SEPROD

OPPORTUNITIES LOADING

ANNUAL REPORT 2021

FACEY


OREO
Libresse
GOYA
Cadbury
Haliborange
NABISCO
Serge
NEW GPC INC.
Enterex PLUS
MONSTER MILK
HEINZ for baby
So Good
CHEF
Uncle Sam's
Ovaltine
Redoxon
ALEVE EXTRA STRENGTH
Trident
Jöllsom

BRANDS WE love

SEPROD

MISSION STATEMENT

- 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 reasonable remuneration and opportunities for personal development and job satisfaction.
- Perform the role of a good corporate citizen and contribute to the public welfare.

CORPORATE GOVERNANCE

Corporate Governance remains a key area of focus for Seprod Limited and is central to the Company's strategic objectives. The principles and the structure of our policy ensure the highest standards of transparency, oversight and independence, which serve the best interest of all our stakeholders. The practices are consistent with world best practices and adhere to the relevant legal and regulatory framework.

Our Corporate Governance Charter was established in December, 2012 by the Board of Directors and reviewed in December, 2020. The charter can be seen in more detail on the Company's website – www.seprod.com

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS **HEREBY GIVEN that the EIGHTY-THIRD ANNUAL GENERAL MEETING** of Seprod Limited will be held at the Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5 on September 19, 2022 at 11:00 a.m. The meeting will be held in a hybrid format (physical and virtual), for the purpose of transacting the following business:

1. **To receive the Audited Accounts and the Reports of the Directors and Auditors**
   To consider and if thought fit pass the following resolution:

   "THAT the Directors' Report, the Auditors' Report and the Audited Accounts for the year ended December 31, 2021 be and are hereby adopted."

2. **To elect Directors**
   The Directors retiring from office by rotation pursuant to Articles 89 and 91 of the company's Articles of Association are Mr. Christopher Gentles, Mr. Nicholas Jones, Mr. Patrick Scott and Mr. Mark Suomi, who, being eligible, offer themselves for re-election.

   To consider and if thought fit pass the following resolutions:

   Resolution 2 (a)

   That the directors retiring from office by rotation and offering themselves for re-election be elected en-bloc.

   Resolution 2 (b)

   "THAT Mr. Christopher Gentles, Mr. Nicholas Jones, Mr. Patrick Scott and Mr. Mark Suomi be re-elected as Directors.

3. **To fix the remuneration of Directors.**
   To consider and if thought fit pass the following resolution:

   "THAT the amount shown in the Audited Accounts as Directors Remuneration for the year ended 31st December, 2021 be and is hereby approved.

4. **To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.**

   To consider and if thought fit pass the following resolutions:

   Resolution 4 (a)

   "THAT PricewaterhouseCoopers having indicated their willingness to continue in office as Auditors be re-appointed Auditors for the ensuing year."

   Resolution 4(b)

   "THAT the Directors be authorized to agree on the remuneration of the auditors.

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

DATED this 25th day of April, 2022

BY ORDER OF THE BOARD

....
Damion Dodd
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 the time of the meeting.

DIRECTORS' REPORT

The Directors of Seprod Limited submit herewith their Annual Report and Audited Accounts for the year ended December 31, 2021.

FINANCIAL RESULTS

The Group ended the year with a profit before tax of $2.31 Billion and a net profit attributable to shareholders of $1.99 Billion. 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 Management Discussion and Analysis and the Financial Statements which are included as part of the Report.

DIVIDEND

The company made the following dividend payments during the year:

- A payment of thirty cents ($0.30) to shareholders on record as at March 10, 2021 was paid on March 15, 2021.
- A payment of fifty cents ($0.50) to shareholders on record as at August 12, 2021 was paid on August 20, 2021.
- A payment of fifty cents ($0.50) to shareholders on record as at November 26, 2021 was paid on December 10, 2021.

The Directors do not recommend any further payment of dividend for 2021.

DIRECTORS

Mr. Peter J. Thwaites retired from the Board of Directors effective December 31, 2021. In accordance with Articles 89 and 91 of the Company's Articles of Association, the following Directors are retiring from office by rotation and, being eligible, offer themselves for re-election:

- Mr. Christopher Gentles
- Mr. Nicholas Jones
- Mr. Patrick Scott

Mr. Mark Suomi was appointed to the Board of Directors effective January 31, 2022. He too, retires from office and being eligible, offers himself 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. Byron Thompson (Chairperson), Mrs. Melanie Subratie, Mr. Nicholas Scott and Mr. Brian Wynter, as well as external appointee, Dr. Sharon McDonald.

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

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, Jamaica Samuda & Johnson 2-6 Grenada Crescent Kingston 5, Jamaica
Bankers:	Citibank N.A. Jamaica 19 Hillcrest Avenue Kingston 6, Jamaica CIBC First Caribbean International Bank 23-27 Knutsford Boulevard Kingston 5 First Global Bank 24-48 Barbados Avenue Kingston 5 National Commercial Bank Jamaica Limited 1-7 Knutsford Boulevard Kingston 5, Jamaica Sagicor Bank 17 Dominica Drive Kingston 5, Jamaica
Registrar and Transfer Agents	Jamaica Central Securities Depository Limited 40 Harbour Street Kingston, Jamaica

CONTACT INFORMATION

DISTRIBUTION

INDUSTRIAL SALES LIMITED
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220
Fax: (876) 923-6722

FACEY COMMODITY COMPANY LIMITED
3 Felix Fox Boulevard
Kingston

MERCHANDISE DIVISION
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220

PHARMACEUTICAL DIVISION
53 Newport Boulevard
Kingston 13
Tel: (876) 923-9221-5

INGREDIENTS

CARIBBEAN PRODUCTS COMPANY LIMITED
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220

MANUFACTURING PLANT
228 Spanish Town Road
Kingston 11
Tel: (876) 923-0125-8
(876) 923-6516-8
(876) 937-3372
Fax: (876) 923-4043

GOLDEN GROVE SUGAR COMPANY LIMITED
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220

JAMAICA GRAIN & CEREALS LIMITED
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220
Fax: (876) 967-7479

INTERNATIONAL BISCUITS LIMITED
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220

MANUFACTURING PLANT
2e Valentine Drive
P.O. Box 453, Kingston 19
Tel: (876) 925-9418

DAIRY

MUSSON INTERNATIONAL DAIRIES LIMITED T/A SERGE DAIRIES
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220

MANUFACTURING PLANT
Bybrook, Bog Walk
St. Catherine
Tel: (876) 985-1479-83

SERGE ISLAND FARMS LIMITED
3 Felix Fox Boulevard
Kingston
Tel: (876) 922-1220

DAIRY FARM
Seaforth, St. Thomas
Tel: (876) 706-5844-6
Fax: (876) 706-5843

SHAREHOLDERS' PROFILE

AS AT DECEMBER 31, 2021

TEN LARGEST SHAREHOLDERS		
1.	Musson (Jamaica) Limited	* 233,747,988
2.	Coconut Industry Board	163,420,345
3.	JCSD Trustee Services Limited – Facey Group Limited	*125,234,043
4.	Grace Kennedy Limited Pension Scheme	21,955,904
5.	National Insurance Fund	15,443,045
6.	Scotia Jamaica Investment Management – A/C 3119	9,074,455
7.	ATL Group Pension Fund Trustee Nominee Limited	6,492,559
8.	Sagicor Select Fund Limited ('Class C' Shares)	5,879,298
9.	NCB Insurance Company Limited – A/C 109	5,648,346
10.	VM Wealth Equity Fund	5,387,891
0	** -Connected Persons: Paul B. Scott, Melanie M. Subratie*	

SHAREHOLDINGS OF DIRECTORS ALONG WITH THEIR CONNECTED PERSONS		
1.	Paul B. Scott	NIL
	Shareholding of connected persons	366,772,031
2.	Melanie M. Subratie	NIL
	Shareholding of connected persons	366,772,031
3.	Byron E. Thompson	1,220,668
4.	Richard R. Pandohie	3,998,231
5.	Nicholas A. Scott	NIL
	Shareholding of connected persons	1,206,768
6.	Peter J. Thwaites	11,020
7.	Michael J. Subratie	NIL
8.	Christopher Gentles	NIL
9.	Patrick Scott	3,000,000
10.	Nicholas Jones	NIL
11.	Brian Wynter	NIL

SHAREHOLDINGS OF MANAGEMENT		
1.	Marilyn Anderson	25,000
2.	Carol Andrade	13,000
3.	Dr. Ralston Bent	NIL
4.	Damion Dodd	300,000
5.	Fredy Graell	NIL
6.	Chana Hay	1,375,500
7.	Howard Guthrie	NIL
8.	Efrain Lara	NIL
9	Dale Wiest	NIL
10.	Joyce Miller	35,000
11.	Richard Pandohie	3,998,231
12.	Patrick Scott	3,000,000
13.	Dr. Patrick Sterling	20,700
14.	Perry Wright	13,947

Interior shot of the new Seprod Distribution Centre currently under construction at Felix Fox Boulevard.

– February 2022

CHAIRMAN'S REPORT

P.B. Scott
Chairman

DEAR SHAREHOLDERS,

It has not been our experience that either growth or the development of any company we have been associated with has been linear. What is clear to us is the destination. The journey we expect from time to time will have bumps in the road. In our case, we are building best in class excellence in all three pillars (Ingredients, dairy and distribution) of our business to leverage across our domestic market place (CARICOM) as well as exporting our products to various global markets. To do this, we have to invest in our people, our plants and our distribution platform with an absolute commitment to ensuring world class execution. With this commitment, we know no matter how bumpy the road may be, we will continue to move forward to our destination.

On the night of October 9th, such a bump presented itself. The main distribution warehouse of Facey Commodity Company (100,000 square feet and over 8,000 pallets) burnt down. The fire eradicated 70% of our stock, the entire warehouse, and the entire office including the customer service and the credit departments. Literally, what was earlier that day, the very epicentre of our business, had gone. While the fire destroyed infrastructure, we are grateful no one was hurt. Three days later, Facey Commodity Co. Ltd was delivering products to its customers. What emerged out of the ashes of the fire was a hardened determination by the team to rebuild. In fact Facey through hard work and the commitment of the team pivoted, leased warehouse space, rented new forklifts, created a new customer service department off-site and made the October's budget! The fire destroyed the building with a sign saying "Facey". It did not destroy Facey. While our physical assets became ash, our people's commitment was forged into steel. The intangible of Facey's excellence, its people, were fireproof. I would like to thank all the employees throughout the group that went above and beyond to get us back up and running. I would also like to thank all the people from all corners of society and the world, including competitors, who reached out to help. I am truly grateful for all the goodwill that was extended to us. Thank you.

> On the night of October 9th, such a bump presented itself. The main distribution warehouse of Facey Commodity Company....burnt down.

One of the biggest challenges in 2021 the fire exacerbated for us but did not create. The supply chain challenges that emerged during the last year have created severe disruption. They have been inflationary (materially squeezing margins) as well as impacting the timing of the delivery of raw materials and finished product to fulfil orders. At the time of writing this has not improved and we do not see the challenges going away in 2022. With the added complexity of the Ukraine war the prices of commodities which are key inputs into our products continue to be volatile effecting both our working capital requirements as well as margins. Seprod is well capitalized and will be able to meet these challenges.

Over 2021 our exports despite the logistics challenges globally continued to increase. We will invest to ensure that our factories and brands are competitive and our growth is reinforced and compounds. To compliment this we will continue to build out our distribution platform across the region as well as investing in our people. At the time of writing Seprod has signed an agreement to purchase the majority of the shares of A.S. Brydens Holdings Ltd. A.S. Bryden is an exceptional business run by outstanding people. We are privileged to be the stewards of A.S. Brydens' history and to have the opportunity to work with its talented leadership pool. This is a transformational transaction that will create the regions premier distribution platform. Seprod will deepen its' management talent, expand its' geographical reach as well diversifying its' regional portfolio of bringing the very best global brands to you. The benefits of this merger will be clearly seen in the future.

I would like to take this opportunity to thank our board for their support during the year and to welcome Mark Suomi and Brian Wynter to the board. Mark brings with him a wealth of international experience in managing global brands. We look forward to his valued input as we strive to deliver value to our principals throughout the region. Brian, a former Governor of the Bank of Jamaica who has had a long career in the region brings significant expertise. During the year Peter John Thwaites retired from the board. I would personally like to thank him for his support throughout the years. He was our longest serving director and our Deputy Chairman, he will be greatly missed and we wish him the very best in his retirement. On behalf of the board I would like to extend our gratitude to all of our team members who every day drive Seprod forward. Today over 25% of our team members throughout the group are shareholders and are our long term partners on this journey. There is no doubt there will be further bumps on our journey but after 2021 it is clear we are more than equipped to address them.

....

P.B. Scott
CHAIRMAN

BOARD OF DIRECTORS

P. B. SCOTT
CHAIRMAN

Mr. P.B. Scott is the Chairman, Chief Executive Officer (CEO) and principal shareholder of the Musson Group. His chairmanship extends to Musson's subsidiaries and affiliates; namely Facey Group Ltd., T. Geddes Grant (Distributors) Ltd., General Accident Insurance Company Ltd., Seprod Ltd. and PBS Group Ltd.

In addition to his responsibilities at Musson, he serves on several boards and commissions, which include being Chairman of the Development Bank of Jamaica (DBJ). He is also trustee of the American International School of Kingston (AISK) and is a former President of the Private Sector Organization of Jamaica.

He is married to Jennifer an Attorney-at- Law; they have two children.

RICHARD R. PANDOHIE, JP
CEO/MANAGING DIRECTOR

Mr. Richard Pandohie was appointed Chief Executive Officer and Managing Director of Seprod Limited in January 2015. He is widely respected as a transformational and visionary leader who takes bold actions. He has held several managerial and board positions in corporations in the Caribbean and Central America. He was appointed President of the Jamaica Manufacturers and Exporters' Association (JMEA) in 2019. He holds a Master of Business Administration degree in Corporate Finance and Operations Management from the McGill University and a Bachelor of Science degree in Chemical Engineering from The University of the West Indies.

Richard is passionate about growing value and creating success stories. He believes in giving back and is committed to helping other Jamaicans achieve their potential.

When he is not running around factories and farms, he spends time watching his favourite sport teams or just hanging with his family.

BYRON E. THOMPSON, JP, MBA

Mr. Thompson is a former Chief Executive Officer and Managing Director of the Seprod Group of Companies. He also sits on the Board of Seprod's Subsidiaries and Audit Committee. He is a Director of Eppley Limited, a member of the Salvation Army Advisory Board and a Council member of the Bureau of Standards. He holds a Bachelor's Degree in Chemistry and Geology from the University of the West Indies and an MBA from Barry University, Florida, USA.

MELANIE M. SUBRATIE, BSC. (Hons.)

Melanie Subratie is the Deputy Chairman of Musson (Jamaica) Limited, and is the Chairman and CEO of Stanley Motta Limited and Felton Property Management. Additionally, she is the Executive Chairman of the Musson Foundation and the Seprod Foundation. Melanie is the Vice-Chairman of General Accident Insurance Company Limited and T. Geddes Grant Limited, a director of Facey Group, Interlinc Limited, Eppley Limited, Eppley Caribbean Property Fund, PBS Group and all its subsidiaries, and Seprod Limited and all its subsidiaries.

She is Chairman of the Audit Committees for Seprod Limited, Interlinc Limited, and PBS Group. A keen angel investor, she is a director of First Angels, and a director of Bookfusion Limited. Melanie is the First Vice President of the Jamaica Chamber of Commerce.

She is a graduate of the London School of Economics, and mother to three teenage girls.

BOARD OF DIRECTORS – CONT'D

M.J. SUBRATIE, BCE, MSCE, EIT, JP

Mr. Michael Subratie is the Managing Director of T. Geddes Grant (Distributors) Limited as well as the Chief Operating Officer and a Director of the Musson Group of Companies in charge of Musson's manufacturing and trading business entities. Michael is also Founder and Executive Chairman of MJS Industrial Park Limited which has developed Spanish Town's first Industrial & Technology Special Economic Zone Park. He 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 is the Honorary Consul of Bangladesh.

In November, 2016, Michael was appointed as Dean of The Consular Corps of Jamaica. In his capacity as Dean, Michael represents over 47 countries that do not have resident ambassadors in Jamaica. He is an active member of the Young Presidents' Organization (YPO). He holds a Bachelor's Degree in Civil Engineering with highest honor from Georgia Institute of Technology and a Master's Degree in Structural Engineering from Purdue University. In April 2021, Michael completed the Wharton General Management Program at The Wharton School, University of Pennsylvania.

NICHOLAS A. SCOTT

Mr. Nicholas Scott is the Chief Investment Officer of the Musson Group and serves as a director of most of its subsidiaries and affiliates. He is also the Managing Director of Eppley Limited and the Chairman of the Eppley Caribbean Property Fund Limited SCC. Mr. Scott is the Chairman of the Student Loan Bureau and is a former Vice-President of the Private Sector Organisation of Jamaica. He holds a B.Sc. in Economics from the Wharton School at the University of Pennsylvania, an M.B.A from Columbia Business School and an M.P.A. from the Harvard Kennedy School of Government.

CHRISTOPHER GENTLES

Christopher Gentles was appointed a director of the Seprod Board in April 2016. He is currently the Chairman of the Coconut Industry Board and is employed to the Spirits Pool Association, and its subsidiary Caribbean Molasses Company Jamaica Ltd. as General Manager. He was former General Manager-Farm Operations of JP Tropical Foods Ltd. and former Group Produce Manager, SuperPlus Food Stores and the former Director General of the Coffee Industry Board of Jamaica. He was also the former President of Promecafe, the regional organization that promotes the development of the culture of coffee cultivation, and marketing within seven Latin American and Caribbean Countries.

Christopher has undergone training programmes in Irrigation and Extension from the Ruppin Institute in Israel, and has completed courses in merchandizing from Kellog's Business School, the University of Michigan. He holds a Global MBA from the Manchester Business School in the United Kingdom as well as his Bachelors in Agronomy from UWI, St. Augustine, Trinidad.

PATRICK SCOTT

Patrick A. W Scott is the Chairman and Chief Executive Officer of Facey Commodity Company Limited and the Executive Deputy Chairman of the Facey Group. Prior to these appointments, he served as Managing Director and as a Director of the company. A seasoned executive, Mr. Scott also sits on the main Boards of the Musson Group and was a key figure in the global development of Facey's Telecom business. Additionally, during his tenure as General Manager of the Pharmaceutical Division of Facey Commodity Company Limited, he was instrumental in its strong and rapid growth. Marketing- trained, he attended Seneca College and Ryerson University in Toronto, Canada.

NICHOLAS JONES

Mr. Nicholas Jones has been the Managing Director and Chairman of Fred M. Jones Estates Limited since 2013. He currently serves as a Director on the Coconut Industry Board and the Jamaica Agricultural Development Foundation.

He formerly held the position of Agricultural Director of the Jamaica Producers Group, the Managing Director of Montpelier Citrus Company and General Manager of Guardsman Ltd. Mr. Jones has a BSc in Agriculture from the University of Georgia in the USA and a MSC in Agricultural Science from Melbourne University in Australia and has attended Advanced Management Programs at the University of the West Indies and the Wharton School at the University of Pennsylvania.

BRIAN WYNTER, OJ, CD

Honourable Brian Wynter is internationally recognized as a central banker and financial markets executive with a wide range of experience in challenging environments. He was Governor of Bank of Jamaica during Jamaica's historic turnaround, co-chair of the Economic Programme Oversight Committee, founding CEO of Jamaica's Financial Services Commission and Corporate Finance head and Country Treasurer for Citibank Jamaica. Moving seamlessly between public and private sectors, his professional experience includes stints at the International Monetary Fund's Caribbean Regional Technical Assistance Centre in Barbados and the capital markets and derivatives subsidiaries of Chase Manhattan and Schroders in New York.

Called to the bar in the UK and Jamaica, he holds a BSc (Econ) from the London School of Economics and Political Science, a Diploma in Law from The City University and a Masters in International Affairs from Columbia University School of International and Public Affairs. In 2020, he was awarded the Order of Jamaica for distinguished service to central banking and the financial sector in Jamaica.

