NUTRITION PRODUCTS LIMITED

Serving Jamaica's Children since 1973

NUTRITION SUPPORTING EDUCATION

Annual REPORT

2016 - 2017

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Mission Statement

To produce and distribute
a nutritious meal to
designated school children
at the lowest possible cost,
utilizing local resources
whenever possible.

BOARD OF DIRECTORS

James E.D. Rawle

Board Chairman

Alex Drysdale

Finance & Procurement Committee – Chairman
Board of Trustees Committee

Andrea Sweeney

Audit Committee – Chairman
Finance & Procurement Committee

David McBean

Operations & Quality Assurance Committee – Chairman

Emile Spence

Human Resource & Administrative Services Committee – Chairman
Board of Trustees – Chairman
Finance & Procurement Committee

Trevor Riley

Operations & Quality Assurance Committee
Audit Committee

Suzanne Soares-Wynter

Operations & Quality Assurance Committee
Audit Committee

Anthony O'Conner

Human Resource & Administrative Services Committee
Audit Committee

Cleve McKenzie

Human Resource & Administrative Services Committee
Board of Trustees Committee

Audrey Johnson

Human Resource & Administrative Services Committee
Board of Trustees Committee

C. Helen Robertson

Operations & Quality Assurance Committee
Finance & Procurement Committee
Audit Committee

Sandor Pike

Operations & Quality Assurance Committee

MANAGEMENT TEAM

Orville Lewinson
Chief Executive Officer

Josiah Williams
Operations Manager

Headly O'connor
Financial Controller

Philip Hunter
Human Resource & Administrative Services Manager

Darryl Nelson
Distribution/Warehouse Manager

Lanceford Gordon
MIS Manager

SENIOR EXECUTIVE MANAGEMENT COMPENSATION

Position of Senior Executive & Managers	Year	Salary $	Gratuity or Performance Incentive $	Traveling Allowance or Value of Assigned Motor Vehicle $	Pension or Other Retirement Benefits $	Other Allowances $	Non-Cash Benefits $	Total $
C.E.O	16/17	3,622,369	N/A	4,704,833	N/A	257,334	N/A	8,584,536
Operations Manager	16/17	2,493,300	N/A	707,448	N/A	N/A	N/A	3,200,748
Human Resource & Administrative Services Manager	16/17	2,203,714	N/A	707,448	N/A	N/A	N/A	2,911,162
Financial Controller	16/17	2,432,488	N/A	707,448	N/A	N/A	N/A	3,139,936
Distribution & Warehouse Manager	16/17	1,863,138	N/A	707,448	N/A	N/A	N/A	2,570,586
M.I.S Manager	16/17	1,590,842	N/A	707,448	N/A	N/A	N/A	2,298,290

DIRECTORS' COMPENSATION 2016 - 2017

Position of Director	Fees $	Motor Vehicle Upkeep/Traveling or Value of Assigned Motor Vehicle (Travel) $	Honoraria $	All Other Compensation including Non-Cash Benefits (Meal Allowance) $	Total $
Chairman	18,500	2,800	N/A	N/A	21,300
Finance & Procurement Committe Chairman	32,750	9,800	N/A	N/A	42,550
Audit Committee Chairman	11,000	2,800	N/A	N/A	13,800
Operations & QA Committee Chairman	9,250	2,800	N/A	N/A	12,050
HR & Administrative Services Committee Chairman	79,450	36,200	N/A	N/A	115,650
Director	Nil	Nil	N/A	N/A	Nil
Director	11,000	2,800	N/A	N/A	13,800
Director	25,800	29,610	N\A	N/A	55,410
Director	55,300	19,600	N/A	N/A	74,900
Director	38,850	13,900	N/A	N/A	52,750
Director	24,850	14,000	N/A	N/A	38,850
Director	13,750	8,400	N/A	N/A	22,150

NEWLY APPOINTED DIRECTORS' COMPENSATION (MARCH 2017 ONLY)

Position of Director	Fees $	Motor Vehicle Upkeep/Traveling or Value of Assigned Motor Vehicle (Travel) $	Honoraria $	All Other Compen-sation including Non-Cash Benefits (Meal Allowance) $	Total $
Chairman of: - Board of Directors - Finance, Planning & MIS Committee - Procurement & Contracts Committee	59,200	11,200			70,400
Customer Service & Quality Assurance Committee Chairman	25,800	5,600			31,400
Production, Maintenance & Safety Committee Chairman	31,350	8,400			39,750
HR & Administrative Services Committee Chairman	35,050	8,400			43,450
Director	5,550	2,800			8,350
Director	27,650	8,400			36,050
Director	5,550	2,800			8,350
Director	16,550	5,600			22,150

Note: A new Board of Directors was appointed in March 2017, and seven meetings were held during that month. They were - **See page 7:**

NEWLY APPOINTED DIRECTORS' COMPENSATION (MARCH 2017 ONLY)

DATE	TYPE OF MEETING
Thursday, March 9, 2017	First meeting of the approved Board of Directors
Tuesday, March 21, 2017	• Customer Service/Quality Assurance • Human Resource & Administrative Services
Wednesday, March 22, 2017	Production, Maintenance & Safety
Friday, March 24, 2017	• Finance, Planning & Management Information Systems • Procurement and Contracts
Friday, March 31, 2017	Board of Directors

Names of the newly appointed Board of Directors, effective March 2017, will be shown in the 2017 - 2018 Annual Report.

CHIEF EXECUTIVE OFFICER'S REPORT

The overall performance for the year, 2016/2017 was yet another commendable one in which the organization continued to deliver on its core mandate of producing and distributing nutritious meal solutions to designated children, islandwide.

Resulting from various initiatives, the organization recorded significant improvements in all areas. Details showing the positive trend may be found in the various sectional inputs and the Audited Financials that are integral parts of this Annual Report.

The improved performance can be attributed to: trained team members and staff development in general, upgrading of the management information system, the foundation laid with refreshed technology, new product offerings, containment of operating expenses and most importantly, the timely disbursement of subventions by the Ministry of Education (allowing for tight treasury management and cash flows) as well as the flexibility and adaptability of third party contractors and suppliers. Our efforts were concentrated on improvements in how we work, where we work and how we serve.

There now exists considerable capacity and capability in Nutrition Products Limited to extend the reach and effectiveness of the organization in providing higher volumes and wider variety of nutritious products for the broader School Feeding Programme, at commercially competitive prices.

We thank the children as well as their parents for the confidence placed in us (Nutrition Products Limited) to provide for their nutritional needs with the provision of quality meals, bearing in mind that nutrition is paramount to educational success.

Thanks is also extended to our stakeholders for their confidence and guidance and to our entire team for their continued support and professionalism; your continued hard work, perseverance and passion are highly appreciated.

To our committed Directors, we say thank you for your wise counsel and untiring support.

In closing, I pause for a moment to reflect on my past years of experience with this phenomenal team of colleagues. It has not been an easy road, yet we never gave up. Together we have developed over the years a "never say die" attitude and unparalleled professionalism in continuing to drive the growth and development of the organization in delivering on its mandate and mission.

Orville Lewinson
C.E.O

DEPARTMENT PERFORMANCE

April 2016 - March 2017

PRODUCTION

The Production Department is responsible for planning, coordinating, directing, monitoring and controlling all activities required to fulfill customer expectations with regard to the company's products. This includes maintenance of appropriate quality standards, and adherence to the stipulated formulae and specifications developed to achieve maximum efficiency and effectiveness.

Manufacturing takes place at three (3) locations, namely, Kingston, St. Mary and Westmoreland. At each manufacturing location (Plant), the Production Department is divided into two major sections- the Bakery and Liquid Processing, with each Plant given its quota of solids (baked products) and liquid (juice drink, flavored drink and porridge) of the overall production.

Key achievements for the year under review include:

- Production of both solids and liquid for the period under review was one hundred per cent (100%) of planned production for both sections (see Table and Charts on pages 12 - 13).
- Increased usage of local agricultural inputs (lettuce, tomatoes, carrots, ripe bananas, whole eggs) due to the expanded suite of products being produced (carrot bread/muffins, banana bread/muffins, sandwiches, porridge and fruit drink made from concentrate and local seasonal fruits).
- Training of staff at all three Plants with the thrust to improve efficiencies, compliance with good manufacturing practices, regulatory compliance, and general competencies across the workforce.
- Through the renewed quality assurance focus on both plant and product safety, there was a significant increase in external product analyses for the year, moving from one hundred and seventy-nine (179) to two hundred and twenty-six (226), an increase of forty-seven (47).

The table below "Production Performance Indicator 2013/2014 – 2016/2017" provides an overview of the evolution of the organizations (production) performance.

Production Performance Indicator 2013/2014 – 2016/2017

Description	2016/2017	2015/2016	2014/2015	2013/2014
Unit Produced & Distributed	24,798,808 Breakfast 9,419,220 Lunch 15,379,588	22,047,000 Breakfast 5,497,774 Lunch 16,549,226	22,951,071 Breakfast 2,229,341 Lunch 20,721,730	22,987,835 Breakfast 781,284 Lunch 20,206,551

The Table above indicates a strategic shift in the thinking of the organization, increasing the proportion of the more costly breakfast solutions and reducing the lunch output, bearing in mind that breakfast is considered to be the most important meal of the day.

The credible performance of these two sections of the Production Department (Bakery and Liquid Processing) was due mainly to the flexibility and adaptability of the entire workforce. There was a great display of unity to ensure the production of quality products, hence satisfying the increasingly sophisticated demands of the nation's children.

Product quality, improved efficiency, and waste reduction continued to be the Production Department's bywords – a work in progress for the department.

QUALITY & SAFETY

The Quality Assurance Department is responsible for ensuring that all Plants (three in total) produce and distribute products of the best quality at the highest possible standards. In carrying out such a mandate, the Quality Assurance System was maintained thus giving us assurance of the safety and nutritive attributes of the meal solutions being served to the nation's children.

The Quality Assurance System was bolstered by an increase in the scope and frequency of the analyses submitted for external testing (Nutritional Analyses and Microbiological Determinations). Additionally, our in-house sampling programme proved to be an invaluable tool, not only in the monitoring of our processes, but as a training opportunity for students associated with the HEART Trust/SLTOP's – School Leavers Training Opportunities Programme.

For the period under review, two hundred and twenty-six (226) samples were subjected to external testing, up from one hundred and seventy-nine (179) - an increase of forty-seven (47) over the prior year.

