SEPROD

2012 ANNUAL REPORT

MADE BY SEPROD
MUST BE GOOD

OUR MISSION

- *Provide a sufficient quantity of good quality products at reasonable prices to our customers*
- *Maintain a good return on investment to our shareholders.*
- *Provide our employees with a reasonable remuneration and opportunities for personal development and job satisfaction.*
- *Perform the role of a good corporate citizen and contribute to the public welfare.*

made by SEPROD **must be good**


GOTTA GET MY
Serge
Cool Fruit
Serge Cool Fruit PINEAPPLE 100% VITAMIN C 200mL
Serge Cool Fruit ORANGE PASSION 100% VITAMIN C 200mL
JAM
Serge Cool Fruit APPLE BERRY 100% VITAMIN C 200mL
Serge Cool Fruit GRAPE 100% VITAMIN C 200mL
Serge Cool Fruit CHERRY ICE 100% VITAMIN C 200mL
Serge Cool Fruit CHERRY PINEAPPLE 100% VITAMIN C 200mL
Serge Cool Fruit FRUIT PUNCH 100% VITAMIN C 200mL
Serge Cool Fruit MANGO PINEAPPLE 100% VITAMIN C 200mL

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the SEVENTY-FOURTH ANNUAL GENERAL MEETING of the Company, will be held at the Knutsford Court Hotel, 19 Ruthven Road, Kingston 10 on July 1st, 2013 at 11:00 am, for the purpose of transacting the following business:

1. To receive and consider the Directors' Report, the Auditors' Report and the Audited Accounts for the year ended December 31, 2012.

2. To elect the following retiring Directors:

- Mr. Paul B. Scott
- Mr. Geoffrey E. Messado
- Mr. Michael J. Subratie
- Mr. Nicholas A. Scott
- Mr. Richard Pandohie

3. To fix the remuneration of Directors.

4. To authorize the Directors to fix the remuneration of the Auditors, PricewaterhouseCoopers, who have indicated their willingness to continue in office.

5. To transact any other business which may properly be transacted at an Annual General Meeting.

DATED this 8th day of April, 2013

BY ORDER OF THE BOARD

Marilyn Anderson
Secretary

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member. Proxy forms must be lodged at the Company's registered office, 3 Felix Fox Boulevard, Kingston, not less than 48 hours before time of meeting.

DIRECTOR'S REPORT

The Directors of Seprod Limited submit herewith their Annual Report and Audited Accounts for the year ended December 31, 2012.

FINANCIAL RESULTS

The Group ended the year with a profit before tax of $1.23 Billion and a net profit attributable to shareholders of $850.8 Million. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the Company are set out in the Managing Director's Report and the Financial Statements which are included as part of the Report.

DIVIDEND

A dividend of Fifty-three cents ($0.53) per ordinary stock unit to stockholders on record as at 13th July, 2012 was paid on 7th August, 2012. A further dividend of Thirty cents ($0.30) per ordinary stock unit to stockholders on record as at 25th October, 2012 was paid on 9th November, 2012.

The Directors do not recommend any further payment of dividend for 2012.

DIRECTORS

Hon. Emil C. George and Dr. Ralph C. Thompson retired effective November 30, 2012 and Mr. Richard R. Pandohie and Mr. Nicholas A. Scott were appointed to the Board effective December 1, 2012.

In accordance with Articles 89 and 91 of the Company's Articles of Association, the following directors are retiring from office and, being eligible, offer themselves for re-election:

- Paul B. Scott
- Geoffrey E. Messado
- Michael J. Subratie

Further, in accordance with Article 92 of the Company's Articles of Association, Mr. Richard R. Pandohie and Mr. Nicholas A. Scott also retire from office and, being eligible, offer themselves for re-election

AUDITORS

The Auditors, Messrs. PriceWaterhouseCoopers have indicated their willingness to continue in office. The Directors recommend their re-appointment.

AUDIT COMMITTEE

The Board of Directors of Seprod Limited exercises its responsibilities for the Financial Statements included in this Report through its Audit Committee, which consists of non-management Board members: Mr. Geoffrey Messado, Chairman and members Mr. Granville Marsh, Dr. Wayne McLaughlin and Mrs. Melanie Subratie.

The independent accountants and internal auditors have full and free access to the Audit Committee. The Audit Committee meets quarterly with the independent accountants and the Internal Auditors, both privately and with management present, to discuss accounting, auditing and financial reporting matters.

EMPLOYEES

The Directors wish to express their appreciation to the employees for their loyal services throughout the year.

Submitted on behalf of the Board of Directors.

P. B. SCOTT
CHAIRMAN

DR. RICHARD A. JONES

As a Veterinarian, Richard Jones had made his mark in the agricultural sector, devoting his life to the cattle industry as well as being one of the largest cane growers in the eastern parishes of Jamaica.

He was appointed to our Board of Directors in July 1989 and has been our Vice Chairman since April 1995. He was also the Chairman of Golden Grove Sugar Company Limited which is jointly owned by Seprod Limited and Fred M. Jones Estates since June 2009. We will miss his quiet yet effective demeanor and the invaluable contribution he has made to the growth of our company over the 24 years he has served on the Board.

On behalf of the staff and the Board of Directors, our thoughts and sympathies go out to his family and friends.

"Greatness is revealed not by the lights that shine upon you, but by the light that shines within you."

- Ray Davis

SEPROD GROUP OF COMPANIES

DIRECTORS' PROFILE

Paul Scott
Chairman

Director since 2000, he was appointed Chairman in 2009. He is the Chairman and C.E.O. of the Musson Group of Companies and the Chairman of all the subsidiaries in the Musson Group including Facey Commodity Company Limited, General Accident Insurance Company Limited, and Productive Business Solutions Limited among others. He is also a Director of Scotia Jamaica Life Insurance Company and the Jamaica Chamber of Commerce. He was appointed the Honorary Consul General for Guatemala in Jamaica in 2009.

Byron Thompson
CEO/Managing Director

Director since 1995. He is the C.E.O. and Managing Director of the Seprod Group of Companies. He is a Director of Customs Brokers Licensing Authority, Jamaica Manufacturers' Association Jamaica Dairy Development Board, Jamaica Cane Products Sales Limited and the Sugar Manufacturing Corporation of Jamaica Limited. He holds a Batchelor's Degree in Chemistry and Geology from the University of the West Indies and an MBA from Barry University, Florida, USA.

Peter John Thwaites
Vice Chairman

Director since 2001. He is a retired Insurance Executive, a past President of the Private Sector Organisation of Jamaica, a past Chairman of the Electoral Advisory Committee, now the Electoral Commission of Jamaica, Chairman of Crime Stop Jamaica, a Director of Thwaites Finson Sharp Insurance Brokers, West Indies Alliance Insurance Company Limited, a subsidiary of Guardian Holdings of Trinidad and Tobago, and of The Coconut Industry Board.

Dr. Wayne McLaughlin

Director since 2008. He is a Professor of Molecular Biology and Head of the Department of Basic Medical Sciences at the University of the West Indies (UWI). Professor McLaughlin is the Director of Caribbean Genetics (CARIGEN) at UWI and is a Director of the Coconut Industry Board. He is a Fulbright Fellow and was awarded the Silver Musgrave Medal in 2001 for work in the field of Science. In 2010 he received the Gleaner Honour Award for excellence in Science and Technology.

Dr. Nigel Clarke

Director since 2003. He is the C.O.O. of the Musson Group and C.E.O. of Facey Group Limited. Dr. Clarke is a member of the Executive Committee of the Board of Seprod and sits on the Board of Directors of its subsidiaries.

Granville Marsh

Director since 1991 and is also a Director of the Coconut Industry Board and Templeman Transport Limited. He is the Chairman of Epping Oil Company Limited and Epping Retail Limited and Managing Director of Mars Auto Parts & Transmission Services Limited. He also sits on the Boards of the subsidiaries of Seprod Limited and is a member of the Audit Committee.

There are twelve (12) members on the Board of Directors which is chaired by Paul Scott. Bryon Thompson is the Chief Executive Officer (CEO) & Group Managing Director.

Nicholas A. Scott

Appointed in December, 2012. He is the Chief Investment Officer of the Investment and Financial Services businesses of the Musson Group. He is also a director of General Accident Insurance Company (Jamaica) Limited, IWC Opportunity Fund and Jakes Holdings Limited and is a former Vice-President of the Private Sector Organization of Jamaica and former director of the H.E.A.R.T Trust NTA. He returned to Jamaica in 2009 after working as a private equity investor and investment banker at the Blackstone Group and Morgan Stanley in New York and Brazil. He holds a B.Sc. in Economics (Magna Cum Laude) from the Wharton School at the University of Pennsylvania, an M.B.A (Beta Gamma Sigma) from Columbia Business School and a M.P.A. from the Harvard Kennedy School of Government.

Richard R. Pandohie

Appointed in December, 2012. He has held several senior executive positions in the Caribbean and Central America, most recently as Managing Director, Carreras Limited in Jamaica. He is a former President of the Rotary Club of New Kingston and a Director of the Jamaica Chamber of Commerce. He holds a Masters of Business Administration degree in Corporate Finance and Operations from the McGill University and a Bachelor of Science degree in Chemical Engineering from The University of the West Indies.

Melanie Subratie

Director since 2006. She is an honours graduate of the London School of Economics, and is currently the Vice Chairman of Musson (Jamaica) Limited. She serves on the Boards of the subsidiaries of the Musson Group including Facey Commodity Company Limited and General Accident Insurance Company (Jamaica) Limited. She returned to Jamaica over ten years ago, after working at the Financial Services Division of Deloitte & Touche, U.K. She also worked for startup political newswire service DeHavilland.

Michael Subratie

Director since November, 2009. He is the Managing Director of T. Geddes Grant (Distributors) Limited as well as a Director of the Musson Group of Companies in charge of Musson's manufacturing & trading business entities. Michael has served on several government boards including the Urban Development Corporation, Jamaica Urban Transit Company, Jamaica Railway Corporation, Montego Freeport Limited and the former Pegasus Hotel. He also sits on the board of the American Chamber of Commerce, and he was recently appointed Honorary Consul of Bangladesh. Mr. Subratie holds both a Bachelor's Degree in Civil Engineering with highest honour from Georgia Institute of Technology and a Master's Degree in Structural Engineering from Purdue University.

Geoffrey Messado

Director since 2001. He is a Chartered Accountant and Chairman of the Audit Committee. He is the Financial Controller and Secretary of Musson (Jamaica) Limited and its subsidiaries. He is a Director of General Accident Insurance Company Jamaica Limited, Ciboney Group Limited, Edgechem (Jamaica) Limited, Clarendon Distillers Limited, Spirits Pool Association, Caribbean Molasses Company (Jamaica) Limited, KRB Lea Jamaica Rums Limited and Corrpak Jamaica Limited. He is also the Chairman of Mapco Printers Limited and a Past President of the Jamaica Exporters Association and the Kiwanis Club of Kingston.

Stephen Black

Appointed a director on April 8, 2013. He is a farmer and Director of Michael Black Farms Limited. He is also a director of the Coconut Industry Board and sits on its Research Committee.

BOARD SUB-COMMITTEES

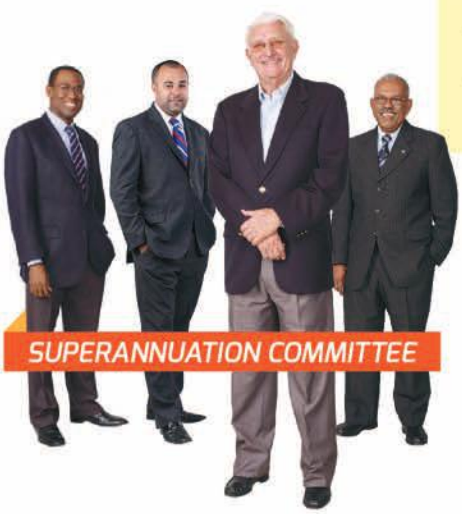
Geoffrey Messado [Chairman]
Dr. Wayne McLaughlin
Granville Marsh
Melanie Subratie

DIRECTORS' ATTENDANCE

No. of Board Meetings	11
Nigel Clarke	10
Granville Marsh	9
Wayne McLaughlin	10
Geoffrey Messado	10
Paul Scott	10
Melanie Subratie	9
Michael Subratie	9
Byron Thompson	11
Peter Thwaites	11
Nicholas Scott*	1
Richard Pandohie*	1
Stephen Black**	-

*Appointed Director Dec 1st 2012
**Appointed Director Apr 8th 2013

Peter John Thwaites [Chairman]
Byron Thompson
Paul Scott
Geoffrey Messado



Peter John Thwaites [Chairman]
Dr. Nigel Clarke
Nicholas Scott
Geoffrey Messado

Paul Scott [Chairman]
Byron Thompson
Dr. Nigel Clarke
Peter John Thwaites
Melanie Subratie

made by SEPROD must be good

DISCLOSURE OF SHAREHOLDINGS

TEN LARGEST SHAREHOLDERS AT DECEMBER 31, 2012

Musson (Jamaica) Ltd.	233,747,988*
Coconut Industry Board	163,420,345
Grace Kennedy Ltd. Pension Scheme	21,995,904
National Insurance Fund	15,443,045
Fred M. Jones Estates Ltd.	4,470,066**
Scotia Jamaica Investments Management	4,348,870
Inv. Nominees Ltd. A/C Las Henriques et al S/F	4,027,161
NCB Insurance Company Ltd. - A/C 109	2,894,145
Estate Richard G. S. Jackson	2,460,500
MF&G Trust & Finance A/C 528	2,304,958

* Connected Persons - Paul Scott, Melanie Subratie ** Connected Person - Richard Jones

SHAREHOLDINGS OF DIRECTORS ALONG WITH CONNECTED PERSONS AS AT DECEMBER 31, 2012

Paul Scott ↔ Connected Persons	NIL ↔ 233,747,988
Melanie Subratie ↔ Connected Persons	NIL ↔ 233,747,988
Richard Jones ↔ Connected Persons	234,532 ↔ 4,470,066
Byron Thompson	1,220,668
Antony Hart ↔ Connected Persons	NIL ↔ 1,453,104
Geoffrey Messado	100,000
Granville Marsh	6,561
Wayne McLaughlin	5,000
Nigel Clarke	990
Peter Thwaites	NIL
Michael Subratie	NIL
Nicholas Scott	NIL
Richard Pandohie	NIL

SHAREHOLDINGS OF EXECUTIVES AS AT DECEMBER 31, 2012

Carl Domville	170,190
Angela Cooper	18,854
Marilyn Anderson	NIL
Rupert Ashman	NIL
Clement Burnett	NIL
Evrol Dixon	NIL
Gregory Harvey	NIL
Marcia Walters	NIL
Paul Watson	NIL
Phillip Webster	NIL
Neville Ledgister	NIL
Milton Maragh	NIL

CHAIRMAN'S STATEMENT

Paul B. Scott
Chairman

OVERVIEW

In the year that Jamaica celebrated 50 years as a nation, Seprod saw growth in profit before taxes of 3.1% and, profit after taxes of 10.9%. Seprod also increased dividends paid to shareholders by 9%. This was achieved against the backdrop of a continued recession in Jamaica. Unfortunately, this environment is not new to us as a company or as a nation. In real terms, Jamaica has barely grown its economy since independence. In spite of this context, Seprod has experienced significant growth since its inception. We remain bullish about Seprod's prospects. Seprod has a strong product portfolio that will be in demand in good times and bad. We will continue to focus on our customers, strengthening our portfolio of high-quality, affordable offerings. In addition, we will continue to carefully monitor our costs. In light of the short-term economic uncertainty, it is imperative that we contain costs at the same time that we grow our sales. 2012 was a good year with all businesses with the exception of Golden Grove making a contribution to the group PAT. In 2013 we expect all businesses including Golden Grove to make positive contributions and subsequently to see an improved overall performance.