MARK SUOMI

Mark Suomi was appointed to the board of Seprod Limited in January 2022.

Mark has extensive marketing, sales, and operational expertise. Before joining Seprod, he served as Director of America Export of Mondelez International, a global food manufacturing company, from 2013 to 2021, and as Associated Director of Strategy from 2012 to 2013. His leadership and contributions shaped the Company's strategic position in the market, driving opportunities for new revenue, leading partnerships and marketing programs that distinguished the Company.

Prior to Mondelēz, Mark held various marketing roles at Kraft Foods International from 2002 to 2012, and various advertising and consumer promotional roles of Kraft Foods USA from 1989 to 2002.

Mark holds a Bachelor of Fine Arts degree from Northern Michigan University with continued education in advertising at Northwestern University & Leo Burnett. He resides in Coconut Grove, Florida with his spouse, travels extensively, is a keen scuba diver, and a passionate painter.

DIRECTORS' ATTENDANCE – 2021

	Seprod Board	Audit Committee	Superannuation Committee
Number of Meetings	**10**	**5**	**4**
Paul Scott	10		
Richard Pandohie	10		
Byron Thompson	10	5	
Melanie Subratie	9	4	3
Patrick Scott	9		
Michael Subratie	9		
Nicholas Scott	9	2	1
Christopher Gentles	10		
Nicholas Jones	5		
Brian Wynter	10	5	

BOARD SUB COMMITTEES

Executive Committee	Audit Committee	Superannuation Committee
Mr. P.B. Scott(Chairperson)	Mr. B.E. Thompson (Chairperson)	Mrs. M.M. Subratie (Chairperson)
Mr. B.E. Thompson	Mrs. M. M. Subratie	Mr. N.A. Scott
Mr. R.R. Pandohie	Mr. N.A. Scott	
Mrs. M. M. Subratie	Mr. B. Wynter	
Mr. P.A. Scott	Dr. Sharon McDonald	

AUDIT COMMITTEE REPORT

AS AT DECEMBER 31, 2021

OVERVIEW

The Audit Committee is established by the Board as a sub-committee and its powers are delegated by the board. The Audit Committee assists the board in fulfilling specific oversight responsibilities, which include the Seprod Group's financial reporting, internal control systems, risk management systems and the internal and external audit functions. The board retains responsibility for decisions, performance and outcomes of the Audit Committee.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee meets quarterly and comprises four (4) independent board members, inclusive of the chair, Mr. Byron Thompson, and one external appointee. The table on page 17 shows the member's attendance to these meetings.

Audit Committee meetings are also attended by the Chief Executive Officer, Chief Financial Officer/ Corporate Secretary and other members of senior management of the Seprod Group as relevant to the particular matters being discussed, as well as the internal and external auditors. The Committee also meets quarterly with the internal and external auditors without any member of the management team present, in order for the Committee members to have a discussion about any matters of significance that arose during the audit processes.

ACTIVITIES OF THE AUDIT COMMITTEE

The main objectives of the Committee include assisting the Board to discharge its responsibility in relation to the following areas:

- Reporting of financial information;
- Application of accounting policies;
- Review of Internal control systems and procedures;
- Enduring the adequacy of risk management procedures and practices;
- Propriety of business policies and practices;
- Compliance with applicable laws, regulations, standards and best practice guidelines;
- Formal forum for communication between the Board and senior management;
- Communication between the Board and the internal and external auditors;
- Facilitating the maintenance of the independence of the external auditor;
- Providing a structured reporting line for internal audit and facilitating the independence of the internal auditor; and
- Consideration of significant matters that were raised during the audit processes.

The Audit Committee effectively carried out these objectives during and in respect of the year ended 31 December 2021. In particular, the Committee:

- assessed and approved the scopes of the internal and external audit plans;
- reviewed internal audit reports and assessed management's responses and actions with respect to the finding and the recommendations made;
- reviewed management letters from external auditors and assessed management's responses and actions with respect to the finding and the recommendations made; and
- reviewed and recommended Board approval for the unaudited quarterly financial reports and the annual audited financial statements.

Byron Thompson
Chairperson

MANAGEMENT TEAM

MARILYN ANDERSON, JP
HEAD OF SUPPLY CHAIN

DR. RALSTON BENT
FARM MANAGER
Serge Island Farms

DAMION D. DODD
CHIEF FINANCIAL OFFICER &
CORPORATE SECRETARY

FREDY GRAELL
FACTORY MANAGER
Serge Dairies

HOWARD GUTHRIE
GENERAL MANAGER
International Biscuits Ltd.

CHANA HAY
GENERAL MANAGER
Facey Merchandise Division

CAROL ANDRADE
GROUP QUALITY MANAGER

EFRAIN LARA
AREA MANAGER
Dominican Republic

DALE WEIST
GENERAL MANAGER
Jamaica Grain & Cereals

RICHARD PANDOHIE, JP
CHIEF EXECUTIVE OFFICER &
MANAGING DIRECTOR

PATRICK STERLING, PhD.
GROUP HUMAN RESOURCE
& INDUSTRIAL RELATIONS
MANAGER

PATRICK SCOTT
CHIEF EXECUTIVE OFFICER
Facey Commodity Company Ltd.

JOYCE MILLER
GENERAL MANAGER
Facey Pharmaceutical Division

PERRY WRIGHT
FINANCIAL CONTROLLER
Seprod Distribution

Exterior shot of the new Seprod Distribution Centre currently under construction at Felix Fox Boulevard.


SEPROD

MANAGEMENT DISCUSSION & ANALYSIS

RETOOLING OUR MANUFACTURING FACILITY

INVESTING IN PROCESS & PRODUCT INNOVATION

EXPANDING DISTRIBUTION REACH

GROWING EXPORT SALES

Richard R. Pandohie, JP
CEO/MANAGING DIRECTOR

"...we will continue to deliver sustainable, profitable and responsible earning."

- Total sales increased by J$6.15 billion or 16%

- The normalized trading operating profit margin was 8%, decreasing from 10% in 2020. The margin decrease reflects the partial cost absorption by the company as it tried to cushion the rising input cost to consumers.

- There was a higher distribution cost in the business due to the impact of the fire in the distribution business in October 2021. We had to rent and retrofit additional warehouses, which added complexity and cost to our distribution system.

- Cash flow from operating activities decreased by $511 million or 16%, reflecting additional working capital requirement to carry higher inventory due to supply chain risk and higher cost of inventory.

- Total dividend of J$1.30 per share was paid, representing a total payout of J$954 million, continuing the trend of steadily increasing the dividend payout ratio.

In 2021, our resilience was tested in the most severe way, primarily due to the trauma of a massive fire destroying Facey Distribution's primary warehouse dislocating hundreds of employees and destroying over a billion dollars' worth of inventory. This event was a body blow as we were already struggling with supply chain challenges since the onset of the pandemic. The loss was massive, but we were resolved to recover in the quickest possible time in that the true value of who we are and what we do reside in our people, the relationships that we have with our principals and the great brands for which we have the privilege to be custodians.

The challenges did impact our financial performance (see Table 1), but the underlying base is rock solid, and we will continue to deliver sustainable, profitable, and responsible earning. Our strategy has been consistent, and it is focused on:

- Retooling our manufacturing facilities and dairy farms to drive higher productivity and increased production. Over the last five (5) years, we have invested J$8.4 billion in capital expenditure, which included building a modern wheat and corn mill.

- Strategic acquisitions: In 2016, we bought the Nestle Dairy Factory in Jamaica and consolidated our diary and juice manufacturing. In 2019, we bought Facey Distribution to deepen our distribution reach and diversify the business.

- Product innovation: This has been a key driver in our organic sales growth.

- Expanding and diversifying our distribution reach within Latin America.

- Growing export sales: In 2021, we achieved an overall growth of 21%, this was commendable considering the restrictions in the various countries. Supply permitting, we intend to accelerate growth in North America and the Caribbean, even as we start to explore European markets and enter Central America.

	2021	2020	Change	Comments
	$'000	**$'000**	**$'000**	
Revenue	43,883,405	37,737,080	6,146,325	16% increase in revenue due to price adjustments and volume-mix
Operating profit	3,599,483	4,681,143	(1,081,660)	The 2020 amount includes a one-off gain of $762m from the sale of property. The decrease in normalized operating profit margin reflects (1) the partial cost absorption by the company as it tried to cushion the rising input cost to consumers and (2) to the impact of the fire on the distribution business
Net profit from continuing operations	2,139,246	2,848,890	(709,644)	Other than the matters previously raised, there was a provision of $168m from insurance claims in 2021 (which the company expects to recoup in future periods) which had a further negative impact on net profit
Net loss from discontinued operations	(145,825)	23,026	(168,851)	There was provision of approximately $150m for loss in value of sugar cane due to illicit fires at Golden Grove
Net profit	**1,993,421**	**2,871,916**	**(878,495)**	

LOOKING FORWARD

Regional Platform

With the company's strategic ambitions being fully embedded, we continue to make investments to execute synergistic projects to drive value creation and growth, while reducing per unit cost. We have always been consistent in communicating our intent to scale up our operations and build a regional business. We want to reduce the complexity of doing business in the region and be the partner-of-choice for regional and global players. In this regard, the announcement in 2022 to acquire A.S. Bryden & Sons Holdings with operations in Trinidad, Barbados and Guyana will propel us towards realizing our regional ambition. The amalgamated entity will see combined annual revenue exceeding US$500M, staff complement of more than 3,100 persons, distribution footprints across the region, and logistics capability to service from large to small markets. I am particularly excited that the scaling up of the business will make us more attractive to a wider talent pool from Latin America and the Caribbean to drive growth, succession planning and give us the skillset to enter new markets. It would be remiss of me to not mention that the acquisition also gives us a firm foothold in Guyana, one of the fastest growing economies globally.

Supply Uncertainties

We believe that 2022, with the geopolitical uncertainties and the lingering COVID effects, will see a worsening of the supply chain disruptions, significant cost inflation and availability issues. We, like many companies, have had to pivot over the last two (2) years to find new suppliers, innovate to replace hard-to-get ingredients, expand our working capital requirement to stock more, higher priced inventory. This will continue to be a reality for the rest of 2022.

Demand Challenge

The acceptance that we will have to coexist with COVID has resulted in reopening of societies, including those in the Caribbean. We are expecting robust demand for our portfolio, although this may be tempered by disposable income challenges in a high inflation environment. We will strive to navigate the global supply chain challenges and attempt to offset the price pain that our consumers are facing.

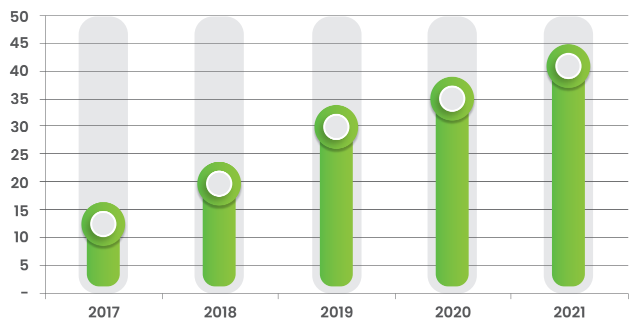
As a company, we are indeed proud of our achievements but fully cognizant that we still have much to do to realize our full potential and build on the legacy of Seprod, Facey and A.S. Brydens.

My deepest thanks to Chairman PB Scott and the Board of Directors for their support and guidance. Thanks to my Seprod family: our consumers, customers, employees, suppliers, business partners and shareholders. It is this ecosystem that makes us who we are and together we are going to bring great value to the region.

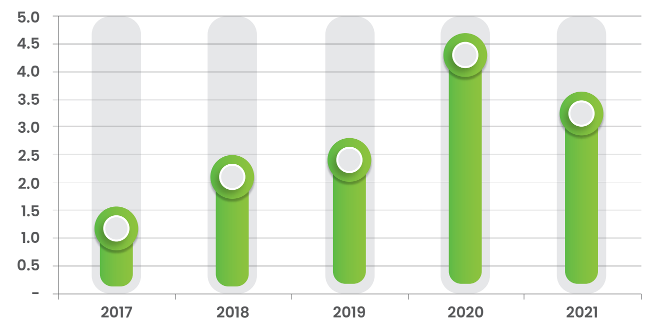
Regards,

Richard R. Pandohie, JP
CEO/MANAGING DIRECTOR

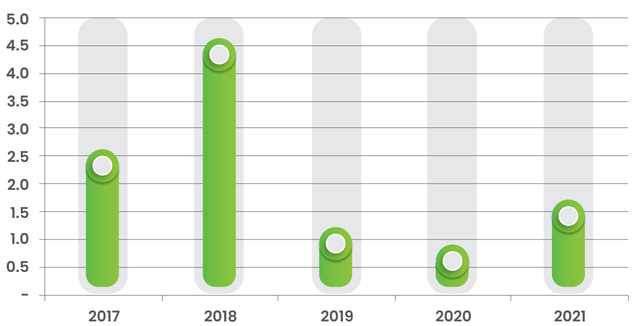
REVENUE ($ BILLIONS)



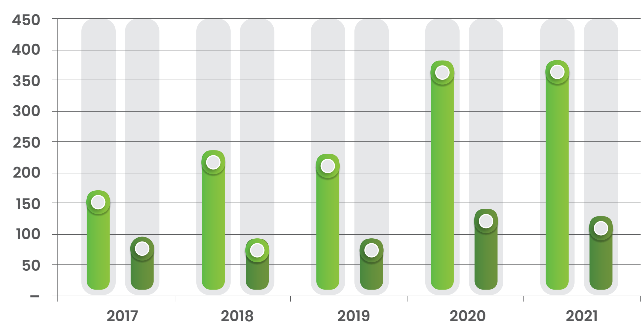
OPERATING PROFIT ($ BILLIONS)



CAPITAL EXPENDITURE ($ BILLIONS)



EARNINGS AND DIVIDENDS PER SHARE (CENTS)



10 YEAR STATISTICAL REVIEW

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Key Financial Statement Amounts ($'000)										
Revenue	43,883,405	37,737,080	32,694,821	22,499,784	15,128,431	14,471,417	12,390,374	11,859,282	12,209,791	11,132,689
Operating profit	3,599,483	4,681,143	2,802,635	2,482,280	1,551,770	1,870,628	1,527,699	1,521,928	1,642,960	1,388,936
Profit before taxation	2,310,970	3,409,866	1,387,393	1,751,184	1,159,761	1,467,836	1,230,934	1,232,095	1,342,036	1,283,240
Net profit from continuing operations	2,139,246	2,848,890	1,705,648	1,372,427	868,704	1,157,181	1,203,836	956,885	991,518	917,635
Net loss from discontinued operations	(145,825)	23,026	(732,314)	(310,372)	(220,861)	(281,972)	(626,936)	(61,510)	(223,642)	(83,608)
Net profit	1,993,421	2,871,916	973,334	1,062,055	647,843	875,209	576,900	895,375	767,876	834,027
Equity	23,448,904	16,893,027	14,970,237	14,745,622	9,009,812	8,975,742	9,734,160	9,581,757	9,196,767	8,534,281
Capital expenditure:										
- the Group	1,654,956	836,120	1,178,300	1,816,806	1,330,969	1,588,716	900,823	1,460,478	1,419,318	1,305,328
- joint venture entity	40,969	35,536	36,213	152,052	1,302,866	1,746,465	17,672	-	-	-
- on acquisition of subsidiaries	-	-	-	2,659,125	-	-	-	-	-	-
- Total capital expenditure	1,695,925	871,656	1,214,513	4,627,983	2,633,835	3,335,181	918,495	1,460,478	1,419,318	1,305,328
Key ratios and other information										
Earnings per stock unit (cents):										
- continuing operations	292	389	233	240	172	250	254	204	206	183
- discontinued operations	(2)	3	(87)	(33)	(30)	(39)	(86)	(8)	(31)	(13)
- Total	272	392	146	207	142	211	168	196	175	170
Dividends per stock unit (cents)	130	142	100	95	95	323	95	90	83	83
Operating profit to revenue (%)	8.20	12.40	8.57	11.03	10.26	12.93	12.33	12.83	13.46	12.48
Return on equity (%)	8.50	17.00	6.50	7.20	7.19	9.75	5.93	9.34	8.35	9.77

Interior shot of pallet racks at the new Seprod Distribution Centre currently under construction at Felix Fox Boulevard.

MARKETING
HIGHLIGHTS


MORE

INNOVATIONS

CHEEZY ZOULU

International Biscuits Ltd. (IBL) made its foray into the snack market with five new and exciting extruded cheese snacks.

Cheese Curls are the most affordable in the range, and they come in two sizes, 16 grams and 32 grams. Our fun products, branded Cheezy Zoolu, which increases the cheese flavour by several notches, offer two variants: **Super Cheese Sticks** and **Super Cheese Curls**. For our consumers who are looking for that extra cheesy snack, we have **King Puffs** that offers even more cheese in a bigger 62 gram pack.

With the introduction of these new products, IBL, which currently manufactures biscuit brands such as Ovaltine, Pic Nix, Butterkist Sandwich Cookies, Parrot Cookies and Snackables, will see some excitement in its snack line Butterkist. We expect this to lead to significant increases in our revenue streams and rekindle the love that Jamaicans always had for the brand.

DELITE 100% FRUIT JUICE

Serge Dairies, the makers of Delite Juices, being a significant player in the local beverage market, entered the 100% Juice category. Made from concentrate with no additives and no sugar, the 100% Juice range entered the market in October of 2021. Look out for the red cap and come as close to real fruit as you will ever get. They are available in: Apple, Mango Passion, Orange Pineapple, Fruit Blend, Guava Pineapple with Ginger and our 30% Sorrel.

NUTRI+ LAUNCHED

Our newest milk brand, Nutri + was launched. Nutri+ is an affordable full cream filled milk low in cholesterol and saturated fat. It is ideal for consumers who are focused on getting great nutritional value for money in their shopping experience.

GROWING EXPORTS

SEPROD'S EXPORT SALES INCREASED 21% OVER 2020.

15%
INCREASE IN EXPORT
TO THE USA

39%
INCREASE IN EXPORT
TO THE CARIBBEAN

156%
INCREASE IN EXPORT
TO SOUTH AMERICA

JMEA
JAMAICA MANUFACTURERS
AND EXPORTERS ASSOCIATION

TOP EXPORTER

Seprod Limited was awarded The Prime Minister's Award for Top Exporter in Manufacturing.

VIRTUAL ANNUAL
GENERAL MEETING

On Monday, September 20, 2021, Seprod shareholders were invited to attend our Annual General Meeting via Live stream from the Seprod website. For the second consecutive year due to the global COVID-19 pandemic, the organization was forced to host its Annual General Meeting online with that year's staging being a fully virtual event.


Virtual Annual General Meeting
6 in the call | 0:12 | Gallery
EPROD
Share call link
Start Recording
Chat
Screen share
Reaction
More

SPONSORSHIP SUPLIGEN

DANCIN' DYNAMITE 2021




THEME:

TEAMS & TEENS TUN UP DI SCENE




PROMOTIONS

The TANG Double Winnings Promotion ran from May 10th to July 31st, 2021. With over $1 million in cash and prizes consumers had the opportunity to enter the competition with 6 empty Tang Sachets with an expiration date no earlier than June 2022. Additionally, there were 3 Lucky Winners each month with contestants having three different ways to enter; Online, Mail and physical Drop boxes in select supermarkets.

Kerry Ann Clark, 1st place winner of the Tang Double Winningz Promotion Draw #2 won $500,000 plus a Lenovo Laptop; Brand Manager, Shellian Thompson (left), made the presentation

Brand Manager, Shellian Thompson (left), presents Lorna Ledgister - Murray, 2nd place winner of the Tang Double Winningz Promotion, with $300,000 plus a Samsung Smart Phone.

Dwayne Johnson, 3rd place winner of the Tang Double Winningz Promotion, received $200,000 plus a Samsung Tab A tablet from Brand Manager Shellian Thompson.