The Quality Assurance regime was also bolstered by routine audits done by the local regulatory authorities notably, Bureau of Standards Jamaica (BSJ), the Public Health Department (Ministry of Health) and the Food Safety and Prevention of Infestation Division (FSPID).

The department will continue to be guided by the implemented and proven quality assurance policies and procedures that have allowed us to conform to, and in some instances, surpass the stipulated standards set by the regulatory authorities.

Nothing supersedes the safety and health of our employees who are the most important resources of the company. With this in mind, the aim of the safety and hygiene section and by extension, that of the employer, is to ensure that a safe and hygienic work environment is provided and maintained at all times. This instils safe work habits, and ensures that all employees can perform their daily activities efficiently and effectively which is critical to Nutrition Products Limited's ability to provide nutritious meal solutions to the nation's children.

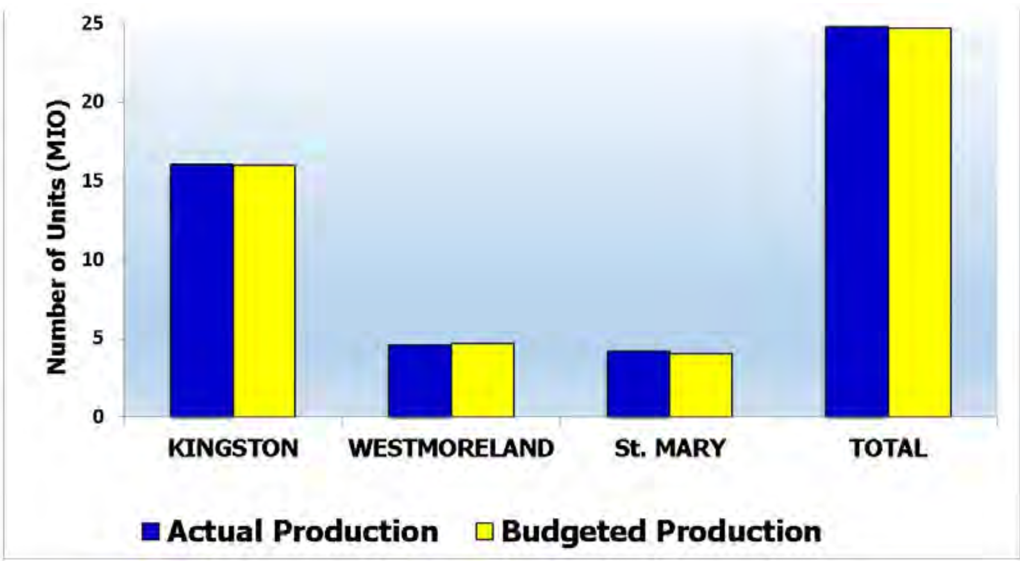
To ensure the safety and health of our employees, the following were concentrated on during the period under review:

- Continuous training and sensitization of employees on safety and hygiene matters.
- Conducting of frequent safety and hygiene audits to identify and eliminate unsafe and unhygienic matters.
- Continuous monitoring of work areas/stations and surroundings to ensure a hazard-free environment and compliance with accident prevention measures and controls.
- Continuous review of, and updating of safety and hygiene policies, rules and regulations, especially where there were near misses and/or accidents, and/or modifications of equipment/machinery.
- Close collaboration with safety agencies such as the:
  - Ministry of Labour (Factories division)
  - Office of Disaster Preparedness and Emergency Management (ODPEM)
  - Jamaica Fire Brigade
  - Jamaica Red Cross

PRODUCTION OF SOLIDS - *Table 1*

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)	Percentage
Kingston	16,043,682	16,001,220	42,462	-0.27	100.27%
Westmoreland	4,597,508	4,687,237	-89,729	-1.91	98.09%
St. Mary	4,157,618	4,017,470	140,148	3.49	103.49%
Total	24,798,808	24,705,927	92,881	0.38	100.38%

PRODUCTION OF SOLIDS - *Chart 1*

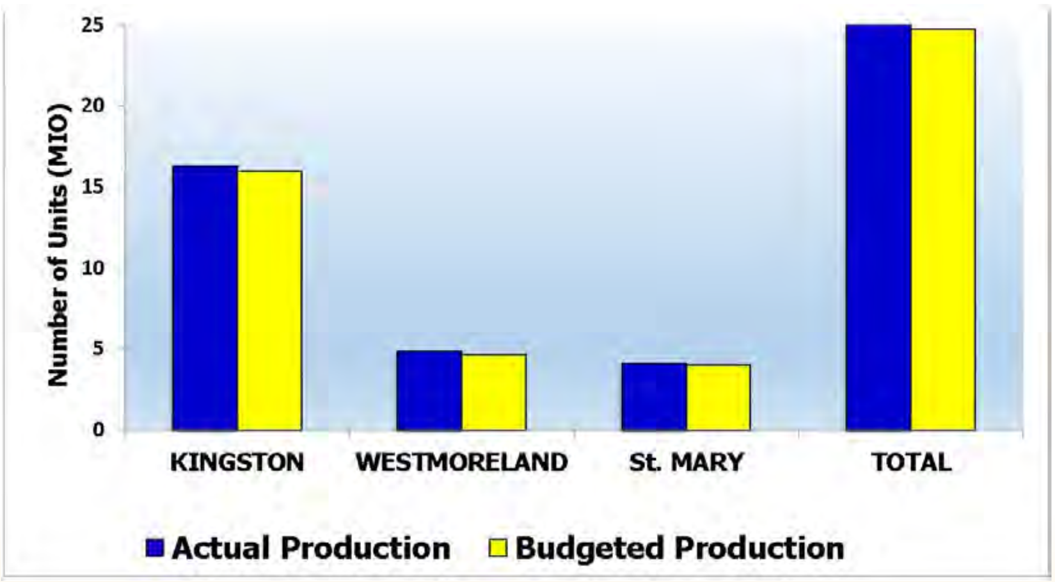


PRODUCTION OF LIQUID - *Table 2*

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)	Percentage
Kingston	16,302,502	16,001,220	301,282	1.88	101.88%
Westmoreland	4,865,355	4,687,240	178,115	3.80	103.80%
St. Mary	4,108,033	4,043,340	64,693	1.60	101.60%
Total	25,275,890	24,731,800	544,090	2.20	102.20%

Note: 2.8 million units of porridge was produced and included in the quantity of liquid.

PRODUCTION OF LIQUID - *Chart 2*



DISTRIBUTION & WAREHOUSING

The Distribution and Warehouse Department is responsible for ensuring that good quality products are being produced, and consistently distributed on a timely basis through the:

- Guaranteeing that raw materials used are of high quality standards;
- Proper warehousing/dispatching of raw materials; and,
- Proper storage and transporting of the finished products island wide.

The actual delivery of solid and liquid compared to planned delivery for the year was nitety-nine percent (99%) for both. *(See Tables & Charts on pages 15 -19).*

The one per cent shortfall was due to a reduction in the schools' demand because several school activities were held throughout the period including: Professional Development Programmes, Grades Four & Six Diagnostic/ Achievement Tests and school closure for mid-term breaks. Please note also that the threat of Hurricane Matthew was a factor that curtailed distribution during (early) October 2016. The distribution, therefore, had to be fashioned to match the demand.

Key Activities carried out during the period included:

- Pre-portioning (batching) of raw materials was already being done for the Kingston Plant and was introduced during this year to the rural Plants. As a result, the sterile raw material and ingredients batch room was expanded to facilitate this additional process.

- The pre-portioning of raw materials as per recipe/formulation (batching) prior to issuing to the production floor, was started in the Kingston Plant during the 2015/2016 fiscal year. This process is done to aid product standardization, quality and consistency.

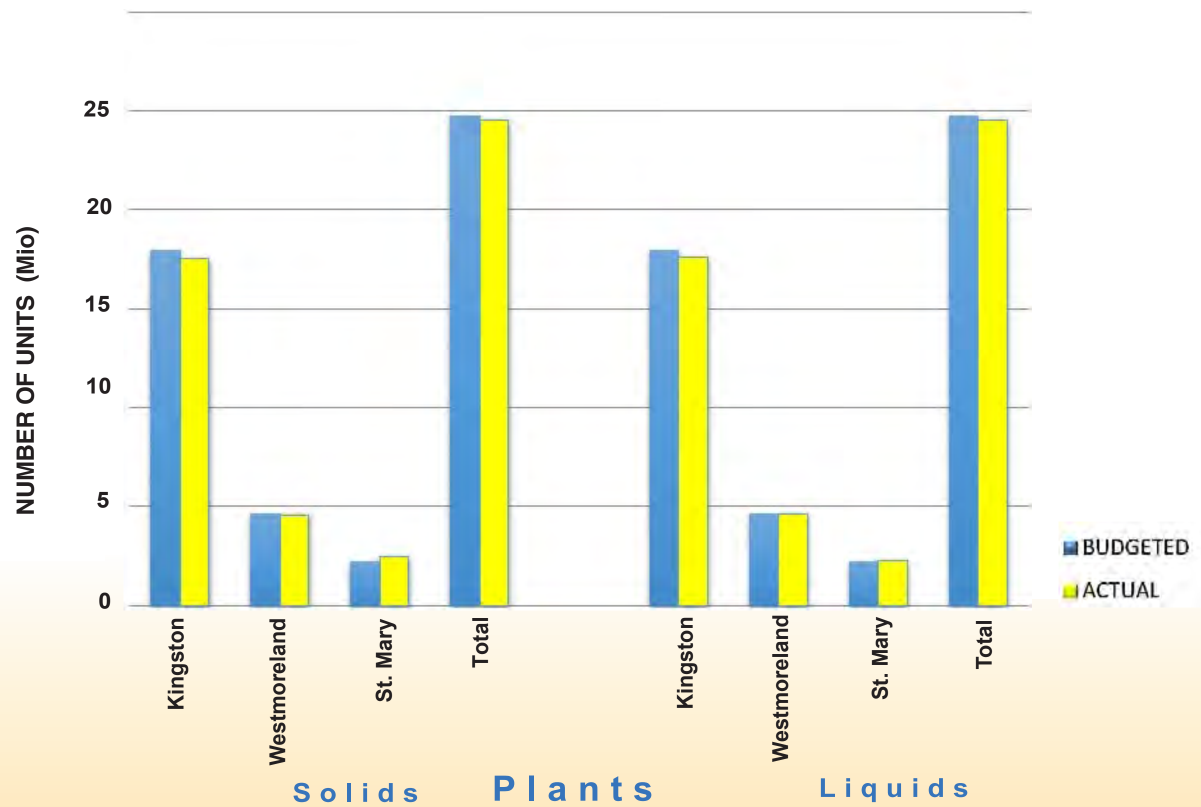
The department's level of achievement was due to teamwork (school administrators, departments' employees, contractors, etc.). Everyone worked assiduously to solidify the Government's mandate of ensuring the feeding of the nation's children, effectively. The team continued to make a difference in the lives of the children we serve in so many ways.

