2,854,422	2,725,009
Goods in transit	1,141,582	705,513
Other	561,093	426,518
	<u>6,914,312</u>	<u>6,548,105</u>

The cost of inventories recognised as write-offs and included in direct expenses amounted to \$6,095,000 (2018 - \$29,317,000).

24. Trade and Other Receivables

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables	3,829,194	3,385,640	-	-
Less: Provision for impairment	(356,459)	(381,383)	-	-
	<u>3,472,735</u>	<u>3,004,257</u>	<u>-</u>	<u>-</u>
Advances and prepayments	445,441	478,058	125,449	80,489
Due from affiliates	795,644	1,294,850	3,064	489,390
Other	525,400	266,161	-	-
	<u>5,239,220</u>	<u>5,043,326</u>	<u>128,513</u>	<u>569,879</u>

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25. Payables

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables	4,385,162	3,221,384	-	-
Accruals	911,433	869,027	197,243	59,258
Due to affiliates	205,492	1,455,879	89,429	-
Dividends payable	366,778	329,809	366,778	329,809
Other	452,355	497,734	213,178	208,613
	<u>6,321,220</u>	<u>6,373,833</u>	<u>866,628</u>	<u>597,680</u>

26. Share Capital

	2019	2018	2019	2018
	'000	'000	\$'000	\$'000
Authorised – ordinary shares	<u>780,000</u>	<u>780,000</u>	<u>780,000</u>	<u>780,000</u>
Issued and fully paid –				
Ordinary stock units	733,547	733,547	5,769,457	5,769,457
Treasury shares	(59)	(59)	(899)	(899)
	<u>733,488</u>	<u>733,488</u>	<u>5,768,558</u>	<u>5,768,558</u>

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 35).

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

27. Capital Reserves

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revaluation surplus on assets carried at deemed cost	312,600	312,600	105,340	105,340
Fair value gains and losses on investments	267,498	181,733	267,498	181,733
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	22,680	4,579	-	-
Other realised surplus	22,230	22,230	20,289	20,289
	<u>1,097,200</u>	<u>993,334</u>	<u>513,982</u>	<u>428,217</u>

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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28. Long Term Liabilities

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
(a) Tetra Pak – 8%	-	180,986	-	-
(b) Tetra Pak – 7.81%	-	49,024	-	-
(c) Sugar Industry Authority – 5%	18,981	18,981	-	-
(d) National Commercial Bank (Jamaica) Limited – 6%	140,455	280,909	140,455	-
(e) National Commercial Bank (Jamaica) Limited – 7%	1,506,361	1,630,680	-	-
(f) National Commercial Bank (Jamaica) Limited – 8.5%	363,188	371,421	-	-
(g) JMMB Merchant Bank Limited – 8.5%	249,711	300,000	249,711	300,000
(h) CIBC FirstCaribbean International Bank Jamaica Limited – 8.25%	1,109,721	1,302,409	-	-
(i) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 4%	1,077,722	1,222,162	-	-
(j) Bonds – 7.5%	1,600,000	1,600,000	1,600,000	1,600,000
(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 – 7.25%	2,000,000	-	2,000,000	-
(m) Bonds – 7.25%	2,200,000	2,200,000	2,200,000	2,200,000
(n) Bonds – 10.5% for first 2 years, then WATBY + 2.75%	854,350	854,350	-	-
(o) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 3%	-	127,716	-	127,716
(p) Sygnus – 15%	-	503,848	-	-
(q) Eppley Limited – 8% to 12%	-	124,285	-	87,869
(r) Coconut Industry Board – 3%	-	368,698	-	368,698
(s) Eppley Limited 6.5%-8.7%	-	131,371	-	-
Deferred financing costs	(159,345)	(166,397)	(95,337)	(89,499)
	<u>12,161,144</u>	<u>12,300,443</u>	<u>7,294,829</u>	<u>5,794,784</u>
Interest payable	62,232	79,034	38,164	78,331
	<u>12,223,376</u>	<u>12,379,477</u>	<u>7,332,993</u>	<u>5,873,115</u>
Less: Current portion	(829,438)	(2,051,691)	(198,981)	(683,243)
	<u><u>11,393,938</u></u>	<u><u>10,327,786</u></u>	<u><u>7,134,012</u></u>	<u><u>5,189,872</u></u>