During the period May 17 – July 9, 2021, flavour and fun was on offer from Oreo. Contestants had an opportunity to win cash and super cool prizes by entering the "More Fun, More Flavour with Oreo" promotion.

Customers were required to purchase any Five (5) single serve Oreo with a date no later than May 17, 2021. Entries could be posted online, mailed in, or placed in drop boxes in select stores.

Prizes included, **1st Place Grand Prize** – Weekend for a family of 4 at a local all-inclusive resort. **2nd Place Grand Prize** – $150,000 Cash. **3rd Place Grand Prize** – 40" Smart Television. For instant winnings, consumers instore also had the opportunity to Dip and Win other instant prizes.

Angela Richards, First place (1st) winner of the Oreo More Fun, More Flavour promotion; Angela won a Weekend for a Family of 4 at Hilton Rose Hall.

Robert Richards claimed second prize and won $150,000 in cash.

Third Place (3rd) winner, Robert Clay, won a Samsung 40" Smart TV.

SEPROD FOUNDATION

YEAR AT A GLANCE 2021

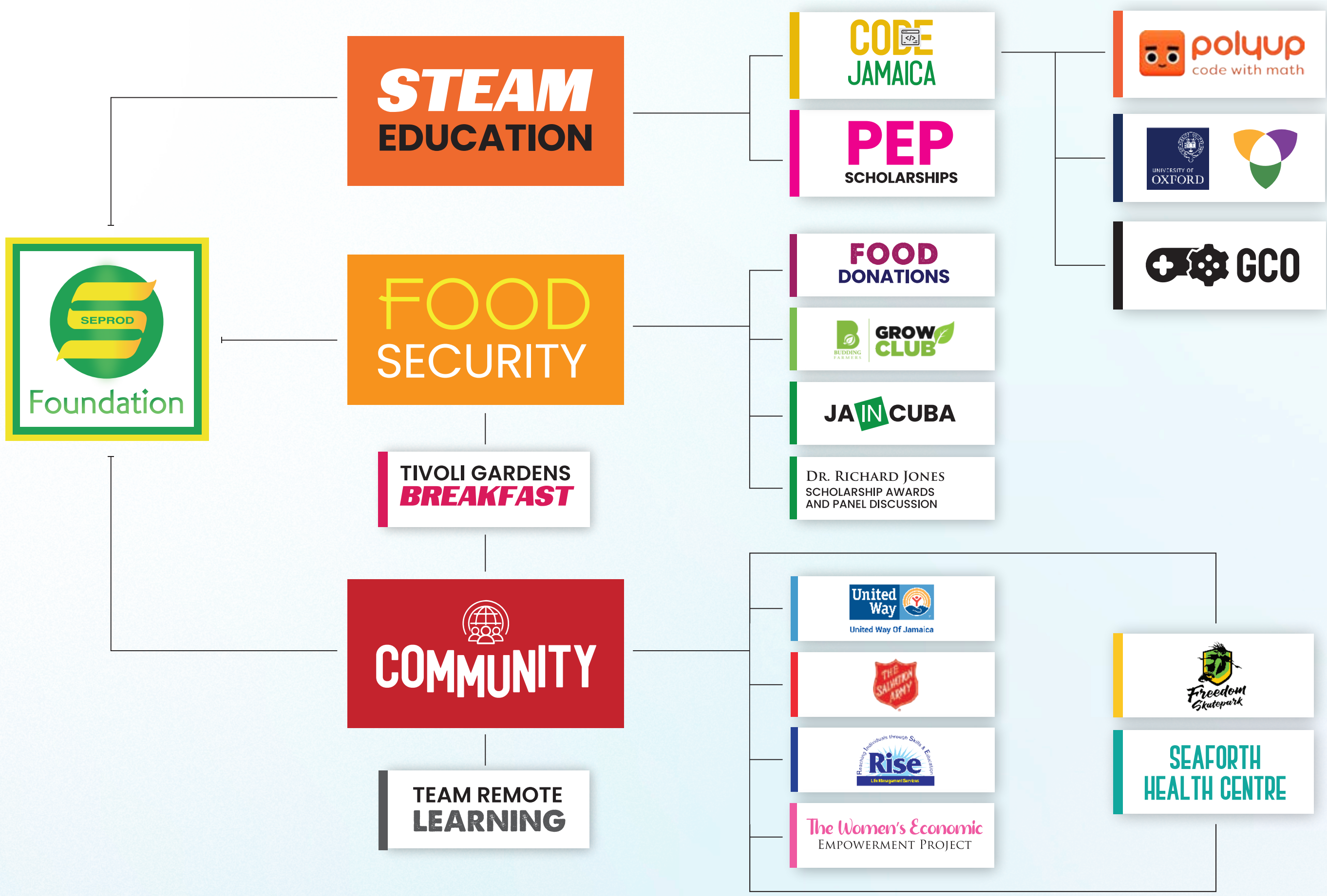
Through our ongoing focus on STEAM Education, we supported the #CODEJAMAICA movement that provided exciting and innovative virtual learning experiences to children islandwide. Through the virtual medium we were able to engage more students.

Food security continues to be a top priority with a focus on empowering the communities in which we work through the implementation of various agricultural programmes and provision of nutritional support. We supported our primary schools through the Seprod Foundation Budding Farmers Grow Club, launched the Brunswick Breakfast Programme at the Tivoli Gardens High School and launched the Dr. Richard Jones Scholarship Awards that saw five deserving students at the College of Agriculture, Science and Education receive scholarships to cover tuition for one year.

We believe that these investments in the human capital of Jamaica will inspire more careers in Science, Technology, Engineering, Mathematics and Agriculture and will equip our country for a more rewarding future.

OUR PILLARS & PARTNERSHIPS

Seprod Foundation spent approximately JMD 23 million, cash and in kind, over the year supporting our communities and executing our projects outlined below:



STEAM EDUCATION

QUALITY EDUCATION | GENDER EQUALITY | INDUSTRY, INNOVATION & INFRASTRUCTURE | REDUCED INEQUALITIES | DECENT WORK ECONOMIC GROWTH

SUSTAINABLE DEVELOPMENT GOALS, UNITED NATIONS

#CODEJAMAICA STEAM CHALLENGES

Organized by HALLS OF LEARNING

#CODEJAMAICA consists of a variety of STEAM programmes that are geared toward helping students excel in math, computer science, coding and robotics, AI and video game design. Students also acquire computational and critical thinking skills.

The #CODEJAMACA activities span the academic career of students in Jamaica and are easily integrated into the curriculum as classwork or homework on any given school day. With the built in support, students are empowered to learn as they go, advancing through the challenges learning and improving on skills while having fun. The activities also include training and STEM certification for teachers.

The 2021 #CODEJAMAICA programmes, organized by Halls of Learning, and sponsored by Seprod Foundation are outlined below:

POLYUP CHALLENGE:

The PolyUp Challenge excites students by allowing them to become designers of their own 3D world and create anything they can imagine by coding with math.

Students had fun using 'Poly' to create their own 3D worlds by coding with math.

Through Seprod Foundation's sponsorship, **200 scholarships** were issued to various primary school students islandwide. The following primary schools benefited from the scholarships:

- Savanna La Mar Primary, Westmoreland
- Brown's Town Primary, St. Ann
- North Street Primary, Kingston
- Lyssons Primary, St. Thomas
- Maxfield Park Primary, Kingston
- Unity Primary, Trelawny

OXFORD UNIVERSITY COMPUTING CHALLENGE (OUCC JAMAICA)

Students across Jamaica honed their critical and logical thinking skills by participating in the OUCC Jamaica competition

OUCC Jamaica encourages students to produce programmed solutions to computational thinking problems. Organized and hosted by Halls of Learning, students attended the OUCC Jamaica introductory webinar that explained how the challenge would work prior to the opening of the platform for practice. Jamaica was one of only 5 countries given the opportunity to participate in this challenge.

On successfully completing the challenge, students were given a Certificate of Distinction or Merit from Oxford University.

Our impact was as follows:

500+ STUDENTS | **40+** SCHOOLS | **2000+** HRS OF LEARNING

VIRTUAL ROBOTICS JAMAICA

Virtual Robotics Jamaica Series of Competitions

Virtual Robotics Jamaica consisted of 6 competitions as part of the WRO Robot Virtual Games (Jamaica &

International finals) and the Halls of Learning (HOL) Robotics League. The HOL Robotics League consisted of 4 tournaments for each of the 3 age group categories: Under 13, Under 16 and Under 20. Seprod Foundation co-sponsored the entire experience, but maintained a particular focus on the Under 13 League. The top 3 teams from each category had the opportunity to participate in the WRO Online finals.

Participation in Virtual Robotics Jamaica was as follows:

- **12** — TEACHERS/ COACHES
- **U13** — 6 TEAMS, 16 STUDENTS
- **U16** — 2 TEAMS, 6 STUDENTS
- **U20** — 3 TEAMS, 8 STUDENTS

National team in WRO Online finals:
1 team - 4 students (mixed team from 3 schools)

We provided and hosted 44 hours of face to face team prep which included:

- SOFTWARE TRAINING
- ROBOTICS TRAINING
- PROVISION OF ROBOTICS KITS
- PROVISION OF COMPETITION BOARD
- PROVISION OF COMPUTERS
- 12 HOURS FACE-TO-FACE PARTICIPATION IN THE WRO ONLINE FINALS

THE SEPROD FOUNDATION ROBOTICS LEAGUE WEBINAR SERIES: SUPPORTING SMES

Our students were excited to hear different perspectives on how to support SMEs during the pandemic from our 3 special guests

Seprod Foundation hosted a webinar to connect the content of the robotics program to areas of national concern during the COVID-19 pandemic.

The webinar, held on July 15th gave an incredible overview of the SME space, highlighting how important this sector is to the Jamaican economy. Seventy four participants registered from various primary schools.

SEPROD FOUNDATION VIRTUAL ROBOTICS SCHOLARSHIPS

Through a generous donation, Seprod Foundation sponsored 7 additional teams to enter Virtual Robotics Jamaica. The scholarship included entry into the 6 robotics competitions, and the provision of online training materials.

UNDER 13
- Portmore Missionary Prep
- Kingdom Kids Prep
- Ginger Hill All Age
- North Street Primary

UNDER 13
- Munroe College
- First Lego League Robotics Team

UNDER 20
- Queen's High School

UBISOFT VIDEO GAME CREATORS' ODYSSEY: A VIDEO GAME DESIGN COURSE

Seprod Foundation Video Game Design Ambassador Tyler Foster, who completed the UBISOFT video game design course, presents his video game design designed to help children with autism.

This year, Seprod Foundation awarded scholarships and brand ambassadorship to 7 deserving students and professionals with an interest in further developing their video game design skills. The scholars received access to the UBISOFT Game Creators' Odyssey: A Video Game Design Course.

The course provided exposure to top international game developer, UBISOFT, and included insights into the video game industry and exclusive tips from professional creators. Participants had the chance to acquire knowledge about good practices of game design and the creation of games that ensure variety.

FOOD SECURITY

SUSTAINABLE DEVELOPMENT GOALS, UNITED NATIONS

SEPROD FOUNDATION BUDDING FARMERS GROW CLUB

For Teacher's Day, Matthew Henry presents his teacher with a Calaloo bouquet grown in his home garden.

Through the Budding Farmers Grow Club, Seprod Foundation facilitated the engagement of over 150 students between the ages of 3 and 16 years old, and their families in farming activities at home. In addition to teaching agricultural skills, the Grow Club fostered entrepreneurial skills.

The 8 week programme received rave reviews from its 'Budding Farmers' and was endorsed by the Minister of Agriculture and Fisheries, the Honourable Floyd Green.

A student at Christel House participating in planting in order to start their own school garden.

BRUNSWICK TIVOLI GARDENS HIGH SCHOOL BREAKFAST PROGRAMME

In partnership with Brunswick and Eve, Seprod Foundation provided ingredients for a nutritionally balanced breakfast to the Tivoli Gardens High School.

40 MEALS SERVED DAILY

Seprod Foundation was happy to be able to facilitate an increase in the number of meals served at the school each day.

THE LAUNCH OF THE DR. RICHARD JONES SCHOLARSHIP PROGRAMME

Through the Dr. Richard Jones Scholarship Programme, our 5 inaugural scholars from CASE are able to complete another year of their education in agriculture and veterinary studies.

Through a virtual scholarship awards ceremony and panel discussion, we not only celebrated our 5 outstanding scholars from the College of Agriculture, Science and Education (CASE), but we celebrated the life and legacy of Dr. Richard Jones. Dr. Richard Jones was a long serving Seprod Board member who contributed significantly to the development of the farming community in St. Thomas.

Through this special scholarship, **Britannia Facey, Antonio Spence, Camille Lindo, Carlos Reid and Jenecia Tucker** received one year of tuition and are able to continue their studies in either Agricultural Science or Veterinary Science.

We were pleased to have leaders in the agricultural sector in Jamaica join us for the panel discussion themed **'Food Security: Challenges and Opportunities for Agribusiness.'** The discussion was both insightful and inspiring, shedding light on both the needs, and the resources available to agricultural workers. By sharing knowledge and resources, Seprod Foundation is committed to inspiring our youth to pursue careers in Agriculture.

COMMUNITY

SUSTAINABLE DEVELOPMENT GOALS, UNITED NATIONS

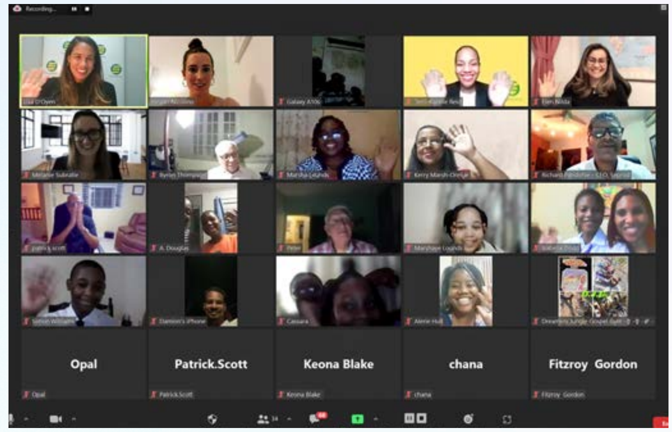
GIRLS TO WOMEN DEVELOPMENT FOUNDATION:
THE ECONOMIC EMPOWERMENT PROJECT

Through RISE Life Management Services, we funded the Girls to Women Development Foundation's Economic Empowerment Project for Women. This project was geared toward empowering 15 unemployed women from the March Pen and Corletts communities in St. Catherine. To help them to start, scale and sustain their businesses, entrepreneurship training and business support services were provided to them over a six month period. One month after completing the training, the project facilitated opportunities for them to access capital to start or expand their businesses. The project also strengthened the life skills of these women while providing a platform for gender rights awareness.

FUNDS WERE USED TO SUPPORT FIVE NEW COMPANIES THAT EMERGED FROM THE PROGRAMME:

NAME	BUSINESS NAME	TYPE OF BUSINESS
Kadian Waller	Kay Charming Kids An More	Online Children Clothing Store
Jody-Ann Gordon	Kuizdesigns.ja	Swimwear Designs
Moya Black	Fresh Farm Ltd	Hydroponic Lettuce Farming
Grace Letiesha Pryce	Letty's Hair & Nails Beauty Salon	Mobile Hair and Nails Salon
Kerry-Ann Walker	Elixr Beauty	Natural Skin and Hair Products

PEP SCHOLARSHIP AWARDS CEREMONY



Under the theme of CHANGEMAKERS, we were thrilled to award 30 new scholars with our hallmark Seprod Foundation Scholarship for the 2021-2022 school year. These students joined 54 returning scholars who maintained a high academic standard. **Special congratulations to our Granville Marsh Scholars from St. Thomas, Shannakay Brown and Jahlil Douglas, and to our Byron Thompson Awardee who maintained the highest academic average, Isabelle Dodd.**




We were thrilled to welcome our new cohort of PEP scholars into our Seprod Foundation Scholarship Programme.

RISE LIFE MANAGEMENT SERVICES

Seprod Foundation donates JMD 1,000,000 to RISE Life Management Services annually.

RISE received eight (8) grants for community-based interventions in 2021. For many of the grants, a grantee contribution is required. This is where Seprod Foundation's funding plays a pivotal role – allowing RISE to get further funding to do their critical, life changing work in inner city communities.

A TOTAL OF 462,343 INDIVIDUALS RECEIVED TRAINING, MENTORING AND/ OR ASSISTANCE THROUGH OUR VARIOUS PROGRAMMES AND PROJECTS FOR 2021.

NATIONAL TELEPHONE LIFELINE
108 RECORDED CALLS
for period January to August (2021)

OUTPATIENT SUBSTANCE USE DISORDERS TREATMENT & PREVENTION PROGRAMME
1,628
Individuals reached, trained and impacted

RESPONSIBLE GAMING PROGRAMME
FUNDED BY THE BETTING GAMING AND LOTTERIES COMMISSION (BGLC)
11,697
Individuals reached, trained and impacted

CIVIL SOCIETY BOOST INITIATIVE (CSBI 2)
A CAPACITY BUILDING TRAINING PROGRAMME FOR JAMAICAN CIVIL SOCIETY ORGANIZATIONS (CSOS) FUNDED BY THE EUROPEAN UNION
441,848
Individuals reached, trained and impacted

AMPLIFYING YOUTH VOICES AND ACTION
to address Citizen Security & Safety (AYVA) funded by the United Nations Development Programme (UNDP)
184
Individuals impacte,d predominantly Youth through the work of the 10 youth organizations through a variety of activities

THE ST. CATHERINE COLLABORATIVE PROJECT
224
Individuals reached, trained and impacted

EMPLOYEE ASSISTANCE PROGRAMME
433
Individuals reached, trained and impacted

SUPPORT FOR THE NATIONAL HIV/AIDS RESPONSE JAMAICA – GLOBAL FUNDS
687
Individuals reached, trained and impacted

JAMAICA-US CHILD PROTECTION COMPACT
2,442
Individuals reached, trained and impacted

SPOTLIGHT INITIATIVE -
RISE AGAINST GBV SCHOOL BASED INTERVENTION
3,092
Individuals reached, trained and impacted

FREEDOM SKATEPARK

After the completion of construction, and now entering the 2nd year of operation, the Freedom Skatepark continues to receive support from the Seprod Foundation by covering operational costs, providing administrative and regulatory support and providing snacks for the homework programme. We sit on the management committee and ensure that the park continues to be a well maintained, safe and secure community space that is open and accessible to all.

An Edu-Skate class in session with Concrete Jungle Foundation programme Director, Tim.

JAMAICANS IN CUBA

Seprod Foundation was happy to provide care packages consisting of food items and personal care items for 100 Jamaican students studying in Cuba. The students were impacted by the food shortages as well as rising costs for basic food products. We worked with the Ministry of Foreign Affairs & Foreign Trade to have the packages shipped directly to our students.

ADOPTION OF SEAFORTH HEALTH CENTRE

Our donor plaque, unveiled by the Minister of Health, Dr. the Honourable Christopher Tufton, symbolizes Seprod Foundation's commitment to the community.

Seprod Foundation officially adopted the Seaforth Health Centre under the Ministry of Health and Wellness Adopt-a-Clinic Programme. We look forward to assisting them with capacity issues, while ensuring that each of the clinical spaces are fit for purpose.

COVID-19 RESPONSE IN ST. THOMAS:
TEAM Remote Learning Initiative

Students from rural St. Thomas are pictured outside of the Cedar Valley Primary School at the launch of the TEAM Remote Learning Initiative.

Through a public-private partnership between key stakeholders in rural St. Thomas, we supported a community based remote learning programme aimed at ensuring that primary school students continued to learn despite school closures. The TEAM Remote Learning Initiative involved the distribution of printed educational material, the provision of convenient community spaces for educational engagement, the training and retaining of learning coaches and basic counselling provided to students and their parents.

