



# **SEPROD LIMITED**

## Interim Report

6 Months Ended

30 June 2020



## SEPROD LIMITED

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### Interim Report to the Stockholders

#### Overview of our Q2 2020 results

For the six (6) months ended 30 June 2020, the Seprod Group achieved revenues from continuing operations of J\$18.61 billion, an increase of J\$2 billion or 12% over the corresponding period in 2019.

Net profit from continuing operations for the period was J\$1.22 billion, an increase of J\$354 million or 41% over the corresponding period in 2019. The increase in profits from continuing operations was due largely to efforts made in prior years to strengthen the business fundamentals. These efforts included consolidating the dairy factories, increasing exports and expanding the distribution footprint through the acquisition of the Facey Consumer business.

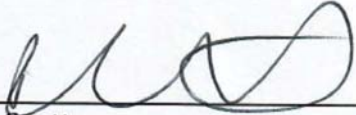
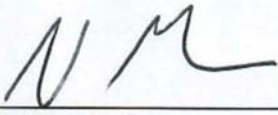
The Group exited the perennial loss-making sugar manufacturing operation in July 2019. As required by accounting standards, the losses from this discontinued operation are presented as a single line item in the Statement of Comprehensive Income until the operation has been disposed of (losses for historical periods have also been re-presented in this manner for comparability). The losses from this discontinued operation for the 6 months ended 30 June 2020 amounted to J\$16 million compared to \$309 million of losses for the corresponding period in 2019.

The company has also sought to position itself for continued resilience in the face of the uncertainty that faces us all by tight management of its cashflow. This cash generation and conservation will continue in Q3 with the disposal of certain non-operational assets.

Taking both the profit from continuing operations as well as the losses from the discontinued operation into account, the resulting net profit for the period was J\$1.20 billion, an increase of J\$648 million or 117% over the corresponding period in 2019.

The pandemic has had a negative impact on our operations, but the Group's diversified portfolio has certainly allowed it to be resilient up to this point. The unprecedented speed and magnitude of the economic downturn leaves us as a country with a lot to do in order to get back on a growth path, but it also affords us a massive opportunity to restructure and diversify our economic base.

Seprod has been a proud part of the Jamaican landscape for 80 years and we remain committed to playing our role in making Jamaica better for all stakeholders.

 _____ P. B. Scott Chairman	 _____ R. R. Pandohie Chief Executive Officer
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23 July 2020



## SEPROD LIMITED

### Shareholders' Profile as at 30 June 2020

#### Ten Largest Shareholders

1. Musson (Jamaica) Limited	233,747,988
2. Coconut Industry Board	163,420,345
3. JCSD Trustee Services Limited – Facey Group Limited	125,234,043
4. Grace Kennedy Limited Pension Scheme	21,955,904
5. National Insurance Fund	15,443,045
6. Scotia Jamaica Investment Management - A/C 3119	9,074,455
7. ATL Group Pension Fund Trustee Nominee Limited	6,492,559
8. Sagicor Select Fund Limited ('Class C' Shares)	5,879,298
9. VM Wealth Equity Fund	5,786,571
10. NCB Insurance Company Limited - A/C 109	5,648,346

#### Shareholding of Directors, along with their connected persons

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



## SEPROD LIMITED

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### Shareholding of Management

1. Marilyn Anderson	25,000
2. Carol Andrade	13,000
3. Dr. Gavin Bellamy	41,600
4. Damion Dodd	300,000
5. Roger Drinkall	200,000
6. Fredy Grael	Nil
7. Chana Hay	1,375,500
8. Tricia Hill	Nil
9. Alerie Hull-Duhaney	15,000
10. Kerrian Johnson	25,000
11. Efrain Lara	Nil
12. Roger Lewis	75,300
13. Joyce Miller	35,000
14. Jeffrey Moss-Solomon	201,900
15. Richard Pandohie	3,959,381
16. Patrick Scott	3,000,000
17. Dr. Patrick Sterling	20,700
18. Dave Virtue	Nil
19. Amanda Watson	460,000