The movement in long term liabilities is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Balance at start of year	12,379,477	3,729,508	5,873,115	2,909,169
Business combination	-	5,889,954	-	-
Transfer to lease obligation	(130,373)	-	-	-
Loans received	2,744,424	4,728,099	2,447,105	4,257,715
Loan principal repayments	(2,928,435)	(2,001,885)	(1,003,899)	(1,390,657)
Foreign exchange gains and losses	133,068	(24,354)	27,712	25,189
Deferred fees amortised (Note 9)	42,017	17,095	29,127	12,070
Interest charged and capitalised (Note 9)	38,333	3,169	-	-
Interest charged and expensed (Note 9)	1,137,049	713,037	450,410	275,911
Interest paid	(1,192,184)	(675,146)	(490,577)	(216,282)
Balance at end of year	<u><u>12,223,376</u></u>	<u><u>12,379,477</u></u>	<u><u>7,332,993</u></u>	<u><u>5,873,115</u></u>

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28. 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. Repaid during the year.
- (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. Repaid during the year.
- (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. Obligation transferred from Golden Grove Sugar Company Limited to the Company during the year.
- (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) Unsecured Jamaican dollar denominated Bonds issued in July 2018 for a period of 3 years, due in full at maturity.
- (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 October 2019 for a period of 5 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) 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.
- (o) US dollar denominated annual revolving loan initially received in March 2015, secured by a promissory note issued by Seprod Limited. Repaid during the year.
- (p) US dollar denominated monthly inventory factoring arrangement. Repaid during the year.
- (q) Unsecured insurance premium financing repayable in 12 monthly instalments. Repaid during the year.
- (r) Unsecured US dollar denominated loan received in November 2016, due in full at maturity in November 2018. Renewed to mature in January 2019. Repaid during the year.
- (s) Unsecured insurance premium financing repayable in 12 monthly installments. Repaid during the year.

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29. 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax assets	1,299,895	702,772	27,548	-
Deferred tax liabilities	(1,427,019)	(1,523,501)	-	(132,006)
Net liabilities	(127,124)	(820,729)	27,548	(132,006)

These amounts include deferred tax assets/liabilities to be recovered within 12 months of \$126,909,000/\$39,414,000 (2018 - \$118,456,000/\$168,180,000) for the Group, and deferred tax assets of \$10,503,000 (2018 - liabilities of \$165,459,000) for the Company.

The movement in deferred taxation is as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at start of year	(820,729)	(223,005)	(132,006)	(100,864)
Business combination	-	(505,489)	-	-
Effect of adoption of new accounting policy	25,623	-	-	-
Credited/charged to profit or loss (Note 10)	664,832	(88,935)	156,404	(27,842)
Credited/charged to other comprehensive income (Note 10)	3,150	(3,300)	3,150	(3,300)
Balance at end of year	(127,124)	(820,729)	27,548	(132,006)

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

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Accelerated tax depreciation	(15,439)	(16,675)	5,720	(2,104)
Right of use assets, net of related obligation	7,469	-	-	-
Post-employment benefits	100	875	100	875
Tax losses carried forward	529,026	(50,036)	(25,378)	21,992
Interest receivable	(5,603)	(5,787)	184,748	(62,058)
Other	149,279	(17,312)	(8,786)	13,453
	664,832	(88,935)	156,404	(27,842)

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

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Accelerated tax depreciation	(325,899)	(310,460)	(11,255)	(16,975)
Right of use assets, net of related obligation	33,092	-	-	-
Post-employment benefits	28,300	25,050	28,300	25,050
Tax losses carried forward	1,291,898	762,872	-	25,378
Interest receivable	(5,959)	(356)	(5,959)	(190,707)
Intangible assets recognised on business combinations	(1,248,467)	(1,248,467)	-	-
Other	99,911	(49,368)	16,462	25,248
	(127,124)	(820,729)	27,548	(132,006)

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29. Deferred Taxation (Continued)

Subject to agreement with the Tax Administration Jamaica, losses available for offset against future profits of the Company and certain subsidiaries amount to \$7,512,662,000 (2018 – \$7,149,766,000).

This includes tax losses of a subsidiary amounting to \$4,595,791,000 (2018 – \$4,182,541,000). Historically, no deferred tax assets have been created in respect of the tax losses of this subsidiary due to the Group's uncertainty regarding its ability to utilize those losses in the future. Following the Group restructuring during the year as outlined in Note 1, this subsidiary that was previously unprofitable commenced earning profits and is projected to earn profits in the future. Consequently and based on its forecasts, at the point of restructuring the Group recognized deferred tax assets of \$562,680,000 at the rate of 25% in respect of a portion of the subsidiary's total tax losses brought forward as at that date.

At 31 December 2019, no deferred tax assets have been created in respect of the remaining tax losses of the subsidiary amounting to \$2,297,895,000 (2018 – \$4,182,541,000).