122 STUDENTS BENEFITED FROM THE TEAM REMOTE LEARNING INITIATIVE

Targeted communities:

Cedar Valley	Penlyne Castle
Epping Farm	Richmond Gap
Minto	Richmond Vale
Mt. Lebanus	Woburn Lawn

VACCINATION EFFORTS
TEAM Remote Learning Initiative

Seprod Foundation was happy to assist in the coordination of a vaccination drive at Serge Island Dairy Farms.

Seprod Foundation worked with the Ministry of Health and Wellness to promote and facilitate vaccinations in St. Thomas. In an effort to sensitize our staff and the community, we coordinated a visit from a public health educator to answer questions, and hired a town crier to spread the word in rural St. Thomas communities. The vaccination drives were held at Serge Island Dairy Farms and at Seaforth Health Centre.

The vaccination drives saw the vaccination of over 60 employees, contractors and other members of the community.

60+ INDIVIDUALS VACCINATED

$2.40
$1.87
$4.52
$1.50
$35.27
$50.00
$14.73
Server: SSS
TPU: 7/2
Operator:6
Guest Check

FINANCIAL STATEMENTS

Independent auditor's report

To the Members of Seprod Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Seprod Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2021, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 31 December 2021;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Our audit approach

Audit scope

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

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group consists of the Company and 14 other legal entities located in Jamaica, St. Lucia, Barbados, Trinidad and Tobago and the Dominican Republic, each of which is considered as a component for audit scoping purposes. The accounting records for 9 of the legal entities are maintained at the Group head office, the remaining 6 entities' accounting records are kept at other offices in Jamaica. All entities within the Group are audited by PwC Jamaica and full scope audits were performed for all components.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Valuation of unquoted equity securities (Group and Company)

Refer to notes 2(h), 4 and 17 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.

Unquoted equity securities included within investments on the consolidated and stand-alone statements of financial position total $833 million as at 31 December 2021 for both the Group and the Company, which represents 1.77% and 2.12% of total assets respectively.

The unquoted equity securities relate to an investment in an affiliated company over which Seprod Limited does not exercise significant influence. These securities are not quoted in an active market. The fair value of these securities is determined using a valuation model based on discounted future cash flows.

We focused on this area because of the magnitude of the balance, the complexity of the valuation model used and the use of management determined assumptions, including the challenges involved in determining the impact of COVID-19 on those assumptions.

The key assumptions were assessed by management as being:

- investee's future cash flows;
- terminal growth rates;
- discount rates; and
- market participant minority discount.

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

Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others:

Updated our understanding and evaluated management's future cash flow forecasts, and the process by which they were determined, including testing the underlying calculations and comparing them to the latest Board approved budgets of the investee.

Compared prior management budgets to actual resul of the investee to evaluate the accuracy of management's forecast process.

Tested management's key assumptions, including th impact of COVID-19, as follows:

- compared forecasted long-term growth rates to historical results and economic and industry forecasts;
- evaluated management's assumptions concernir the selected growth rates, terminal growth rates, discount rates and market participant minority discount by reference to relevant industry data;
- compared the key assumptions to externally derived data, where available, including market expectations of investment return, projected economic growth and interest rates; and
- sensitised management's planned growth rate in cash flows and changes in discount rates.

Based on the results of the procedures performed, management's valuation of unquoted equity securitie was, in our view, not unreasonable.

Key audit matter	How our audit addressed the key audit matter
Revaluation of land and building (Group and Company) *Refer to notes 2(e), 4 and 14 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.* Land & buildings included within Property, Plant & Equipment on the consolidated and stand-alone statements of financial position total $8,518 million and $2,767 million as at 31 December 2021, representing 18.16% and 7.06% of total assets of the Group and Company respectively. The determination of the fair value of land & buildings requires significant judgement and, as such, was an area of focus for the audit. Management, through an independent valuation expert, used the income capitalisation approach to determine the fair value of the land and buildings. This method takes into consideration a number of factors that require estimation and judgement. The key factors include: • estimation of rental income; • determination of a capitalisation factor; and • determination of the discount rate.	Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others: • Updated our understanding of the valuation process and obtained information on significant developments within the industry. • Assessed the competence and objectivity of management's property valuators in order to determine whether they were appropriately qualified and whether there was any affiliation to the Group. • Assessed the appropriateness of the valuation methodology used in order to evaluate whether it was suitable for determining market value in accordance with the financial reporting framework • Evaluated management's estimation of rental income by comparison to yields of similar properties located in the same area. • Assessed the capitalisation factor by benchmarking the assumptions used to relevant market evidence which included performing comparisons to similar properties located in the same area. • Assessed the reasonableness of the discount rate by reference to relevant industry data. Based on the procedures performed, management's valuation of land and buildings was, in our view, not unreasonable.

Other Information

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

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

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

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

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

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

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Paul Williams.

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
6 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Revenue	5	43,883,405	37,737,080
Direct expenses		(32,972,098)	(27,252,457)
Gross Profit		10,911,307	10,484,623
Finance and other operating income	6	1,523,621	2,495,683
Selling expenses		(410,432)	(469,543)
Administration and other operating expenses		(8,403,306)	(7,798,526)
Net impairment gains and losses on trade receivables		(21,707)	(31,094)
Operating Profit		3,599,483	4,681,143
Finance costs	9	(1,199,474)	(1,266,038)
Share of results of joint venture	19	79,144	(5,239)
Losses as a result of fire	35	(168,183)	-
Profit before Taxation		2,310,970	3,409,866
Taxation	10	(171,724)	(560,976)
Net Profit from Continuing Operations		2,139,246	2,848,890
Net (loss)/profit from discontinued operations	34	(145,825)	23,026
Net Profit		1,993,421	2,871,916
Other Comprehensive Income, net of taxes			
Item that may be reclassified to profit or loss –			
Currency translation gains and losses	10	34,984	(113,979)
Items that will not be reclassified to profit or loss –			
Re-measurements of post-employment benefits	10	2,175	6,675
Unrealized fair value gains and losses on investments	10	19,018	203,050
Unrealized fair value gains and losses on property	10	5,459,891	-
TOTAL COMPREHENSIVE INCOME		7,509,489	2,967,662
Earnings per Stock Unit attributable to Stockholders of the Company	12		
Continuing operations		$2.92	$3.89
Discontinued operations		($0.20)	$0.03
		$2.72	$3.92

SEPROD LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	$'000	$'000
Non-current Assets			
Property, plant and equipment	14	13,928,077	6,958,333
Right of use assets	15	143,478	397,489
Intangible assets	16	8,931,168	9,172,622
Investments	17	883,791	1,703,260
Investment in joint venture	19	697,063	448,831
Long term receivables	20	1,383,940	720,862
Post-employment benefit asset	21	25,100	25,100
Biological assets	22	444,773	411,220
Deferred tax assets	29	1,297,889	1,202,975
		27,735,279	21,040,692
Current Assets			
Inventories	23	10,209,503	7,563,688
Biological assets	22	154,683	276,185
Trade and other receivables	24	6,474,952	5,518,363
Current portion of long term receivables	20	174,307	408,050
Non-current assets held for sale	34	285,761	285,761
Taxation recoverable		227,407	201,239
Cash and bank balances		1,649,752	2,785,996
		19,176,365	17,039,282
Current Liabilities			
Payables	25	8,448,371	5,733,019
Current portion of long term liabilities	28	3,215,872	3,664,323
Current portion of lease obligation	15	65,633	168,399
Taxation payable		147,309	313,545
		11,877,185	9,879,286
Net Current Assets		7,299,180	7,159,996
		35,034,459	28,200,688
Equity Attributable to Stockholders of the Company			
Share capital	26	5,768,558	5,768,558
Capital reserves	27	6,700,164	1,186,271
Retained earnings		10,980,182	9,938,198
		23,448,904	16,893,027
Non-current Liabilities			
Post-employment benefit obligations	21	134,600	134,300
Long term liabilities	28	9,281,196	9,399,959
Lease obligation	15	94,176	239,901
Deferred tax liabilities	29	2,075,583	1,533,501
		11,585,555	11,307,661
		35,034,459	28,200,688

Approved for issue by the Board of Directors on 5 May 2022 and signed on its behalf by:

Paul B. Scott Director

Richard Pandohie Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2020	733,488	5,768,558	1,097,200	8,104,479	14,970,237
Profit for the year	-	-	-	2,871,916	2,871,916
Re-measurements on post-employment benefits	-	-	-	6,675	6,675
Currency translation gains and losses	-	-	(113,979)	-	(113,979)
Fair value gains on investments	-	-	203,050	-	203,050
Total comprehensive income	-	-	89,071	2,878,591	2,967,662
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(1,044,872)	(1,044,872)
Balance at 31 December 2020	733,488	5,768,558	1,186,271	9,938,198	16,893,027
Profit for the year	-	-	-	1,993,421	1,993,421
Re-measurements on post-employment benefits	-	-	-	2,175	2,175
Currency translation gains and losses	-	-	34,984	-	34,984
Fair value gains on investments	-	-	19,018	-	19,018
Fair value gains on property	-	-	5,459,891	-	5,459,891
Total comprehensive income	-	-	5,513,893	1,995,596	7,509,489
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(953,612)	(953,612)
Balance at 31 December 2021	733,488	5,768,558	6,700,164	10,980,182	23,448,904

SEPROD LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Cash provided by operating activities	30	2,675,516	3,186,711
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(1,654,956)	(531,423)
Net proceeds on disposal of property, plant and equipment		29,103	(10,610)
Purchase of investments		(30,000)	-
Issue of long term receivables		-	(660,007)
Repayment of long term receivables		506,067	280,437
Interest received		80,121	93,436
Dividends received		1,436	40
Cash used in investing activities		(1,068,229)	(828,127)
Cash Flows from Financing Activities			
Long term loans received		3,135,599	3,221,787
Long term loans repaid		(3,857,182)	(2,518,468)
Lease obligation		(215,338)	(201,325)
Dividends paid		(953,612)	(611,650)
Interest paid		(994,603)	(1,004,049)
Cash used in financing activities		(2,885,136)	(1,113,705)
(Decrease)/increase in cash and cash equivalents		(1,277,849)	1,244,879
Net effect of foreign currency translation on cash		141,605	64,825
Cash and cash equivalents at beginning of year		2,785,996	1,476,292
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,649,752	2,785,996

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Group costs recovered from subsidiaries		1,086,566	1,062,679
Finance and other operating income	6	865,827	1,423,486
Administration expenses	7	(1,148,931)	(1,174,209)
Operating Profit		803,462	1,311,956
Finance costs	9	(737,245)	(601,728)
Profit before Taxation		66,217	710,228
Taxation	10	(15,435)	11,895
Net Profit	11	50,782	722,123
Other Comprehensive Income, net of taxes			
Items that will not be reclassified to profit or loss –			
Re-measurements of post-employment benefits	10	2,175	6,675
Unrealized fair value gains and losses on investments	10	19,018	203,050
Unrealized fair value gains and losses on property	10	2,139,540	-
TOTAL COMPREHENSIVE INCOME		2,211,515	931,848

SEPROD LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Non-current Assets			
Property, plant and equipment	14	4,044,161	705,267
Investments	17	853,791	1,703,260
Investment in subsidiaries	18	7,863,313	7,863,313
Investment in joint venture	19	434,114	434,114
Long term receivables	20	4,712,860	3,843,628
Post-employment benefit assets	21	25,100	25,100
Deferred tax assets	29	-	37,218
		17,933,339	14,611,900
Current Assets			
Trade and other receivables	24	53,129	213,392
Current portion of long term receivables	20	1,498,011	1,505,449
Tax recoverable		50,130	61,053
Due from subsidiaries		19,677,776	17,780,648
Cash and bank balances		-	570,715
		21,279,046	20,131,257
Current Liabilities			
Payables	25	588,195	412,545
Current portion of long term liabilities	28	2,268,184	3,023,730
Due to subsidiaries		17,342,380	14,703,404
Bank overdraft		381,884	-
		20,580,643	18,139,679
Net Current Assets		698,403	1,991,578
		18,631,742	16,603,478
Equity			
Share capital	26	5,768,558	5,768,558
Capital reserves	27	2,875,590	717,032
Retained earnings		3,585,380	4,486,035
		12,229,528	10,971,625
Non-current Liabilities			
Post-employment benefit obligations	21	134,600	134,300
Long term liabilities	28	6,018,320	5,497,553
Deferred tax liabilities	29	249,294	-
		6,402,214	5,631,853
		18,631,742	16,603,478

Approved for issue by the Board of Directors on 5 May 2022 and signed on its behalf by:

Paul B. Scott Director

Richard Pandohie Director

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2020	733,488	5,768,558	513,982	4,802,109	11,084,649
Profit for the year	-	-	-	722,123	722,123
Re-measurements on post-employment benefits	-	-	-	6,675	6,675
Fair value gains on investments	-	-	203,050	-	203,050
Total comprehensive income	-	-	203,050	728,798	931,848
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(1,044,872)	(1,044,872)
Balance at 31 December 2020	733,488	5,768,558	717,032	4,486,035	10,971,625
Profit for the year	-	-	-	50,782	50,782
Re-measurements on post-employment benefits	-	-	-	2,175	2,175
Fair value gains on investments	-	-	19,018	-	19,018
Fair value gains on property	-	-	2,139,540	-	2,139,540
Total comprehensive income	-	-	2,158,558	52,957	2,211,515
Transactions with owners:					
Dividends declared (Note 13)	-	-	-	(953,612)	(953,612)
Balance at 31 December 2021	733,488	5,768,558	2,875,590	3,585,380	12,229,528

SEPROD LIMITED
COMPANY STATEMENT OF CASH FLOWS
Year ended 31 December 2021
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Cash provided by operating activities	30	1,186,787	995,906
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(996,072)	(158,964)
Net proceeds on disposal of property, plant and equipment		-	(25,865)
Proceeds on disposal of investment		78,251	-
Issue of long term receivables		-	(660,007)
Repayment of long term receivables		499,870	346,092
Interest received		61,160	143,812
Dividends received		1,436	40
Cash used in investing activities		(355,355)	(354,892)
Cash Flows from Financing Activities			
Long term loans received		2,635,599	1,681,499
Long term loans repaid		(3,010,134)	(524,026)
Dividends paid		(953,612)	(611,650)
Interest paid		(597,489)	(570,911)
Cash used in financing activities		(1,925,636)	(25,088)
(Decrease)/increase in cash and cash equivalents		(1,094,204)	615,926
Net effect of foreign currency translation on cash		141,605	64,825
Cash and cash equivalents at beginning of year		570,715	(110,036)
CASH AND CASH EQUIVALENTS AT END OF YEAR		(381,884)	570,715

1. **Principal Activities and Operations**

Seprod Limited ("the Company") is incorporated and domiciled in Jamaica. The Company is publicly listed on the Jamaica Stock Exchange, and has its registered office at 3 Felix Fox Boulevard, Kingston.

The Company and its subsidiaries are collectively referred to as "the Group". The Company's subsidiaries (all wholly owned) and its joint venture entity, their principal activities and their countries of incorporation and domicile are as follows:

Subsidiary	**Principal activity**	**Country of Incorporation and Domicile**
Belvedere Limited	Agriculture	Jamaica
Caribbean Products Company Limited, and its subsidiaries	Manufacture and sale of oils and fats	Jamaica
- Golden Grove Sugar Company Limited	Sale of consumer products	Jamaica
- Golden Grove Funding Limited *	Investments	St. Lucia
Facey Commodity Holdings Limited, and its subsidiary	Investments	Barbados
- Facey Commodity Company Limited	Sale of consumer and pharmaceutical products	Jamaica
Industrial Sales Limited	Sale of consumer products	Jamaica
International Biscuits Limited	Manufacture and sale of biscuit products	Jamaica
Jamaica Edible Oils and Fats Company Limited	Dormant	Jamaica
Musson Holdings Limited, and its subsidiaries	Investments	St. Lucia
- Musson International Dairies Limited	Manufacture and sale of milk products and juices	Jamaica
- Musson International Dairies T&T Limited	Sale of milk products and juices	Trinidad and Tobago
- Musson International Dairies Republica Dominicana SRL	Sale of milk products and juices	Dominican Republic
- Serge Island Dairies Limited	Manufacture and sale of milk products and juices	Jamaica
- Serge Island Farms Limited	Dairy farming	Jamaica

Joint venture entity	**Principal activity**	**Country of Incorporation and Domicile**
Jamaica Grain and Cereals Limited	Manufacture and sale of corn and wheat products and cereals	Jamaica

* Golden Grove Funding Limited was closed during the year. The company was dormant at the date of closure.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group and the financial statements of the Company standing alone (together referred to as the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the measurement of land and buildings, investments and defined benefit pension plan assets at fair value, as well as by the measurement of assets held for sale and biological assets at fair value less costs to sell.

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.

Voluntary change in accounting policy during the year

As outlined in Note 2 (e), as of 31 December 2021 the Group changed its accounting policy for land and buildings from the historical cost basis to the revaluation basis. Prior to this date, land and buildings were recorded at historical cost, less subsequent depreciation of buildings. As of 31 December 2021, land and buildings are shown at market value based on triennial valuations by external independent valuers, less subsequent depreciation of buildings. Pursuant to the provision of paragraph 17 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', the change in accounting policy was applied prospectively (i.e., comparative amounts were not restated). As a result of the change in accounting policy, the increase in the carrying value of land and buildings at 31 December 2021 was $6,078,472,000 for the Group and $2,409,892,000 for the Company (Note 14), with a corresponding increase in capital reserves.

Standards, interpretations and amendments to existing standards effective in the current financial year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial period. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

Amendments to IFRS 7, 'Financial Instruments: Disclosures', IFRS 9, 'Financial Instruments', Amendment to IFRS 16, 'Leases' and IAS 39, 'Financial Instruments: Recognition and Measurement' (effective for annual periods beginning on or after 1 January 2021). Market developments have brought into question the long-term viability of Interbank offered rates (IBORs). These second phase amendments follow a first phase that was effective in the prior year, and address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The amendments had no impact on the Group's financial statements as the Group currently does not engage in long-term transactions impacted by (IBORs).

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or later periods, but were not effective at the date of the statement of financial position. The Group has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be immediately relevant to its operations, and has concluded as follows:

Amendment to IAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2023). This amendment clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date, such as the receipt of a waiver or a breach of covenant. The amendment further clarifies the reference to the 'settlement' of a liability. It is not anticipated that the amendment will have a significant impact on the Group's financial statements.

Amendment to IAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2023). This amendment requires entities to disclose their *material* rather than their *significant* accounting policies. The amendment defines what is 'material accounting policy information' and explains how to identify when accounting policy information is material. The amendment further clarifies that immaterial accounting policy information does not need to be disclosed, but, if disclosed, should not obscure material accounting information. *IFRS Practice Statement 2, 'Making Materiality Judgements'* was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has not yet done an assessment of whether the accounting policies disclosed are 'material' rather than 'significant', but it is not anticipated that the amendment will have a significant impact on the Group's financial statements.

Amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2023). This amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The importance of the distinction is that changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. It is not anticipated that the amendment will have a significant impact on the Group's financial statements.

Amendment to IAS 12, 'Income Taxes' (effective for annual periods beginning on or after 1 January 2023). This amendment requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendment applies to lease arrangements entered into by the Group as a lessee and requires that the Group recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. As the Group already accounts for deferred tax on such transactions consistent with the new requirements, it is not anticipated that the amendment will have a significant impact on the Group's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)
Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Amendment to IAS 16, 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. It is not anticipated that the amendment will have a significant impact on the Group's financial statements.

Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' (effective for annual periods beginning on or after 1 January 2022). This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. It is not anticipated that the amendment will have a significant impact on the Group's financial statements.

Amendment to IFRS 3, 'Business Combinations' (effective for annual periods beginning on or after 1 January 2022). This amendment updates the references to the Conceptual Framework for Financial Reporting and adds an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and Interpretation 21, 'Levies'. The amendment also confirms that contingent assets should not be recognised at the acquisition date. The Group will apply this amendment to future business combinations.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' (effective date not yet determined). The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures and confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', as defined in IFRS 3, 'Business Combinations'. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. The Group is assessing the impact of these amendments on its financial statements.