INVESTMENT YIELDS

At time of writing this we have just completed a second debt exchange in which Seprod participated. As was our position in 2010, we will continue to manage our liquidity carefully and look out for potential investments that complement our core businesses or generate improved investment returns.

GOLDEN GROVE

As planned, Golden Grove achieved a positive EBITDA in 2012. Given our experience to date and the general volatility associated with agricultural enterprises, this is welcome news. Through this medium I would like to thank all stakeholders that worked so hard to make this happen. Golden Grove is the only entity within the Group that predominantly earns foreign exchange. This has proven very useful to the Group in the last quarter, as a foreign exchange has been increasingly scarce. However, simply providing a source for foreign exchange makes Golden Grove an expensive cambio if we don't achieve our full objectives. We are confident that we will reach our cane production targets by 2015 of over 300,000 tonnes. When this is achieved our sugar projection will increase significantly as will the contribution that this entity makes to Seprod. At that point Golden Grove will not only be an effective cambio, but will be a major contributor to the Group providing: increased export sales, sugar to distribute domestically and most importantly significant profits to the Group. In February 2013 Duxton Asset Management of Singapore invested in Golden Grove, taking an 11% stake with an option to further increase this investment in the future. We welcome them and look forward to working with Duxton in the continual improvement of the company.

ENERGY COSTS

If you are reading this report in Jamaica you are already only too aware of the high cost of electricity that we face as nation. In my opinion, these costs represent the largest impediment to economic growth. They are in fact a tax on society that curtails consumption and thus growth. The high costs also represent a significant levy on Jamaica's production and competitiveness. Seprod's single biggest cost other than labour is energy. Your Board is very much aware of the opportunity this represents to Seprod and will be taking this issue into our own hands to improve our energy consumption and lower our energy costs.

BOARD

During the year two board members retired from the board. Emile George was the longest serving member of the board having joined in 1986. Mr. George was also a former chairman of the company. Ralph Thompson our former CEO also retired from the Board. He had been a director since 1991. Both members contributed greatly to Seprod over last few decades. On behalf of the Board and the shareholders, I would like to thank them for helping mould Seprod into what it is today. We wish them the best. We welcome to the Board two new members, Richard Pandohie and Nicholas Scott. They have big shoes to fill but we know that they are more than capable of filling them.

It is with great regret that I must report the passing of our Deputy Chairman Richard Jones. At the time of his passing he was the longest serving director of the Board having served since 1989. He was so many things to so many. A vet, a businessman, a mentor, father and grandfather. He was a virtual encyclopedia on agricultural issues. Most of all, Richard Jones was a man of integrity and a true gentleman. His contribution to Seprod over the years was significant and we will work with the newly-formed Seprod Foundation to honour his memory appropriately during the upcoming year. He will be greatly missed.

I would like to take this opportunity to thank the employees, the management and staff at Seprod as well as my fellow directors for their hard work and diligence in 2012. With their continued support I expect that Seprod will continue its long trajectory of profitable growth in 2013.

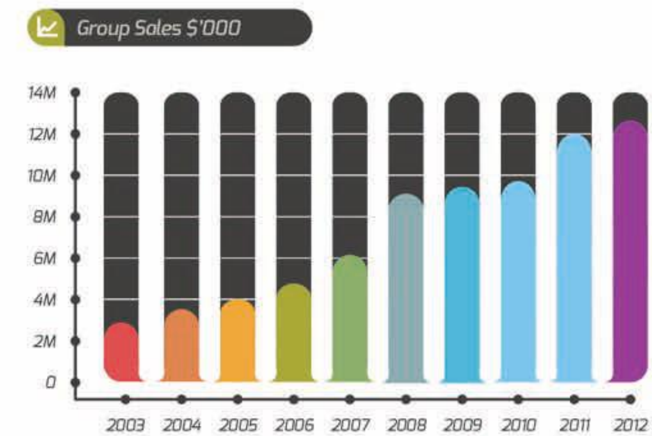
P. B. Scott
Chairman

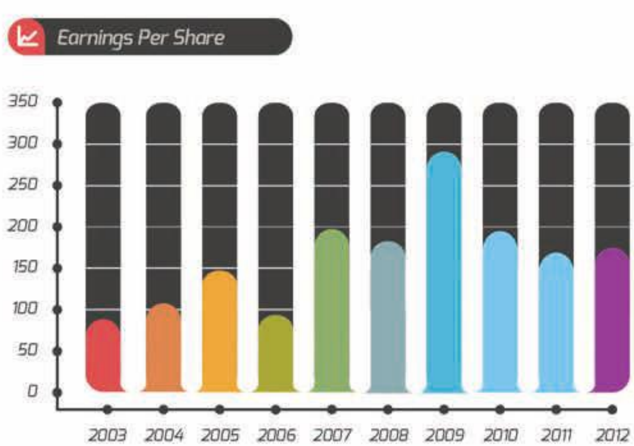
MANAGEMENT DISCUSSION & ANALYSIS

The year 2012 was challenging for businesses in Jamaica as the economy continues to register anaemic growth rate. This was evidenced by low business confidence, no doubt due to the protracted negotiation with the IMF, high energy cost, decline in consumer spending, threat of another JDX, ongoing devaluation of the dollar and the apparent shortage of foreign exchange which all contributed to the difficulties experienced in the local business environment.

Despite these challenges, I am pleased to report that the Group performed remarkably well during the year.

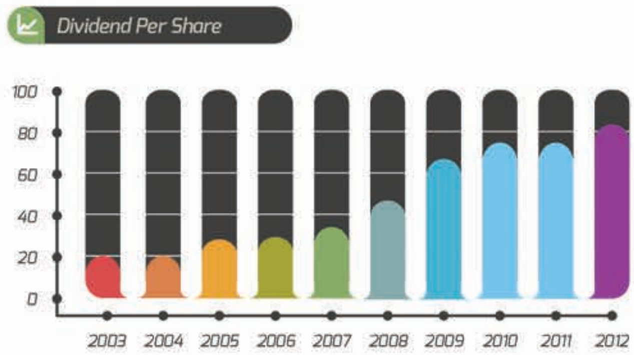
- The Group sales revenue for 2012 was $12.723B representing a 6% increase over the previous year.
- Earnings per share were $1.73 compared to $1.69 earned in 2011.
- Dividend per share was eighty-three cents compared to the seventy-six cents paid in 2011.
- Profit before taxation increased from $1.194B to $1.23B, an increase of 3.1%.
- The Group's after tax profit increased from $767.3M to $850.8M, an increase of 10.9%.





Byron Thompson
CEO | Managing Director

Our balance sheet continues to reflect an improvement in the financial position of the company. Total assets grew by 11.92% to $12.2B, and shareholder's equity increased by 5.7% to $8.5B. Collection days outstanding, 36.4 days, remained basically flat as the tight economic situation continues. A Return on Equity of 9.9% represents a marginal increase over the previous year. Further details are shown in the tables with statistical highlights, and graphs showing the performance of the Group over a ten year period.



SEGMENT PERFORMANCE

The manufacturing segments include the entities that manufacture and sell oils and fats, corn products, cereals, milk products, juices, biscuits and sugar. The subsidiaries in this segment include Caribbean Products Co. Ltd., Serge Island Dairies Ltd., Surge Island Farms Ltd., International Biscuits Ltd., Jamaica Grain and Cereals Ltd. and Golden Grove Sugar Co. Ltd. Industrial Sales Ltd., our distribution segment is engaged in the merchandising of a wide range of consumer items. All business segments recorded growth in revenue, and except for sugar, all made positive contributions to the Group's bottom line

Golden Grove Sugar Company

We are pleased to report that this operation recorded a positive EBITDA for the first time. This was against the background that the sugar production of 14,720 tonnes was actually less than the prior year when production was 17,270 tonnes. The reduction over the previous year was due to a number of factors. Chief among them were:

- Delay in the December startup due to Hurricane Sandy.
- Teething problems experienced in the commissioning of the new cane preparatory system as well as stoppages due to failure in powerhouse and boilers etc.
- The quality of a significant portion of the cane harvested was compromised by hurricane Sandy which flattened and mangled the fields and adversely affected the Jamaica Recoverable Cane Sugar (JRCS) and Tonne Cane/Tonne Sugar (TC/TS) ratios.
- Early start of the crop in December 2011 resulted in us ending the crop grinding some immature cane.

We completed some critical factory upgrades which should result in further improvements in efficiencies and cost reduction. These include:

- Commissioning of the new cane preparatory system to improve poll extraction.
- Commissioning of Power Factor Correction equipment to reduce electricity and fuel usage.
- Commissioning of a new sugar bagging line capable of handling all sugar produced by the plant.

However, further upgrades are needed for us to achieve optimal capacity utilization, sustained cost reduction and productivity. The main areas we need to tackle are:

(a) ***Energy***

(b) ***Cane Supply***

Energy Analysis

Energy cost is the relatively high and must be reduced for this operation to add value to its shareholders. For 2012 the factory consumed an estimated 6410kwh of electricity. Of this 1104kwh (17%) was purchased from JPSCo. at a cost of $44M. The diesel generators produced 1760kwh (27%) from burning 493k liters of diesel fuel valued at $49M. The steam generator produced 3547kwh (55%) using bagasse. During the year, an additional 411kw was added to the factory by the cane preparatory, Sugar Bagging Unit and pumps pushing the demand to 2.8MW.

The installed generator capacity is 3.2MW made up as follows: (Turbine = 1.232KW, Generator 1=1038kw; Generator 2= 452Kw; Generator 3=452kw. Since Generators 2 and 3 operate alternately, the adjusted capacity equals 2.7kw, which just about equals the factory demand of 2.5 mw.

The installed capacity of the existing four steam boilers is approximately 120klb/hr. Given the high JPSCo. and fuel costs it is obvious that the least cost approach to reduce energy is to run the factory on the steam turbine (using bagasse) as the only source of power. In order to accomplish this mode of operation we need to:

a) Procure an additional steam turbine with a capacity of 1.5mw. This along with the existing one should increase our generating capacity to about 2.8mw.
b) Increase boiler capacity to deliver 150klb/hr steam.

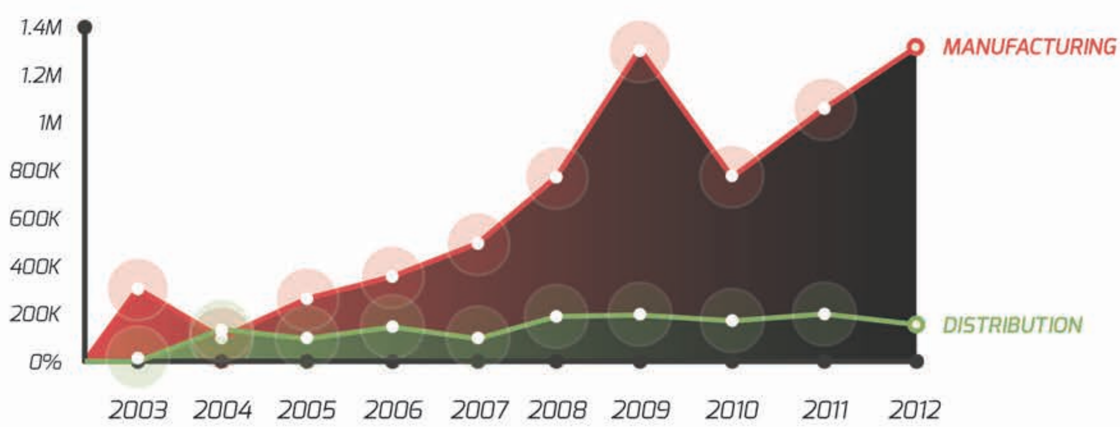
Admittedly, while the foregoing mode of operation will no doubt result in substantial savings it really does not represent the most efficient use of capital in that this generating capacity will only be fully utilized during the six-month duration of the sugar crop. The reason for this is that the bagasse generated is only enough to provide power to operate the factory during the sugar crop. Therefore, in order to generate energy in the six months of the out of crop period we would need to identify other less costly fuel such as wood chips or elephant grass to mention a few.

A reduction of the cost of energy is one of our objectives. We are therefore tasked to examine the feasibility of continuing to generate power during the out of crop period to supply power to the grid. We believe that this has the potential to earn additional revenue.

Cane Supply

Cane supply must go in tandem with the planned factory improvement. We have been working to identify additional acreage of land. So far we have a total of 3,557.0 hectares (8,786 acres) in cane and a further 605 hectares (1,494.4 acres) to be planted by the fourth quarter of 2013. This is equivalent to approximately 312K tonnes cane.