## **SEPROD LIMITED**

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

**6 months ended 30 June 2020**

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## SEPROD LIMITED

### Consolidated Statement of Comprehensive Income (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 30 June		6 months ended 30 June	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	9,471,358	8,010,581	18,607,715	16,602,720
Direct expenses	(5,715,729)	(4,313,597)	(12,095,015)	(10,623,492)
<b>Gross Profit</b>	3,755,629	3,696,984	6,512,700	5,979,228
Other operating income	93,821	28,911	217,330	324,058
Other operating expenses	(2,831,215)	(3,002,416)	(4,606,791)	(4,744,978)
<b>Operating Profit</b>	1,018,235	723,479	2,123,239	1,558,308
Finance costs	(315,280)	(264,668)	(595,222)	(552,048)
Share of results of joint venture	(25,010)	35,979	4,967	54,542
<b>Profit before Taxation</b>	677,945	494,790	1,532,984	1,060,802
Taxation	(108,346)	(82,975)	(316,046)	(198,358)
<b>Net Profit from continuing operations</b>	569,599	411,815	1,216,938	862,444
Net loss from discontinued operations	(1,502)	(170,659)	(16,126)	(309,327)
<b>Net Profit</b>	568,097	241,156	1,200,812	553,117
Other comprehensive income, net of taxes	75,752	71,986	98,458	40,948
<b>Total Comprehensive Income</b>	643,849	313,142	1,299,270	594,065

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

#### Net Loss from discontinued operations is attributable to:

Stockholders of the Company	(1,502)	(119,201)	(16,126)	(215,227)
Non-controlling interest	-	(51,458)	-	(94,100)
	(1,502)	(170,659)	(16,126)	(309,327)

#### Total Comprehensive Income is attributable to:

Stockholders of the Company	643,849	364,600	1,299,270	688,165
Non-controlling interest	-	(51,458)	-	(94,100)
	643,849	313,142	1,299,270	594,065

#### Earnings per Stock Unit attributable to Stockholders of the Company

Continuing operations	\$0.78	\$0.56	\$1.66	\$1.18
Discontinued operations	(\$0.01)	(\$0.16)	(\$0.02)	(\$0.30)
<b>Total</b>	<b>\$0.77</b>	<b>\$0.40</b>	<b>\$1.64</b>	<b>\$0.88</b>



