



SEPROD LIMITED

Interim Report

9 Months Ended

30 September 2020



SEPROD LIMITED

Interim Report to the Stockholders

Overview of the Group's results for Q3 2020

Q3: July to September 2020

For the three (3) months ended 30 September 2020, the Seprod Group achieved revenues from continuing operations of J\$10.05 billion, an increase of J\$1.86 billion over the corresponding period in 2019 and net profit from continuing operations of J\$1.31 billion, an increase of J\$1.03 billion over the corresponding period in 2019.

The increase in the quarter's profit from continuing operations was due largely to:

- (i) A one-off gain of J\$762 million from the sale of a property that the Group was able to dispose of due to the consolidation and relocation of a distribution operation; and
- (ii) Deliberate 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 three (3) months ended 30 September 2020 amounted to J\$31 million. This compares to losses of J\$460 million (inclusive of a J\$331 million write-down in assets following the closure of the factory) for the corresponding period in 2019.

Year to Date: January to September 2020

Revenues from continuing operations for the nine (9) months ended 30 September 2020 amounted to J\$28.66 billion, an increase of J\$3.86 billion or 16% over the corresponding period in 2019 and this translated to a net profit from continuing operations of J\$2.53 billion, an increase of J\$1.37 billion or 117% over the corresponding period in 2019.

The losses from the discontinued sugar manufacturing operation for the nine (9) months ended 30 September 2020 amounted to J\$47 million. This compares to losses of J\$786 million for the corresponding period in 2019.


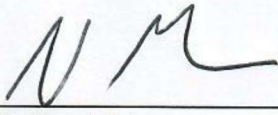


SEPROD LIMITED

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. We have gone above and beyond the health protocol guidelines of the Ministry of Health and Wellness to ensure the safety of everyone that has to interface with the business and to ensure supply continuity to our customers and consumers.

Rest of Year Projection

We see risk in the global supply chain that could impact raw material availability and prices, disposable income pressure on our consumers and availability of workers as the community spread of the coronavirus intensifies. Nonetheless, we are projecting solid Q4 results to close out a strong 2020 performance.

 _____ P. B. Scott Chairman	 _____ R. R. Pandohie Chief Executive Officer
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October 20, 2020



SEPROD LIMITED

Shareholders' Profile as at 30 September 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)	11,020
3. Richard R. Pandohie (Chief Executive Officer)	3,998,231
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

Shareholding of Management

1. Marilyn Anderson	25,000
2. Carol Andrade	13,000
3. Damion Dodd	300,000
4. Roger Drinkall	200,000
5. Fredy Grael	Nil
6. Chana Hay	1,375,500
7. Tricia Hill	Nil
8. Alerie Hull-Duhaney	15,000
9. Kerrian Johnson	25,000
10. Efrain Lara	Nil
11. Roger Lewis	75,300
12. Joyce Miller	35,000
13. Jeffrey Moss-Solomon	201,900
14. Richard Pandohie	3,998,231
15. Patrick Scott	3,000,000
16. Dr. Patrick Sterling	20,700
17. Dave Virtue	Nil
18. Amanda Watson	460,000



SEPROD LIMITED

Interim Financial Statements (Unaudited)

9 months ended 30 September 2020

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SEPROD LIMITED

Consolidated Statement of Comprehensive Income (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	3 months ended 30 September		9 months ended 30 September	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	10,051,231	8,194,846	28,658,946	24,797,566
Direct expenses	(5,966,901)	(5,311,563)	(18,061,916)	(15,774,120)
Gross Profit	4,084,330	2,883,283	10,597,030	9,023,446
Other operating income	780,366	(149,003)	997,696	175,028
Other operating expenses	(3,176,493)	(2,083,387)	(7,783,284)	(6,989,274)
Operating Profit	1,688,203	650,893	3,811,442	2,209,200
Finance costs	(270,868)	(331,795)	(866,090)	(866,660)
Share of results of joint venture	(19,225)	(9,030)	(14,258)	45,512
Profit before Taxation	1,398,110	310,068	2,931,094	1,388,052
Taxation	(85,120)	(25,456)	(401,166)	(223,814)
Net Profit from continuing operations	1,312,990	284,612	2,529,928	1,164,238
Net loss from discontinued operations	(31,173)	(459,984)	(47,299)	(786,493)
Net Profit	1,281,817	(175,372)	2,482,629	377,745
Other comprehensive income, net of taxes	32,235	51,287	130,693	92,235
Total Comprehensive Income	1,314,052	(124,085)	2,613,322	469,980
Net Profit from continuing operations is attributable to Stockholders of the Company				
Net Loss from discontinued operations is attributable to:				
Stockholders of the Company	(31,173)	(459,984)	(47,299)	(692,393)
Non-controlling interest	-	-	-	(94,100)
	(31,173)	(459,984)	(47,299)	(786,493)
Total Comprehensive Income is attributable to:				
Stockholders of the Company	1,314,052	(124,085)	2,613,322	564,080
Non-controlling interest	-	-	-	(94,100)
	1,314,052	(124,085)	2,613,322	469,980
Earnings per Stock Unit attributable to Stockholders of the Company				
Continuing operations	\$1.79	\$0.39	\$3.44	\$1.58
Discontinued operations	(\$0.04)	(\$0.63)	(\$0.06)	(\$1.07)
Total	\$1.75	(\$0.24)	\$3.38	\$0.51