Segment Profit [$'000]



Serge Island Farms

Serge Island Farms produced a total of 6,305,813 (2011 – 5,501,724) litres of milk or 14.6% more than last year. This represents 49% of the islands production of 12,840,000 litres. During the year the number of cows in milk increased to 2020 from 1686 last year. This is attributable to improved husbandry and herd fertility.

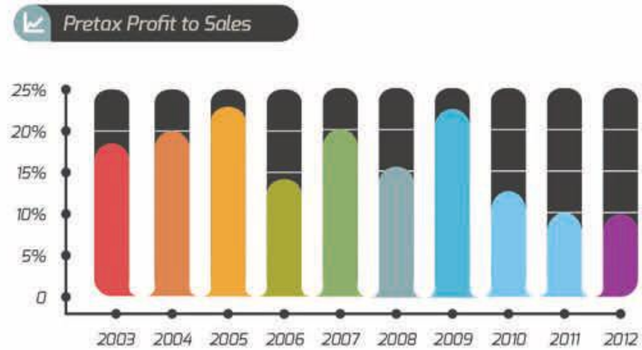
Drought condition continues to limit the supply of fodder available to feed the animals and to mitigate this situation we have taken the decision to retire one hundred and twenty acres of underproductive mango cultivation in order to produce hay for the animals.

STATISTICAL HIGHLIGHTS ($'000)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue	12,723,578	12,005,202	9,776,563	9,495,060	9,257,660	6,189,984	4,883,891	3,953,775	3,346,651	2,855,711
Operating Profit	1,336,268	1,256,314	1,206,866	2,210,782	1,464,258	933,005	654,212	561,969	411,975	193,397
Profit from Assoc. Comps.	-	-	-	-	-	202,612	72,727	147,704	257,428	91,263
Finance & other Income	527,687	469,858	343,409	756,239	520,064	409,072	217,635	221,242	216,638	234,421
Pre-tax Profit	1,230,572	1,193,951	1,170,927	2,185,901	1,435,462	1,235,069	678,786	922,419	665,912	519,081
Net-Profit after Taxation	850,802	767,280	830,263	1,485,937	938,203	1,013,009	460,992	750,180	547,717	421,045
Shareholders' Equity	8,533,783	8,072,140	7,761,085	6,978,781	5,875,350	5,255,547	4,423,726	4,113,603	3,499,773	3,033,801
Earning per Stock Unit (cents)	173	169	195	286	182	196	89	145	106	82
Dividend Stock Unit (cents)	83	76	75	65	45	35	30	27.5	20	20

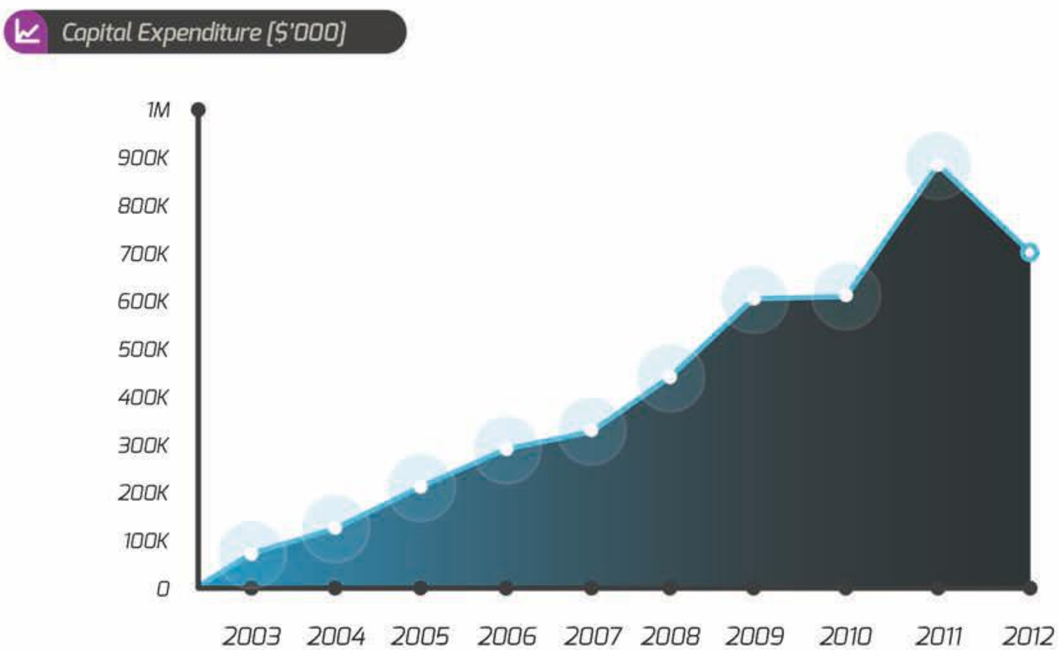
STATISTICAL HIGHLIGHTS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Working Capital	1.91:1	2.7:1	2.9:1	3.8:1	3.9:1	4.2:1	2.5:1	2.6:1	3.1:1	8.7:1
Debt Shareholders Equity	1:6.5	1:5.21	1:9.3	1:8.7	1:10.5	1:12.4	1:7.0	1:7.5	1:9.5	1:23
Collection Period (days)	36.4	36.9	36.8	31.0	27.9	35.3	30.8	34	28	30
Inventory Turn (x)	5.2	6.2	6.6	4.9	6.7	6.7	6.1	5.8	6.9	7.0
Operating Profit to Total Assets (%)	10.6	11.5	12.5	23.9	19.5	14.3	11.2	10.5	9.5	12.2
Pre-tax Profit to Total Assets (%)	10.1	11.0	12.2	23.7	19.1	18.9	11.6	17.3	15.4	14.8
Pre-tax Profit to Sales (%)	9.7	9.9	12.0	23.0	15.5	20.0	13.9	23.3	19.9	18.2
Operating Profit to Sales (%)	10.5	10.5	12.3	23.3	15.8	15.1	13.4	14.2	12.3	15.0
Return on Equity	9.9	9.5	10.7	21.3	16.0	19.3	10.4	18.2	15.7	13.9



CAPITAL EXPENDITURE

We continue to invest heavily in projects to reduce costs, improve quality and as much as possible keep pace with technology. Capital expenditure across the group amounted to $698.3M. The main areas of focus this year were Caribbean Products, Serge Island Dairies and Golden Grove Sugar.



EXPORT

Despite the sluggish performances experienced in most of our markets exports recorded growth of 16.6 percent for the year. Sales moved from $422.7M last year to $492.3M for the period under review. Our efforts to seek out new opportunities will continue in the coming year.

QUALITY & FOOD SAFETY MANUFACTURING

We continue our efforts to ensure that all subsidiaries, presently exporting to the USA and other countries or manufacturing products which are likely to be exported to these markets, comply with the Food Safety Modernization ACT (FSMA) and related Code of Federal Regulations requirements.

To this end, training was conducted for all categories of staff as well as support services. So far, five persons have been certified as Internal Food Safety Systems Auditors to ensure efficiency in the food safety system. The code of Federal Regulations which forms the basis of determining the readiness to comply with FSMA and Food Safety Systems include:

a) Good manufacturing practices (GMP)
b) Hazard Analysis Critical Control Point (HACCP)
c) Food Defense Plan
d) Label Regulations
e) Allergen Control

Our subsidiaries are presently in various stages of implementation of these codes of Federal Regulation Requirement.

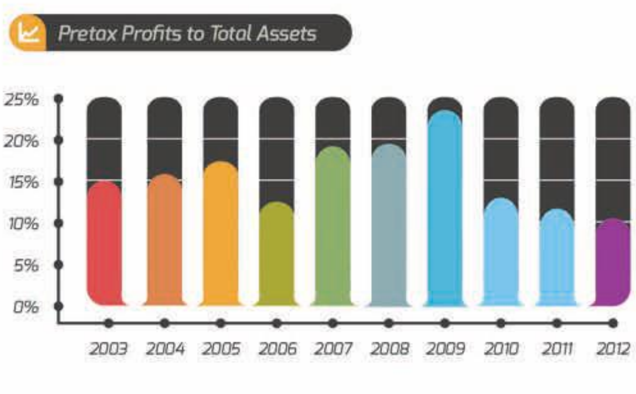
CORPORATE AFFAIRS

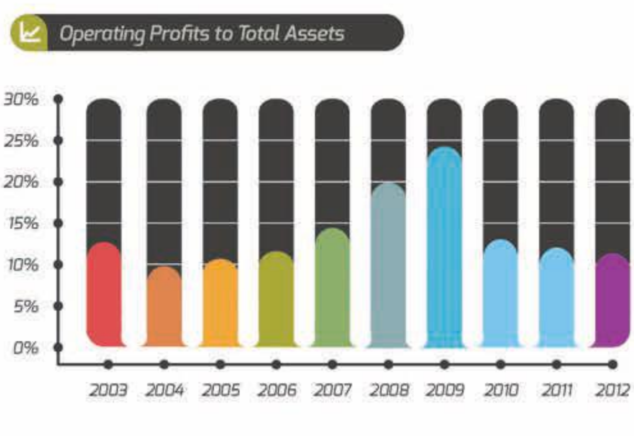
Operation of most manufacturing entities often generates waste which impact negatively on the environment to varying degrees. Some of our facilities have been assessed by NEPA to be non-conforming with respect to the quality of the effluent discharged. We are working with this agency of government to take corrective action. One such area is Caribbean Products where we commenced the construction of a state of the art waste treatment plant. This facility is due for completion by mid-year 2013.

Our contributions to United Way, Scholarships to children of employees, educational institutions, churches and various charities continued throughout the year.

The Board has given its approval to set up The Seprod Foundation. This represents a further commitment to deepen our involvement in education and nation building in general. The Foundation should commence operation during 2013.

The company won the Jamaica Chamber of Commerce Best of Chamber Large Enterprise Award for 2013 for excelling in meeting their corporate goals and objectives in 2012.





FUTURE

The challenging conditions, which prevailed in 2012, may very well continue into 2013. In particular, Jamaica is yet to ink an agreement with the International Monetary Fund which appears to be the catalyst to ease the worsening Net International Reserve (NIR) situation and halt the slide of the Jamaican dollar.

In February 2013, the Government implemented the National Debt Exchange (NDX). This will impact negatively on the finance income of the Group and we will have to craft strategies to mitigate this fall out. We remain supportive of the widely expressed view that efforts must be made to grow the economy and avoid a third Debt Exchange (DX). As a nation, we need to make concerted efforts to improve productivity and we need to import less of the goods that can be manufactured locally. This strategy has the potential to result in increased employment and produce a multiplier effect that will contribute to growth in the economy.

The task for us at Seprod is to aggressively control our costs, increase internal efficiencies and carefully manage the areas over which we have control. The economic environment is likely to remain challenging and uncertain but as a team we remain positive that we are on the right path to deliver value to our shareholders.

Thanks to our directors and employees for their dedication and commitment, and to our valued customers, consumers, suppliers and other stakeholders. Their combined effort was a major contributor to the Group's success during 2012. We look forward to their continued support during 2013 and beyond.

Byron E. Thompson
C.E.O. | Managing Director

Caribbean Products Waste Treatment Plant, currently under construction, Spanish Town Road.

GOLDEN GROVE SUGAR COMPANY

The new Sugar Bagging Line and the new Cane Preparatory System.

Power Factor Correction Equipment.

EXECUTIVES' PROFILE

Carl D. Domville
Chief Operating Officer

Mr. Carl D. Domville BSc. (Hons) was previously the Group Financial Controller, a position he occupied for eighteen of the twenty-one years he has worked with the Group. He previously worked as the Manager of Finance and Administration at Motor Sales & Services Company for eleven years and prior to that he was a Senior Accountant at the Auditing Firm KPMG Peat Marwick. At KPMG, Mr. Domville was engaged in the audit of a wide range of companies.

Rupert Ashman
Group Information System Manager

Mr. Rupert Ashman, is the Manager of Information Systems since 1997. He holds a BSc. in Computer Science and is an executive with overall responsibility for Security and Transportation assumed in 2003. Past experiences include Statistical Institute of Jamaica, The Gleaner Company Limited, Agricultural Credit Bank, Colgate Palmolive Company Jamaica Limited, Thermo Plastics Jamaica Limited and Alumina Partners Jamaica Limited.

Clement Burnett
General Manager - Caribbean Products Company Ltd.

Mr. Clement C. Burnett MBA, BSc (Hons), is the General Manager of Caribbean Products Company Limited since 1995. He joined the Group in March 1994 and was appointed Production Manager in that same year. Prior to joining the Group, Mr. Burnett worked in the United States for seven years, five as Laboratory Manager for Dyets Inc. of Bethlehem, Pennsylvania.

Gregory Harvey
Acting General Manager - Serge Island Daries Ltd.

Mr. Gregory Harvey has been with the company since 2001 when he was employed as Production Manager of Serge Island Dairies Limited. He also worked as Acting General Manager and was later appointed Plant Manager in 2012. He holds a Bachelors Degree in Business Administration and a Diploma in Production Management. Mr. Harvey previously worked at Cremo Limited where he held the positions of Delivery Supervisor and Production Supervisor.

Phillip Webster
General Manager - Serge Island Farms Ltd.

Mr. Philip Webster holds a BSc. in Agriculture from McGill University in Montreal, Canada and a diploma in Agriculture from the Jamaica School of Agriculture. Prior to joining Serge Island Farms, he worked as the Agricultural Services Manager at Nestle Jamaica Limited, as a Senior Supervisor in the Agricultural Division at Alcan Jamaica Company and as a Beef Farm Supervisor in the Agricultural Division at Reynolds Metals Company.

Evrol Dixon
Plant Manager - International Biscuit Ltd.

Major Evrol Dixon, BSc (Eng) was the Manufacturing Manager at the biscuit plant of Kraft Foods Jamaica prior to its acquisition by Seprod in 2007. Past experiences include Jamaica Flour Mills, Grace Food Processors and Appliance Traders Limited. Major Dixon previously served in the Jamaica Defence Force (JDF) where he completed Officer Training at the Royal Air Force College, Cranwell (UK) and the US Army Computer Science School, Fort Gordon (USA).