## SEPROD LIMITED

### Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	30 June 2020 \$'000	30 June 2019 \$'000	31 December 2019 \$'000
<b>Non-current Assets</b>			
Property, plant and equipment	7,006,448	7,401,286	7,197,435
Right of use assets	697,093	-	1,040,734
Intangible assets	9,294,343	9,536,456	9,414,737
Investments	1,595,386	1,455,393	1,500,210
Investment in joint venture	459,037	457,478	454,070
Long term receivables	754,772	656,287	713,815
Post-employment benefit asset	35,100	36,000	35,100
Biological assets	392,728	339,286	409,370
Deferred tax assets	1,285,611	710,256	1,299,895
	<u>21,520,518</u>	<u>20,592,442</u>	<u>22,065,366</u>
<b>Current Assets</b>			
Inventories	6,265,769	5,689,698	6,914,312
Biological assets	286,549	280,224	286,549
Receivables	5,733,924	8,088,872	5,256,720
Non-current assets held for sale	289,241	-	289,241
Taxation recoverable	-	-	210,060
Cash and bank balances	2,350,483	1,407,367	1,476,292
	<u>14,925,966</u>	<u>15,466,161</u>	<u>14,433,174</u>
<b>Current Liabilities</b>			
Payables	4,875,534	6,247,469	6,321,220
Current portion of long term liabilities	1,824,603	1,849,920	829,438
Current portion of lease obligations	69,087	-	67,731
Taxation payable	47,685	80,227	235,285
	<u>6,816,909</u>	<u>8,177,616</u>	<u>7,453,674</u>
<b>Net Current Assets</b>	<u>8,109,057</u>	<u>7,288,545</u>	<u>6,979,500</u>
	<u>29,629,575</u>	<u>27,880,987</u>	<u>29,044,866</u>
<b>Equity attributable to Stockholders of the Company</b>			
Share capital	5,768,558	5,768,558	5,768,558
Capital reserves	1,195,658	1,034,282	1,097,200
Retained earnings	9,305,291	9,630,319	8,104,479
	<u>16,269,507</u>	<u>16,433,159</u>	<u>14,970,237</u>
<b>Non-controlling Interest</b>	<u>-</u>	<u>(1,093,472)</u>	<u>-</u>
	<u>16,269,507</u>	<u>15,339,687</u>	<u>14,970,237</u>
<b>Non-current Liabilities</b>			
Post-employment benefit obligations	148,300	136,200	148,300
Long term liabilities	11,165,415	10,874,541	11,393,938
Lease obligations	682,903	-	1,105,372
Deferred tax liabilities	1,363,450	1,530,559	1,427,019
	<u>13,360,068</u>	<u>12,541,300</u>	<u>14,074,629</u>
	<u>29,629,575</u>	<u>27,880,987</u>	<u>29,044,866</u>

Approved for issue by the Board of Directors on

23 July 2020

and signed on its behalf by:

Paul B. Scott

Chairman

Richard R. Pandohie

Director



## SEPROD LIMITED

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

(expressed in Jamaican dollars unless otherwise indicated)

	6 months ended 30 June 2020					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2020	5,768,558	1,097,200	8,104,479	14,970,237	-	14,970,237
Total comprehensive income:						
Profit for the period	-	-	1,200,812	1,200,812	-	1,200,812
Currency translation gains and losses	-	3,282	-	3,282	-	3,282
Fair value gains on investments	-	95,176	-	95,176	-	95,176
	-	98,458	1,200,812	1,299,270	-	1,299,270
<b>At 30 June 2020</b>	<b>5,768,558</b>	<b>1,195,658</b>	<b>9,305,291</b>	<b>16,269,507</b>	<b>-</b>	<b>16,269,507</b>

	6 months ended 30 June 2019					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2019	5,768,558	993,334	8,983,102	15,744,994	(999,372)	14,745,622
Total comprehensive income:						
Profit for the period	-	-	647,217	647,217	(94,100)	553,117
Fair value gains on investments	-	40,948	-	40,948	-	40,948
	-	40,948	647,217	688,165	(94,100)	594,065
<b>At 30 June 2019</b>	<b>5,768,558</b>	<b>1,034,282</b>	<b>9,630,319</b>	<b>16,433,159</b>	<b>(1,093,472)</b>	<b>15,339,687</b>





## SEPROD LIMITED

### Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	6 months ended 30 June	
	2020 \$'000	2019 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit	1,200,812	553,117
Items not affecting cash resources:		
Amortization of intangible assets	120,394	121,308
Depreciation	407,298	397,736
Gain on lease modification	(53,368)	-
Interest income	(56,507)	(40,780)
Interest expense on long term liabilities	500,080	552,048
Interest expense on lease obligation	76,763	-
Results of joint venture	(4,967)	(54,542)
Taxation	316,046	198,358
	<u>2,506,551</u>	<u>1,727,245</u>
Changes in operating assets and liabilities:		
Inventories	648,543	858,407
Receivables	(477,204)	(2,837,541)
Biological assets	16,642	162,357
Payables	(1,075,626)	203,445
	<u>1,618,906</u>	<u>113,913</u>
Taxation paid	(342,871)	(105,603)
Cash provided by operating activities	<u>1,276,035</u>	<u>8,310</u>
<b>Cash Flows from Investing Activities</b>		
Net purchase of property, plant and equipment	(157,510)	(371,763)
Long term receivables	(40,957)	213,222
Interest received	56,507	39,136
Cash used in investing activities	<u>(141,960)</u>	<u>(119,405)</u>
<b>Cash Flows from Financing Activities</b>		
Long term liabilities	774,498	341,479
Lease obligations	(82,905)	-
Dividends paid	(366,778)	(329,809)
Interest paid	(584,699)	(548,543)
Cash used in financing activities	<u>(259,884)</u>	<u>(536,873)</u>
Increase/(decrease) in cash and cash equivalents	874,191	(647,968)
Cash and cash equivalents at beginning of year	<u>1,476,292</u>	<u>2,055,335</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>2,350,483</u></u>	<u><u>1,407,367</u></u>