DISTRIBUTION & WAREHOUSING

ACTUAL vs BUDGETED DISTRIBUTION - *Table 1*

	Solid				Liquid			
	Kingston	West/land	St. Mary	TOTAL	Kingston	West/land	St. Mary	TOTAL
BUDGETED	17,930,477	4,599,446	2,201,877	24,731,800	17,930,477	4,599,446	2,201,877	24,731,800
ACTUAL	17,530,316	4,564,188	2,439,447	24,533,951	17,619,508	4,595,308	2,294,398	24,509,214
VARIANCE UNITS	-400,161	-35,258	237,570	-197,849	-310,969	-4,138	95,521	-222,586
VARIANCE	-2.23%	-0.77%	10.79%	-0.80%	-1.73%	-0.09%	4.20%	-0.90%
PERCENTAGE	97.77%	99.23%	110.79%	99.20%	98.27%	99.91%	104.20%	99.10%

ACTUAL vs BUDGETED DISTRIBUTION - *Chart 1*

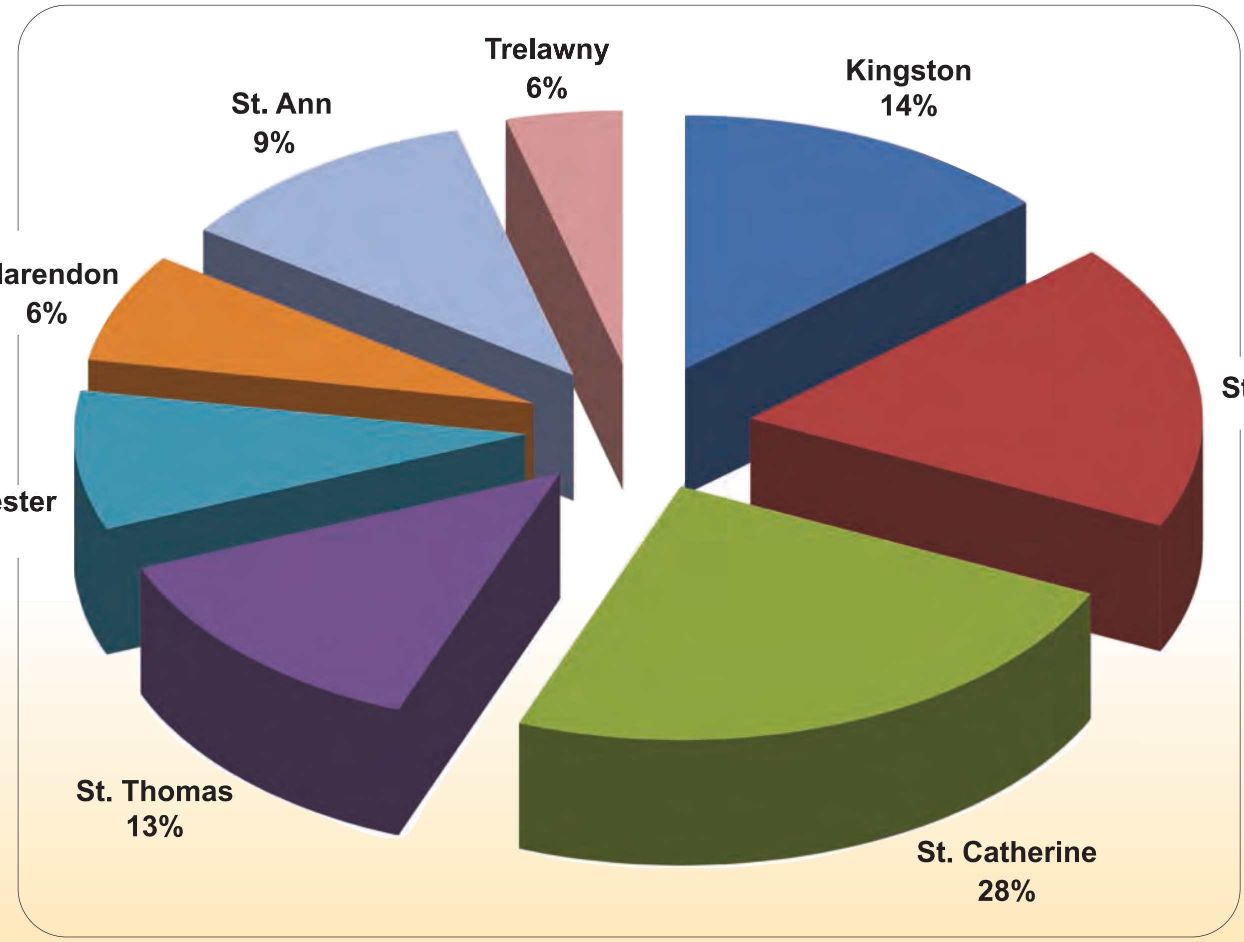


DISTRIBUTION & WAREHOUSING

SCHOOLS SERVED BY THE KINGSTON PLANT - *Table 2*

Parish	KGN.	ST. ANDREW	ST. CATHERINE	ST. THOMAS	MANCHESTER	CLARENDON	ST. ANN	TRELAWNY	TOTAL
Schools served	60	62	122	57	38	26	40	27	**432**

SCHOOLS SERVED BY THE KINGSTON PLANT - *Chart 2*

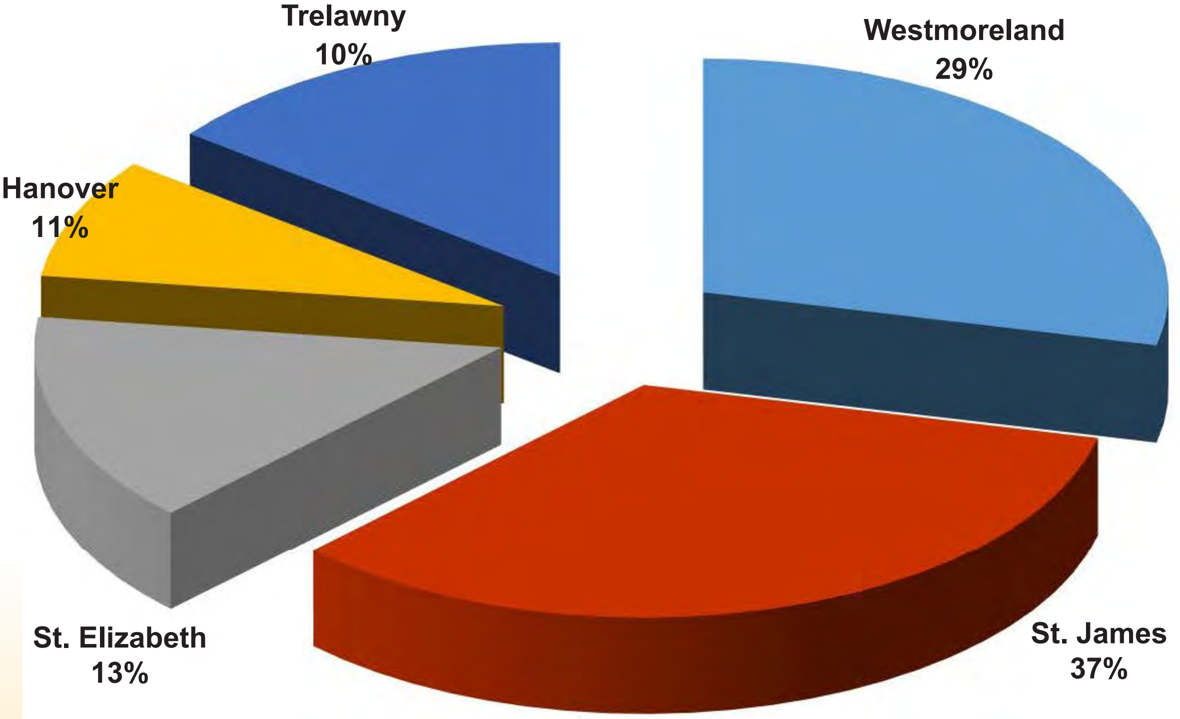


DISTRIBUTION & WAREHOUSING

SCHOOLS SERVED BY THE WESTMORELAND PLANT - *Table 3*

Parish	WESTMORELAND	ST. JAMES	ST. ELIZABETH	HANOVER	TRELAWNY	TOTAL
Schools served	51	66	23	20	17	**177**