Marcia Kitson-Walters
Group Marketing Manager

Mrs. Marcia Kitson-Walters has been with the group since 1984. She holds an MBA in Business Administration, specializing in Marketing from Nova South Eastern University, a BSc. in Computer and Management Studies from UTECH and a Diploma in Laboratory Technology from the College of Arts, Science & Technology.

Paul Watson
Plant Manager - Jamaica Grain & Cereal Ltd.

Mr. Paul Watson has been with the Group for eighteen years. He holds a Diploma in Technology from the Buckinghamshire College of Higher Education, UK and a Masters Degree in Business Administration from the University of New Orleans. He previously worked as the Saw Mill Manager at Forrest Industries Development Company Limited.

Marilyn Anderson
Corporate Secretary

Mrs. Marilyn Anderson joined the Group in August, 1989. She was the Manager for Jamaica Edible Oils & Fats Company Limited and over the years has held various positions in the areas of Research & Product Development, Quality Control, Property Management and Purchasing. She holds an MBA in International Business and a BSc. in Chemistry from the University of the West Indies.

Angela Cooper
Chief Financial Officer

Ms. Angela Cooper FCCA, FCA has been with the company since 1981. She was appointed Chief Financial Officer of the Seprod Group in 2010. She has more than thirty years experience in auditing and accounting. Prior to joining the Group, she worked as a Senior Auditor with Mair, Russell, Grant Thornton. She is a member of the Institute of Chartered Accountants of Jamaica and the Chartered Association of Certified Accountants.

George Morris
Operations Manager - Golden Grove Sugar Company Ltd.

Mr. George Morris holds a BSc. in Mechanical Engineering from The University of the West Indies and a diploma in Engineering from The College of Arts Science & Technology. He joined the Seprod Group in 2009, after acquisition of St. Thomas Sugar Company where he held the post of Operations Manager since 2002. Prior to that he was employed to the Agriculture Division of J. Wray & Nephew Limited, Managing Appleton Estate and later New Yarmouth Estate. He has over 40 years experience in Sugar and Rum Manufacturing.

Neville Ledgister
General Manager - Industrial Sales Ltd.

Mr. Neville L. Ledgister MBA, BBA (Hons), DipM is the General Manager of Industrial Sales Limited since September 2012. He joined the company in January 2009 as Logistics Manager and has served as Sales & Logistics & Marketing Manager. Prior to joining the Group, Mr. Ledgister worked with Nabisco Jamaica Limited as the Sales Manager and at Lasco Consumer Division as the General Manager.

Milton Maragh
Group Project Manager

Milton Maragh joined the Group in September 2012 with prior experiences in the Beverage and Bauxite/Alumina industries working with companies such as PepsiCo, Desnoes & Geddes Limited and Alcan Jamaica Company in both technical and commercial positions.
Mr. Maragh also worked in North America and hold qualifications in Chemical Engineering, Business Administration and Information Management.

CORPORATE HIGHLIGHTS

BUTTERKIST MATH COMPETITION 2012

The National Primary Schools Math Competition, which is now in its 20th year, 18 of which has been sponsored by Seprod through its Butterkist brand, is a great opportunity to stimulate the minds of our students in a challenging but very critical subject area.

We are committed to working with the Ministry of Education to improve numeracy standards in Jamaica. In the 2012 Grade Six Achievement Test (GSAT), the average score in mathematics was a little over 61 percent. Also, in the 2012 CXC exams, only 31.7 percent of students attained passes, a decrease from 33.2 per cent in the previous year.

Amani Cooke (left) 2012 Champion, Arianne Smith (runner up) Mikaela Richardson.

THE GOLDEN JUBILEE VILLAGE

As Jamaica celebrated its 50th anniversary, patrons were seen anxiously waiting to sample the various dishes prepared by the team from Seprod as well as purchase items from their favorite brands such as Butterkist snacks and Serge juices.



JMA/JEA EXPO 2012

Through the JMA/JEA EXPO 2012 we were be able to create an even greater awareness among the local consumer of the wide range of quality products and services being produced by Seprod Limited to meet the highest international standards.



Members from the Sales/Marketing Team: (Left –right) Judith Johnson-Wilson, Marcia Kitson-Walters and Donnette Reece sharing in a discussion with a buyer from United States.

PRIMARY SCHOOL CHAMPIONSHIPS

The meet attracted a record 73 schools participating in 38 events, 19 each for boys and girls. Sponsors SWIZZLE increased its sponsorship to a record tune of over $10 million – a significant increase over last year's $6m. Also for the first time in the history of the championships, it was aired live on CVM TV on the final day.



Administrative Director at the Institute of Sports (INSPORTS), Ian Andrew (right), accepts a symbolic cheque for $10 million from Seprod's COO Carl Domville (left) at the launch of the 32nd staging of the INSPORTS / SWIZZZLE Primary Schools Championships at the Terra Nova Hotel. Sharing the occasion is INSPORT Chairman Don Anderson.

DENBIGH AGRICULTURAL SHOW

Denbigh celebrated its sixtieth (60th) Anniversary on August 4th – August 6th, 2012. The theme "Grow What We Eat, Eat What We Grow."

For the Seprod team what it meant was an opportunity to showcase many of our strong brands (Serge UHT Beverages as well as the NJoy Chilled Juices) that have weathered the storm and continue to have a dominant presence in the household of many of the Denbigh patrons who passed through.



Members of Serge Islands Farms pose with their trophies at the 60th staging of the Denbigh Agricultural 2012

JCC AWARDS

The company won the Jamaica Chamber of Commerce Best of Chamber Large Enterprise Award for 2013 for excelling in meeting their corporate goals and objectives in 2012.

Francis Kennedy (left), President, JCC presents the Award to Carl Domville (right), of Seprod who won the Best of Chamber Large Enterprise. Mr. Domville was presented at the JCCs 31st Annual Awards Ceremony, held at the Jamaica Pegasus Hotel on March 21, 2013.

SCHOLARSHIP PROGRAMME

The Seprod Group of Companies' commitment to "*building the Nation through education*" was again demonstrated in 2012 by the granting of 25 secondary scholarships to the children of its employees. This scholarship to each child is renewable each academic year for five (5) years providing academic performance, attendance and deportment are satisfactory.

The students and parents, who are employees, were hosted by the Company on the afternoon of Wednesday, November 28 to lunch, a tour of its CARIB facility, then a special function in their honour. At the function, they were:

- addressed by the Managing Director/Chief Executive Officer, Mr. Byron Thompson.
- formally introduced to members of the Group's Executive Committee of Management.

There are currently 163 children of employees registered on this scholarship programme.

CORPORATE DATA

Registered Office

3 Felix Fox Boulevard, Kingston

Tel: (876) 922-1220

Fax: (876) 922-6948 or 922-7344

Email: corporate@seprod.com

Auditors

PricewaterhouseCoopers

Scotiabank Centre, Corner of
Duke & Port Royal Streets,
Kingston, Jamaica

Attorneys

DunnCox

48 Duke Street, Kingston

Samuda & Johnson

2-6 Grenada Crescent, Kingston 6

Registrar & Transfer Agents

Jamaica Central Securities Depository Ltd.

40 Harbour Street, Kingston

Bankers

First Global Bank

24-48 Barbados Avenue, Kingston 5

National Commercial Bank Ja. Ltd.

1-7 Knutsford Boulevard, Kingston 5

RBC Royal Bank

17 Dominica Drive, Kingston 5

Citibank N.A.

63-67 Knutsford Boulevard, Kingston 5

Financial Statements

31st December 2012

pwc

Independent Auditors' Report

To the Members of
Seprod Limited

Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Seprod Limited and its subsidiaries, set out on pages 31 - 88, which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Seprod Limited standing alone, which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements

Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and company stand alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand alone financial statements.

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

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Members of Seprod Limited
Independent Auditors' Report
Page 2

Opinion

In our opinion, the consolidated financial statements of Seprod Limited and its subsidiaries, and the financial statements of Seprod Limited standing alone give a true and fair view of the financial position of Seprod Limited and its subsidiaries and the Seprod Limited standing alone as at 31 December 2012, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Seprod Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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 company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
14 March 2013
Kingston, Jamaica

Seprod Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Revenue		12,723,578	12,005,202
Direct expenses		(10,071,209)	(9,570,234)
Gross Profit		2,652,369	2,434,968
Finance and other operating income	6	527,687	469,858
Selling expenses		(362,719)	(339,706)
Administration expenses		(1,386,917)	(1,219,231)
Other operating expenses		(94,152)	(89,575)
Operating Profit		1,336,268	1,256,314
Finance costs	9	(105,696)	(62,363)
Profit before Taxation		1,230,572	1,193,951
Taxation	10	(379,770)	(426,671)
Net Profit		850,802	767,280
Other Comprehensive Income, net of taxes			
Unrealised fair value gains on available-for-sale investments		50,826	36,208
Realised fair value gains on available-for-sale investments		(56,108)	(27,543)
		(5,282)	8,665
TOTAL COMPREHENSIVE INCOME		845,520	775,945
Net Profit is attributable to:			
Stockholders of the company	11	895,536	873,894
Non-controlling interest		(44,734)	(106,614)
		850,802	767,280
Total Comprehensive Income is attributable to:			
Stockholders of the company		890,254	882,559
Non-controlling interest		(44,734)	(106,614)
		845,520	775,945
Earnings per Stock Unit attributable to Stockholders of the Company	12	$1.73	$1.69

Seprod Limited

Consolidated Statement of Financial Position

31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Non-current Assets			
Property, plant and equipment	14	3,807,107	3,492,698
Intangible assets	15	22,657	29,997
Available-for-sale investments	16	2,356,918	1,054,699
Long term receivables	17	248,303	698,171
Retirement benefit asset	18	3,600	21,700
Biological assets	19	246,105	223,830
		6,684,690	5,521,095
Current Assets			
Inventories	20	2,290,592	1,553,417
Biological assets	19	446,696	349,917
Trade and other receivables	21	2,103,746	2,456,696
Available-for-sale investments	16	16,021	265,341
Current portion of long term receivables	17	339,470	456,047
Taxation recoverable		41,850	46,933
Cash and bank balances	22	275,905	249,926
		5,514,280	5,378,277
Current Liabilities			
Provisions	31	30,585	-
Payables	23	1,820,119	795,159
Current portion of long term liabilities	26	825,449	1,152,374
Bank overdraft	22	82,614	-
Taxation payable		129,940	74,062
		2,888,707	2,021,595
Net Current Assets		2,625,573	3,356,682
		9,310,263	8,877,777
Equity Attributable to Stockholders of the Company			
Share capital	24	561,287	561,287
Capital reserve	25	916,661	921,943
Retained earnings		7,055,835	6,588,910
		8,533,783	8,072,140
Non-controlling interest		(61,930)	(17,196)
		8,471,853	8,054,944
Non-current Liabilities			
Long term liabilities	26	472,954	400,000
Deferred tax liabilities	27	262,756	330,433
Retirement benefit obligations	18	102,700	92,400
		838,410	822,833
		9,310,263	8,877,777

Approved for issue by the Board of Directors on 14 March 2013 and signed on its behalf by:

Melanie Subratie — Director

Byron Thompson — Director

Seprod Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company					Non-controlling Interest	Total Equity
	Number of Shares	Share Capital	Capital Reserve	Retained Earnings	Total		
	'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2011	516,398	561,287	894,929	6,304,869	7,761,085	(169,528)	7,591,557
Total comprehensive income	-	-	8,665	873,894	882,559	(106,614)	775,945
Transaction with owners:							
Transfer to capital reserve – gain on sale of investments	-	-	18,349	(18,349)	-	-	-
Additional equity contribution in subsidiary by non-controlling interests	-	-	-	-	-	79,905	79,905
Dividends declared (Note 13)	-	-	-	(392,463)	(392,463)	-	(392,463)
Dilution of non-controlling interest in subsidiary	-	-	-	(179,041)	(179,041)	179,041	-
	-	-	18,349	(589,853)	(571,504)	258,946	(312,558)
Balance at 31 December 2011	516,398	561,287	921,943	6,588,910	8,072,140	(17,196)	8,054,944
Total comprehensive income	-	-	(5,282)	895,536	890,254	(44,734)	845,520
Transactions with owners:							
Dividends declared (Note 13)	-	-	-	(428,611)	(428,611)	-	(428,611)
Balance at 31 December 2012	516,398	561,287	916,661	7,055,835	8,533,783	(61,930)	8,471,853

Seprod Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Cash Flows from Operating Activities			
Cash provided by/(used in) operating activities	28	1,594,341	(441,401)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(698,266)	(881,784)
Proceeds on disposal of property, plant and equipment		2,557	7,640
Purchase of available-for-sale investments		(1,236,385)	-
Proceeds from disposal of available-for-sale investments		220,634	776,591
Repayment of long term receivables		606,787	59,141
Issue of long term receivables		-	(142,255)
Interest received		229,185	331,952
Dividends received		3,955	3,549
Cash (used in)/provided by investing activities		(871,533)	154,834
Cash Flows from Financing Activities			
Long term loans received		718,244	1,433,312
Long term loans repaid		(974,301)	(624,191)
Dividends paid		(423,305)	(392,463)
Interest paid		(100,081)	(62,363)
Cash (used in)/provided by financing activities		(779,443)	354,295
(Decrease)/ increase in cash and cash equivalents		(56,635)	67,728
Cash and cash equivalents at beginning of year		249,926	182,198
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	193,291	249,926

Seprod Limited

Statement of Comprehensive Income

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Group costs recovered from subsidiaries		477,170	449,193
Finance and other operating income	6	2,473,230	458,683
Administration expenses	7	(528,239)	(465,208)
Operating Profit		2,422,161	442,668
Finance costs	9	(83,952)	(45,915)
Profit before Taxation		2,338,209	396,753
Taxation	10	(93,281)	(82,936)
Net Profit	11	2,244,928	313,817
Other Comprehensive Income:			
Unrealised fair value gains on available-for-sale investments		50,826	36,208
Realised fair value gains on available-for-sale investments		(56,108)	(27,543)
		(5,282)	8,665
TOTAL COMPREHENSIVE INCOME		2,239,646	322,482