Amendment to IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 April 2021). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. With effect from annual periods beginning on or after 1 June 2020, IFRS 16 was amended to provide lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The amendment has been extended by 12 months, thereby permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. It is not anticipated that the amendment will have an impact on the Group's financial statements as the Group does not receive rent concessions.

Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022). The IASB issued its Annual Improvements to IFRSs 2018-2020 cycle amending a number of standards, the following of which are relevant to the Group:

- *IFRS 9, 'Financial Instruments'* to clarify the fees that should be included in the 10% test for derecognition of financial liabilities;
- *IFRS 16, 'Leases'*, in which illustrative example 13 was amended to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives; and
- *IAS 41, 'Agriculture'* to remove the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 (this amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis).

It is not anticipated that the improvements will have a significant impact on the Group's financial statements.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Consolidation of subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intercompany transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Loans to subsidiaries that are intended to provide subsidiaries with a long-term source of additional capital are considered additions to the Company's investment. Accordingly, these loans are included in Investment in Subsidiaries on the Company's statement of financial position.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as equity transactions; i.e., as transactions with owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual right and obligations of each investor. The Group has assessed the nature of its joint arrangement and has determined it to be a joint venture. The Group's interest in the joint venture is accounted for using the equity accounting method. Under the equity accounting method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for the post acquisition changes in the Group's share of the net assets of the joint venture, less any impairment.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. Losses of the joint venture in excess of the group's interest are not recognised unless the group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Significant Accounting Policies (Continued)

(c) Revenue and income recognition

Sales of goods

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

Revenue is recognised when control of the goods has been established – being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been transported to a specific predetermined location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied. A receivable is recognised when the goods are delivered, at which point in time the consideration is deemed unconditional and only the passage of time is required before the payment is due.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates, referred to as the functional currency. The functional currency of each entity is the same as its presentation currency. The consolidated financial statements are presented in Jamaican dollars, which is the Company's functional currency.

The foreign exchange differences arising from the translation of the results and financial position of the Group's entities that have a functional currency other than Jamaican dollars are recognised in other comprehensive income. Such exchange differences are recognised in profit or loss where the related Group entity is sold or partially sold.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised in profit or loss.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets are recognised in profit or loss. Other changes in the fair value of financial investments are recognised in other comprehensive income. Translation differences on non-monetary financial investments are reported as a component of the fair value gain or loss in other comprehensive income.

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Prior to 31 December 2021, all items of property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses, with the exception of land which is not depreciated.

As of 31 December 2021, land and buildings are initially recorded at cost and are subsequently shown at market value based on triennial valuations by external independent valuers, less subsequent depreciation of buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount. Increases in carrying amounts arising on revaluation are credited to other comprehensive income and shown in property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against capital reserve; all other decreases are charged to profit or loss.

All other items of property, plant and equipment continue to be carried at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	30 – 50 years
Plant, equipment and furniture	3 – 40 years
Motor vehicles	3 - 5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred.

2. Significant Accounting Policies (Continued)

(f) Intangible assets

Goodwill

Goodwill is recorded at cost and represents the excess of the fair value of the consideration paid over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to cash-generating units that benefit from the business combination in which the goodwill arose. Impairment losses on goodwill are not reversed.

Distribution network

Distribution network obtained by the Group in a business combination are recognised at fair value at the acquisition date. This intangible asset is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses are not subsequently reversed.

Supplier relationships, trade names and brands

Supplier relationships, trade names and brands obtained by the Group in a business combination are recognised at fair value at the acquisition date. These intangible assets are deemed to have a finite useful life, and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the carrying values over their estimated useful lives. The expected useful lives are as follows: Supplier relationships - 12 years; Trade names - 20 years; and Brands - 10 to 15 years. Amortisation of intangible assets is included in administration and other operating expenses in the statement of comprehensive income.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through profit or loss or through other comprehensive income); and those to be measured at amortised cost. The classification depends on the business model used for managing the financial assets and, in respect of debt instruments, the contractual terms of the cash flows.

Recognition and measurement

Debt instruments held for the collection of contractual cash flows, where those represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method. Any gains or losses arising on derecognition are recognised directly in profit or loss. Impairment losses are presented as a separate line in the statement of comprehensive income.

Debt instruments that are held for the collection of contractual cash flows and for the selling of financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income and impairment gains and losses are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method. Any gains or losses arising on derecognition are recognised directly in profit or loss. Impairment losses are presented as a separate line in the statement of comprehensive income.

Debt instruments that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains and losses on such instruments are recognised in profit or loss in the period in which they arise.

Equity instruments held for trading are measured at fair value through profit or loss. Other equity instruments are held at fair value through other comprehensive income. When the equity instrument is derecognised, the cumulative gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's rights to receive payments are established.

2. **Significant Accounting Policies (Continued)**

(h) **Financial assets (continued)**

Impairment

Application of the General Model to financial assets other than trade receivables

Under this model, the Group assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and at fair value through other comprehensive income. The ECL will be recognized in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. The impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:
Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not credit impaired. The ECL will be computed using a 12-month PD – the probability of default occurring over the next 12 months.
Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD – the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.
Stage 3 – Financial assets that have an objective evidence of impairment are included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Group uses judgement when considering the following factors that affect the determination of impairment:
Assessment of significant increase in credit risk
To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic factors, forward looking information and multiple scenarios
The Group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurements of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected life
When measuring ECL, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group exposed to credit risk and where the credit losses would not be mitigated by management actions.

Application of the Simplified Approach to trade receivables

For trade receivables other than those deemed specifically impaired, the Group applies the simplified approach which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for trade receivables. The lifetime ECLs are determined by taking into consideration historical rates of default for each category of aged receivables as well as the estimated impact of forward-looking information.

(i) **Biological assets**

Livestock – Livestock is measured at its fair value less point of sale costs. Fair value is determined based on market prices of assets of similar age, breed and genetic merit. Changes in fair value are recognised in profit or loss.
Forage – Sugar cane and hay are measured at their fair value, less estimated point of sale costs. Fair value is determined based on market prices of components of animal feed being substituted. Changes in fair value are recognised in profit or loss.

2. Significant Accounting Policies (Continued)

(j) Inventories

Inventories are stated at the lower of cost or net realisable value, cost being determined using the weighted average cost method. The cost of finished goods and work in progress includes cost of raw materials used, direct labour and an appropriate proportion of overhead expenses. The cost of merchandise for resale are determined using weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(k) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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

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

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(n) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(p) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. Significant Accounting Policies (Continued)

(q) Leases

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

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

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

(r) Income taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force at the reporting date, and any adjustment to tax payable and tax losses in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax assets and liabilities are offset in the statement of financial position when there is a legally enforceable right to set off current tax assets against current tax liabilities. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

(s) Employee benefits

Pension obligations

Defined benefit plan

The Group operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

Defined contribution plan

The employees of the Group also participate in an Individual Retirement Scheme operated by an independent insurance Company. The Group makes fixed contributions to the scheme for participating employees. The Group has no obligation for the benefits provided under the scheme as these are payable by, and accounted for by the insurance Company. Accordingly, the Group recognises a cost equal to its contributions payable in respect of each accounting period in the statement of comprehensive income.

Other post-employment benefits

The Group provides post-employment healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit share scheme

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's equity holders after certain adjustments.

2. Significant Accounting Policies (Continued)

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

(v) Dividends

Dividends are recorded as a deduction from equity in the period in which they are approved.

(w) Investment in subsidiaries

Investment in subsidiaries are stated at cost.

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.

3. Financial Risk Management (Continued)

The carrying values of the Group's financial instruments are as follows:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Financial Assets				
Investments, at fair value through other comprehensive income	883,791	1,703,260	853,791	1,703,260
Long term receivables, at fair value through profit or loss	111,685	139,732	59,742	75,421
At cost or amortised cost –				
Long term receivables	1,446,562	989,180	6,151,129	5,273,656
Trade and other receivables	5,661,033	5,068,186	-	80,097
Due from subsidiaries	-	-	19,677,776	17,780,648
Cash and bank balances	1,649,752	2,785,996	-	570,715
	8,757,347	8,843,362	25,828,905	23,705,116
	9,752,823	10,686,354	26,742,438	25,483,797
Financial Liabilities				
At cost or amortised cost –				
Due to subsidiaries	-	-	17,342,380	14,703,404
Trade and other payables	7,419,113	5,094,320	412,209	331,850
Long term liabilities	12,497,068	13,064,282	8,286,504	8,521,283
Lease obligation	159,809	408,300	-	-
Bank overdraft	-	-	381,884	-
	20,075,990	18,566,902	26,422,977	23,556,537

The most important types of risk are credit risk, liquidity risk and market risk. Market risk for the Group includes currency risk, interest rate and other price risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers and its holdings of investments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and industry segments.

Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Long term receivables

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

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

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The executive committee has established a credit policy under which each customer is analysed individually for creditworthiness prior to the Group offering them a credit facility. Credit limits are assigned to each customer, which represents the maximum credit allowable without approval from the Board. Customer credit risk is monitored according to their credit characteristics such as whether it is an individual or company, industry, aging profile, and previous financial difficulties. The Group has procedures in place to restrict customer orders if the order will exceed their credit terms. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

To measure expected credit losses, trade receivables are grouped by customer sector (based on shared risk characteristics) as well as by aging buckets. Lifetime expected credit losses are determined by taking into consideration historical rates of default for the totals of each customer segment of aged receivables as well as the estimated impact of forward looking information. In determining historical rates of default, trade receivables greater than 120 days past due are used as a proxy for historical losses. On this basis, the Group's loss allowance for trade receivables was determined as follows:

	2021					
	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> than 120 days	Total
Trade receivables	$'000	$'000	$'000	$'000	$'000	$'000
Supermarket chains	1,274,142	280,871	16,114	5,902	65,343	1,642,372
Retailers & wholesalers	515,513	61,479	10,486	5,023	68,025	660,526
Distributors	632,112	271,473	64,000	68,669	117,145	1,153,399
Manufacturers	106,167	35,869	2,929	33	16,878	161,876
Others	485,414	250,268	180,288	140,761	381,623	1,438,354
	3,013,348	899,960	273,817	220,388	649,014	5,056,527
Average expected loss rates	%	%	%	%	%	
	1.20%	2.03%	15.05%	18.01%	40.10%	
Loss allowance	$'000	$'000	$'000	$'000	$'000	$'000
	36,224	18,346	41,207	39,693	279,663	415,103

	2020					
	Within 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> than 120 days	Total
Trade receivables	$'000	$'000	$'000	$'000	$'000	$'000
Supermarket chains	1,025,814	172,359	8,583	2,073	36,779	1,245,608
Retailers & wholesalers	386,381	25,819	8,587	323	60,966	482,076
Distributors	499,770	327,624	107,175	114,449	139,530	1,188,548
Manufacturers	67,549	43,857	8,526	13,117	12,036	145,085
Others	444,416	214,466	101,749	127,275	424,285	1,312,191
	2,423,930	784,125	234,620	257,237	673,596	4,373,508
Average expected loss rates	%	%	%	%	%	
	0.93	1.87	4.79	10.66	46.26	
Loss allowance	$'000	$'000	$'000	$'000	$'000	$'000
	22,472	14,693	11,244	27,430	311,633	387,473

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

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables (continued)

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

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
At start of year	387,473	356,459	-	-
Provided during the year	28,150	31,094	-	-
Written off during the year	(520)	(80)	-	-
At end of year	415,103	387,473	-	-

The creation and release of provision for impaired receivables have been included in "net impairment gains and losses on trade receivables" in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

3. **Financial Risk Management (Continued)**

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the central treasury department, includes: (i) monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required; (ii) maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; (iii) maintaining committed lines of credit; (iv) optimising cash returns on investments; and (v) managing the concentration and profile of debt maturities.

Undiscounted contractual cash flows of financial liabilities

The maturity profile of financial liabilities, based on contractual undiscounted payments, is as follows:

The Group

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
			2021			
Long term liabilities	561,417	325,693	3,089,986	9,383,139	2,245,063	15,605,298
Lease obligation	11,041	17,083	44,924	81,105	42,459	196,612
Trade and other payables	7,419,113	-	-	-	-	7,419,113
	7,991,571	342,776	3,134,910	9,464,244	2,287,522	23,221,023
			2020			
Long term liabilities	164,398	227,685	4,019,094	9,905,424	1,428,336	15,744,937
Lease obligation	16,743	33,486	150,687	223,011	55,908	479,835
Trade and other payables	5,094,320	-	-	-	-	5,094,320
	5,275,461	261,171	4,169,781	10,128,435	1,484,244	21,319,092

The Company

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 years $'000	Total $'000
			2021			
Long term liabilities	302,359	39,917	2,422,800	5,603 450	2,245,063	10,613,589
Due to subsidiaries	17,342,380	-	-	-	-	17,342,380
Other payables	412,209	-	-	-	-	412,209
	18,056,948	39,917	2,422,800	5,603 450	2,245,063	28,368,178
			2020			
Long term liabilities	117,296	33,172	3,312,073	6,587,689	-	10,050,230
Due to subsidiaries	14,703,404	-	-	-	-	14,703,404
Other payables	331,850	-	-	-	-	331,850
	15,152,550	33,172	3,312,073	6,587,689	-	25,085,484

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 currency exposures, primarily with respect to the US dollar, Euro, Pound Sterling and the Canadian dollar. Foreign exchange risk arises primarily from transactions for purchases and sales and investing and financing activities.

The statement of financial position for the Group at 31 December 2021 includes aggregate net foreign assets/(liabilities) of (US$3,240,000), Euro$4,000, £67,000 and Canadian$1,000 (2020 – aggregate net foreign assets of US$2,640,000, Euro$20,000, £154,000 and Canadian$1,000).

The statement of financial position for the Company at 31 December 2021 includes aggregate net foreign assets of US$35,039,000, Euro$4,000, £10,000 and Canadian$1,000 (2020 – aggregate net foreign assets of US$40,221,000, Euro$20,000, £97,000 and Canadian$1,000), in respect of such transactions.

The above amounts include financial investments of US$5,450,000 (2020 – US$11,970,000) in respect of which foreign exchange gains and losses are reported in other comprehensive income.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The following table indicates the effect on profit before taxation and on other items of equity arising from changes in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end based on management's assessment of the possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains and losses on translation of US dollar-denominated long term receivables, trade receivables, investment securities, payables and long term liabilities.

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Effect on profit before taxation -				
US$				
8% devaluation (2020 – 6%)	(109,352)	(81,318)	357,264	237,684
2% revaluation (2020 – 2%)	27,338	27,106	(89,316)	(79,228)
Other currencies				
8% devaluation (2020 – 6%)	1,136	1,938	224	1,302
2% revaluation (2020 – 2%)	(284)	(646)	(56)	(434)
Effect on other items of equity -				
US$				
8% devaluation (2020 – 6%)	66,736	101,100	66,736	101,100
2% revaluation (2020 – 2%)	(16,684)	(33,700)	(16,684)	(33,700)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Seprod Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

The Group's interest rate risk arises from long term borrowings and other debt instruments. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on profit before taxation based on floating rate borrowing and other debt instruments. The sensitivity of other components of equity is calculated by revaluing fixed rate investments for the effects of the assumed changes in interest rates.

The following table indicates the sensitivity to a reasonably possible change in interest rates in respect of Jamaican dollar and United States dollar denominated instruments, with all other variables held constant, on profit before taxation and other components of equity.

Change in basis points	Effect on Profit before Taxation	Effect on Other Components of Equity	Change in basis points	Effect on Profit before Taxation	Effect on Other Components of Equity
2021 JMD / USD	2021 $'000	2021 $'000	2020 JMD / USD	2020 $'000	2020 $'000
		The Group			
+100/+100	(20,544)	-	+100/+100	(25,108)	-
-100/-100	20,544	-	-100/-100	25,108	-
		The Company			
+100/+100	(12,000)	-	+100/+100	(16,565)	-
-100/-100	12,000	-	-100/-100	16,565	-

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 $'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
				2021			
Financial assets							
Investments	-	-	-	30,000	-	853,791	883,791
Long term receivables	-	-	174,307	803,482	580,458	-	1,558,247
Trade and other receivables	-	-	-	-	-	5,661,033	5,661,033
Cash and bank	1,641,434	-	-	-	-	8,318	1,649,752
	1,641,434	-	174,307	833,482	580,458	6,523,142	9,752,823
Financial liabilities							
Long term liabilities	426,236	2,294,700	1,304,024	6,748,336	1,690,186	33,586	12,497,068
Lease obligation	9,373	15,493	40,767	57,442	36,734	-	159,809
Payables	-	-	-	-	-	7,419,113	7,419,113
	435,609	2,310,193	1,344,791	6,805,778	1,726,920	7,452,699	20,075,990
Total interest repricing gap	1,205,825	(2,310,193)	(1,170,484)	(5,972,296)	(1,146,462)	(929,557)	(10,323,167)
				2020			
Financial assets							
Investments	-	-	-	-	-	1,703,260	1,703,260
Long term receivables	-	-	408,050	115,557	605,305	-	1,128,912
Trade and other receivables	-	-	-	-	-	5,068,186	5,068,186
Cash and bank	2,777,678	-	-	-	-	8,318	2,785,996
	2,777,678	-	408,050	115,557	605,305	6,779,764	10,686,354
Financial liabilities							
Long term liabilities	37,854	991,049	2,603,439	8,915,503	484,456	31,981	13,064,282
Lease obligation	14,033	28,067	126,300	190,814	49,086	-	408,300
Payables	-	-	-	-	-	5,094,320	5,094,320
	51,887	1,019,116	2,729,739	9,106,317	533,542	5,126,301	18,566,902
Total interest repricing gap	2,725,791	(1,019,116)	(2,321,689)	(8,990,760)	71,763	1,653,463	(7,880,548)

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
				2021			
Financial assets							
Investments	-	-	-	-	-	853,791	853,791
Long term receivables	-	-	161,713	4,132,402	580,458	1,336,298	6,210,871
Due from subsidiaries	-	-	-	-	-	19,677,776	19,677,776
	-	-	161,713	4,132,402	580,458	21,867,865	26,742,438
Financial liabilities							
Long term liabilities	192,086	1,214,314	828,198	4,328,134	1,690,186	33,586	8,286,504
Payables	-	-	-	-	-	412,209	412,209
Due to subsidiaries	-	-	-	-	-	17,342,380	17,342,380
Bank overdraft	381,884	-	-	-	-	-	381,884
	573,970	1,214,314	828,198	4,328,134	1,690,186	17,788,175	26,422,977
Total interest repricing gap	(573,970)	(1,214,314)	(666,485)	(195,732)	(1,109,728)	4,079,690	319,461
				2020			
Financial assets							
Investments	-	-	-	-	-	1,703,260	1,703,260
Long term receivables	-	-	395,188	3,238,323	605,305	1,110,261	5,349,077
Trade and other receivables	-	-	-	-	-	80,097	80,097
Due from subsidiaries	-	-	-	-	-	17,780,648	17,780,648
Cash and bank	562,457	-	-	-	-	8,258	570,715
	562,457	-	395,188	3,238,323	605,305	20,682,524	25,483,797
Financial liabilities							
Long term liabilities	4,774	9,650	2,977,325	5,497,553	-	31,981	8,521,283
Payables	-	-	-	-	-	331,850	331,850
Due to subsidiaries	-	-	-	-	-	14,703,404	14,703,404
	4,774	9,650	2,977,325	5,497,553	-	15,067,235	23,556,537
Total interest repricing gap	557,683	(9,650)	(2,582,137)	(2,259,230)	605,305	5,615,289	1,927,260

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk because of investments held by the Group classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

Based on its holding of investments as at 31 December 2020 and 2021, there is no significant impact on the Group's stockholders' equity at either year end arising from changes in equity prices.

3. Financial Risk Management (Continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

(e) Fair value estimates

Fair values of financial instruments re-measured at their fair value after initial recognition

Financial instruments classified in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

At 31 December 2021, the Group and the Company had quoted equity securities classified in Level 1 amounting to $21,291,000 (2020 – $18,258,000).