SCHOOLS SERVED BY THE WESTMORELAND PLANT- *Chart 3*

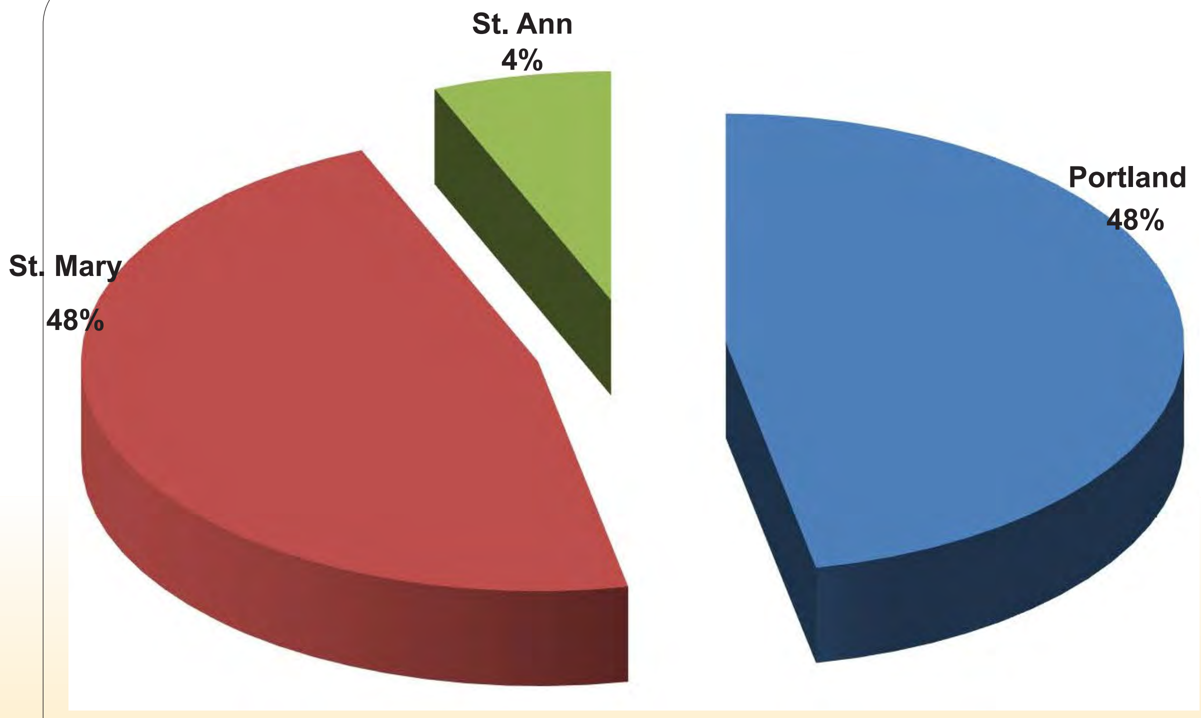


DISTRIBUTION & WAREHOUSING

SCHOOLS SERVED BY THE ST. MARY PLANT - *Table 4*

Parish	ST. ANN	PORTLAND	ST. MARY	TOTAL
Schools served	5	52	52	**109**

SCHOOLS SERVED BY THE ST. MARY PLANT - Chart 4



MANAGEMENT INFORMATION SYSTEM [MIS]

Nutrition Products Limited (NPL) recognizes the criticality of technology as an important leverage of business, especially being a manufacturing organization. Hence, the MIS Department continued its drive to improve the computer network and interconnected framework so as to better assist the organization in achieving a more sophisticated communication and information technology infrastructure. Such an infrastructure guaranteed NPL greater levels of efficiencies, effectiveness and productivity.

As we continued to build our technology strategy during the year under review, the new technology/strategies launched included:

Some Key Activities during the period include:

- Providing continuous training, sensitization and technical support to end users.
- Ensuring that all end users adhere to the stipulated policies.
- Upgrading of camera systems for increased video quality.
- Installing a new server to increase the network and information efficiency and reliability
- Ongoing restructuring of the network infrastructure for greater efficiency and speed.
- Upgrading all work stations from Windows XP to Windows 8.1 Pro Operating System [OS] at the Kingston Plant.

The MIS Department remains committed to employing and maintaining technology and resources available, to implement systems and procedures that facilitate an efficient and effective means by which information and data can be collected, shared and disseminated throughout the organization (including the two rural Plants in St. Mary and Westmoreland).

HUMAN RESOURCE AND ADMINISTRATIVE SERVICE

The Human Resource and Administrative Services Department is responsible for employing the necessary concepts and techniques needed to carry out the people or personnel aspects of the job. The department is therefore entrusted with the task of staffing, administration of compensation and benefits, identifying and satisfying training and development needs, coordinating the performance management process, managing communication and building employee relations. Their task also include overseeing the welfare of our pensioners through the Board of Trustees.

The above functions are achieved through:

- Ensuring that applicable employee welfare solutions are provided and maintained.
- Responding to employees' requests and concerns in a timely manner.
- Providing adequate and relevant training opportunities.
- Developing and using communication channels that give employees access to important information on a timely basis and an opportunity to express their ideas and feelings.
- Ensuring that employees are adequately prepared for retirement.
- Ensuring that our pensioners are receiving the agreed benefit(s) from our Pension Fund Administrators and, providing other services when required.

The activities of the department are reported to a Human Resource and Administrative Services Committee, a sub-committee of the Board of Directors, which meets on a monthly basis.

Training and Development Initiatives

In an effort to impart additional knowledge and skills to our employees and create a more productive working environment, a number of training programmes/seminars/workshops were implemented for staff during the year, as indicated below:

- High School Diploma Equivalency Assessment – thirty-four (34) employees participated in this assessment exercise which identified the candidate's academic capacity for further development.
- Essential Elements of Public Sector Procurement Level 1 – one Accountant attended. The highlight of this session was the rules and regulations governing procurement and contracts processes.
- Basic Computer – twenty-four (24) employees participated and were exposed to basic Microsoft Applications.

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

- Performance Management Training – attended by eighteen (18) employees. This course equipped the participants with knowledge and use of the current PMAS system used in the Government Agencies.
- Baking Seminar – four (4) employees attended. The seminar was hosted by the University of Technology and the employees returned to the working environment with the knowledge necessary to recommend improvements, if necessary, in our baking processes.
- Gender Sensitization Seminar – one member of the Human Resource Department attended. The key point shared and reiterated was the importance of gender equality in the workplace.
- Inventory and Warehouse Management Techniques - attended by four (4) employees. They were exposed to the principles of how to maximize inventory to save time and money and create a world-class warehouse.
- Industrial Relationships Workshop – attended by two (2) employees. The participants were equipped with the knowledge of the transformation process and how to address employee related issues in an increasingly dynamic work environment.

Staffing

Please see table 1 below for staffing comparison data.

Staff Comparison Data - *Table 1*

PERIOD	KINGSTON	St. MARY	WESTMORELAND	TOTAL
2012/2013	154	50	44	248
2013/2014	157	48	43	248
2014/2015	159	48	43	250
2015/2016	184	55	55	294
2016/2017	208	55	54	317

The 8% increase in manning for 2016/2017 over the previous year is due to the expansion of the Breakfast Programme in Kingston.

Please see table 2 below for staff separation comparison data.

STAFF SEPARATION COMPARISON DATA - *Table 2*

PERIOD	TOTAL SEPERATION
2012/2013	12
2013/2014	11
2014/2015	14
2015/2016	15
2016/2017	11

For the period of 2016/2017, there were eleven (11) separations from the company due to the following: Retirement (2 employees), dismissal (1 employee), job abandonment (1 employee) and resignations (7 employees). Exit interviews conducted indicated that the resignations were for personal reasons (migration, more lucrative job offers, etc.) and not due to dissatisfaction with the working environment.

HR Programmes and Activities

There were a number of programmes and activities that the HR and Administrative Services Department coordinated during the year:

- Scholarship Programme

  The company provides a Scholarship Programme for the permanent employees' children who are pursuing secondary level education. Each child must have GSAT average of at least 60% to enter the programme and the scholarship is renewed each year, if the scholarship criteria for advancement are satisfied. The scholarship is valued at $10,000 per student for the academic year awarded.

  For the period, under review, fifteen (15) students benefitted from this scholarship programme. Five of these students graduated from the programme, with up to ten (10) CXC passes. These students, and their parents, were publicly recognized for their achievements.

- Summer Employment – Students

  Through the Human Resource and Administrative Services Department, NPL offered summer employment/work experience to a total of twenty-three (23) students for the

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

months of July and August 2016. They were placed in different departments where they were exposed to various tasks.

At the start of the programme, a representative from the HEART Trust/NTA, was invited to speak to the students on work ethics, the corporate business world and the various opportunities the HEART Trust offers. At the end of the programme, the students each received a Certificate of Participation from NPL. They expressed their appreciation for the experience gained during the period.

- **External Educational Institutions**

  NPL, through the HR and Administrative Services Department, entered into arrangements with the Caribbean Maritime Institute to take three Industrial Engineering students to be assigned to the Maintenance Department. Their performance was commendable and they expressed their appreciation for the opportunity afforded them to work in the organization, where they made a valuable contribution and gained immense experience.

  In addition to providing work experience to students at the tertiary level, several Grade 10 and 11 Home Economics students and one Business Studies student, all from Norman Manley High School, were accommodated in our Production and MIS Departments for three weeks. This work experience was a requirement of their course of study and they all performed at a commendable level.

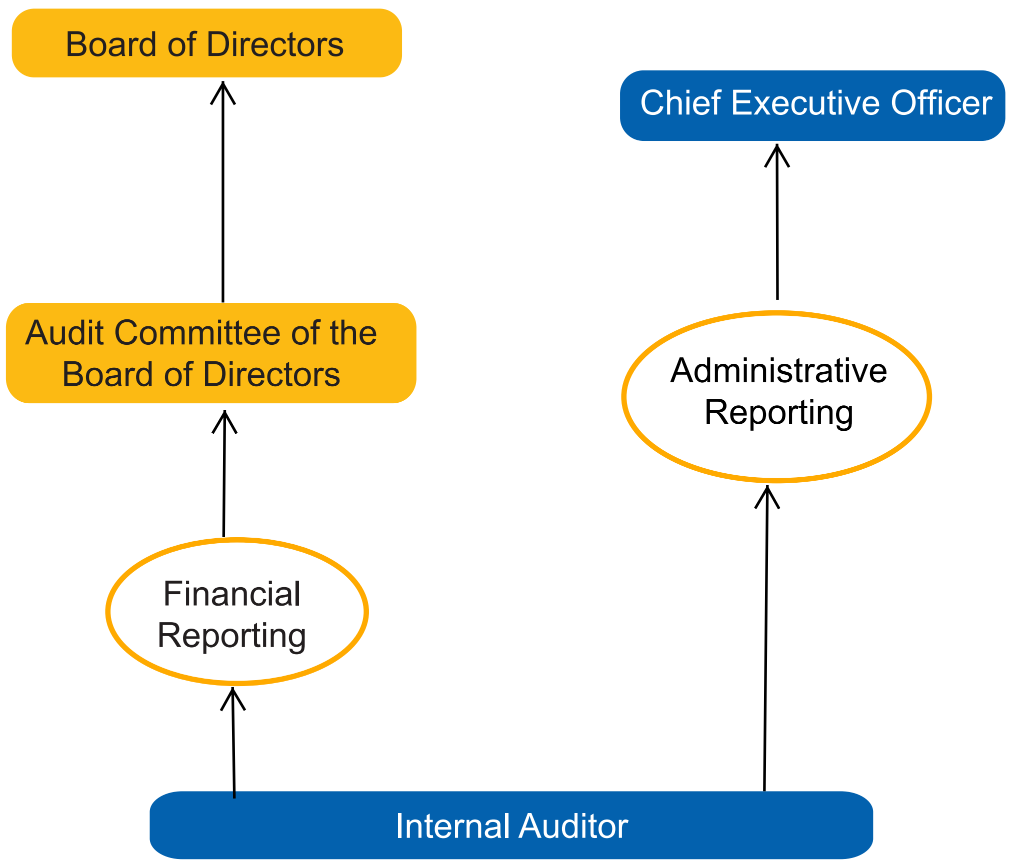
- **National Youth Services (NYS)**

  Through the HR and Administrative Services Department, NPL also partnered with the National Youth Service in facilitating the placement of one (1) individual for three weeks under our Summer Employment Programme. The student expressed appreciation for being exposed to a work environment in which invaluable experience was gained.