Seprod Limited
Statement of Financial Position
31 December 2012
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Non-current Assets			
Property, plant and equipment	14	195,933	192,613
Available-for-sale investments	16	2,356,918	1,054,699
Investment in subsidiaries		1,437,102	1,437,102
Long term receivables	17	248,303	698,171
Retirement benefit asset	18	3,600	21,700
		4,241,856	3,404,285
Current Assets			
Trade and other receivables	21	537,705	644,273
Available-for-sale investments	16	16,021	265,341
Current portion of long term receivables	17	339,470	456,047
Due from subsidiaries		3,008,250	1,636,120
Cash and bank balances	22	77,541	37,272
		3,978,987	3,039,053
Current Liabilities			
Payables	23	252,824	170,768
Current portion of long term liabilities	26	596,063	803,594
Bank overdraft	22	82,614	-
Taxation payable		22,279	33,228
		953,780	1,007,590
Net Current Assets		3,025,207	2,031,463
		7,267,063	5,435,748
Equity			
Share capital	24	561,287	561,287
Capital reserve	25	335,172	340,454
Retained earnings		5,820,524	4,004,207
		6,716,983	4,905,948
Non-current Liabilities			
Long term liabilities	26	400,000	400,000
Deferred tax liabilities	27	47,380	37,400
Retirement benefit obligations	18	102,700	92,400
		550,080	529,800
		7,267,063	5,435,748

Approved for issue by the Board of Directors on 14 March 2013 and signed on its behalf by:

Melanie Subratie Director

Byron Thompson Director

Seprod Limited

Statement of Changes in Equity

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2011	516,398	561,287	313,440	4,101,202	4,975,929
Total comprehensive income	-	-	8,665	313,817	322,482
Transactions with owners:					
Transfer from capital reserve – gain on sale of investments	-	-	18,349	(18,349)	-
Dividends declared (Note 13)	-	-	-	(392,463)	(392,463)
	-	-	18,349	(410,812)	(392,463)
Balance at 31 December 2011	516,398	561,287	340,454	4,004,207	4,905,948
Total comprehensive income	-	-	(5,282)	2,244,928	2,239,646
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(428,611)	(428,611)
Balance at 31 December 2012	516,398	561,287	335,172	5,820,524	6,716,983

Seprod Limited
Statement of Cash Flows
Year ended 31 December 2012
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 $'000	2011 $'000
Cash Flows from Operating Activities			
Cash used in operating activities	28	(1,200,519)	(1,174,073)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(23,415)	(62,443)
Proceeds on disposal of property, plant and equipment		153	330
Purchase of available-for-sale investments		(1,236,385)	-
Proceeds from disposal of available-for-sale investments		220,634	776,591
Repayment of long term receivables		606,787	59,141
Issue of long term receivables		-	(142,255)
Interest received		351,522	313,652
Dividends received		1,953,666	3,549
Cash provided by investing activities		1,872,962	948,565
Cash Flows from Financing Activities			
Long term loans received		400,000	1,200,000
Long term loans repaid		(609,617)	(514,583)
Dividends paid		(423,305)	(392,463)
Interest paid		(81,866)	(45,915)
Cash (used in)/provided by financing activities		(714,788)	247,039
(Decrease)/increase in cash and cash equivalents		(42,345)	21,531
Cash and cash equivalents at beginning of year		37,272	15,741
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	(5,073)	37,272

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".

Subsidiaries
The company's subsidiaries, which are all incorporated and domiciled in Jamaica, and their principal activities are as follows:

Name of subsidiary	Principal activities
Belvedere Limited	Agriculture
Caribbean Products Company Limited	Manufacture and sale of oils and fats
Golden Grove Sugar Company Limited	Sugar production
Industrial Sales Limited	Sale of consumer products
International Biscuits Limited	Manufacture and sale of biscuit products
Jamaica Grain and Cereals Limited	Manufacture and sale of corn products and cereals
Serge Island Dairies Limited	Manufacture and sale of milk products and juices
Serge Island Farms Limited	Dairy farming
Jamaica Edible Oils and Fats Company Limited	Dormant
Jamaica Detergents Limited	Dormant
Jamaica Feeds Limited	Dormant

All subsidiaries are wholly owned, with the exception of Golden Grove Sugar Company Limited, which is owned 80% by the company and 20% by Fred M. Jones Estate Limited (2011 – 55% and 45%, respectively).

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

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

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 and amendments to published standards effective during the year

At the date of authorization of these financial statements, certain new and amended standards and interpretations to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has determined that none are relevant to its operations.

New and amended standards and interpretations 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 and amendments to existing standards have been issued which were not yet effective at statement of financial position date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations.

- **Amendment to IAS 1, 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 July 2012). The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is not expected to have a significant impact on the Group's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New and amended standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **IAS 19, 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2013). This amendment will eliminate the corridor approach to recognition of actuarial gains and losses arising from IAS 19 pension valuations and will result in the recognition of all actuarial gains and losses in other comprehensive income (OCI) as they occur. Additionally, all past service costs will be immediately recognised and interest cost and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is assessing the impact of future adoption of the standard on its financial statements.

- **IFRS 9, Financial instruments part 1: Classification and measurement** (effective for annual periods beginning on or after 1 January 2015) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New and amended standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **IFRS 10, 'Consolidated Financial Statements',** (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces all of the guidance on control and consolidation in *IAS 27, 'Consolidated and Separate Financial Statements'*, and *SIC-12, 'Consolidation – Special Purpose Entities'*. IAS 27 (Revised) now renamed 'Separate Financial Statements'. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a Group consolidates as its subsidiaries. The Group is assessing the impact of future adoption of the standard on its financial statements.

- **IFRS 11, 'Joint Arrangements',** (effective for annual periods beginning on or after 1 January 2013). IFRS 11 is a more realistic reflection of joint arrangements, focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group currently has no joint arrangements, therefore the standard is not expected to have any significant impact on the Group's financial statements.

- **IFRS 12, 'Disclosure of Interests in Other Entities',** (effective for annual periods beginning on or after 1 January 2013). IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group is assessing the impact of future adoption of the standard on its financial statements.

- **IFRS 13, 'Fair Value Measurement',** (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The Group is assessing the impact of future adoption of the standard on its financial statements.

There are no other new or amended standards and interpretations that are issued but not yet effective that are expected to have a significant impact on the accounting policies or financial disclosures of the Group.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Consolidation of subsidiaries

Subsidiaries are those entities in which the Group has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently excersiable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated 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 as transactions with equity owners of the Group. 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.

2. Significant Accounting Policies (Continued)

(c) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods – wholesale

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Some products are often sold with a right of return.

Sales of goods – retail

Sales of goods are recognised when a Group entity sells a product to the customer. It is the Group's policy to sell its products to the end customer with a right of return

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 also the company's functional currency.

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) 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.

2. Significant Accounting Policies (Continued)

(f) 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	40 – 50 years
Plant, equipment and furniture	5 – 40 years
Motor vehicles	3 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.

(g) Intangible assets
Brands
Brands obtained by the Group in a business combination are recognised at fair value at the acquisition date. These brands 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 value of brands over their estimated useful lives.

(h) 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.

2. Significant Accounting Policies (Continued)

(i) Investments

The Group classifies its investments as available-for-sale, due to the purposes for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. These investments are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the date of the statement of financial position, in which case they are included in current assets.

Purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments denominated in foreign currencies are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in other comprehensive income.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities. Interest on available-for-sale investments is calculated using the effective interest method and is recognised in profit or loss. Dividends on available-for-sale investments are recognised in profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the Group establishes fair value by using valuation techniques, such as reference to recent arms length transactions, reference to other instruments that are substantially the same or amounts derived from discounted cash flow models, making maximum use of market inputs.

At each reporting date, the Group assesses whether there is objective evidence that an investment or Group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

(j) Long term receivables

Long term receivables are initially measured at cost, and are subsequently measured at amortised cost using the effective interest method.

(k) Biological assets

Biological assets are measured at their fair value. Fair value is determined based on market prices of assets of similar age, breed and genetic merit.

2. Significant Accounting Policies (Continued)

(l) 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. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(m) Trade receivables
Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings. Bad debts are written off during the year in which they are identified.

(n) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash at bank and in hand, net of bank overdraft.

(o) Payables
Payables are recorded at cost.

(p) Borrowings
Borrowings are recognised initially at the proceeds received. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds and the redemption value is recognised in profit or loss over the period of the borrowings.

(q) 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. 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.

2. Significant Accounting Policies (Continued)

(r) 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 asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

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 retirement benefits

The Group provides post-employment health benefits to its retirees. The entitlements to these benefits are usually based 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 an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

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.

(s) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(t) Dividends

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) Share capital

Share issuance cost

Incremental costs directly attributable to the issue of new shares are shown in stockholders' equity as a deduction from the proceeds.

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.

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.

3. Financial Risk Management (Continued)

(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. The disclosures provided in this note are based on the Company's investment portfolio as at 31 December 2012. As described in Note 32, the Group participated in the National Debt Exchange (NDX) which resulted in significant changes to the Group's investment portfolio in February 2013.

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. The Group has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

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. Trade receivables relate mainly to the Group's wholesale customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The Group's average credit period on the sale of goods is 30 days. Trade receivables over 30 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

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.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 90 days past due are not considered impaired. The ageing analysis of trade receivables that are past due but not considered impaired is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
30 – 60 days	26,840	78,485	-	-
60 – 90 days	34,905	26,826	-	-
greater than 90 days	454,763	443,316	-	-
	516,508	548,627	-	-

Ageing analysis of trade receivables that are past due and considered impaired

Trade receivables of $113,100,000 (2011 – $107,643,000) for the Group and $3,619,000 (2011 – $3,383,000) for the company were considered impaired and were fully provided for. The individually impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. All of the aforementioned impaired receivables balances were greater than 90 days old.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement in the provision for impairment of trade receivables

The movement in the provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
At start of year	107,643	89,191	3,383	3,569
Amounts recovered during the year	(16,869)	(558)	-	-
Provided during the year	22,326	25,294	236	-
Unused amounts reversed	-	(6,284)	-	(186)
At end of year	113,100	107,643	3,619	3,383

The creation and release of provision for impaired receivables have been included in administration expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than trade receivables that were individually impaired.

Trade receivables by customer sector

The following table summarises the credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Supermarket chains	57,022	72,393	-	-
Wholesalers	909,459	889,432	-	-
Retailers	278,563	298,104	-	-
Manufacturers	40,063	37,492	-	-
Others	95,124	23,531	3,619	3,383
	1,380,231	1,320,952	3,619	3,383
Less: Provision for impairment	(113,100)	(107,643)	(3,619)	(3,383)
	1,267,131	1,213,309	-	-

The company's receivables are due from the company's affiliates. The majority of the Group's trade receivables are receivable from customers in Jamaica.

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.

(v) Managing the concentration and profile of debt maturities.

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

The tables below summarise the maturity profile of financial liabilities based on contractual undiscounted payments:

	The Group				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
			2012		
Long term liabilities	-	19,808	890,283	547,846	1,457,937
Trade payables	1,415,221	-	-	-	1,415,221
Bank overdraft	82,614	-	-	-	82,614
Other payables	114,600	-	-	-	114,600
	1,612,435	19,808	890,283	547,846	3,070,372
			2011		
Long term liabilities	-	18,000	1,248,764	461,600	1,728,364
Trade payables	466,049	-	-	-	466,049
Other payables	104,296	-	-	-	104,296
	570,345	18,000	1,248,764	461,600	2,298,709

	The Company				
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
			2012		
Long term liabilities	-	19,808	650,986	472,408	1,143,202
Bank overdraft	82,614	-	-	-	82,614
Other payables	87,488	-	-	-	87,488
	170,102	19,808	650,986	472,408	1,313,304
			2011		
Long term liabilities	-	18,000	885,400	461,600	1,365,000
Other payables	78,290	-	-	-	78,290
	78,290	18,000	885,400	461,600	1,443,290

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

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 various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from purchases and sales transactions and investing and financing activities.

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 arising from changes in foreign exchange rates. There is no effect on other items of equity. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% devaluation/1% revaluation (2011 - 1% revaluation/devaluation) change in foreign currency rates, which represents 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 classified as available-for-sale, payables and long term liabilities.

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Effect on profit before taxation -				
US$				
10% devaluation (2011 – 1%)	86,345	12,644	218,040	16,006
1% revaluation (2011 – 1%)	(8,635)	(12,644)	(21,804)	(16,006)
Other currencies				
10% devaluation (2011 – 1%)	19,832	2,964	20,406	2,964
1% revaluation (2011 – 1%)	(1,983)	(2,964)	(2,041)	(2,964)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)
The tables below summarise the total exposure to foreign currency exchange rate risk:

	The Group			
	Jamaican$	**US$**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**
	2012			
Financial Assets				
Available-for-sale investments	384,823	1,115,802	195,703	1,696,328
Long term receivables	-	587,773	-	587,773
Trade and other receivables	1,474,234	511,038	-	1,985,272
Cash and bank	208,970	55,979	8,359	273,308
	2,068,027	2,270,592	204,062	4,542,681
Financial Liabilities				
Long term liabilities	996,063	302,340	-	1,298,403
Bank overdraft	82, 614	-	-	82,614
Trade and other payables	419,271	1,104,805	5,745	1,529,821
	1,497,948	1,407,145	5,745	2,910,838
Net financial position	570,079	863,447	198,317	1,631,843
	2011			
Financial Assets				
Available-for-sale investments	548,724	406,558	282,373	1,237,655
Long term receivables	-	1,154,218	-	1,154,218
Trade and other receivables	1,932,734	78,444	-	2,011,178
Cash and bank	196,042	39,868	14,016	249,926
	2,677,500	1,679,088	296,389	4,652,977
Financial Liabilities				
Long term liabilities	1,376,641	175,733	-	1,552,374
Trade and other payables	331,366	238,979	-	570,345
	1,708,007	414,712	-	2,122,719
Net financial position	969,493	1,264,376	296,389	2,530,258

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

	The Company			
	Jamaican$	**US$**	**Other**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**
		2012		
Financial Assets				
Available-for-sale investments	384,823	1,115,802	195,703	1,696,328
Long term receivables	-	587,773	-	587,773
Other receivables	104,629	420,843	-	525,472
Due from subsidiaries	3,008,250	-	-	3,008,250
Cash and bank	13,203	55,979	8,359	77,541
	3,510,905	2,180,397	204,062	5,895,364
Financial Liabilities				
Long term liabilities	996,063	-	-	996,063
Bank overdraft	82,614	-	-	82,614
Other payables	87,488	-	-	87,488
	1,166,165	-	-	1,166,165
Net financial position	2,344,740	2,180,397	204,062	4,729,199
		2011		
Financial Assets				
Available-for-sale investments	548,724	406,558	282,373	1,237,655
Long term receivables	-	1,154,218	-	1,154,218
Other receivables	633,429	-	-	633,429
Due from subsidiaries	1,636,120	-	-	1,636,120
Cash and bank	(16,612)	39,868	14,016	37,272
	2,801,661	1,600,644	296,389	4,698,694
Financial Liabilities				
Long term liabilities	1,203,594	-	-	1,203,594
Other payables	78,290	-	-	78,290
	1,281,884	-	-	1,281,884
Net financial position	1,519,777	1,600,644	296,389	3,416,810

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 available-for-sale 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 available-for-sale debt instruments. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale investments for the effects of the assumed changes in interest rates.