Financial instruments classified in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Specific valuation techniques used to value such financial instruments include: (i) quoted market prices or dealer quotes for similar instruments; and (ii) other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

At 31 December 2021, the Group had securities issued by the Government of Jamaica classified in Level 2 amounting to $30,000,000 (2020 – $Nil).

Financial instruments classified in Level 3

If one or more of the significant inputs for valuation is not based on observable market data, the financial instrument is included in Level 3, and fair value is determined using discounted cash flow analysis.

At 31 December 2021, The Group and the Company had unquoted equity securities with a fair value of $832,500,000 (2020 – $1,685,002,000) classified as fair value through other comprehensive income and categorised as Level 3.

The movement in these instruments is as follows:

	2021 $'000	2020 $'000
At start of year	1,685,002	1,471,718
Disposals	(868,487)	-
Fair value gains and losses	(53,463)	88,684
Foreign exchange gains and losses	69,448	124,600
At end of year	832,500	1,685,002

The following unobservable inputs were used to measure the Company's Level 3 financial instruments:

Unobservable Inputs	Range of unobservable inputs (weighted average)	Relationship of unobservable inputs to fair value
Discount rate	12% (2020 – 11%)	If the discount rate increases the fair value decreases
Terminal growth rate	3% (2020 – 3%)	If the terminal growth rate increases the fair value increases
Market participant minority discount	20% (2020 – 20%)	If the market participant minority discount increases the fair value decreases

There were no transfers between levels during the year.

3. Financial Risk Management (Continued)

(e) Fair value estimates (continued)

Fair values of financial instruments not re-measured at fair value after initial recognition

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

The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, trade and other receivables (Note 24) and payables (Note 25).

The carrying values of long term receivables (Note 20) approximate their fair values, as these receivables are carried at amortised cost and the interest rates are reflective of current market rates for similar transactions.

The carrying values of long term loans (Note 28) approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

Fair values of property

As of 31 December 2021, the Group measures its land and buildings at fair value on a triennial basis. Management, through an independent valuation expert used the income capitalisation approach to determine the fair value of all of the land and buildings. This method takes into consideration a number of factors that require estimation and judgement. The key factors include: estimation of rental income; determination of a capitalisation factor; and determination of the discount rate.

The Group classifies its land and buildings in Level 3 due to the unobservable inputs used in the determination of fair value for those assets. As at 31 December 2021, the carrying values of land and buildings (inclusive of work in progress) classified as level 3 amounted to: $3,643,310,000 and $5,814,500,000, respectively, for the Group; and $1,485,000,000 and $2,222,000,000, respectively, for the Company.

3. Financial Risk Management (Continued)

(e) Fair value estimates (continued)

Fair values of biological assets

The Group measures the biological assets at fair value at each reporting date. In measuring the fair value of biological assets various management estimates and judgements are required. The Group classifies its biological assets in Level 3 due to the unobservable inputs used in the determination of fair value for those assets, as described below.

Livestock

Estimates and judgements in determining the fair value of livestock relate to the market prices, use of animals and age of animals. Market prices of the animals are obtained from other players in the industry.

Forage

Subsequent to the discontinuation of the sugar manufacturing operation in July 2019, estimates and judgements in determining the fair value of sugar cane related to the ingredients in animal feed for which the sugar cane is used as a substitute. The ingredients in animal feed that are substituted and the related cost are determined independently by animal feed manufacturers and contracted farmers.

The fair value of hay is are determined independently by animal feed manufacturers and contracted farmers.

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

	2021	2020
	$'000	$'000
Opening balance	411,220	409,370
Decreases due to sales	(53,280)	(94,787)
Total gains or losses for the period included in profit or loss	86,833	96,637
Closing balance	444,773	411,220
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	86,833	96,637
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	56,426	53,358

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

	2021	2020
	$'000	$'000
Opening balance	276,185	286,549
Value received for cane on partial surrender of leased lands	-	(36,266)
Total gains or losses for the period included in profit or loss	(121,502)	25,902
Closing balance	154,683	276,185
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(121,502)	25,902
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(121,502)	25,902

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(e) Fair value estimates (continued)

Fair values of biological assets (continued)

The following unobservable inputs were used in determined the fair value of the Group's livestock, using a market approach for valuation.

	Fair Value at 2021	
Unobservable Inputs	**Range of unobservable inputs (weighted average)**	**Relationship of unobservable inputs to fair value**
Dairy livestock price	\$36,390- \$153,000 (\$105,021) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$13,175- \$119,000 (\$92,747) per animal	The higher the market price, the higher the fair value.
Hay grass yield – per acre	10 bales per acre	The higher the hay grass yield, the higher the fair value.
Hay price	\$2,800 per bale	The higher the market price, the higher the fair value.

	Fair Value at 2020	
Unobservable Inputs	**Range of unobservable inputs (weighted average)**	**Relationship of unobservable inputs to fair value**
Dairy livestock price	\$34,000- \$136,500 (\$95,675) per animal	The higher the market price, the higher the fair value.
Other livestock price	\$11,050- \$114,750 (\$95,698) per animal	The higher the market price, the higher the fair value.
Hay grass yield – per acre	10 bales per acre	The higher the hay grass yield, the higher the fair value.
Hay price	\$2,800 per bale	The higher the market price, the higher the fair value.

The following unobservable inputs were used in determined the fair value of the Group's sugar cane, using a market approach for valuation.

	Fair Value at 2021	
Unobservable Inputs	**Range of unobservable inputs (weighted average)**	**Relationship of unobservable inputs to fair value**
Price of fodder being substituted	\$7,000 per metric tonne	The higher the price of fodder being substituted, the higher the fair value.

	Fair Value at 2020	
Unobservable Inputs	**Range of unobservable inputs (weighted average)**	**Relationship of unobservable inputs to fair value**
Price of fodder being substituted	\$7,000 per metric tonne	The higher the price of fodder being substituted, the higher the fair value.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income taxes
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Post-employment benefit obligations
The present value of the pension and other post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (or income) for post-employment benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of post-employment benefit obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation. Other key assumptions for post-employment benefit obligations are based in part on current market conditions. Sensitivity disclosures in relation to changes in assumptions are disclosed in Note 21.

Fair value of biological assets
Livestock
In the process of applying the Group's accounting policies, management determines fair values of biological assets based on prices in the local market, less the transport and other costs of getting the assets to the market. The fair value is sensitive to certain assumptions used in the computation, the primary assumption being the price of the animals.

For the valuation of biological assets at the year end, if the price per animal had changed by 5% with all other variables constant, the fair value would change accordingly by $21,376,000.

Forage
The sugar cane in the fields at 31 December 2021 will be used primarily as a substitute for components of animal feed. In doing the valuation for sugar cane, the Group first determines a price per tonne of cane based on the prices per tonne of the components of animal feed that will be substituted. This price per tonne of fully grown cane is used as the base for determining the fair value for the cane in each field, at the various stages in the cane harvest cycle. In valuing the cane for each cane field in each cane farm, the Group estimates each field's yield, by estimating the tonnes of cane to be reaped, per hectare of cane planted. The value of the cane considers the stage of growth of the cane, using certain assumptions regarding the relationship between the stage of growth of the cane and the cane's value. The fair value is sensitive to the assumptions used in the computation, the primary assumptions being the prices per tonne of the components of animal feed that will be substituted.

For the valuation of biological assets at the year end, if the price of hay had changed by 5%, with all other variables constant, the fair value would have changed accordingly by $7,734,000.

Fair value of unquoted equity securities
The fair value of securities not quoted in an active market are determined using valuation techniques. The Group exercises judgement and estimates on the quantity and quality of cashflow projections used. Where no market data is available, the Group values positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard for this purpose. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are reviewed by external experts. The fair value is sensitive to the assumptions used in the computation, the primary assumptions being the discount rate of 12%, terminal growth rate of 3% and a market participant minority discount of 20% and investee's future cash flows.

For the valuation of unquoted ordinary shares at the year-end: if the discount rate had increased/decreased to 13%/11% with all other variables constant, the fair value would decrease/increase from US$5,450,000 to US$3,179,000/US$8,287,000; and if the terminal growth rate had increased/decreased to 3.5%/2.5% with all other variables constant, the fair value would increase/decrease from US$5,450,000 to US$6,446,000/US$4,556,000.

4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Fair value of property

Land and buildings are carried at fair value. The Group uses independent professional valuers to value its land and buildings triennially. These fair values are derived using the income capitalisation approach, which takes into consideration a number of factors, primarily the estimation of rental income; determination of a capitalisation factor; and determination of the discount rate. Rental rates of the subject properties are adjusted to reflect the market rent for properties of similar size, location and condition. The higher the rental rate the higher the fair value. The higher the capitalisation rate the lower the fair value.

Goodwill

The Group test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f). The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rate. Any changes in these variables would impact the value in use calculations.

A 1% increase in the discount rates and a 1% reduction in revenue growth would not result in an impairment of goodwill.

Joint venture

The joint venture agreements in relation to Jamaica Grain and Cereals Limited require unanimous consent from all parties for all relevant activities. The partners have rights to the net assets of the arrangement. This entity is therefore classified as a joint venture and the Group recognises its share of the results for the year.

5. Business Segments

The Group is organised into two main business segments: Manufacturing – This incorporates the operations for manufacturing and sale of oils and fats, corn and wheat products, cereals, milk products, juices and biscuits; and Distribution – The merchandising of consumer goods.

	2021			
	Manufacturing	Distribution	Eliminations	Group
	$'000	$'000	$'000	$'000
External revenue	12,351,264	31,532,141	-	43,883,405
Inter-segment revenue	10,857,163	-	(10,857,163)	-
Total revenue	23,208,427	31,532,141	(10,857,163)	43,883,405
Segment result	1,318,875	1,697,176	-	3,016,051
Unallocated corporate income				583,432
Operating profit				3,599,483
Segment assets	18,465,513	9,591,055	-	28,056,568
Unallocated corporate assets				18,855,076
Total consolidated assets				46,911,644
Segment liabilities	6,294,581	5,905,651	-	12,200,232
Unallocated corporate liabilities				11,262,508
Total consolidated liabilities				23,462,740
Other segment items –				
Capital expenditure	564,522	1,090,434	-	1,654,956
Unallocated capital expenditure				-
Total capital expenditure				1,654,956
Depreciation	621,645	389,415	-	1,011,060
Unallocated depreciation				53,199
Total depreciation				1,064,259

	2020			
	Manufacturing	Distribution	Eliminations	Group
	$'000	$'000	$'000	$'000
External revenue	9,104,390	28,632,690	-	37,737,080
Inter-segment revenue	19,111,914	-	(19,111,914)	-
Total revenue	28,216,304	28,632,690	(19,111,914)	37,737,080
Segment result	2,075,608	1,872,223	-	3,947,831
Unallocated corporate income				733,312
Operating profit				4,681,143
Segment assets	12,815,259	9,858,190	-	22,673,449
Unallocated corporate assets				15,406,525
Total consolidated assets				38,079,974
Segment liabilities	5,390,169	5,311,163	-	10,701,332
Unallocated corporate liabilities				10,485,615
Total consolidated liabilities				21,186,947
Other segment items –				
Capital expenditure	311,508	60,951	-	372,459
Unallocated capital expenditure				158,964
Total capital expenditure				531,423
Depreciation	629,756	184,047	-	813,803
Unallocated depreciation				49,898
Total depreciation				863,701

The Group's customers are mainly resident in, and operate from, Jamaica. Revenues of $2,601,768,000 (2020 - $2,187,592,000) were earned from customers resident in other countries.

6. Finance and Other Operating Income

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Dividend income on quoted investments	1,436	40	1,436	40
Gain on disposal of property, plant and equipment	7,132	753,939	-	747,812
Interest income from subsidiaries	-	-	220,169	276,149
Other interest income	80,121	75,936	67,028	58,850
Net foreign exchange gains and losses	1,183,532	1,173,314	541,808	242,451
Rental income from subsidiaries	-	-	35,055	34,797
Other rental income	29,057	80,118	257	46,183
Other	222,343	412,336	74	17,204
	1,523,621	2,495,683	865,827	1,423,486

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Advertising and promotion	545,626	518,897	13,643	14,804
Amortisation of intangible assets	241,454	242,115	-	-
Auditors' remuneration	40,099	37,128	11,876	11,006
Cost of inventories recognised as an expense	28,645,137	23,657,591	-	-
Delivery charges	824,633	667,707	-	55
Depreciation of property, plant and equipment	724,318	723,511	53,199	49,898
Depreciation of right of use assets	339,941	140,190	-	-
Donations	33,257	44,138	33,257	44,138
Feed, chemicals and veterinary supplies	532,200	458,794	-	-
Fertilising	-	3,805	-	-
Insurance	415,764	390,960	39,749	21,407
Motor vehicle expenses	193,404	31,066	12,782	7,601
Net impairment losses on trade receivables	28,150	31,094	-	-
Non-recoverable GCT	76,932	86,135	5,851	17,339
Professional services	250,134	167,200	137,836	100,111
Raw and packaging material	527,972	498,167	-	-
Repairs and maintenance	1,227,150	1,028,182	19,004	21,159
Security	226,448	207,796	44,963	44,664
Staff costs (Note 8)	4,280,662	4,128,496	601,135	667,704
Supplies	10,085	15,123	3,727	6,488
Utilities	1,493,447	1,161,831	53,963	31,034
Other	1,150,730	1,311,694	117,946	136,801
	41,807,543	35,551,620	1,148,931	1,174,209

8. Staff Costs

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Wages and salaries	3,279,639	3,218,347	433,362	506,152
Statutory contributions	374,733	355,268	48,620	48,957
Pension – defined benefit (Note 21)	3,200	5,300	3,200	5,300
Pension – defined contribution (Note 21)	97,472	83,104	13,588	13,538
Other post-employment benefits (Note 21)	11,800	10,900	11,800	10,900
Other	513,818	455,577	90,565	82,857
	4,280,662	4,128,496	601,135	667,704

9. Finance Costs

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Net foreign exchange gains and losses	127,180	137,127	113,949	2,628
Interest expense –				
Long term liabilities	869,032	883,450	547,849	543,814
Lease obligation	37,271	106,354	-	-
Other	128,751	90,348	51,245	20,914
Amortisation of deferred financing fees	37,240	48,759	24,202	34,372
	1,199,474	1,266,038	737,245	601,728

10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 25%.

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Current taxation	517,687	396,999	-	-
Adjustment to prior year provision	(4,737)	(37,200)	-	-
	512,950	359,799	-	-
Deferred taxation (Note 29)	(341,226)	201,177	15,435	(11,895)
	171,724	560,976	15,435	(11,895)

10. Taxation Expense (Continued)

The tax on the Group's and the Company's profits differ from the theoretical amounts that would arise using the applicable tax rate as follows:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Profit before taxation	2,310,970	3,409,866	66,217	710,228
Tax calculated at a tax rate of 25%	577,743	852,466	16,554	177,557
Adjusted for the effect of:				
Investment income not subject to tax	(109,763)	(261,771)	(32,959)	(261,526)
Adjustment to prior year provision	(4,737)	(37,200)	-	-
Employment tax credit	(32,367)	(53,744)	-	-
Expenses not deductible	107,121	143,710	37,182	55,073
Results of joint venture included net of tax	(19,786)	1,310	-	-
Recognition of previously unrecognised tax losses	(522,140)	(145,805)	-	-
Tax losses in respect of which no deferred tax is recognised	113,824	-	-	-
Other charges and credits	61,829	62,010	(5,342)	17,001
	171,724	560,976	15,435	(11,895)

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

	The Group		
	Before Tax	Tax Effect	After Tax
	$'000	$'000	$'000
		2021	
Currency translation gains and losses	34,984	-	34,984
Re-measurements of post-employment benefit obligations	2,900	(725)	2,175
Unrealised fair value gains and losses on investments	19,018	-	19,018
Unrealised fair value gains and losses on property	6,247,560	(787,669)	5,459,891
Other comprehensive income	6,304,462	(788,394)	5,516,068
		2020	
Currency translation gains and losses	(113,979)	-	(113,979)
Re-measurements of post-employment benefit obligations	8,900	(2,225)	6,675
Unrealised fair value gains and losses on investments	203,050	-	203,050
Other comprehensive income	97,971	(2,225)	95,746

	The Company		
	Before Tax	Tax Effect	After Tax
	$'000	$'000	$'000
		2021	
Re-measurements of post-employment benefit obligations	2,900	(725)	2,175
Unrealised fair value gains and losses on investments	19,018	-	19,018
Unrealised fair value gains and losses on property	2,409,892	(270,352)	2,139,540
Other comprehensive income	2,431,810	(271,077)	2,160,733
		2020	
Re-measurements of post-employment benefit obligations	8,900	(2,225)	6,675
Unrealised fair value gains and losses on investments	203,050	-	203,050
Other comprehensive income	211,950	(2,225)	209,725

11. Net Profit Attributable to Stockholders of the Company

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

	2021 $'000	2020 $'000
The Company	50,782	722,123
Subsidiaries	1,863,495	2,155,032
Joint venture	79,144	(5,239)
	1,993,421	2,871,916

12. Earnings per Stock Unit Attributable to Stockholders of the Company

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the Company by the weighted average number of ordinary stock units in issue, as follows.

	2021 $'000	2020 $'000
Net profit/(loss) attributable to stockholders of the Company		
Continuing operations	2,139,246	2,848,890
Discontinued operations	(145,825)	23,026
	1,993,421	2,871,916
Weighted average number of ordinary stock units (‘000)	733,488	733,488
Basic earnings per stock unit ($)		
Continuing operations	2.92	3.89
Discontinued operations	(0.20)	0.03
	2.72	3.92

The Company has no dilutive potential ordinary shares.

13. Dividends Declared

	2021 $'000	2020 $'000
Interim dividends –		
30 cents per stock unit – 22 February 2021	220,064	-
50 cents per stock unit – 26 July 2021	366,774	-
50 cents per stock unit – 8 November 2021	366,774	
142 cents per stock unit – 17 September 2020	-	1,044,872
	953,612	1,044,872

On 17 September 2020, the Company declared an interim dividend payable on 16 October 2020 as follows:

(i) Shareholders owning at least 20,000 shares received cash at a rate of $0.30 per share, as well as 15,447,465 shares in the Eppley Caribbean Property Fund – Value Fund (CPFV Shares) at a ratio of 0.02171 CPFV Shares for every share held in the Company (the Company had previously received the CPFV Shares as proceeds for the sale of a property to Eppley Caribbean Property Fund – Value Fund); and

(ii) Shareholders owning less than 20,000 shares received cash at a rate of $0.30 per share, as well as cash in lieu of an allocation of CPFV Shares at a ratio of 0.02171 CPFV Shares (valued based on the closing price of CPFV Shares on the Jamaica Stock Exchange as at 17 September 2020) for every share held in the Company.