30. Cash Generated from Operations

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Net profit/(loss)	973,334	1,062,055	3,542,169	(1,914,389)
Items not affecting cash resources:				
Amortisation of intangible assets	243,027	131,017	-	-
Depreciation	900,826	692,425	44,214	37,410
Net foreign exchange gain and losses	73,609	(159,996)	(137,250)	(91,861)
Net gains and losses on disposal of property, plant and equipment	(17,272)	691	(19,474)	(3,995)
Property, plant and equipment written off	8,297	61	4,525	8
Gain on Group restructuring	-	-	(3,688,214)	-
Impairment of subsidiary	-	-	-	2,041,227
Impairment of assets held for sale	50,000	-	-	-
Impairment of long term receivables	132,538	-	-	-
Interest income	(33,394)	(155,327)	(204,808)	(335,956)
Amortisation of deferred fees	42,017	17,095	29,127	12,070
Share of results of joint venture	(57,705)	(57,930)	-	-
Interest expense	1,385,327	775,852	495,655	288,534
Post-employment benefits	200	3,500	200	3,500
Dividend income	(337)	(680)	(337)	(680)
Taxation	(318,255)	378,757	(48,246)	27,842
	<u>3,382,212</u>	<u>2,687,520</u>	<u>17,561</u>	<u>63,710</u>
Changes in operating assets and liabilities:				
Inventories	(366,207)	(875,138)	-	-
Trade and other receivables	(195,894)	4,882,162	441,366	308,925
Biological assets	85,948	19,506	-	-
Due from subsidiaries	-	-	(3,834,313)	(1,304,202)
Due to subsidiaries	-	-	2,944,878	1,006,223
Payables	(71,481)	(5,263,177)	231,979	(979,859)
	<u>2,834,578</u>	<u>1,450,873</u>	<u>(198,529)</u>	<u>(905,203)</u>
Taxation paid	(308,398)	(366,500)	3,018	(507)
Cash provided by/(used in) operating activities	<u>2,526,180</u>	<u>1,084,373</u>	<u>(195,511)</u>	<u>(905,710)</u>

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31. 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 2019, capital commitments were \$Nil (2018 - \$369,962,000) for the Group.

32. 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.

33. Related Party Transactions

Sales and purchases of goods and services

During the year, the Group had sales of \$150,480,000 (2018 - \$3,683,121,000) to and purchases of \$1,240,159,000 (2018 - \$1,044,520,000) from Musson (Jamaica) Limited, T. Geddes Grant (Distributors) Limited and Jamaica Grain and Cereals Limited, as well as from Facey Commodity Company Limited prior to this entity becoming a subsidiary of the Group during 2018. The resulting receivables and payables in respect of these and other transactions are included in Notes 24 and 25, respectively.

A subsidiary paid cess of \$15,935,000 (2018 - \$4,246,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the Company.

Key management compensation

	2019	2018
	\$'000	\$'000
Wages and salaries	406,021	356,502
Statutory contributions	26,968	38,293
Other	26,955	22,355
	<u>459,944</u>	<u>417,150</u>
Directors' emoluments –		
Fees	8,377	8,226
Medical insurance premiums	6,704	7,635
Management remuneration (included above)	<u>159,387</u>	<u>87,599</u>

Advances and loans

Loans to related parties are disclosed in Note 19. Interest earned on these loans by the Group amounted to \$27,283,000 (2018 - \$84,106,000).

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34. Assets Held for Sale and Discontinued Operations

In July 2019, the Group discontinued the sugar manufacturing operations carried on by Golden Grove Sugar Company Limited and advertised for sale certain assets directly for use in sugar manufacturing. The associated assets were reclassified from property, plant and equipment to assets held for sale in the statement of financial position (Note 15). The carrying value of assets held for sale was determined as follows:

	2019	2018
	\$'000	\$'000
Net book value transferred from property plant and equipment	339,241	-
Impairment charge	(50,000)	-
Net carrying value in the statement of financial position	<u>289,241</u>	<u>-</u>

The results of the sugar manufacturing operations for 2019 (as well as the comparative information for 2018) have been presented as a single item on the statement of comprehensive income as a net loss from discontinued operation. The details of the net loss from discontinued operation is as follows:

	2019	2018
	\$'000	\$'000
Revenue	1,227,134	1,053,985
Direct expenses	(1,488,064)	(912,493)
Gross (loss)/profit	(260,930)	141,492
Other operating income	16,596	4,242
Impairment charge –		
Assets held for sale	(50,000)	-
Long term receivables	(132,538)	-
Trade and other receivables	-	(66,513)
Administration and other operating expenses	(305,442)	(389,593)
Operating loss	(732,314)	(310,372)
Finance costs	-	-
Loss before taxation	(732,314)	(310,372)
Taxation	-	-
Net loss from discontinued operations	<u>(732,314)</u>	<u>(310,372)</u>

The cash flows from the discontinued operations is as follows:

	2019	2018
	\$'000	\$'000
Net cashflow from operating activities	(596,489)	(203,050)
Net cashflow from investing activities	22,000	(708,379)
Net cashflow from financing activities	-	-
Net cashflow from discontinued operations	<u>(574,489)</u>	<u>(911,429)</u>

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35. Business Combinations (Prior Year)

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 have significantly expanded 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.