The following table indicates the sensitivity to a reasonably possible increase/(decrease) in interest rates of 4%/(1%) in respect of Jamaican dollar denominated instruments (2011 – 0.5% increase/decrease) and increase/(decrease) of 2.5%/(0.5%) for United States dollar denominated instruments (2011 – 0.5% increase/decrease), with all other variables held constant, on profit before taxation and other components of equity.

Change in basis points 2012 JMD / USD	Effect on Profit before Taxation 2012 $'000	Effect on Other Components of Equity 2012 $'000	Change in basis points 2011 JMD / USD	Effect on Profit before Taxation 2011 $'000	Effect on Other Components of Equity 2011 $'000
The Group					
+400/+250	2,716	(7,365)	+50/+50	4,194	(16,306)
-100/-50	(641)	5,657	-50/-50	(4,194)	16,860
The Company					
+400/+250	1,960	(7,365)	+50/+50	2,450	(16,306)
-100/-50	(490)	5,657	-50/-50	(2,450)	16,860

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)
The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2012			
Financial assets							
Available-for-sale investments	-	109,910	-	547,831	378,702	-	1,036,443
Long term receivables	96,792	190,064	24,880	132,672	143,365	-	587,773
Trade and other receivables	-	420,843	69,148	-	-	1,495,281	1,985,272
Cash and bank	273,283	-	-	-		2,622	275,905
	370,075	720,817	94,028	680,503	522,067	1,497,903	3,885,393
Financial liabilities							
Long term liabilities	-	712,448	585,955	-	-	-	1,298,403
Bank overdraft	82,614	-	-	-	-	-	82,614
Trade and other payables	49,814	-	-	-	-	1,480,037	1,529,821
	132,428	712,448	585,955	-	-	1,480,037	2,910,838
Total interest repricing gap	237,647	8,369	(491,927)	680,503	522,067	17,866	974,555
				2011			
Financial assets							
Available-for-sale investments	-	90,000	305,840	408,908	432,907	-	1,237,655
Long term receivables	-	12,900	296,705	844,613	-	-	1,154,218
Trade and other receivables	-	-	-	-	-	2,011,178	2,011,178
Cash and bank	249,850	-	-	-	-	76	249,926
	249,850	102,900	602,545	1,253,521	432,907	2,011,254	4,652,977
Financial liabilities							
Long term liabilities	-	20,117	1,091,750	440,507	-	-	1,552,374
Trade and other payables	-	-	-	-	-	570,345	570,345
	-	20,117	1,091,750	440,507	-	570,345	2,122,719
Total interest repricing gap	249,850	82,783	(489,205)	813,014	432,907	1,440,909	2,530,258

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	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	Non-Interest Bearing $'000	Total $'000
				2012			
Financial assets							
Available-for-sale investments	-	109,910	-	547,831	378,702	-	1,036,443
Trade and other receivables	-	420,843	-	-	-	104,629	525,472
Due from subsidiaries	-	-	-	-	-	3,008,250	3,008,250
Long term receivables	96,792	190,064	24,880	132,672	143,365	-	587,773
Cash and bank	77,541	-	-	-	-	-	77,541
	174,333	720,817	24,880	680,503	522,067	3,112,879	5,235,479
Financial liabilities							
Long term liabilities	-	596,063	400,000	-	-	-	996,063
Bank overdraft	82,614	-	-	-	-	-	82,614
Other payables	-	-	-	-	-	87,488	87,488
	82,614	596,063	400,000	-	-	87,488	1,166,165
Total interest repricing gap	91,719	124,754	(375,120)	680,503	522,067	3,025,391	4,069,314
				2011			
Financial assets							
Available-for-sale investments	-	90,000	305,840	408,908	432,907	-	1,237,655
Long term receivables	-	-	-	-	-	633,429	633,429
Due from subsidiaries	-	-	-	-	-	1,636,120	1,636,120
Trade and other receivables	-	12,900	296,705	844,613	-	-	1,154,218
Cash and bank	37,272	-	-	-	-	-	37,272
	37,272	102,900	602,545	1,253,521	432,907	2,269,549	4,698,694
Financial liabilities							
Long term liabilities	-	803,594	400,000	-	-	-	1,203,594
Other payables	-	-	-	-	-	78,290	78,290
	-	803,594	400,000	-	-	78,290	1,281,884
Total interest repricing gap	37,272	(700,694)	202,545	1,253,521	432,907	2,191,258	3,416,810

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 values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of financial instruments held as at the statement of financial position date that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
		2012		
Available-for-sale investments –				
Quoted equities	57,305	-	-	57,305
Unquoted equities	-	-	1,279,189	1,279,189
Issued by the Government of Jamaica	-	1,036,445	-	1, 036,445
	57,305	1, 036,445	1,279,189	2,372,939
		2011		
Available-for-sale investments –				
Quoted equities	82,385	-	-	82,385
Issued by the Government of Jamaica	-	1,237,655	-	1,237,655
	82,385	1,237,655	-	1,320,040

There were no transfers between levels during the year.

3. Financial Risk Management (Continued)

(e) Fair values of financial instruments (continued)

The movement in instruments classified as level 3 was as follows:

	2012	2011
	$'000	$'000
At start of year	-	100,056
Additions	1,223,469	-
Disposals	-	(100,816)
Fair value gains	18,581	-
Foreign exchange gains recognised in profit or loss	37,139	760
At end of year	1,279,189	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. 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 is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following methods and assumptions have been used in determining fair values for instruments not re-measured at their fair value after initial recognition:

(i) 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 and trade receivables and payables.

(ii) The fair value of long term receivables has been estimated at $608,785,000 (2011 – $1,190,509,000). This was derived by discounting the contractual cash flows using the market rate of interest. The carrying value of these receivables is $587,773,000 (2011 – $1,154,218,000).

(iii) The carrying values of long term loans 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.

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.

Retirement benefit obligations
The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Fair value of certain biological assets
The Group measures its biological assets at fair value less costs to sell. In doing this valuation for cane, the Group first determines a price per tonne of cane, based on the established price per tonne of sugar, and certain cane to sugar conversion efficiency metrics, as established by the Sugar Industry Authority (SIA), the regulatory body which oversees the local sugar industry. 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.

Fair value of unquoted equities
The fair value of securities not quoted in an active market may be 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 may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. 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 assumption being the discount rate of 11.19% 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%/11% with all other variables constant, the fair value would increase/decrease from US$7,162,000 to US$5,333,000/US$6,425,000.

5. Business Segments

The Group is organised into two main business segments:

(a) Manufacturing - This incorporates the operations for manufacturing and sale of oils and fats, com products, cereals, milk products, juices, sugar and biscuits.

(b) Distribution - The merchandising of consumer goods.

	2012			
	Manufacturing	Distribution	Eliminations	Group
	$'000	$'000	$'000	$'000
External revenue	8,142,046	4,581,532	-	12,723,578
Inter-segment revenue	3,613,491	-	(3,613,491)	-
Total revenue	11,755,537	4,581,532	(3,613,491)	12,723,578
Segment result	1,310,019	162,955	-	1,472,974
Unallocated corporate income				(136,706)
Operating profit				1,336,268
Segment assets	7,503,911	919,618	-	8,423,529
Unallocated corporate assets				3,775,441
Total consolidated assets				12,198,970
Segment liabilities	1,955,720	268,134	-	2,223,854
Unallocated corporate liabilities				1,503,263
Total consolidated liabilities				3,727,117
Other segment items –				
Capital expenditure	664,176	10,675	-	674,851
Unallocated capital expenditure				23,415
Total capital expenditure				698,266
Depreciation	358,343	2,626	-	360,969
Unallocated depreciation				20,037
Total depreciation				381,006

5. Business Segments (Continued)

	2011			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	7,532,030	4,473,172	-	12,005,202
Inter-segment revenue	3,445,025	-	(3,445,025)	-
Total revenue	10,977,055	4,473,172	(3,445,025)	12,005,202
Segment result	1,056,345	206,494	-	1,262,839
Unallocated corporate income				(6,525)
Operating profit				1,256,314
Segment assets	6,615,178	914,128	-	7,529,306
Unallocated corporate assets				3,370,066
Total consolidated assets				10,899,372
Segment liabilities	1,152,773	154,628	-	1,307,401
Unallocated corporate liabilities				1,537,027
Total consolidated liabilities				2,844,428
Other segment items –				
Capital expenditure	812,966	6,375	-	819,341
Unallocated capital expenditure				62,443
Total capital expenditure				881,784
Depreciation	292,502	2,663	-	295,165
Unallocated depreciation				20,597
Total depreciation				315,762

The Group's customers are mainly resident in, and operate from, Jamaica.

6. Finance and Other Operating Income

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest income from subsidiaries	-	-	131,986	113,500
Other interest income	208,060	320,377	198,411	302,077
Dividend income from subsidiaries	-	-	1,949,711	-
Other dividend income	4,604	3,549	4,604	3,549
Net foreign exchange gains	146,143	907	165,115	3,456
Gain on sale of available-for-sale investments	6,420	18,349	6,420	18,349
(Loss)/ gain on disposal of property, plant and equipment	(294)	6,598	95	330
Other	162,754	120,078	16,888	17,722
	527,687	469,858	2,473,230	458,683

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Advertising and promotion	118,966	98,975	10,760	1,303
Amortisation of intangible assets	7,341	7,341	-	-
Auditors' remuneration	16,776	17,400	4,535	4,489
Bad debt expense, net of recoveries	5,299	18,452	461	-
Cost of inventories recognised as an expense	7,288,333	7,134,657	-	-
Depreciation	381,006	315,762	20,037	20,597
Insurance	157,461	156,374	12,062	14,071
Professional services	44,448	39,928	28,226	25,924
Provision for legal claim	29,050	-	-	-
Provision for tax assessment	8,749	-	-	-
Repairs and maintenance	395,936	404,196	18,404	17,471
Security	106,847	95,544	14,644	13,641
Staff costs (Note 8)	1,662,330	1,436,953	352,376	305,173
Utilities	805,840	741,752	23,282	17,042
Other	886,615	751,412	43,452	45,497
	11,914,997	11,218,746	528,239	465,208

8. Staff Costs

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Wages and salaries	1,334,520	1,153,945	233,326	207,070
Statutory contributions	100,714	89,242	20,038	19,092
Pension – defined benefit (Note 18)	22,100	11,000	22,100	11,000
Pension - defined contribution (Note 18)	19,688	13,469	9,780	4,004
Other retirement benefits (Note 18)	21,300	18,800	21,300	18,800
Other	164,008	150,497	45,832	45,207
	1,662,330	1,436,953	352,376	305,173

9. Finance Costs

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Interest expense –				
Long term loans	95,186	53,702	83,387	44,598
Other	10,510	8,661	565	1,317
	105,696	62,363	83,952	45,915

10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 33⅓%:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current taxation	449,098	397,217	84,721	99,403
Adjustment to prior year provision	(1,651)	18,582	(1,420)	5,685
	447,447	415,799	83,301	105,088
Deferred taxation (Note 27)	(67,677)	10,872	9,980	(22,152)
	379,770	426,671	93,281	82,936

The tax on the Group's and the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33⅓%, as follows:

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Profit before taxation	1,230,572	1,193,951	2,338,209	396,753
Tax calculated at a tax rate of 33⅓%	410,191	397,983	779,403	132,251
Adjusted for the effect of:				
Investment income not subject to tax	(4,946)	(44,178)	(659,078)	(44,178)
Adjustment to prior year provision	(1,651)	18,582	(1,420)	5,685
Profit of subsidiaries not subject to tax	(18,445)	(22,913)	-	-
Effect of change in tax rate (Note 27)	(87,760)	-	(15,793)	-
Tax losses of subsidiaries for which no deferred tax assets have been created (Note 27)	75,286	66,893	-	-
Other charges and credits	7,095	10,304	(9,831)	(10,822)
	379,770	426,671	93,281	82,936

Certain subsidiaries are granted relief from taxation as approved farmer under section 36D of the Income Tax Act 1982, for a period of 10 years commencing in the year of assessment 2008. As such, profits of these subsidiaries for the year amounting to $55,335,000 (2011- $68,739,000) were not subject to tax.

11. Net Profit Attributable to Stockholders of the Company

Dealt with as follows in the financial statements:

	2012 $'000	2011 $'000
The company	2,244,928	313,817
Dividend income from subsidiaries	(1,949,711)	-
	295,217	313,817
Subsidiaries	600,319	560,077
	895,536	873,894

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 by the weighted average number of ordinary stock units in issue.

	2012	2011
Net profit attributable to stockholders ($'000)	895,536	873,894
Weighted average number of ordinary stock units ('000)	516,398	516,398
Basic earnings per stock unit ($)	1.73	1.69

The company has no dilutive potential ordinary shares.