SEPROD LIMITED

Consolidated Statement of Financial Position (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	30 September 2020 \$'000	30 September 2019 \$'000	31 December 2019 \$'000
Non-current Assets			
Property, plant and equipment	6,857,741	6,922,379	7,197,435
Right of use assets	661,630	-	1,040,734
Intangible assets	9,233,483	9,475,597	9,414,737
Investments	1,618,744	1,506,680	1,500,210
Investment in joint venture	439,812	448,448	454,070
Long term receivables	762,972	736,476	713,815
Post-employment benefit asset	35,100	36,000	35,100
Biological assets	381,338	345,209	409,370
Deferred tax assets	1,326,933	710,256	1,299,895
	<u>21,317,753</u>	<u>20,181,045</u>	<u>22,065,366</u>
Current Assets			
Inventories	6,199,991	5,693,840	6,914,312
Biological assets	286,549	286,549	286,549
Receivables	6,827,205	6,232,635	5,256,720
Non-current assets held for sale	289,241	289,241	289,241
Taxation recoverable	13,725	-	210,060
Cash and bank balances	3,122,979	1,554,371	1,476,292
	<u>16,739,690</u>	<u>14,056,636</u>	<u>14,433,174</u>
Current Liabilities			
Payables	5,930,147	5,242,487	6,321,220
Current portion of long term liabilities	3,632,778	1,593,731	829,438
Current portion of lease obligations	69,087	-	67,731
Taxation payable	-	237,730	235,285
	<u>9,632,012</u>	<u>7,073,948</u>	<u>7,453,674</u>
Net Current Assets	<u>7,107,678</u>	<u>6,982,688</u>	<u>6,979,500</u>
	<u>28,425,431</u>	<u>27,163,733</u>	<u>29,044,866</u>
Equity attributable to Stockholders of the Company			
Share capital	5,768,558	5,768,558	5,768,558
Capital reserves	1,227,893	1,085,569	1,097,200
Retained earnings	9,542,236	7,968,753	8,104,479
	<u>16,538,687</u>	<u>14,822,880</u>	<u>14,970,237</u>
Non-current Liabilities			
Post-employment benefit obligations	148,300	136,200	148,300
Long term liabilities	9,640,909	10,674,094	11,393,938
Lease obligations	660,310	-	1,105,372
Deferred tax liabilities	1,437,225	1,530,559	1,427,019
	<u>11,886,744</u>	<u>12,340,853</u>	<u>14,074,629</u>
	<u>28,425,431</u>	<u>27,163,733</u>	<u>29,044,866</u>

Approved for issue by the Board of Directors on 20 October 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)

	9 months ended 30 September 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	-	-	2,482,629	2,482,629	-	2,482,629
Currency translation gains and losses	-	12,159	-	12,159	-	12,159
Fair value gains on investments	-	118,534	-	118,534	-	118,534
	-	130,693	2,482,629	2,613,322	-	2,613,322
Dividends declared	-	-	(1,044,872)	(1,044,872)	-	(1,044,872)
At 30 September 2020	5,768,558	1,227,893	9,542,236	16,538,687	-	16,538,687

	9 months ended 30 September 2019					
	Attributable to Stockholders of the Company				Non-controlling Interests	Total Equity
	Share Capital	Capital Reserves	Retained Earnings	Sub-Total		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 1 January 2019	5,768,558	993,334	8,983,102	15,744,994	(999,372)	14,745,622
Total comprehensive income:						
Profit for the period	-	-	471,845	471,845	(94,100)	377,745
Fair value gains on investments	-	92,235	-	92,235	-	92,235
	-	92,235	471,845	564,080	(94,100)	469,980
Dividends declared	-	-	(366,783)	(366,783)	-	(366,783)
Acquisition of shareholding of non-controlling interests	-	-	(1,119,411)	(1,119,411)	1,093,472	(25,939)
At 30 September 2019	5,768,558	1,085,569	7,968,753	14,822,880	-	14,822,880