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
			2021			
Cost -						
At 1 January 2021	733,037	2,461,345	7,461,689	218,643	278,814	11,153,528
Adjustment to opening balances	2	72,643	1,431,020	278,999	(1)	1,782,663
At 1 January 2021	733,039	2,533,988	8,892,709	497,642	278,813	12,936,191
Additions	-	22,167	276,609	43,557	1,312,623	1,654,956
Disposals	-	(9,087)	(253,541)	(40,714)	-	(303,342)
Write-offs/Adjustments	(2)	(42,449)	42,451	(5,012)	(13,871)	(18,883)
Transfers	-	-	-	-	-	-
Revaluation	2,910,273	2,369,881	-	-	103,436	5,383,590
At 31 December 2021	3,643,310	4,874,500	8,958,228	495,473	1,681,001	19,652,512
Accumulated Depreciation -						
At 1 January 2021	-	585,693	3,522,414	87,088	-	4,195,195
Adjustment to opening balances	-	79,641	1,424,987	278,035		1,782,663
At 1 January 2021	-	665,334	4,947,401	365,123	-	5,977,858
Charge for the year	-	57,390	613,935	52,993	-	724,318
On disposals	-	(5,189)	(240,491)	(36,382)		(282,062)
Write-offs/Adjustments	-	(22,653)	21,856	-	-	(797)
Revaluation	-	(694,882)	-	-	-	(694,882)
At 31 December 2021	-	-	5,342,701	381,734	-	5,724,435
Net Book Value -						
At 31 December 2021	3,643,310	4,874,500	3,615,527	113,739	1,681,001	13,928,077
			2020			
Cost -						
At 1 January 2020	736,600	2,569,575	6,422,779	153,952	967,821	10,850,727
Additions	-	3,779	63,646	87,935	376,063	531,423
Disposals	(3,563)	(152,491)	(32,717)	(23,244)	-	(212,015)
Write-offs/Adjustments	-	-	722	-	(17,329)	(16,607)
Transfers	-	40,482	1,007,259	-	(1,047,741)	-
At 31 December 2020	733,037	2,461,345	7,461,689	218,643	278,814	11,153,528
Accumulated Depreciation -						
At 1 January 2020	-	658,199	2,932,566	62,607	-	3,653,292
Charge for the year	-	57,305	621,981	44,225	-	723,511
On disposals	-	(129,731)	(32,515)	(19,744)	-	(181,990)
Write-offs/Adjustments	-	-	382	-	-	382
At 31 December 2020	-	585,693	3,522,414	87,088	-	4,195,195
Net Book Value -						
At 31 December 2020	733,037	1,875,652	3,939,275	131,555	278,814	6,958,333

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
			2021			
Cost -						
At 1 January 2021	156,518	421,923	268,924	72,587	121,889	1,041,841
Additions	-	-	15,324	14,918	965,830	996,072
Disposals	-	-	(22,803)	-	-	(22,803)
Write-offs/Adjustments	-	-	-	-	(13,871)	(13,871)
Revaluation	1,328,482	860,077	-	-	103,436	2,291,995
At 31 December 2021	1,485,000	1,282,000	261,445	87,505	1,177,284	4,293,234
Accumulated Depreciation -						
At 1 January 2021	-	109,099	178,779	48,696	-	336,574
Charge for the year	-	8,798	25,909	18,492	-	53,199
Relieved on disposals	-	-	(22,803)	-	-	(22,803)
Revaluation	-	(117,897)	-	-	-	(117,897)
At 31 December 2021	-	-	181,885	67,188	-	249,073
Net Book Value -						
At 31 December 2021	1,485,000	1,282,000	79,560	20,317	1,177,284	4,044,161
			2020			
Cost -						
At 1 January 2020	160,081	571,909	284,821	59,766	5,976	1,082,553
Additions	-	-	8,154	12,821	137,989	158,964
Disposals	(3,563)	(152,491)	(30,371)	-	-	(186,425)
Write-offs/Adjustments	-	-	-	-	(13,251)	(13,251)
Transfers	-	2,505	6,320	-	(8,825)	-
At 31 December 2020	156,518	421,923	268,924	72,587	121,889	1,041,841
Accumulated Depreciation -						
At 1 January 2020	-	229,054	184,529	33,195	-	446,778
Charge for the year	-	9,776	24,621	15,501	-	49,898
Relieved on disposals	-	(129,731)	(30,371)	-	-	(160,102)
At 31 December 2020	-	109,099	178,779	48,696	-	336,574
Net Book Value -						
At 31 December 2020	156,518	312,824	90,145	23,891	121,889	705,267

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

At 31 December 2021, land and buildings are stated on a revaluation basis based on valuations done by a professional independent valuer. The revaluation surplus of $6,078,472,000 for the Group and $2,409,892,000 for the Company, net of deferred tax of $787,669,000 for the Group and $270,352,000 for the Company, was credited to capital reserves in shareholders' equity. Prior to that that date, land and buildings are stated on a historical cost basis.

If land and buildings were stated on a historical cost basis at 31 December 2021, the carrying amounts would be:

- land at a cost of $733,037,000 for the Group and $156,158,000 for the Company; and
- buildings at a cost $2,504,619,000 for the Group and $421,923,000 for the Company, net of accumulated depreciation of $694,882,000 for the Group and $117,897,000 for the Company.

15. Right of Use Assets and Related Lease Obligation

The movement in the right of use assets is as follows:

	The Group		
	Buildings $'000	Motor Vehicles $'000	Total $'000
		2021	
At 1 January 2021	328,441	69,048	397,489
Additions	86,621	-	86,621
Disposals	-	(691)	(691)
Charge for the year	(315,458)	(24,483)	(339,941)
At 31 December 2021	99,604	43,874	143,478
		2020	
At 1 January 2020	936,911	103,823	1,040,734
Additions	304,697	-	304,697
Disposals	-	(1,946)	(1,946)
Charge for the year	(107,361)	(32,829)	(140,190)
Effect of lease modification	(805,806)	-	(805,806)
At 31 December 2020	328,441	69,048	397,489

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

	The Group	
	2021 $'000	2020 $'000
Current obligations	65,633	168,399
Non-current obligations	94,176	239,901
	159,809	408,300

The movement in the lease obligation is as follows:

	The Group	
	2021 $'000	2020 $'000
Balance at start of year	408,300	1,173,103
Additions	86,621	304,697
Effect of variation in lease payments/lease modification	(170,276)	(978,155)
Foreign exchange gains and losses	13,231	3,626
Interest charged and expensed (Note 9)	37,271	106,354
Lease payments	(215,338)	(201,325)
Balance at end of year	159,809	408,300

16. Intangible Assets

	The Group					
	Goodwill $'000	Distribution network $'000	Supplier relationships $'000	Trade name $'000	Brands $'000	Total $'000
Cost -						
At 31 December 2020 and 31 December 2021	4,794,911	2,090,000	1,340,000	404,000	1,233,277	9,862,188
Accumulated Amortisation -						
At 1 January 2020	-	-	139,507	25,236	282,708	447,451
Charge for the year	-	-	111,972	20,256	109,887	242,115
At 31 December 2020	-	-	251,479	45,492	392,595	689,566
Charge for the year	-	-	111,667	20,200	109,587	241,454
At 31 December 2021	-	-	363,146	65,692	502,182	931,020
Net Book Value -						
At 31 December 2021	4,794,911	2,090,000	976,854	338,308	731,095	8,931,168
At 31 December 2020	4,794,911	2,090,000	1,088,521	358,508	840,682	9,172,622

Goodwill of $330,459,000 is allocated to Musson Holdings Limited, and $4,464,452,000 to Facey Commodity Company Limited. Musson Holdings Limited is in the manufacturing segment, while Facey Commodity Company Limited is in the Distribution segment.

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows. The cash flow projections are based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates (which do not exceed the long-term average growth rate for the business in which the CGU operates). The key assumptions used for value in use calculations are as follows:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditure to Revenue	Discount Rate
Musson Holdings Limited	6%	6%	1%	16%
Facey Commodity Company Limited	7%	6%	1%	15%

17. Investments

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Quoted equity securities denominated in Jamaican dollars	21,291	18,258	21,291	18,258
Unquoted Government of Jamaica securities denominated in Jamaican dollars	30,000	-	-	-
Unquoted equity securities denominated in US dollars	832,500	1,685,002	832,500	1,685,002
	883,791	1,703,260	853,791	1,703,260

Unquoted equity securities denominated in US dollars
The Company has the following shareholding in Facey Group Limited, a related company over which the Company does not exercise significant influence:

- 42,214 (2020 – 42,214) of the issued ordinary shares, which represents an 11.6% (2020 – 11.6%) holding; and
- Nil (2020 – 20,486) of the issued preference shares , which represents a Nil% (2020 – 34.1% holding).

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.

Effective 1 January 2021, the preference shares were sold to Musson (Jamaica) Limited, a related party, for their fair value as determined by independent professional valuers. As the shares were carried at fair value, there was no gain or loss on the transaction; however the accumulated fair value gains from holding the shares over the years became realized. The consideration for the shares was settled by a combination of cash and a loan from Musson (Jamaica) Limited (Note 20(e)).

18. Investment in Subsidiaries

	2021	2020
	$'000	$'000
Balance at 1 January	7,863,313	7,863,313
Balance at 31 December	7,863,313	7,863,313

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

19. Investment in Joint Venture

The Group owns 50% of Jamaica Grain and Cereals Limited, a former subsidiary that manufactures and sells corn and wheat products and cereals. The carrying value of the investment approximates 50% of the carrying value of the net assets of the joint venture entity.

The movement in investment in joint venture is as follows:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Balance at the beginning of the year	448,831	454,070	434,114	434,114
Share of profit or loss	79,144	(5,239)	-	-
Share of other comprehensive income – revaluation of property	169,088	-	-	-
Balance at the end of the year	697,063	448,831	434,114	434,114

The summarised financial information for the joint venture is as follows:
Summarised statement of comprehensive income

	2021 $'000	**2020 $'000**
Revenue	5,236,786	4,224,474
Depreciation	132,186	140,642
Net profit/(loss)	158,288	(10,478)

Summarised statement of financial position

	2021 $'000	**2020 $'000**
Property, plant and equipment and other non-current assets	3,276,762	3,007,716
Current assets:		
Inventories	1,182,012	815,389
Cash and cash equivalents	703,621	389,424
Receivables and other current assets	645,073	505,094
	2,530,706	1,709,907
Non-current liabilities:		
Due to joint venture partners	(1,178,668)	(1,226,784)
Long term loan	(1,406,245)	(1,537,359)
Other non-current liabilities	(255,432)	(158,961)
	(2,840,345)	(2,923,104)
Current liabilities:		
Due to joint venture partners	(990,989)	(693,972)
Current portion of long term loan	(487,807)	(136,533)
Payables and other current liabilities	(99,950)	(72,100)
	(1,578,746)	(902,605)
Net assets	1,388,377	891,914

Summarised statement of cash flows

	2021 $'000	**2020 $'000**
Cash flows from operating activities	493,580	555,832
Cash flows from investing activities	(40,969)	(32,513)
Cash flows from financing activities	(138,414)	(362,211)

20. Long Term Receivables

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
(a) Facey Commodity Company Limited	-	-	922,212	922,212
(b) Musson International Dairies Limited	-	-	2,446,057	2,252,003
(c) Jamaica Grain and Cereals Limited	580,458	605,305	580,458	605,305
(d) Musson (Jamaica) Limited	-	383,875	-	383,875
(e) Musson (Jamaica) Limited	866,104	-	866,104	-
(f) Employee loans	111,685	139,732	59,742	75,421
(g) Bercyn Farms Limited –				
(i) Mobilisation loan for farming operations	-	-	-	-
(ii) Advance for replanting and farming operations	-	-	-	-
	1,558,247	1,128,912	4,874,573	4,238,816
Interest receivable	-	-	1,336,298	1,110,261
	1,558,247	1,128,912	6,210,871	5,349,077
Less: Current portion	(174,307)	(408,050)	(1,498,011)	(1,505,449)
	1,383,940	720,862	4,712,860	3,843,628

(a) This receivable from subsidiary of J$922,212,000 is scheduled to be received at maturity on 26 September 2024. The agreement attracts interest of 8% per annum, payable monthly.

(b) This receivable from subsidiary of US$15,892,000 was initially repayable on 23 September 2020. During 2020, the maturity date was extended to 31 December 2025. The agreement attracts interest of 6% per annum.

(c) This receivable from joint venture of US$3,800,000 (2020 – US$4,300,000) is repayable at maturity on 31 December 2027. The agreement attracts interest of 3.07% per annum, payable annually.

(d) This related party receivable is denominated in US dollars and scheduled to be received in 2021. The agreement attracts interest of 8% per annum, payable monthly.

(e) This related party receivable of US$5,670,000 is scheduled to be received in annual instalments of US$1 million for the years 2022 to 2026, with a final instalment of US$670,000 in 2027. The agreement attracts interest of 3% per annum.

(f) This receivable represents loans granted to employees as part of a scheme to assist employees in purchasing shares in the Company. The receivable is due on 31 October 2025 and attracts interest at 7.5%, payable monthly.

(g) (i) This loan was granted as part of the farm management contract for Golden Grove Sugar Company Limited. The principal is repayable in periodic discretionary installments until maturity in November 2019. The agreement attracts interest of 10% per annum.

(ii) This represents crop advances, as well as balance receivable from the sale of spares, farming equipment and other supplies. The principal is repayable in periodic discretionary installments until maturity in November 2020. The agreement does not attract interest.

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

As at 31 December 2021, $22,971,000 (2020 – $14,312,000) of these receivables were recovered.

21. Post-employment Benefits

	The Group & The Company	
	2021	2020
	$'000	$'000
Asset/(Liability) recognised in the statement of financial position –		
Pension scheme	25,100	25,100
Medical benefits	(134,600)	(134,300)
Expense recognised in profit or loss –		
Pension scheme	3,200	5,300
Medical benefits	11,800	10,900
Gains and losses recognised in other comprehensive income –		
Pension scheme	2,600	(5,400)
Medical benefits	300	14,300

Pension schemes

In addition to the defined benefit pension scheme described below, employees of the Group hired on or after 1 January 2002 participate in an Individual Retirement Scheme operated by an independent insurance company. Employees participating in the scheme contribute up to 15% of pensionable earnings while the Company contributes 5%. The Group's and the Company's contribution for the year amounted to $97,472,000 (2020 – $83,104,000) and $13,588,000 (2020 – $13,538,000), respectively (Note 8).

Defined benefit plan

The Group operates a defined benefit scheme for employees hired prior to 1 January 2002. The scheme is administered by NCB Insurance Agency & Fund Managers Limited. The plan provides benefits to members based on average earnings for the final year of service, with the Group and employees each contributing 5% of pensionable salaries. Employee may contribute additional voluntary contribution up to 5%. The scheme was closed to new members as at 31 December 2001. As the subsidiaries make fixed contributions to the pension scheme and have no further legal or constructive obligations under the scheme, the pension asset and obligations are accounted for in the financial statements of the Company. The subsidiaries recognise a cost equal to their contributions payable in respect of each accounting period in profit or loss. Any plan surplus or funding deficiency is absorbed by the Company.

The defined benefit plan is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2021.

The Board of the pension fund is composed of an equal number of representatives from both employer and employees. The Board of the fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by NCB Insurance Agency & Fund Managers Limited which administers the Fund and manages the investment portfolio under management agreement.

The amounts recognised in the statement of financial position are determined as follows:

	2021	2020
	$'000	$'000
Present value of funded obligations	(883,300)	(874,900)
Fair value of plan assets	1,034,300	1,003,900
Asset in the statement of financial position	151,000	129,000
Unrecognised asset due to limitation	(125,900)	(103,900)
	25,100	25,100

21. Post-employment Benefits (Continued)

Pension schemes (continued)

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

	2021 $'000	2020 $'000
Asset at beginning of year	25,100	35,100
Amounts recognised in profit or loss in the statement of comprehensive income	(3,200)	(5,300)
Amounts recognised in other comprehensive income	2,600	(5,400)
Contributions paid	600	700
Asset at end of year	25,100	25,100

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

	2021 $'000	2020 $'000
Balance at beginning of year	(874,900)	(881,100)
Current service cost	(2,300)	(4,900)
Interest cost	(75,900)	(63,600)
Re-measurements – experience gains and losses	900	(900)
Members' contributions	(1,000)	(1,100)
Benefits paid	69,900	76,700
Balance at end of year	(883,300)	(874,900)

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $92,500,000 (2020 – $81,400,000) relating to active employees, and $790,800,000 (2020 – $793,500,000) relating to members in retirement.

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

	2021 $'000	2020 $'000
Balance at beginning of year	1,003,900	1,158,700
Interest income	84,400	81,400
Re-measurement – return on plan assets, excluding amounts included in interest income	14,300	(161,300)
Employer's contributions	600	700
Members' contributions	1,000	1,100
Benefits paid	(69,900)	(76,700)
Balance at end of year	1,034,300	1,003,900

The amounts recognised in profit or loss is as follows:

	2021 $'000	2020 $'000
Current service cost	2,300	4,900
Interest costs	75,900	63,600
Interest income	(84,400)	(81,400)
Interest on effect of unrecognised asset due to limitation	9,400	18,200
Total, included in staff costs (Note 8)	3,200	5,300

Expected employer contributions to the post-employment pension plan for the year ending 31 December 2022 amount to $1,000,000.

21. Post-employment Benefits (Continued)

Pension schemes (continued)

Plan assets are comprised as follows:

	Quoted $'000	Unquoted $'000	Total $'000	%
		2021		
Government of Jamaica debt securities	-	247,768	247,768	24
Corporate debt securities	-	152,995	152,995	15
Real estate	-	54,530	54,530	5
Ordinary shares	466,330	6,795	473,125	46
Preference shares	-	28,421	28,421	3
Repurchase agreements	-	27,821	27,821	2
Other	-	49,640	49,640	5
	466,330	567,970	1,034,300	100
		2020		
Government of Jamaica debt securities	-	237,071	237,071	24
Corporate debt securities	-	162,354	162,354	16
Real estate	-	45,731	45,731	5
Ordinary shares	424,120	6,724	430,844	42
Preference shares	-	64,169	64,169	6
Repurchase agreements	-	17,108	17,108	2
Other	-	46,623	46,623	5
	424,120	579,780	1,003,900	100

The above assets include ordinary shares in the Company with a fair value of $78,047,000 (2020 - $75,769,000).

The significant actuarial assumptions used were a discount rate of 8% (2020 – 9%); future salary increases of 6% (2020 – 7%); and future pension increases of 2.25% (2020 – 3%). The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		2021		2020	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000	$'000	$'000
Discount rate	0.5%	(39,700)	43,300	(38,900)	42,500
Future salary increases	0.5%	2,700	(2,700)	2,700	(2,400)
Expected pension increase	0.5%	40,500	(37,200)	39,800	(36,600)

Further, assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60. If the assumption for life expectancy was increased/(decreased) by 1 year, the effect on the defined benefit obligation would be an increase/(decrease) of $18,600,000/($18,900,000) (2020 – $17,900,000/($18,100,000)).

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

21. Post-employment Benefits (Continued)

Other post-employment benefits
In addition to pension benefits, the Company offers retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The obligations under the medical benefit scheme are unfunded. The method of accounting and frequency of valuations are similar to those used for the pension scheme. Obligations under the medical scheme are payable by, and accounted for, by the Company as the subsidiaries do not have any legal or constructive obligations under the scheme.

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

	2021 $'000	2020 $'000
Balance at beginning of year	(134,300)	(148,300)
Current service cost	(200)	(200)
Interest expense	(11,600)	(10,700)
Re-measurements – experience gains and losses	300	14,300
Benefits paid	11,200	10,600
Balance at end of year	(134,600)	(134,300)

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $7,000,000 (2020 – $6,400,000) relating to active employees, and $127,600,000 (2020 – $127,900,000) relating to members in retirement.

The amounts recognised in the profit or loss is as follows:

	2021 $'000	2020 $'000
Current service cost	200	200
Interest cost	11,600	10,700
Total, included in staff costs (Note 8)	11,800	10,900

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

	2021 $'000	2020 $'000
Liability at beginning of year	134,300	148,300
Amounts recognised in the profit or loss in the statement of comprehensive income (Note 8)	11,800	10,900
Amounts recognised in other comprehensive income	(300)	(14,300)
Contributions by employer	(11,200)	(10,600)
Liability at end of year	134,600	134,300

Expected employer contributions to the post-employment plan for the year ending 31 December 2022 amount to $12,000,000.

In addition to the assumptions used for pension schemes, the main actuarial assumption is long-term increase in health cost of 7.5% (2020 – 8.5%) per annum. The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		2021		2020	
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000	$'000	$'000
Discount rate	0.5%	(5,900)	6,500	(6,000)	6,600
Medical cost	0.5%	6,500	(5,900)	6,600	(6,000)

Further, if the assumption for life expectancy was increased/(decreased) by 1 year, the effect on the defined benefit obligation would be an increase/(decrease) of $6,200,000/($6,000,000) (2020 – $6,100,000/($5,900,000)).