13. Dividends

	2012 $'000	2011 $'000
Interim dividends -		
53 cents per stock unit – 7 August 2012	273,691	-
30 cents per stock unit – 9 November 2012	154,920	-
50 cents per stock unit – 8 July 2011	-	258,199
26 cents per stock unit – 7 November 2011	-	134,264
	428,611	392,463

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
			2012			
Cost -						
At 1 January 2012	526,982	1,157,491	3,434,247	267,475	347,934	5,734,129
Additions	37,565	15,344	116,116	9,890	519,351	698,266
Disposals	-	(879)	(2,340)	(3,508)	(619)	(7,346)
Transfers	318	37,322	514,892	64,937	(617,469)	-
At 31 December 2012	564,865	1,209,278	4,062,915	338,794	249,197	6,425,049
Accumulated Depreciation -						
At 1 January 2012	-	538,483	1,584,750	118,198	-	2,241,431
Charge for the year	-	25,138	284,413	71,455	-	381,006
On disposals	-	(29)	(1,920)	(2,546)	-	(4,495)
At 31 December 2012	-	563,592	1,867,243	187,107	-	2,617,942
Net Book Value -						
At 31 December 2012	564,865	645,686	2,195,672	151,687	249,197	3,807,107
			2011			
Cost -						
At 1 January 2011	430,889	1,106,279	2,840,525	231,490	263,939	4,873,122
Additions	53,140	3,264	192,561	9,274	623,545	881,784
Disposals	-	-	(18,097)	(2,578)	(102)	(20,777)
Transfers	42,953	47,948	419,258	29,289	(539,448)	-
At 31 December 2011	526,982	1,157,491	3,434,247	267,475	347,934	5,734,129
Accumulated Depreciation -						
At 1 January 2011	-	514,133	1,367,635	63,636	-	1,945,404
Charge for the year	-	24,350	234,272	57,140	-	315,762
On disposals	-	-	(17,157)	(2,578)	-	(19,735)
At 31 December 2011	-	538,483	1,584,750	118,198	-	2,241,431
Net Book Value -						
At 31 December 2011	526,982	619,008	1,849,497	149,277	347,934	3,492,698

14. Property, Plant and Equipment (Continued)

	The Company					
	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
			2012			
Cost -						
At 1 January 2012	66,289	339,025	180,491	32,042	2,536	620,383
Additions		6,774	1,122	-	15,519	23,415
Disposals	-	-	(131)	-	-	(131)
Transfers		2,288	5,151	7,797	(15,236)	-
At 31 December 2012	66,289	348,087	186,633	39,839	2,819	643,667
Accumulated Depreciation -						
At 1 January 2012	-	240,534	167,441	19,795	-	427,770
Charge for the year	-	5,805	5,500	8,732	-	20,037
Relieved on disposals	-	-	(73)	-	-	(73)
At 31 December 2012	-	246,339	172,868	28,527	-	447,734
Net Book Value -						
At 31 December 2012	66,289	101,748	13,765	11,312	2,819	195,933
			2011			
Cost -						
At 1 January 2011	23,336	332,746	171,415	30,420	2,601	560,518
Additions	42,953	-	7,892	-	11,598	62,443
Disposals	-	-	-	(2,578)	-	(2,578)
Transfers	-	6,279	1,184	4,200	(11,663)	-
At 31 December 2011	66,289	339,025	180,491	32,042	2,536	620,383
Accumulated Depreciation -						
At 1 January 2011	-	234,773	159,990	14,988	-	409,751
Charge for the year	-	5,761	7,451	7,385	-	20,597
Relieved on disposals	-	-	-	(2,578)	-	(2,578)
At 31 December 2011	-	240,534	167,441	19,795	-	427,770
Net Book Value -						
At 31 December 2011	66,289	98,491	13,050	12,247	2,536	192,613

Certain of the group's property, plant and equipment have been pledged as security for its borrowings (Note 26).

15. Intangible Assets

Intangible assets comprise brands acquired by the Group, and are amortised over their estimated useful lives of 10 years. The carrying value of intangible assets was determined as follows:

	The Group	
	2012	2011
	$'000	$'000
Fair value of brands acquired	73,407	73,407
Less: Accumulated amortisation	(50,750)	(43,410)
	22,657	29,997

16. Available-for-Sale Investments

	The Group & The Company	
	2012	2011
	$'000	$'000
Quoted equities	57,305	82,385
Unquoted equities	1,279,189	-
Government of Jamaica securities	1,036,445	1,237,655
	2,372,939	1,320,040
Less: Securities maturing within 12 months	(16,021)	(265,341)
	2,356,918	1,054,699

Government of Jamaica securities and corporate bonds include interest receivable of $16,021,000 (2011 – $42,803,000). The weighted average effective interest rate on these securities was 9.96% (2011 – 9%).

During the year, the company purchased 42,214 ordinary shares (12.5%) and 20,486 preference shares (34%) in Facey Commodity Company Limited, a related company. As the company does not exercise significant influence over the related party, the investment has been treated as available-for sale and is carried at fair value. The preference shares are denominated in United States dollars. 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 of 11.19%.

The movement in available-for-sale investments during the year was as follows:

	The Group & The Company	
	2012	2011
	$'000	$'000
Balance at start of year	1,320,040	2,090,566
Additions	1,236,385	-
Disposals	(240,996)	(777,359)
Net fair value (losses)/gains	(5,282)	8,665
Effect of changes in foreign exchange rates	62,792	(1,832)
Balance at end of year	2,372,939	1,320,040

17. Long Term Receivables

	The Group & The Company	
	2012	**2011**
	$'000	**$'000**
(a) Musson (Jamaica) Limited	309,211	754,159
(b) Orrett and Musson	278,562	400,059
	587,773	1,154,218
Less: Current portion	(339,470)	(456,047)
	248,303	698,171

(a) On 2 October 2007, the company sold its 50% shareholding in Gatcombe Investments Limited to Musson Jamaica Limited for a purchase consideration of US$20,319,000, US$15,239,250 of which was financed by a long term receivable. US$7,112,000 was scheduled to be received in equal monthly installments for 3 years from the inception date at a weighted average interest rate of 10.67%, with the balance receivable in full at the end of the third year. The loan is unsecured.

At 31 December 2009, the receivable balance of US$9,906,000 at that date was restructured with repayments due in equal monthly installments of US$50,000 for 3 years from that date at an interest rate of 12%, with the balance receivable in full at the end of the third year.

At the end of January 2012, the receivable balance of $3,656,000, at that date was restructured with repayments due in equal monthly installments of US$30,000 for 3 years from that date at an interest rate of 9%, with the balance receivable in full at the end of the third year.

(b) During 2010, the company entered into an agreement to lend Orrett and Musson Investment Company Limited, a subsidiary of Musson (Jamaica) Limited, US$3,000,000 to be used exclusively for business purposes. The amount was repayable on or before 31 December 2011. The amount was restructured and is now repayable on 31 March 2013. Interest is charged monthly at a rate of 9%. The amount includes interest receivable of $2,113,000 at the year end (2011 – Nil). The loan is unsecured.

18. Retirement Benefits

	The Group & The Company	
	2012	**2011**
	$'000	**$'000**
Assets/(liabilities) recognised in the statement of financial position –		
Pension scheme	3,600	21,700
Medical benefits	(102,700)	(92,400)
Amounts recognised in profit or loss –		
Pension scheme	(22,100)	(11,000)
Medical benefits	(21,300)	(18,800)

18. Retirement Benefits (Continued)

Pension scheme

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 and the company's contribution for the year amounted to $19,688,000 (2011 - $13,469,000) and $9,780,000 (2011 - $4,004,000), respectively (Note 8).

The Group operates a defined benefit scheme for employees of the Group 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 (formerly 2 years), with the Group and employees each contributing 5% of pensionable salaries. 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.

A funding valuation is performed triennially by independent actuaries. The latest valuation was done as at 31 August 2011 and revealed that the scheme was adequately funded.

The defined benefit asset recognised in the statement of financial position was determined as follows:

	The Group & The Company	
	2012	2011
	$'000	$'000
Fair value of plan assets	745,500	744,100
Present value of obligations	(772,400)	(779,300)
	(26,900)	(35,200)
Unrecognised actuarial losss	30,500	56,600
Unrecognised past service cost	-	300
	3,600	21,700

The distribution of plan assets was as follows:

	2012		2011	
	$'000	%	$'000	%
Quoted equities	156,555	21.0	177,027	24
Real estate	224,395	30.1	191,917	26
Government of Jamaica securities	260,925	35.0	286,844	38
Repurchase agreements	29,075	3.9	19,063	3
Other investments	61,876	8.3	42,327	6
Other	12,674	1.7	26,922	3
	745,500	100.0	744,100	100

18. Retirement Benefits (Continued)

Pension scheme (continued)
Plan assets include the company's ordinary stock units with a fair value of $26,413,000 (2011 – $37,969,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The movement in the fair value of plan assets during the year was as follows:

	The Group & The Company	
	2012 $'000	2011 $'000
At beginning of year	744,100	707,000
Expected return on plan assets	95,400	76,200
Employer contributions	4,000	3,000
Employee contributions	6,800	5,200
Benefits paid	(79,200)	(37,600)
Actuarial losses on plan assets	(25,600)	(9,700)
At end of year	745,500	744,100

The movement in the present value of obligations during the year was as follows:

	The Group & The Company	
	2012 $'000	2011 $'000
At beginning of year	(779,300)	(656,800)
Current service cost	(38,600)	(21,900)
Interest cost	(99,700)	(75,200)
Employee contributions	14,300	5,200
Benefits paid	79,200	37,600
Actuarial gains/(losses) on obligations	51,700	(68,200)
At end of year	(772,400)	(779,300)

18. Retirement Benefits (Continued)

Pension scheme (continued)
The amounts recognised in profit or loss was as follows:

	The Group & The Company	
	2012 $'000	2011 $'000
Current service cost, net of employee contributions	(17,500)	(11,500)
Interest cost	(99,700)	(75,200)
Past service cost -		
Non-vested benefits	(300)	(500)
Expected return on plan assets	95,400	76,200
Total included in staff costs (Note 8)	(22,100)	(11,000)

The actual return on plan assets was $66,300,000 (2011 – $66,500,000).

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus/(deficit) in the plan, and experience adjustments for plan assets and liabilities are as follows:

	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	745,500	744,100	707,000	643,200	645,000
Defined benefit obligation	(772,400)	(779,300)	(656,800)	(535,400)	(526,000)
(Deficit)/Surplus	(26,900)	(35,200)	50,200	107,800	119,000
Experience adjustments –					
Fair value of plan assets	4,500	9,700	14,600	35,700	(16,400)
Defined benefit obligation	(3,000)	34,900	6,000	(24,900)	5,500

18. Retirement Benefits (Continued)

Medical benefits

In addition to pension benefits, the Group offers retirees medical benefits. Funds are not built up to cover the obligations under the medical benefit scheme. 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 liability recognised in the statement of financial position was determined as follows:

	The Group & The Company	
	2012 $'000	2011 $'000
Present value of unfunded obligations	(126,900)	(125,900)
Unrecognised actuarial losses	24,200	33,500
	(102,700)	(92,400)

The movement in the present value of obligations during the year was as follows:

	The Group & The Company	
	2012 $'000	2011 $'000
At beginning of year	(125,900)	(126,500)
Current service cost	(400)	(600)
Interest cost	(16,200)	(14,200)
Benefits paid	11,000	8,100
Actuarial gains	4,600	7,300
At end of year	(126,900)	(125,900)

The amounts recognised in profit and loss were as follows:

	The Group & The Company	
	2012 $'000	2011 $'000
Current service cost	(400)	(600)
Interest cost	(16,200)	(14,200)
Net actuarial losses recognised during the year	(4,700)	(4,000)
Total included in staff costs (Note 8)	(21,300)	(18,800)

A 1% increase/(decrease) in the assumed medical cost trend rate would result in an increase/(decrease) in the aggregate current service cost and interest cost of $1,400,000/($1,200,000), and an increase/(decrease) in the defined benefit obligation of $13,600,000/($11,400,000).

18. Retirement Benefits (Continued)

The five-year trend for the defined benefit obligation and experience adjustments are as follows:

	2012	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Defined benefit obligation	(126,900)	(125,900)	(126,500)	(103,300)	(78,500)
Experience adjustments	1,600	7,300	11,700	18,000	3,200

Principal actuarial assumptions used in valuing retirement benefits

The principal actuarial assumptions used in valuing retirement benefits were as follows:

	2012	2011
Discount rate	10.0%	10.5%
Expected return on plan assets	10.0%	10.0%
Future salary increases	7.0%	7.0%
Future pension increases	4.5%	5.0%
Long term increase in health costs	9.5%	9.5%
Average expected remaining service life of the employees (years)	7	8

At normal retirement age, 92.8% of males and 74.2% of females are married.

The age difference between husband and wife is 3 years.

Post-retirement mortality for active members and mortality for pensioners and deferred pensioners is based on the PA (90) Tables for Pensioners (British mortality tables) with ages rated down by 6 years.

19. Biological Assets

Non-current – livestock

	The Group	
	2012	**2011**
	$'000	**$'000**
Dairy Livestock –		
2,631 (2011 – 2,121) Cows able to produce milk	144,328	121,201
2,613 (2011 – 2,416) Heifers being raised to produce milk in the future	85,568	88,350
Other Livestock –		
128 (2011 – 144) Bulls raised for sale and reproduction	5,399	4,420
1,422 (2011 – 1,254) Sheep raised for sale and reproduction	9,475	8,561
10 (2011 – 9) Horses raised	375	338
80 (2011 – 80) Bee colonies	960	960
	246,105	223,830

6,305,813 (2011 – 5,501,729) litres of milk with a fair value, less estimated point-of-sale costs of $406,071,000 (2011 – $357,661,000) were produced during the period.