INTERNAL AUDIT UNIT

The Internal Audit Unit assists Nutrition Products Limited (NPL) by providing management and Directors with an independent appraisal of the internal control systems. The unit's activities address all aspects of the company's procedures that safeguard assets and promote the achievement of objectives, as compared with the emphasis on accounting control and public reporting which is the primary domain of external Auditors. The objectives of an internal control system, is to address the reliability of financial information, the efficiency and effectiveness of operations, and compliance with laws, regulations, and policies.

The Internal Audit Unit is comprised of an Internal Auditor and an Assistant Internal Auditor. The Internal Auditor has a dual reporting relationship. He reports functionally to the Board of Directors through the Audit Committee and Administratively, to the Chief Executive Officer(CEO) (see illustration below).



INTERNAL AUDIT UNIT

The table below illustrates planned and actual number of audits conducted by the Internal Audit Unit.

Audit	Planned	Actual
Financial	8	7
Operational	4	3
Special Audit	2	2
	14	12

From the audits conducted, three reports were produced and presented to the Audit Committee. Quarterly meetings were held by the committee to discuss the findings. The following is an outline of the improvements that were achieved as a result of the findings and recommendations:

- Greater control over access to the network;
- Improvements in the management of security passes;
- Establishment of a policy governing the issuing of complimentary snacks; and,
- Strengthening of controls over the warehousing of raw materials.

FINANCE & PROCUREMENT

FINANCE

The principal duties/functions of this section of the department include the following:

- Ensuring the integrity of the organization's financial statements.
- Ensuring compliance with legal, regulatory, statutory and other relevant requirements in regard to financial transactions and information.
- Reviewing all financial information published by the company.
- Ensuring that all divisions are being operated in a cost effective manner.
- Ensuring that working capital is available for the daily operation of the business.
- Timely and accurate publishing of financial reports to our stakeholders and the public at large, in keeping with the relevant regulations.
- Monitoring the performance of the external auditors.
- Preparing budget for approval and constantly reviewing and monitoring approved budgets.

PROCUREMENT AND CONTRACTS

The Procurement and Contracts section of the department has the sole responsibility for all purchasing and contractual activities of the company, ensuring that quality goods, services and works are acquired on a timely basis and at the most economical cost.

The responsibility of the Procurement and Contracts section is effectively carried out when the duties below are performed:

- Planning, directing and controlling all activities related to the procurement of goods, services and works.
- Ensuring proper coordination of all procurement activities, taking into account all lead times of the procurement process.

The procurement of goods, services and works are guided by the method of procurement which will be used. The choice of procurement method depends on:

1. The nature of the goods, services and works to be procured;
2. The value of the procurement;
3. The likelihood of interest by a foreign bidder, which is a function of the local availability, capacity and cost;
4. Critical dates for delivery; and,
5. Transparency of the procedures practiced.

FINANCE & PROCUREMENT

This section's mandate is to procure goods, services and works of the highest standard and in a cost effective manner. The section also consistently maintains cordial relations with other departments and existing suppliers and fosters new relationships with potential suppliers both locally and overseas.

The Finance and Procurement Department is headed by the Financial Controller, assisted by the Receivables Accountant and the Payables Accountant. The Receivables Accountant supervises the invoicing and receivables as well as the inventory and fixed assets. The Payables Accountant supervises the payables and payroll areas.

The year’s major activities include:-

1) **Purchasing of local agricultural items:**
   Breakfast solutions, being of improved nutritional profile and having been increased in quantity as a result of the expansion of the breakfast programme islandwide, incorporated more costly local agricultural products as raw materials. With this in mind, in an effort to acquire these raw materials at a more economical cost, the company strengthened its collaboration with local agencies such as RADA (Ministry of Agriculture) and the Banana Board to purchase these agricultural items. The agricultural items included carrots, bananas, onions, lettuce, and tomatoes.

2) Tighter monitoring and sourcing of raw materials:
   In a continuous effort to be more economical in the purchasing of raw materials, the company remained steadfast in monitoring, sourcing and procuring raw materials, thus resulting in significant savings. This was mainly achieved by:

   a. Sourcing major raw materials (flour, sugar, dried skimmed milk) directly from large suppliers at lower cost instead of purchasing through third parties, thereby achieving greater economies of scale; and,
   b. Seeking quotations from different suppliers and entering into long-term contracts with selected suppliers, with the objective of holding them to the initially agreed cost.

KEY FINANCIAL PERFORMANCE INDICATORS

BALANCE SHEET	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Non-Current Assets	177,870	177,174	139,829	105,966	69,687
Current Assets	519,803	216,209	210,846	75,162	54,376
Current Liabilities	80,667	73,726	153,334	89,793	79,373
Inventories	50,168	45,682	27,230	38,534	19,938
Receivables	19,390	3,142	8,496	7,483	9,134
Payables	70,849	64,334	78,310	84,089	75,804
Cash & Equivalents	446,514	163,785	171,956	20,782	16,856

PROFIT & LOSS	2017	2016	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000
Revenues & Other Income	1,428,590	1,111,675	963,221	877,937	823,336
Manufacturing Cost	901,088	788,658	690,979	661,928	567,514
Administrative Expenses	108,293	103,131	91,803	83,771	91,770
Distribution Cost	117,864	108,300	99,415	104,238	128,465
Pre-tax Profit/(Loss)	301,345	111,586	81,024	26,060	35,587
After-tax Profit/(Loss)	300,119	111,088	80,742	27,667	35,503

KEY RATIOS	2017	2016	2015	2014	2013
Operating Surplus to Revenue	21.01%	9.99%	8.38%	3.20%	4.30%
Operating Surplus to Total Assets	43.02%	28.24%	23.02%	15.30%	28.60%
Inventory Turnover	23.78	27.85	27.29	11.5	15.4
Day Sale O/s	48.68	40.99	50.41	49.90	48.00
Current Ratio	6.44	2.93	1.38	0.8	0.7
Quick Ratio	5.82	2.31	1.20	0.3	0.3

NOTE:

During the year (2016/2017), the company restated the General Consumption Tax (GCT) payable balance in accordance with the requirement of the GCT Act and International Standards on Auditing (ISA) 8 Accounting Policies, changes in the Accounting estimates and errors. Please refer to note 23 (Financial Effect of Financial Statements Restatements and Reclassifications) of the 2016/2017 Financials for further details. In light of the above, adjustments had to be made to the company's Financials for the last three years (2014/2015 - 2016/2017); the GCT status of the company changes in June 2014 with the removal of GCT zero rate status on purchases of Goods and Services made by public sector entities.

KEY FINANCIAL PERFORMANCE INDICATORS

FINANCIAL OVERVIEW

The Financial Year 2016/2017 was yet another satisfactory one in which the company ended with a surplus of $300.12M compared to $111.09M for the year 2015/2016. This was achieved while again delivering on the company's mandate and mission. The Board and Management with their continuous drive to make the operations as efficient as possible, continue to provide guidance and strategic direction to ensure compliance and adherence to the deliberate and focused strategies which include being more efficient end-to-end, that is, from how goods and services are purchased to the final cost on delivery.

OUTLOOK

As we move forward, our focus remains resolute on delivering in accordance with our core mandate which implores us to produce and deliver a variety of nutritious meal solutions to satisfy the increasingly sophisticated demand of the nation's children.
We have moved the organization to a better financial place and we now have a momentum that can propel the company to achieve remarkable things, but it will only work if "we all put our shoulders and collective effort to the wheel."

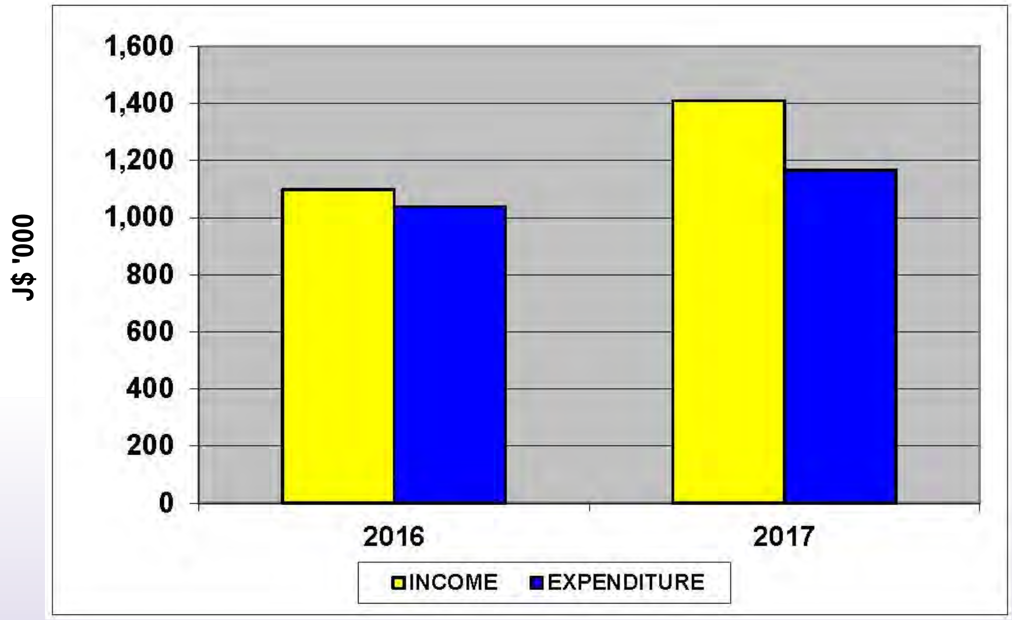
FINANCE AND ACCOUNTING STATISTICAL PROFILE

a. Income vs Expenditure 2016 – 2017 **(See page 30)**
b. Income vs Expenditure 5 year comparison data **(See page 31)**
c. Operating Expenses for year ended March 2017 **(See page 32)**
d. Operating Expenses (by category) 5 year comparison data **(See page 33)**
e. Factory cost of production for year ended March 2017 **(See page 34)**
f. Factory cost of production 5 year comparison data **(See page 35)**