21. Post-employment Benefits (Continued)

Risks associated with pension plans and post-employment plans
Through its defined benefit pension plans and post-employment medical plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit. As the plan matures, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Company believes that, due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plans efficiently. See below for more details on the Company's asset-liability matching strategy.

Changes in bond yields
A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk
Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds; meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy
The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The responsibility for the management of the assets of the Fund is vested in the Board of Trustees and NCB Insurance Company Limited representatives who are the fund and investment managers. They ensure that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension fund. Within this framework, the Fund's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Fund actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Fund has not changed the processes used to manage its risks from previous periods. The Fund does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 5% of pensionable salaries. The next triennial valuation is due to be completed as at 31 August 2023. The Company considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The weighted average duration of the defined benefit obligation is 10.2 years for the pension fund and 9.8 years for the post-employment medical benefits.

22. Biological Assets

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

	The Group	
	2021	**2020**
	$'000	**$'000**
Dairy livestock –		
2,775 (2020 – 2,597) Cows able to produce milk	237,660	208,038
1,807 (2020 – 2,092) Heifers being raised to produce milk in the future	183,255	190,250
Other livestock –		
133 (2020 – 83) Bulls raised for sale and reproduction	6,554	3,927
2 (2020 – 2) Horses	60	60
Plant – 714 (2020 – 733) acres of hay field	17,244	8,945
	444,773	411,220

6,398,000 litres (2020 – 7,182,000 litres) of milk with a fair value (less estimated point-of-sale costs) of $575,808,000 (2020 – $641,773,000) were produced during the period.

Forage – classified as current assets in the statement of financial position
At year end, the Group had 22,098 tonnes (2020 – 32,887 tonnes) of sugar cane with a value of $154,683,000 (2020 – $276,185,000).

23. Inventories

	The Group	
	2021	**2020**
	$'000	**$'000**
Raw and packaging materials	3,011,035	2,078,812
Work in progress	127,794	106,231
Finished goods	393,891	363,999
Merchandise for resale	4,207,863	3,262,390
Goods in transit	1,691,305	1,078,141
Other	777,615	674,115
	10,209,503	7,563,688

24. Trade and Other Receivables

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	5,056,527	4,373,508	-	-
Less: Provision for impairment	(415,103)	(387,473)	-	-
	4,641,424	3,986,035	-	-
Advances and prepayments	813,919	450,177	53,129	133,295
Due from affiliates	435,760	602,123	-	80,097
Other	583,849	480,028	-	-
	6,474,952	5,518,363	53,129	213,392

25. Payables

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade payables	6,478,065	4,237,253	-	-
Accruals	1,029,258	638,699	175,986	80,695
Due to affiliates	226,608	395,828	92,584	-
Other	714,440	461,239	319,625	331,850
	8,448,371	5,733,019	588,195	412,545

26. Share Capital

	2021	2020	2021	2020
	'000	'000	$'000	$'000
Authorised – ordinary shares	780,000	780,000	780,000	780,000
Issued and fully paid –				
Ordinary stock units	733,547	733,547	5,769,457	5,769,457
Treasury shares	(59)	(59)	(899)	(899)
	733,488	733,488	5,768,558	5,768,558

27. Capital Reserves

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Currency translation gains and losses	(56,315)	(91,299)	-	-
Fair value gains and losses on investments	489,566	470,548	489,566	470,548
Fair value gains and losses on property	5,459,891	-	2,139,540	-
Revaluation surplus on assets carried at deemed cost	312,600	312,600	105,340	105,340
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	14,800	14,800	-	-
Realised gains on sale of investments	120,855	120,855	120,855	120,855
Other realised surplus	22,230	22,230	20,289	20,289
	6,700,164	1,186,271	2,875,590	717,032

28. Long Term Liabilities

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
(a) National Commercial Bank (Jamaica) Limited – 7%	1,141,960	1,329,640	-	-
(b) National Commercial Bank (Jamaica) Limited – 8.5%	251,438	307,382	-	-
(c) National Commercial Bank (Jamaica) Limited – 6.25%	115,079	-	115,079	-
(d) JMMB Merchant Bank Limited – 8.5%	135,971	195,542	135,971	195,542
(e) CIBC FirstCaribbean International Bank Jamaica Limited – 8.25%	820,035	1,013,211	-	-
(f) CIBC FirstCaribbean International Bank Jamaica Limited – 8.25%	892,500	1,102,748	-	-
(g) Bonds – 7.5%	-	1,600,000	-	1,600,000
(h) Bonds – 8.25% for first 3 years, then WATBY + 2.25%	1,200,000	1,200,000	1,200,000	1,200,000
(i) Bonds – 7.25%	2,000,000	2,000,000	2,000,000	2,000,000
(j) Bonds – 7.25%	2,200,000	2,200,000	2,200,000	2,200,000
(k) Bonds – 10.5% for first 2 years, then WATBY + 2.75%	854,350	854,350	-	-
(l) Bonds – 6.75%	1,700,000	-	1,700,000	-
(m) CIBC FirstCaribbean International Bank Jamaica Limited – LIBOR + 3%	-	456,478	-	456,478
(n) CitiBank – 3.95%	775,439	713,247	775,439	713,247
(o) JMMB Merchant Bank Limited – 8.75%	185,000	185,000	185,000	185,000
(p) National Commercial Bank (Jamaica) Limited – 7%	200,000	-	-	-
(q) First Global Bank Limited – 8.5%	100,000	-	-	-
Deferred financing costs	(109,865)	(125,297)	(58,571)	(60,965)
	12,461,907	13,032,301	8,252,918	8,489,302
Interest payable	35,161	31,981	33,586	31,981
	12,497,068	13,064,282	8,286,504	8,521,283
Less: Current portion	(3,215,872)	(3,664,323)	(2,268,184)	(3,023,730)
	9,281,196	9,399,959	6,018,320	5,497,553

The movement in long term liabilities is as follows:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Balance at start of year	13,064,282	12,223,376	8,521,283	7,332,993
Loans received	3,135,599	3,221,787	2,635,599	1,681,499
Loan principal repayments	(3,857,182)	(2,518,468)	(3,010,134)	(524,026)
Foreign exchange gains and losses (Note 9)	113,949	126,385	113,949	2,628
Discount on early repayment	-	(9,310)	-	-
Deferred fees amortised (Note 9)	37,240	48,759	24,202	34,372
Interest charged and expensed (Note 9)	869,032	883,450	547,849	543,814
Interest paid	(865,852)	(911,697)	(546,244)	(549,997)
Balance at end of year	12,497,068	13,064,282	8,286,504	8,521,283

28. Long Term Liabilities (Continued)

A summary of the terms of the long term liabilities is as follows:

(a) Unsecured Jamaican dollar denominated loan facility of $1,755,000,000, repayable in 13 quarterly installments of $41,440,000 commencing June 2018.

(b) Jamaican dollar denominated financing agreement repayable in 32 quarterly installments of $13,969,000 commencing September 2018 and secured by property, plant and equipment acquired under the financing agreement.

(c) Jamaican dollar denominated financing agreement repayable in 54 monthly installments of $2,490,000 (inclusive of interest) commencing December 2021 and secured by property, plant and equipment acquired under the financing agreement.

(d) Unsecured Jamaican dollar denominated loan facility of $300,000,000, repayable in 60 monthly installments of $6,155,000 (inclusive of interest) commencing January 2019.

(e) Jamaican dollar denominated loan facility repayable in 28 quarterly installments of $48,237,000 commencing December 2018 and secured by a first debenture/charge over all present and future assets and property of Facey Commodity Company Limited.

(f) Jamaican dollar denominated loan facility repayable in 22 quarterly installments of $52,500,000 commencing December 2020 and secured by a first debenture/charge over all present and future assets and property of Facey Commodity Company Limited.

The facility was acquired in July 2020, and was used to refinance a United States dollar denominated facility.

(g) Unsecured Jamaican dollar denominated Bonds issued in July 2018 for a period of 3 years, due in full at maturity.

(h) Unsecured Jamaican dollar denominated Bonds issued in November 2017 for a period of 5 years, due in full at maturity.

(i) Unsecured Jamaican dollar denominated Bonds issued in October 2019 for a period of 5 years, due in full at maturity.

(j) Unsecured Jamaican dollar denominated Bonds issued in November 2018 for a period of 7 years, due in full at maturity.

(k) Jamaican dollar denominated Bonds issued in February 2016 for a period of 10 years, due in full at maturity and secured by the fixed and floating assets of Musson International Dairies Limited and Musson Holdings Limited.

(l) Unsecured Jamaican dollar denominated Bonds issued in July 2021 for a period of 10 years, due in full at maturity.

(m) Unsecured US dollar denominated short term facility repayable 23 September 2021.

(n) Unsecured US dollar denominated short term facility repayable 6 April 2022.

(o) Unsecured Jamaican dollar denominated short term facility repayable 3 January 2022.

(p) Unsecured Jamaican dollar denominated short term facility repayable 31 January 2022.

(q) Unsecured Jamaican dollar denominated short term facility repayable 8 January 2022.

29. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 25%. Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Deferred tax assets	1,297,889	1,202,975	-	37,218
Deferred tax liabilities	(2,075,583)	(1,533,501)	(249,294)	-
Net liabilities	(777,694)	(330,526)	(249,294)	37,218

These amounts include deferred tax assets/liabilities to be recovered within 12 months of $120,752,000/$25,519,000 (2020 – $117,691,000/$31,290,000) for the Group; and deferred tax liabilities of $6,792,000 (2020 – deferred tax assets of $14,890,000) for the Company.

The movement in deferred taxation is as follows:

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Balance at start of year	(330,526)	(127,124)	37,218	27,548
Credited/(charged) to profit or loss (Note 10)	341,226	(201,177)	(15,435)	11,895
Charged to other comprehensive income (Note 10)	(787,394)	(2,225)	(271,077)	(2,225)
Balance at end of year	(777,694)	(330,526)	(249,294)	37,218

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	19,802	(48,671)	2,074	6,283
Right of use assets, net of related lease obligation	1,380	(30,389)	-	-
Post-employment benefits	800	1,225	800	1,225
Tax losses carried forward	310,412	(115,791)	3,373	-
Other	8,832	(7,551)	(21,682)	4,387
	341,226	(201,177)	(15,435)	11,895

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

	The Group		The Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Accelerated tax depreciation	(354,768)	(374,570)	(2,898)	(4,972)
Right of use assets, net of related lease obligation	4,083	2,703	-	-
Post-employment benefits	27,375	27,300	27,375	27,300
Tax losses carried forward	1,486,519	1,176,107	3,373	-
Intangible assets recognised on business combinations	(1,248,467)	(1,248,467)	-	-
Revaluation of property	(787,669)	-	(270,352)	-
Other	95,233	86,401	(6,792)	14,890
	(777,694)	(330,526)	(249,294)	37,218

29. Deferred Taxation (Continued)

Subject to agreement with the Tax Administration Jamaica, losses available for offset against future profits of the Group and the Company amount to $6,035,950,000 and $13,493,000 (2020 – $6,579,639,000 and $Nil), respectively.

This includes tax losses of a subsidiary amounting to $3,742,429,000 (2020 – $4,292,770,000) in respect of which, historically, no deferred tax assets have been created due to the Group's uncertainty regarding its ability to utilize those losses in the future. Following a Group restructuring exercise in 2019, this subsidiary that was previously unprofitable commenced earning profits and is projected to earn profits in the future. Consequently and based on its annually updated 5-year horizon forecasts following the restructuring, the Group recognized deferred tax assets of $913,139,000 (2020 – $604,389,000) at the rate of 25% in respect of a portion of the subsidiary's total tax losses brought forward as at the date of the statement of financial position.

At 31 December 2021, no deferred tax assets have been created in respect of the remaining tax losses of the subsidiary amounting to $89,873,000 (2020 – $1,875,214,000).

30. Cash Generated from Operations

	The Group		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Net profit	1,993,421	2,871,916	50,782	722,123
Items not affecting cash resources:				
Amortisation of intangible assets	241,454	242,115	-	-
Depreciation	1,064,259	863,701	53,199	49,898
Net foreign exchange gain and losses	(72,681)	(68,004)	(373,047)	(229,334)
Net gains and losses on disposal of property, plant and equipment	(7,132)	(753,939)	-	(747,812)
Property, plant and equipment written off	18,086	16,989	13,871	13,251
Net impairment of long term receivables	(8,659)	(14,312)	-	-
Interest income	(80,121)	(75,936)	(287,197)	(334,999)
Gain on variable lease payments/lease modification	(170,276)	(172,349)	-	-
Discount on early loan repayment	-	(9,310)	-	-
Amortisation of deferred fees	37,240	48,759	24,202	34,372
Share of results of joint venture	(79,144)	5,239	-	-
Interest expense	1,035,054	1,080,152	599,094	564,728
Post-employment benefits	3,200	4,900	3,200	4,900
Dividend income	(1,436)	(40)	(1,436)	(40)
Taxation	171,724	560,976	15,435	(11,895)
	4,144,989	4,600,857	98,103	65,192
Changes in operating assets and liabilities:				
Inventories	(2,645,815)	(649,376)	-	-
Trade and other receivables	(956,589)	(279,143)	160,263	(84,879)
Biological assets	87,949	8,514	-	-
Due from subsidiaries	-	-	(1,897,128)	(7,107,543)
Due to subsidiaries	-	-	2,638,976	8,304,274
Payables	2,750,336	(221,423)	175,650	(87,305)
	3,380,870	3,459,429	1,175,864	1,089,739
Taxation paid	(705,354)	(272,718)	10,923	(93,833)
Cash provided by operating activities	2,675,516	3,186,711	1,186,787	995,906

Significant non-cash transactions

During the prior year, the Company disposed of property valued at $800 million, which was paid by way of shares issued to the Company by the purchaser. The Group then declared these shares as a non-cash dividend (Note 13).

During the year, the Company disposed of investments with a value of US$6,170,000. The consideration was payable in cash of US$500,000 and a loan of US$5,670,000 (Note 20(e)).

31. Contingencies and Commitments

(a) A subsidiary has leased sugar cane lands from the Government of Jamaica for an initial period of 50 years commencing 9 July 2009 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$72.53 per hectare per annum, the annual lease cost to the subsidiary is US$100,000.

(b) At 31 December 2021, capital commitments for the Group amounted to approximately $400,000,000 (2020 – $919,000,000).

32. Litigation, Claims, Assessments and Provisions

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated. In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

33. Related Party Transactions

Sales and purchases of goods and services
During the year, the Group had sales of $25,749,000 (2020 – $152,012,000) to and purchases of $2,207,157,000 (2020 – $1,521,503,000) from Musson (Jamaica) Limited, T.Geddes Grant (Distributors) Limited and Jamaica Grain and Cereals Limited. The resulting receivables and payables in respect of these and other transactions are included in Notes 24 and 25, respectively.

A subsidiary paid cess of $15,920,000 (2020 – $10,122,000) based on the importation of copra-based and substitute products to Coconut Industry Board, a major shareholder of the Company.

Key management compensation

	2021 $'000	2020 $'000
Wages and salaries	268,121	428,040
Statutory contributions	21,004	32,438
Other	7,088	17,707
	296,213	478,185
Directors' emoluments –		
Fees	6,932	13,333
Medical insurance premiums	7,630	9,671
Management remuneration (included above)	206,265	198,605

Advances and loans
Loans to related parties are disclosed in Note 20. Interest earned on these loans by the Group amounted to $25,808,000 (2020 – $18,208,000).

34. Assets Held for Sale and Discontinued Operations

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

	2021 $'000	2020 $'000
Balance at start of year	285,761	289,241
Disposal	-	(3,480)
Balance at end of year	285,761	285,761

The results of the sugar manufacturing operations have been presented as a single item on the statement of comprehensive income as a net profit or loss from discontinued operation. The details of the net profit from discontinued operation is as follows:

	2021 $'000	2020 $'000
Change in the fair value of sugar cane	(121,502)	25,902
Other operating income	11,350	52,526
Recovery of long term receivables	8,659	4,065
Administration and other operating expenses	(44,332)	(59,467)
Net profit from discontinued operations	(145,825)	23,026

The cash flows from the discontinued operations is as follows:

	2021 $'000	2020 $'000
Net cashflow from operating activities	2,943	(14,171)
Net cashflow from investing activities	9,409	17,375
Net cashflow from discontinued operations	12,352	3,204

35. Losses as a Result of Fire

A fire destroyed on of the Group's distribution facilities on 9 October 2021. The insurance claim process is underway and is incomplete as at the date of signing of the Statement of Financial Position. The Group has recorded a loss of $168,183,000, being the write-off all assets destroyed by the fire less advances received from insurers up to the date of the statement of financial position. Further receipts from insurers will be recognized as received in future accounting periods.

36. Impact of the COVID-19 Pandemic

Jamaica identified its first case of the novel coronavirus, COVID-19, in March 2020, not long before the World Health Organization (WHO) declared the impact of the virus a global pandemic. Measures taken by both local and foreign governments to contain the virus have affected global economic activity. In response to this threat, the Group has taken several measures to protect its employees, customers and other stakeholders. The Group has established a cross-functional team comprising of senior management from various areas of the business, reporting to the Chief Executive Officer, to implement measures to mitigate the impact of the pandemic; which included safety and health protocols for employees, securitization of the Group's supply chain and distribution network, liquidity risk assessment and diversification, and close monitoring of the Group's receivables.

Currently, the production, sales and distribution teams have generally met or exceeded their amended sales targets for the period. This is primarily due to the diversity of the Group's product portfolio, the increase in demand for the Group's key products (basic food items and pharmaceutical items) as well as the Group's far-reaching sales and distribution network across the island and in its export markets. The Group currently has a positive liquidity position with an increase in its cash and cash equivalents and ended the financial year with an improvement in the relative ageing portfolio of its trade receivables when compared to the prior year. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue operations in the best and safest way possible, without jeopardizing the health of its employees, customers and other stakeholders.

37. Post Balance Sheet Event

Proposed dividends
At a meeting held on 11 April 2022, the Board of Directors approved a dividend of $0.50 per share payable on 6 May 2022 to shareholders on record as at 29 April 2022.

Acquisition of a consumer products distributor resident in Trinidad
On May 4, 2022, the company announced that it has reached an agreement to acquire A.S. Bryden & Sons Holdings Limited ("A.S. Bryden"), a company that is resident in, and primarily operates from, Trinidad.

A.S. Bryden distributes food, pharmaceuticals, hardware, houseware and industrial equipment. A.S. Bryden operates through three principal operating subsidiaries: A.S. Bryden & Sons (Trinidad) Limited ("ASBT"), Bryden pi Limited ("Bryden pi") and F.T. Farfan Limited ("FT Farfan").

(i) ASBT distributes food, hardware and housewares and premium beverages for international brands. ASBT also owns the Eve brand of products.
(ii) Bryden pi distributes healthcare, personal care and food and grocery products for international brands. Bryden pi also manufactures a line of over the counter products through its wholly-owned subsidiary, Genethics Limited, and operates in Guyana through its subsidiary, BPI Guyana Limited, as well as in Barbados through its joint venture, Armstrong Healthcare Inc. Limited.
(iii) FT Farfan is an industrial supply and service company that serves leading international brands. FT Farfan operates in Trinidad as well as in Guyana through its subsidiary, Ibis Construction Equipment Sales & Rentals Inc. (ICON).

Subject to regulatory approvals and other customary closing conditions, the transaction is expected to be completed by May 31, 2022, at which point the purchase consideration and other matters will be finalized.

NOTES

FORM **OF PROXY**

I..of.. being a member of Seprod Limited, hereby appoint .... of .... or failing him .... of ....

as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on the 19th day of September 2022 and at any adjournment thereof.

....

Signature

Note: 1) If the appointer is a corporation, this form must be under its common seal and under the hand of an officer or attorney duly authorised.

2) To be valid, this proxy must be lodged with the Secretary of the Company, 3 Felix Fox Boulevard, Kingston, not less than 48 hours before the time appointed for holding the meeting. A proxy need not be a member of the Company.

$100.00 stamp to be affixed

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