The acquisition was booked provisionally during the prior year and finalized without amendment during 2019. Details of net assets acquired, purchase consideration and goodwill 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)
	<u>2,885,217</u>

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	<u>7,349,669</u>
Fair values of net assets acquired	<u>(2,885,217)</u>
	<u>4,464,452</u>

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)
	<u>1,352,262</u>

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35. Business Combinations (Prior Year) (Continued)

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 have significantly expanded 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.

The acquisition was booked provisionally during the prior year and finalized without amendment during 2019. Details of net assets acquired, purchase consideration and goodwill 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)
	<u>(330,459)</u>

36. Effect of Change in Accounting Policy

As indicated in note 2(q), the Group has adopted IFRS 16, Leases retrospectively from 1 January 2019, but has not restated comparative information for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.8%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16, the Group has used the following practical expedients permitted by the standard: (i) applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made in applying IAS 17 and Interpretation 4, Determining whether an Arrangement contains a Lease.

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36. Effect of Change in Accounting Policy (Continued)

Lease obligation for the Group on adoption of the accounting policy was measured as follows:

	\$'000
Operating lease commitments for buildings as at 1 January 2019	968,581
Discounted using the lessee's incremental borrowing rate of at the date of initial application	614,796
Adjustments for the effect of extension and termination clauses	515,353
	1,130,149
Finance lease obligations for motor vehicles recognised as at 1 January 2019	130,373
Lease obligation recognised as at 1 January 2019	1,260,522
Of which are:	
Current	91,554
Non-current	1,168,968
	1,260,522

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Leased motor vehicles were previously classified as finance leases under property, plant and equipment and were reclassified to right-of-use assets at 1 January 2019. The effect of adoption of IFRS 16 on the Group's summarised opening statement of financial position was as follows:

	At 31 December 2018 \$'000	Effect of adoption \$'000	At 1 January 2019 \$'000
Property, plant and equipment	7,427,259	(143,082)	7,284,177
Right of use assets	-	1,170,742	1,170,742
Investment in joint venture	402,936	(6,571)	396,365
Deferred tax assets	702,772	25,623	728,395
Other non-current assets	12,154,547	-	12,154,547
	20,687,514	1,046,712	21,734,226
Current assets	14,610,850	-	14,610,850
Current portion of lease obligation	-	91,554	91,554
Other current liabilities	8,565,255	-	8,565,255
	8,565,255	91,554	8,656,809
Net current assets	6,045,595	(91,554)	5,954,041
	26,733,109	955,158	27,688,267
Retained earnings	8,983,102	(83,437)	8,899,665
Other items of equity	5,762,520	-	5,762,520
	14,745,622	(83,437)	14,662,185
Non-current borrowings	10,327,786	(130,373)	10,197,413
Non-current portion of lease obligation	-	1,168,968	1,168,968
Other non-current liabilities	1,659,701	-	1,659,701
	11,987,487	1,038,595	13,026,082
	26,733,109	955,158	27,688,267

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37. Post Balance Sheet Event

Subsequent to the end of the financial year, the World Health Organization (WHO) has declared the coronavirus, COVID-19, to be a global pandemic. The pandemic has resulted in a significant downturn in commercial activity as there is currently no cure or vaccine, and the means most recommended to manage contagion is “social distancing”. Schools have therefore been temporarily closed, entertainment and sporting events which typically generate high revenues and profits have been either cancelled or suspended, and global travel restrictions have been implemented, all of which will have global economic consequences. Management has implemented several measures in anticipation of these global consequences, inclusive of securing additional lines of credit to protect the Group against possible cash flow challenges.

The Group has experienced an overall increase in revenues since the declaration by the WHO and the confirmation of the first case of the coronavirus in Jamaica in March 2020. Based on the nature of the Group’s activities, management is of the view that the Group’s revenues and profitability will be sustained during the period impacted by the coronavirus and beyond. Consequently, management continues to believe that the going concern presumption remains appropriate for these financial statements and that the Group will continue to be able to meet its obligations as they fall due.