## SEPROD LIMITED

### Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

6 months ended 30 June 2020	Manufacturing \$'000	Distribution \$'000	Eliminations \$'000	Group \$'000
External revenue	4,576,156	14,031,559	-	18,607,715
Inter-segment revenue	5,837,482	-	(5,837,482)	-
<b>Total revenue</b>	<b>10,413,638</b>	<b>14,031,559</b>	<b>(5,837,482)</b>	<b>18,607,715</b>
Segment result	2,126,345	936,657	-	3,063,002
Unallocated income and expenses				(939,763)
<b>Operating profit</b>				<b>2,123,239</b>
Segment assets	13,827,767	7,906,139	-	21,733,906
Unallocated assets				14,712,578
<b>Total assets</b>				<b>36,446,484</b>
Segment liabilities	3,519,586	4,290,831	-	7,810,417
Unallocated liabilities				12,366,560
<b>Total liabilities</b>				<b>20,176,977</b>
Capital expenditure	(102,364)	211,532	-	109,168
Unallocated capital expenditure				48,342
<b>Total capital expenditure</b>				<b>157,510</b>
Depreciation	303,985	78,104	-	382,089
Unallocated depreciation				25,209
<b>Total depreciation</b>				<b>407,298</b>
<b>6 months ended 30 June 2019</b>	<b>Manufacturing \$'000</b>	<b>Distribution \$'000</b>	<b>Eliminations \$'000</b>	<b>Group \$'000</b>
External revenue	4,631,481	11,971,239	-	16,602,720
Inter-segment revenue	4,427,117	-	(4,427,117)	-
<b>Total revenue</b>	<b>9,058,598</b>	<b>11,971,239</b>	<b>(4,427,117)</b>	<b>16,602,720</b>
Segment result	1,260,732	625,551	-	1,886,283
Unallocated income and expenses				(327,975)
<b>Operating profit</b>				<b>1,558,308</b>
Segment assets	16,229,147	8,261,603	-	24,490,750
Unallocated assets				11,567,853
<b>Total assets</b>				<b>36,058,603</b>
Segment liabilities	5,158,532	6,083,979	-	11,242,511
Unallocated liabilities				9,476,405
<b>Total liabilities</b>				<b>20,718,916</b>
Capital expenditure	348,878	25,145	-	374,023
Unallocated capital expenditure				(2,260)
<b>Total capital expenditure</b>				<b>371,763</b>
Depreciation	329,776	47,022	-	376,798
Unallocated depreciation				20,938
<b>Total depreciation</b>				<b>397,736</b>

Total revenue for the period includes export sales of \$945,550,000 (2019 – \$807,504,000)



## SEPROD LIMITED

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

#### **Basis of preparation**

These unaudited interim 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 accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2019.

These interim financial statements do not reflect adjustments for the re-measurement of post-employment benefits or for the fair value of investments (other than those resulting from changes in foreign exchange rates) as at 30 June 2020. Such adjustments are made during our annual audit process based on independent valuations and will be reflected in our annual audited financial statements.