INCOME VS EXPENDITURE FOR PERIOD 2016 - 2017 (J$M) -*Table 1*

YEARS	2016	2017
	$'000	**$'000**
TOTAL INCOME	1,111,675	1,428,590
EXPENDITURE	1,000,089	1,127,245

INCOME VS EXPENDITURE FOR PERIOD 2016 - 2017 -*Chart 1*

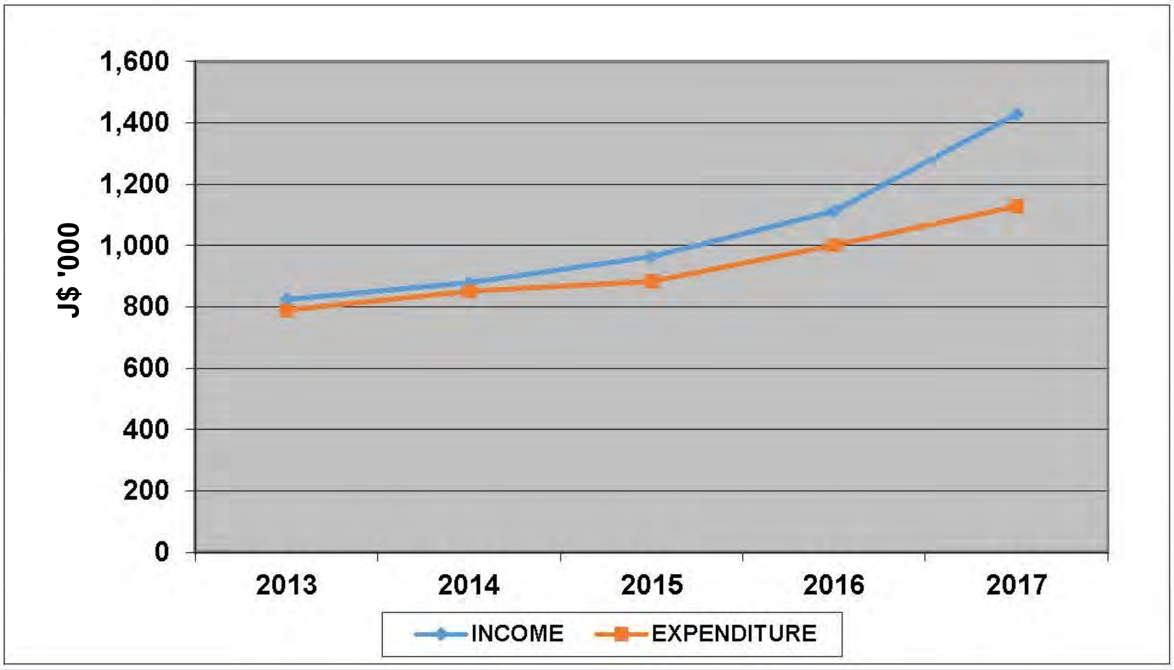


FINANCE AND ACCOUNTING STATISTICAL PROFILE

INCOME vs EXPENDITURE FIVE YEAR COMPARISON DATA (J$M) - *Table 2*

YEARS	2013	2014	2015	2016	2017
	$'000	$'000	$'000	$'000	$'000
TOTAL INCOME	823,336	877,937	963,221	1,111,675	1,428,590
EXPENDITURE	787,749	849,937	882,197	1,000,089	1,127,245

INCOME vs EXPENDITURE FIVE YEAR COMPARISON DATA (J$M) - *Chart 2*

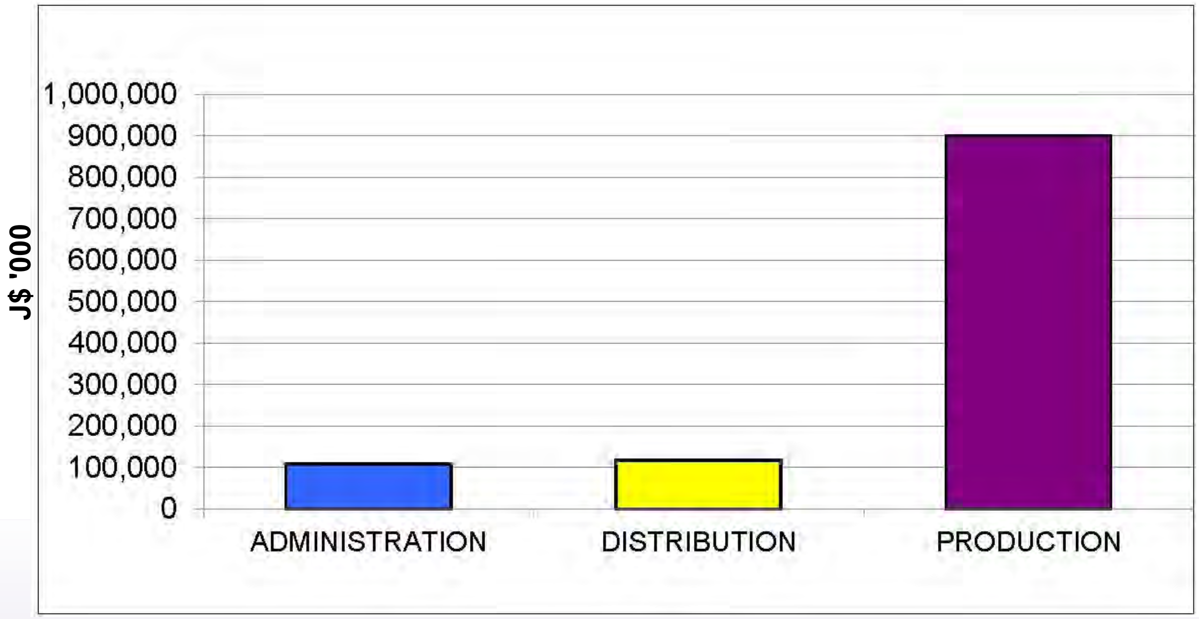


FINANCE AND ACCOUNTING STATISTICAL PROFILE

OPERATING EXPENSES FOR YEAR ENDED MARCH 2017 (J$M) - *Table 3*

Departments	Administration	Distribution	Production	Total
	$'000	**$'000**	**$'000**	**$'000**
OPERATING EXPENSES	108,293	117,864	901,088	1,166,365
PERCENTAGE	9.60%	10.46%	79.94%	100%

OPERATING EXPENSES FOR YEAR ENDED MARCH 2017 (J$M)- *Chart 3*

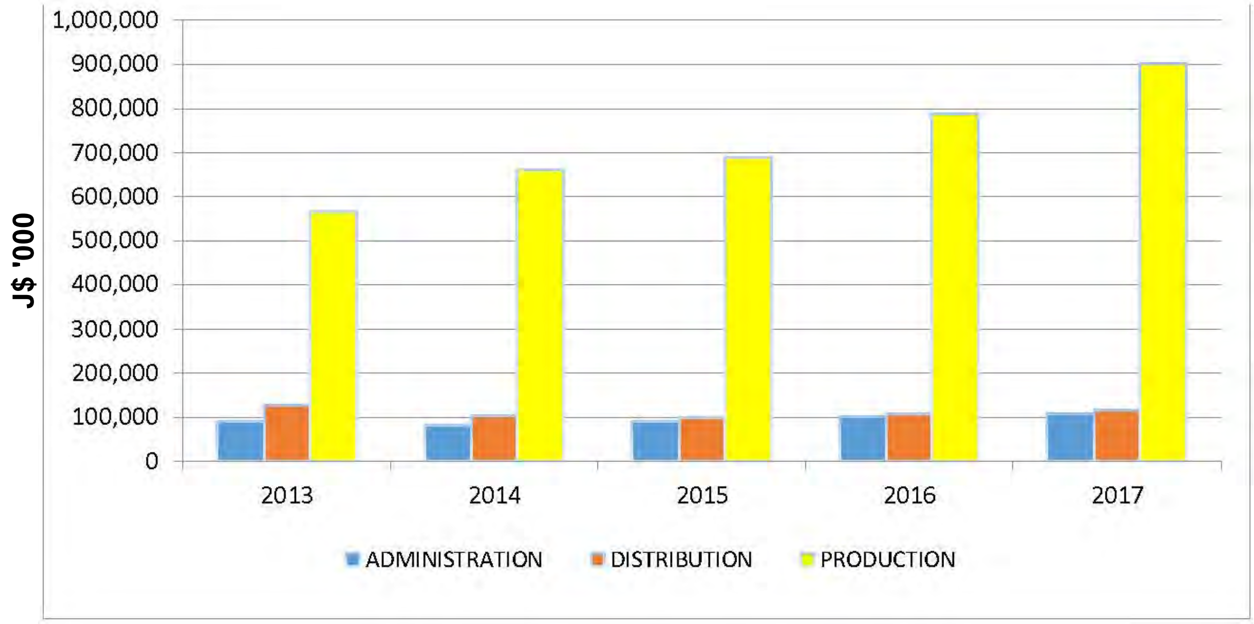


FINANCE AND ACCOUNTING STATISTICAL PROFILE

OPERATING EXPENSES (BY CATEGORY) FIVE YEAR COMPARISON DATA (J$M) - *Table 4*

YEARS	2013	2014	2015	2016	2017
	$'000	$'000	$'000	$'000	$'000
ADMINISTRATION	91,770	83,711	91,803	103,131	108,293
DISTRIBUTION	128,465	104,238	99,415	108,300	117,864
PRODUCTION	567,514	661,928	690,979	788,658	901,088