SEPROD LIMITED

Consolidated Statement of Cash Flows (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

	9 months ended 30 September	
	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities		
Net profit	2,482,629	377,745
Items not affecting cash resources:		
Amortization of intangible assets	181,254	182,167
Depreciation	800,088	576,378
Impairment of assets held for sale	-	50,000
Impairment of long term receivables	-	131,000
Gain on lease modification	(53,368)	-
Interest income	(45,883)	(56,647)
Interest expense on long term liabilities	727,132	866,660
Interest expense on lease obligation	91,154	-
Results of joint venture	14,258	(45,512)
Taxation	401,166	223,814
	<u>4,598,430</u>	<u>2,305,605</u>
Changes in operating assets and liabilities:		
Inventories	714,321	854,265
Receivables	(1,587,985)	(1,183,764)
Biological assets	28,032	150,109
Payables	(1,057,008)	(2,102,644)
	<u>2,695,790</u>	<u>23,571</u>
Taxation paid	(456,948)	26,444
Cash provided by operating activities	<u>2,238,842</u>	<u>50,015</u>
Cash Flows from Investing Activities		
Net purchase of property, plant and equipment	(366,130)	(410,739)
Long term receivables	(49,157)	189,231
Acquisition of shareholding of non-controlling interests	-	(25,939)
Interest received	63,383	70,265
Cash used in investing activities	<u>(351,904)</u>	<u>(177,182)</u>
Cash Flows from Financing Activities		
Long term liabilities	1,070,052	1,139,927
Lease obligations	(105,498)	-
Dividends paid	(366,778)	(696,592)
Interest paid	(838,027)	(817,132)
Cash used in financing activities	<u>(240,251)</u>	<u>(373,797)</u>
Increase/(decrease) in cash and cash equivalents	1,646,687	(500,964)
Cash and cash equivalents at beginning of year	1,476,292	2,055,335
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,122,979</u>	<u>1,554,371</u>

Significant non-cash transactions: During the quarter ended 30 September 2020, the Group disposed of property valued at \$800 million, which was paid by way of shares issued to the Group by the purchaser. The Group then declared these shares as a non-cash dividend.



SEPROD LIMITED

Business Segments (Unaudited)

(expressed in Jamaican dollars unless otherwise indicated)

9 months ended 30 September 2020	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	7,260,965	21,397,981	-	28,658,946
Inter-segment revenue	8,998,565	-	(8,998,565)	-
Total revenue	16,259,530	21,397,981	(8,998,565)	28,658,946
Segment result	2,466,747	1,357,542	-	3,824,289
Unallocated income and expenses				(12,847)
Operating profit				3,811,442
Segment assets	20,982,842	9,740,279	-	30,723,121
Unallocated assets				7,334,322
Total assets				38,057,443
Segment liabilities	7,206,499	5,787,258	-	12,993,757
Unallocated liabilities				8,524,999
Total liabilities				21,518,756
Capital expenditure	302,344	43,544	-	345,888
Unallocated capital expenditure				20,242
Total capital expenditure				366,130
Depreciation	527,262	122,925	-	650,187
Unallocated depreciation				149,901
Total depreciation				800,088
9 months ended 30 September 2019				
	Manufacturing	Distribution	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External revenue	6,726,130	18,071,436	-	24,797,566
Inter-segment revenue	6,932,707	-	(6,932,707)	-
Total revenue	13,658,837	18,071,436	(6,932,707)	24,797,566
Segment result	2,095,512	683,623	-	2,779,135
Unallocated income and expenses				(569,935)
Operating profit				2,209,200
Segment assets	16,910,051	8,248,469	-	25,158,520
Unallocated assets				9,410,161
Total assets				34,568,681
Segment liabilities	5,637,421	6,291,836	-	11,929,257
Unallocated liabilities				7,485,544
Total liabilities				19,414,801
Capital expenditure	109,831	290,639	-	400,470
Unallocated capital expenditure				10,269
Total capital expenditure				410,739
Depreciation	490,319	54,111	-	544,430
Unallocated depreciation				31,948
Total depreciation				576,378

Total revenue for the period includes export sales of \$1,507,712,000 (2019 – \$1,144,294,000)



SEPROD LIMITED

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 September 2020. Such adjustments are made during our annual audit process based on independent valuations and will be reflected in our annual audited financial statements.