The movement in livestock during the year was as follows:

	The Group	
	2012	**2011**
	$'000	**$'000**
Balance at start of year	223,830	211,712
Purchases	228	1,896
Sales	(30,864)	(43,677)
Changes in fair value less estimated point-of-sale costs - cattle	49,857	50,338
Changes in fair value less estimated point-of-sale costs - sheep	3,054	3,561
Balance at end of year	246,105	223,830

19. Biological Assets (Continued)

Current – sugar cane

	The Group	
	2012	**2011**
	$'000	**$'000**
97,637 tonnes (2011 – 99,621 tonnes)	446,696	349,917

The movement in sugar cane during the year was as follows:

	The Group	
	2012	**2011**
	$'000	**$'000**
Balance at start of year	349,917	162,268
Net cost of cane cultivation and value of cane harvested	(311,535)	(271,839)
Changes in fair value less estimated point-of-sale costs	408,314	459,488
Balance at end of year	446,696	349,917

20. Inventories

	The Group	
	2012	**2011**
	$'000	**$'000**
Raw and packaging materials	1,762,633	994,594
Work in progress	37,852	36,253
Finished goods	490,107	522,570
	2,290,592	1,553,417

21. Trade and Other Receivables

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	1,380,231	1,320,952	3,619	3,383
Less: Provision for impairment	(113,100)	(107,643)	(3,619)	(3,383)
	1,267,131	1,213,309	-	-
Other advances and prepayments	118,474	445,518	12,233	10,844
Due from affiliate (Note 29)	420,843	550,000	420,843	550,000
Other	297,298	247,869	104,629	83,429
	2,103,746	2,456,696	537,705	644,273

22. Cash and Cash Equivalents

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash at bank and in hand	265,692	249,926	67,328	37,272
Short-term deposits	10,213	-	10,213	-
	275,905	249,926	77,541	37,272
Bank overdraft	(82,614)	-	(82,614)	-
	193,291	249,926	(5,073)	37,272

Included in the short-term deposits is $583,000 (2011 – nil) representing interest receivable for both the Group and company.

23. Payables

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade payables	1,415,221	466,049	-	-
Accruals	290,298	224,814	165,336	92,478
Other	114,600	104,296	87,488	78,290
	1,820,119	795,159	252,824	170,768

24. Share Capital

	2012	2011
	$'000	$'000
Authorised -		
530,000,000 Ordinary shares		
Issued and fully paid -		
516,398,000 Ordinary stock units at no par value	561,287	561,287

25. Capital Reserve

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Revaluation surplus on assets carried at deemed cost	346,551	346,551	105,340	105,340
Fair value gains on available-for-sale investments	88,688	93,970	88,688	93,970
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	1,800	1,800	-	-
Realised gains on sale of investments	120,855	120,855	120,855	120,855
Other realised surplus	22,230	22,230	20,289	20,289
	916,661	921,943	335,172	340,454

26. Long Term Liabilities

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Loan amounts	1,292,723	1,548,780	990,383	1,200,000
Interest payable	5,680	3,594	5,680	3,594
	1,298,403	1,552,374	996,063	1,203,594
Less: Current portion	(825,449)	(1,152,374)	(596,063)	(803,594)
	472,954	400,000	400,000	400,000

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(i) Tetra Pak – LIBOR + 2%	116,385	-	-	-
(ii) Tetra Pak – LIBOR + 2%	-	60,111	-	-
(iii) Inter-American Investment Corp – LIBOR + 4.25%	-	115,468	-	-
(iv) Jamaica Cane Product Sales – LIBOR + 3%	-	173,201	-	-
(v) Jamaica Cane Product Sales – LIBOR + 3%	185,955	-	-	-
(vi) National Commercial Bank (Jamaica) Limited – 9%	590,383	800,000	590,383	800,000
(vii) Commercial paper – 8%	400,000	400,000	400,000	400,000
	1,292,723	1,548,780	990,383	1,200,000

26. Long Term Liabilities (Continued)

(i) This represents US$ financing agreements from a supplier and are repayable in sixteen quarterly installments commencing 1 March 2012. It is secured by property, plant and equipment acquired under the loan agreements.

(ii) This represented US$694,128 financing agreement from a supplier and was paid in four quarterly payments during 2012.

(iii) This loan was denominated in United States dollars and is repayable in 6 semi-annual instalments commencing 15 May 2011. The loan is secured by a promissory note. The loan was repaid during the year.

(iv) The loan was denominated in United Stated dollars and was repaid at the end of the 2011/2012 crop from sugar cane proceeds.

(v) The loan is denominated in United Stated dollars and is repayable at the end of the 2012/2013 crop from sugar cane proceeds.

(vi) This loan is denominated in Jamaican dollars and was received on 24 November 2011 for an initial period of one year, and is revolving thereafter. The loan attracts interest at a rate of 9% per annum and is due in full at maturity. The loan is unsecured.

(vii) This represents various commercial paper issued by Seprod and arranged by Bank of Nova Scotia Jamaica Limited. These amounts are denominated in Jamaican dollars and were received on 24 November 2011 and mature in November 2014. The instruments attract interest at a rate of 8% for the first six months, and thereafter, float at WATBY plus 1.5% until maturity. Interest payments are made semi-annually. These amounts are secured by promissory notes issued by Seprod.

27. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 33⅓%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

The movement in deferred taxation is as follows:

	The Group		The Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Balance at start of year	(330,433)	(319,561)	(37,400)	(59,552)
Credited/(charged) to profit or loss (Note 10)	67,677	(10,872)	(9,980)	22,152
Balance at end of year	(262,756)	(330,433)	(47,380)	(37,400)

27. Deferred Taxation (Continued)

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	71,726	(29,968)	5,287	7,238
Retirement benefits	1,208	6,200	1,208	6,200
Tax losses carried forward	5,352	1,934	-	-
Unrealised exchange gains	(23,020)	(779)	(23,250)	(779)
Other	12,411	11,741	6,775	9,493
	67,677	(10,872)	(9,980)	22,152

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

	The Group		The Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	(241,971)	(313,072)	(5,775)	(11,062)
Retirement benefits	24,775	23,567	24,775	23,567
Tax losses carried forward	7,286	1,934	-	-
Unrealised exchange gains	(66,726)	(43,476)	(66,726)	(43,476)
Other	13,880	614	346	(6,429)
	(262,756)	(330,433)	(47,380)	(37,400)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain subsidiaries amount to $989,549,000 (2011 – $743,018,000). Of those losses, no deferred tax assets have been created in respect of $968,873,000 (2011 - $737,216,000) as the Group is uncertain of its ability to utilise those losses in the future.

During the 2012/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities, from 33 1/3% to 25%, effective 1 January 2013. The change in the tax rate was signed into law on 28 December 2012 and as such has been applied in determining the amounts for deferred taxation in these financial statements.

On 12 February 2013, the Minister of Finance and Planning announced that a surtax of 5% will be imposed on the taxable income of large unregulated entities, effective from 1 April 2013. This represents an addition to 25% tax rate to be levied as at 1 January 2013. Based on Minister Paper 15 of 2013 issued by the Ministry of Finance and Planning, "large unregulated companies" are to be defined as those companies with gross income equal to or greater than $500,000,000, that are not regulated by the Financial Services Commission, Bank of Jamaica, the Ministry of Finance & Planning or the Office of Utilities Regulation. The surtax has not been applied in determining the amounts for taxation in these financial statements as it had not been enacted or substantively enacted at 31 December 2012. Had the surtax been recognised in the financial statements at 31 December 2012 there would have been an increase of $52,551,000 and $9,476,000 in deferred tax liabilities recognised in the statement of financial position and an decrease/increase of $52,551,000 and $9,476,000 in the deferred tax credit/charge in the statement of comprehensive income for the Group and the company, respectively.

28. Cash Generated from Operations

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Net profit	850,802	767,280	2,244,928	313,817
Items not affecting cash resources:				
Amortisation of intangible assets	7,340	7,341	-	-
Depreciation	381,006	315,762	20,037	20,597
Unrealised foreign exchange (gains)/losses	(101,021)	(24,986)	(101,021)	(11,568)
Gain on sale of available-for-sale investments	(6,420)	(18,349)	(6,420)	(18,349)
Loss/(gain) on disposal of property, plant and equipment	294	(6,598)	(95)	(330)
Interest income	(208,060)	(320,377)	(330,397)	(415,577)
Interest expense	105,696	62,363	83,952	45,915
Retirement benefits	28,400	18,600	28,400	18,600
Dividend income	(4,604)	(3,549)	(1,954,315)	(3,549)
Taxation	379,770	426,671	93,281	82,936
	1,433,203	1,224,158	78,350	32,492
Changes in operating assets and liabilities:				
Inventories	(737,175)	(4,986)	-	-
Receivables	357,143	(1,096,675)	110,761	(532,400)
Biological assets	(119,054)	(199,767)	-	-
Due to subsidiaries	-	-	(1,372,130)	(612,416)
Provisions	30,585	-	-	-
Accounts payable	1,016,125	117,110	76,750	40,674
	1,980,827	39,840	(1,106,269)	(1,071,650)
Taxation paid	(386,486)	(481,241)	(94,250)	(102,423)
Cash provided by operating activities	1,594,341	(441,401)	(1,200,519)	(1,174,073)

Significant non-cash transactions during the year were interest and dividend income earned by the company from subsidiaries, which were settled through intercompany accounts (Note 6).

29. Related Party Transactions

The following transactions were carried out with or on behalf of related parties:

(a) Sales and purchases of goods and services

Sales of $2,979,969,000 (2011 – $2,987,670,000) to and purchases of $170,000 (2011 – $10,859,000) from Musson (Jamaica) Limited, T.Geddes Grant (Distributors) Limited and Facey Commodity Company Limited occurred during the year. The Chairman of the company's Board of Directors is a major shareholder and Chairman of the Board of Directors of these entities. Trade receivables and payables include $487,752,000 and $25,104,000 (2011 - $427,757,000 and $27,343,000), respectively, in respect of these transactions.

A subsidiary paid cess of $5,108,000 (2011 - $4,481,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the company.

(b) Key management compensation

	2012 $'000	2011 $'000
Wages and salaries	98,234	142,418
Statutory contributions	6,575	11,224
Other	1,556	600
	106,365	154,242
Directors' emoluments –		
Fees	5,713	9,834
Medical insurance premiums	7,487	15,056
Management remuneration (included above)	49,800	59,950

(c) Advances and loans

At 31 December 2012, profit share advances to key management amounted to $11,543,000 (2011 – $23,478,000).

Loans to other related parties are disclosed in Note 17. Interest earned on these loans during the year amounted to US$691,000 (2011 – US$1,356,000).

Advances due from an affiliate are disclosed in Note 21. Interest earned on these advances during the year amount to $10,235,000 and US$202,000 (2011 - Nil).

30. 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$53 per hectare per annum, the annual lease cost to the subsidiary is US$82,000.

(b) At 31 December 2012, management had approved approximately $330 million (2011 – $91 million) for capital expenditure in respect of certain subsidiaries.

31. Litigation, Claims and Assessments

Litigation and Claims

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.

As at 31 December 2012, provisions in respect of such claims amounted to $29,050,000. This was in relation to a judgment handed down against a subsidiary. An amount of $5,098,000 was paid on the claim during the year, resulting in a balance of $23,952,000, of which $8,214,000 was paid subsequent to the year end. Management is of the opinion that the interest assessed in respect of the claim is excessive and will be filing an appeal to have the amount reduced.

Tax Assessment

In 2012, one of the company's subsidiaries received from the Taxpayer Audit & Assessment Department (TAAD), a Notice of Assessment in respect of its 2009 income tax filing. This would result in demands for additional payments for taxation for the year totalling $8,749,000.

The assessment, against which the subsidiary is planning to lodge a formal objection, resulted from the TAAD disallowing several expenses including group overhead charges, export marketing expenses and inventory provision.

The subsidiary believes that the amounts disallowed should have been accepted as allowable based on the nature of these expenses and expects that the additional assessment will be reversed. At the date of these financial statements the formal objection has not been submitted and as such a provision has been recognised in the financial statements for the amount.

32. Subsequent Events

(a) In February 2013, the company repurchased 59,480 of its own shares at a cost of $892,200. These shares are considered treasury shares and can be reissued at a later date.

(b) In February 2013, the company sold 248,212 of its preference shares in one of its subsidiaries for a price of US$248,212 to Quadrille Holdings Limited. As a part of the agreement, the subsidiary will issue new ordinary shares totaling 5,571 or 11.02% of its ordinary shares for a price of US$1,755,000 to Quadrille Holdings Limited.

(expressed in Jamaican dollars unless otherwise indicated)

32. Subsequent Events (Continued)

(c) In September 2012, one of the company's subsidiaries was approved for a loan facility of US$10,000,000 from the National Commercial Bank Jamaica Limited. This is broken down into two tranches.

i) Tranche A amounts to US$4,200,000 and is repayable by 28 quarterly principal payments of US$105,000 and a balloon payment of US$1,260,000 at maturity. Interest will be payable quarterly at a rate of 6.50% per annum.

ii) Tranche B amounts to US$5,800,000 and is repayable by 28 quarterly principal payments of US145,000 and a balloon payment of US$1,740,000 at maturity. Interest will be payable quarterly at a rate of 6.25% per annum.

The funds were disbursed in March 2013.

(d) In February 2013, the Group participated in the National Debt Exchange (NDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments with lower coupon interest rates.

The key features of the NDX are as follows:

- Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the "Old Notes") were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the "New Notes"). Participation in the NDX was voluntary.
- The New Notes offered have a variety of payment terms, including but not limited to fixed and variable rates in J$, CPI-indexed in J$, and fixed rates in USD.
- Eligible investors had the option to choose New Notes based on the type and maturity of the Old Notes which are offered for exchange based on certain election options. The election options only allow investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New Notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 22 February 2013 (the Settlement Date).

The NDX has had a significant impact on the expected future cash flows from the Group's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	Pre NDX	Post NDX
Jamaican dollar denominated instruments:		
Total face value exchanged J$354,387,000		
Weighted average coupon rate	8.075%	4.850%
Weighted average tenor to maturity	2,368 days	3,993 days

Following the NDX, there has been a significant reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. This shift will result in a significant reduction in the discount rate used to measure the Group's obligations under its defined benefit pension and other post employment benefit plans. Accordingly, the Group's obligations under these plans are likely to increase significantly. The Group, in conjunction with its actuaries, is in the process of determining the impact on both the accounting measurement and funding of these plans.

NOTES

NOTES

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