OPERATING EXPENSES (BY CATEGORY) FIVE YEAR COMPARISON DATA (J$M) - *Chart 4*

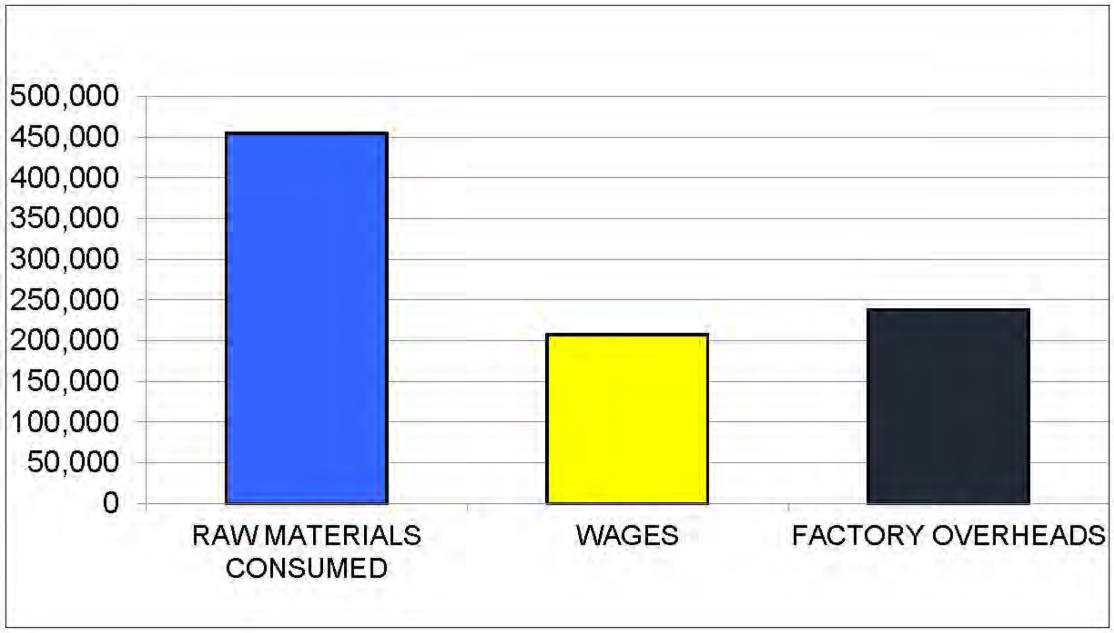


FINANCE AND ACCOUNTING STATISTICAL PROFILE

FACTORY COST OF PRODUCTION FOR YEAR ENDED MARCH 2017 (J$M) - *Table 5*

	Raw Materials Consumed	Wages	Factory Overheads	Total
	$'000	**$'000**	**$'000**	**$'000**
MANUFACTURING COST	454,914	207,700	238,474	901,088
PERCENTAGE	50.5%	23.0%	26.5%	100%

FACTORY COST OF PRODUCTION YEAR ENDED MARCH 2017 (J$M) - *Chart 5*

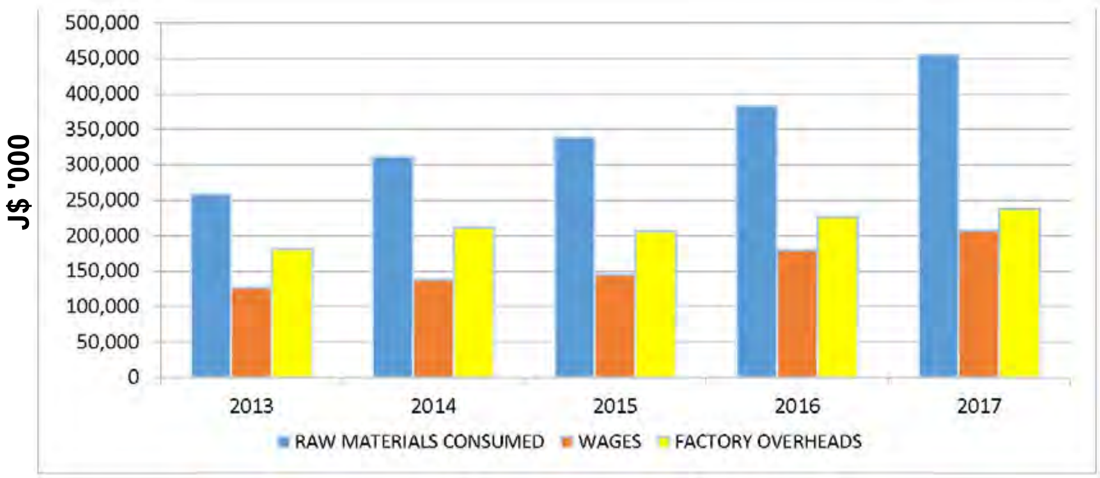


FINANCE AND ACCOUNTING STATISTICAL PROFILE

FACTORY COST OF PRODUCTION FIVE YEAR COMPARISON DATA (J$M) - *Table 6*

YEARS	2013	2014	2015	2016	2017
	$'000	$'000	$'000	$'000	$'000
RAW MATERIAL CONSUMED	259,284	311,590	339,519	382,560	454,914
WAGES	127,404	138,464	145,031	179,451	207,700
FACTORY OVERHEADS	180,826	211,474	206,429	226,647	238,474

FACTORY COST OF PRODUCTION FIVE YEAR COMPARISON DATA (J$M) - *Chart 6*

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NUTRITION PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT &

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017

NUTRITION PRODUCTS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

(Expressed in Jamaican Dollars)

NUTRITION PRODUCTS LIMITED

YEAR ENDED MARCH 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Nutrition Products Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Nutrition Products Limited (the Company), which comprise the statement of financial position as at March 31, 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Nutrition Products Limited (Continued)

Report on the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Nutrition Products Limited (Continued)

Report on the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)
We communicate with the Board of Directors 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.

Report on Additional Requirements of 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 maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

December 19, 2017

NUTRITION PRODUCTS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	Notes	2017 $'000	2016 $'000	April 1, 2015 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	177,870	177,174	139,829
Current assets				
Inventories	6	50,168	45,682	27,230
Trade and other receivables	7,23	19,390	3,142	8,496
Income tax recoverable		3,731	3,600	3,164
Cash and short-term deposits	8	446,514	163,785	171,956
		519,803	216,209	210,846
Total assets		697,673	393,383	350,675
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	9	-	-	-
Capital reserve	10	10,327	10,327	10,327
Retained earnings	23	536,447	236,328	125,240
		546,774	246,655	135,567
Non-current liability				
Deferred income	11	70,232	73,002	61,774
Current liabilities				
Deferred income	11	9,818	9,392	75,024
Trade and other payables	12,23	70,849	64,334	78,310
		80,667	73,726	153,334
Total equity and liabilities		697,673	393,383	350,675

The accompanying notes form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on December 19, 2017 and are signed on its behalf by:

Chairman – Ewart Gilzean

Director – Alden Brown

NUTRITION PRODUCTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2017

	Notes	2017 $'000	2016 $'000
Revenue and Government subvention and support	13	1,410,105	1,097,669
Factory cost of production	14	(901,088)	(788,658)
		509,017	309,011
Other income	15	18,485	14,006
Administrative expenses	14,23	(108,293)	(103,131)
Distribution costs	14	(117,864)	(108,300)
SURPLUS BEFORE TAXATION		301,345	111,586
Taxation	16	(1,226)	(498)
NET SURPLUS BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17	300,119	111,088

The accompanying notes form an integral part of the financial statements.

NUTRITION PRODUCTS LIMITED
STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2017

	Share Capital(*) $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at April 1, 2015	-	10,327	105,461	115,788
Prior period adjustment (Note 23)	-	-	19,779	19,779
Balance at April 1, 2015 as restated (Note 23)	-	10,327	125,240	135,567
Net surplus being total comprehensive income for the year as restated (Note 23)	-	-	111,088	111,088
Balance at March 31, 2016 as restated (Note 23)	-	10,327	236,328	246,655
Net surplus being total comprehensive income for the year	-		300,119	300,119
Balance at March 31, 2017	-	10,327	536,447	546,774

(*) - denotes $200.

The accompanying notes form an integral part of the financial statements.

NUTRITION PRODUCTS LIMITED
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2017

	Notes	2017 $'000	Restated 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		300,119	111,088
Adjustments for:			
Depreciation of property, plant and equipment	5	24,411	20,548
Loss on disposal of property, plant and equipment	17	54	2
Charge for/(Reversal of) obsolete stock provision	6	-	189
Impairment loss recognized on trade receivables	17	200	3,099
Deferred income	11	(9,393)	(75,737)
Interest income	15	(8,396)	(3,729)
Tax expense	16	1,226	498
		308,221	55,958
Movements in working capital			
(Increase) Decrease in trade and other receivables		(16,448)	2,255
Increase in inventories		(4,486)	(18,641)
Increase (Decrease) in trade and other payables		6,515	(13,976)
Cash generated from operations		293,802	25,596
Taxes paid		(1,357)	(934)
Net cash provided by operating activities		292,445	24,662
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		5,593	3,729
Acquisition of property, plant and equipment	5	(25,161)	(57,895)
Net cash used in investing activities		(19,568)	(54,166)
CASH FLOWS FROM FINANCING ACTIVITY			
Grant received	11	7,049	21,333
Net cash provided by financing activity		7,049	21,333
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		279,926	(8,171)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		163,785	171,956
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	443,711	163,785

The accompanying notes form an integral part of the financial statements.

1 IDENTIFICATION

Nutrition Products Limited (the company) is a limited liability company incorporated in Jamaica. The Company is wholly-owned by the Government of Jamaica. Its main objective is to prepare nutritious breakfast and lunches for distribution to children attending basic, primary and all-age schools. The Company is domiciled in Jamaica and its registered office is located at 6 Marcus Garvey Drive, Kingston 15.

These financial statements are expressed in Jamaican dollars.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Current year changes

The Company applied for the first time certain standards and amendments, which are effective for its annual period beginning April 1, 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016/2017, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

- ***IFRS 14 Regulatory Deferral Accounts***
  IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not have any impact on the Company's financial statements.

- ***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests***
  The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the financial statements of the Company as there has been no interest acquired in a joint operation during the period.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 Current year changes (continued)

- ***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***
  The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the financial statements of the Company.

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the financial statements of the Company's as it does not have any bearer plants.

- ***Amendments to IAS 27: Equity Method in Separate Financial Statements***
  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

  These amendments do not have any impact on the Company's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 Current year changes (continued)

- ***Annual Improvements 2012-2014 Cycle***
  These improvements include:

  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
    Assets (or disposal companies) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

  - IFRS 7 *Financial Instruments: Disclosures*

    (i) Servicing contracts
    The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

    (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
    The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

  - *IAS 19 Employee Benefits*
    The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

  - IAS 34 *Interim Financial Reporting*
    The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

  These amendments do not have any impact on the financial statements of the Company.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 Current year changes (continued)

- ***Amendments to IAS 1 Disclosure Initiative***

  The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the financial statements of the Company.

- ***Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception***

  The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

  Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

  These amendments are applied retrospectively and do not have any impact on the financial statements of the Company.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes

The standards and interpretations that are issued, but not yet effective are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **IAS 7 *Disclosure Initiative – Amendments to IAS 7***
  The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Company.

- **IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12***
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the financial statements of the Company.

- **IAS 40, *Investment Property – Transfers of Investment Property (Amendments to IAS 40)***
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments are effective for annual periods on or after January 1, 2018. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. These amendments are not expected to have any impact on the financial statements of the Company.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 2** ***Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2***

  The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not have share-based transactions therefore the amendments are not expected to have an impact on its financial statements.

- **IFRS 9** ***Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4***

  The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board has developed to replace IFRS 4 (see IFRS 17 below). The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

  Temporary exemption from IFRS 9

  The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS *39 Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until January 1, 2021 at the latest.

  Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases.

  Entities applying the temporary exemption will be required to make additional disclosures.

  The overlay approach

  The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets.

  An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (Continued)***
  The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

  These amendments are effective for annual periods beginning on or after January 1, 2018. These amendments are not expected to have any impact on the financial statements of the Company.

- **IFRS 9 *Financial Instruments***
  In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The directors and management anticipate that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning April 1, 2018 and that the application of IFRS 9 may impact the amounts reported in respect of the Company's financial assets and liabilities. However, the directors have not yet completed their analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

  (a) Classification and measurement
  Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

  There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 9 *Financial Instruments (continued)***

  (a) Classification and measurement (continued)
  For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 *Financial Instruments: Recognition and Measurement* classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  (b) Impairment
  The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contracted assets under IFRS 15 *Revenue from Contracts with Customers* and lease receivables under IAS 17 *Leases* or IFRS 16 *Leases*. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

  (c) Hedge accounting
  Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

- ***Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB decided to defer the effective date of these amendments until such time as it has finalised any amendments that result from its research project on the equity method. An entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 15 *Revenue from Contracts with Customers***
  The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 will be applied using a five-step model:
  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognise revenue when (or as) the entity satisfies a performance obligation

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

  In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Company for Revenue Recognition. The amendments:

  - Clarify when a promised good or service is distinct within the context of the contract
  - Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
  - Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
  - Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
  - Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition

  The amendments have an effective date of January 1, 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard. The directors and management have not yet assessed the impact of the application of this standard on the Company's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 16 *Leases***
  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted but not before the Company applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the Company's financial statements.

- **IFRS 17 Insurance Contracts**
  The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

  IFRS 17 reflects the IAS Board's view that an insurance contract combines features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, the Board developed an approach that:

  (a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
  (b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
  (c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some of that income or expenses in other comprehensive income.

  An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

  IFRS 17 is effective for annual periods beginning on or after 1 January 2021. Earlier application is permitted.

  The directors and management have not yet assessed the impact of the application of this standard on the Company's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration***
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognise the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  This interpretation is effective for annual periods beginning on or after January 1, 2018. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

  (i) The beginning of the reporting period in which the entity first applies the interpretation or
  (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The directors and management have not yet assessed the impact of the application of this standard on the Company's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- ***Annual Improvements 2012-2014 Cycle (issued December 2016)***
  These include:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
    Under this amendment the short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IAS 28 *Investments in Associates and Joint Ventures*
    The amendments clarify that:
    - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
    - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IFRS 12 *Disclosure of Interests in Other Entities*
    The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal Company that is classified) as held for sale. The amendments are effective from January 1, 2017 and must be applied retrospectively.

    These amendments are not expected to have any impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant requirements of the Jamaican Companies Act.

3.2 Basis of preparation

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for assets. The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

3.4 Fair value measurement

Fair values of financial instruments measured at amortized cost are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (Continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There are no assets or liabilities which are measured at fair value in the financial statements.

3.5 Property, plant and equipment

All property, plant and equipment held for use in production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical cost, less any subsequent accumulated depreciation and subsequent impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.6 Impairment of tangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing inventory items to their present location and condition are accounted using the weighted average method. Net realizable value is the estimated selling price for inventories in the ordinary course of business less all estimated costs necessary to make the sale.

3.8 Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

The company recognizes financial assets or financial liabilities in the statement of financial position when the company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or financial liabilities or are recognized immediately in profit or loss as appropriate, on initial recognition.

Notes 3.9 and 3.10 outline the Company's financial assets and liabilities and the specific accounting policy related to each.

3.9 Financial assets

All financial assets are recognised and de-recognised on trade date where the purchase or sale of a investment is under a contract whose terms require delivery of the asset within the timeframe established by regulation or convention in the market place.

Financial assets are classified into the category of "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of acquisition.

The financial assets of the Company include cash and short-term deposits and trade and other receivables except prepayments.

a) *Loans and receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short term receivables, when the recognition of interest would be immaterial.

<u>Effective interest rate method</u>
The effective interest rate method is a method of calculating the amortized cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset, or, where appropriate a shorter period, to the net carrying amount on initial recognition.

b) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

b) Impairment of financial assets (Continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the assets expire; or it transfers the financial asset and substantially all the risks and rewards to the ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and the associated liability for the amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset and also recognizes the collateralized borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

Derecognition of financial assets (Continued)
On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.10 Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received net of direct issue costs.

Financial liabilities are classified as 'other financial liabilities' and are measured initially at fair value, net of transaction costs (where applicable). They are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The financial liabilities of the company include current liabilities except accruals.

Derecognition of financial liabilities
The company derecognizes financial liabilities when the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income.

3.11 Cash and short-term deposits

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, cash at bank and other highly liquid investments that have an original maturity of 90 days or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Related party transactions and balances

A party is related to the company if:

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with the company (this includes parent, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the entity that gives it significant influence over the company; or
- (iii) has joint control over the company;

(b) the party is an associate of the company;
(c) the party is a joint venture in which the company is a venturer;
(d) the party is a member of the key management personnel of the company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

Related party transactions are recorded at the normal terms set by the company.

3.13 Employees' benefits

Pension obligations

Payments to a defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to the contributions.

Termination obligations

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the reporting date but not yet taken.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount for goods and services provided in the normal course of business, net of discount.

Sales to schools

Sales to schools are recognized when goods are delivered, and are recorded net of donations, returns, spoilage and price adjustments.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the asset's carrying amount on initial recognition.

3.15 Grants and subventions

Grants are recognized when there is reasonable assurance that the company will comply with the conditions attached to them and that the grants will be received.

Grants are recognized in profit or loss on a systematic basis over the periods in which the company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary condition is that the company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

The company as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Leases (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.17 Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency, are initially recorded at the rates of exchange prevailing on the dates of those transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Non-monetary items that are measured in terms of historical costs in foreign currency are not retranslated.

Other exchange differences are recognized in income for the period in which they arise.

3.18 Taxation

The company's main source of income is subvention which is exempt from taxation under the Income Tax Act. All other earnings are subject to taxation.

Income tax expense represents the current tax payable.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are never taxable or deductible. The company's liabilities for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Taxation (Continued)

Deferred tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantially enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in comprehensive income or equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

General Consumption Tax (GCT)
Expenses and assets are recognized net of the amount of GCT, except when the GCT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax is recognized as part of the cost of acquisition of the asset or included in expenses, as applicable.

The amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position, as appropriate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Management believes that apart from those involving estimation (see below) there were no critical judgements made in the process of applying the company's accounting policies that would have a significant effect on the amounts recognised in the financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future or other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property, plant and equipment

Management exercises judgement in determining whether the costs incurred can accrue significant future economic benefits to the company to enable the value to be treated as a capital expense.

Further, judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation thereon. Details of the estimated useful lives are disclosed in Note 5.

Provision for impairment of trade receivables

The company periodically assesses the collectability of its trade receivables. Provisions are established or increased as described in Note 3. There is, however, no certainty that the company will collect the total remaining unimpaired balance, as some balances that are estimated to be collectible as at the end of the reporting period may subsequently become doubtful. Trade receivables amounted to $3.140 million at the end of the reporting period (2016: $1.290 million) net of a provision of $9.841 million (2016: $9.641 million). See Note 7.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Roadways $'000	Plant and Machinery $'000	Furniture, Fixtures and Office Equipment $'000	Milk Crates $'000	Pallets $'000	Motor Vehicles $'000	Forklifts $'000	Computer Equipment $'000	Total $'000
Cost									
April 1, 2015	51,081	130,468	36,326	14,188	6,835	10,884	1,443	24,736	275,961
Additions	10,566	22,870	8,777	859	942	4,156	5,183	4,542	57,895
Disposals	-	-	(12)	-	-	(1,508)	-	(665)	(2,185)
March 31, 2016	61,647	153,338	45,091	15,047	7,777	13,532	6,626	28,613	331,671
Additions	6,373	7,989	5,896	815	1,646	-	-	2,442	25,161
Disposals	-	-	(211)	-	-	-	(1,065)	(2,700)	(3,976)
March 31, 2017	68,020	161,327	50,776	15,862	9,423	13,532	5,561	28,355	352,856
Depreciation									
April 1, 2015	12,331	64,956	15,059	11,493	1,972	7,671	1,443	21,207	136,132
Charge for the year	1,444	9,839	3,465	935	1,218	1,106	432	2,109	20,548
On disposals	-	-	(10)	-	-	(1,508)	-	(665)	(2,183)
March 31, 2016	13,775	74,795	18,514	12,428	3,190	7,269	1,875	22,651	154,497
Charge for the year	1,662	11,965	3,959	928	1,333	1,504	1,034	2,026	24,411
On disposals	-	-	(202)	-	-	-	(1,065)	(2,655)	(3,922)
March 31, 2017	15,437	86,760	22,271	13,356	4,523	8,773	1,844	22,022	174,986
Net Book Value									
March 31, 2017	52,583	74,567	28,505	2,506	4,900	4,759	3,717	6,333	177,870
March 31, 2016	47,872	78,543	26,577	2,619	4,587	6,263	4,751	5,962	177,174

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following rates are used for depreciation of property, plant and equipment:

Buildings and roadways	-	40 years
Plant and machinery	-	10 years
Furniture, fixtures and office equipment	-	10 years
Pallets and crates	-	5 years
Motor vehicles	-	5 years
Forklifts	-	5 years
Computer equipment	-	5 years

The company is in possession of lands located in the following parishes and on which buildings have been constructed.

(i) Westmoreland - The land has been donated to the company by West Indies Sugar Company Limited. No value has been recorded for the land. The land is not registered in the name of the company.

(ii) Manchester - The land has been donated by Alcan Jamaica Company to the company. No value has been recorded for the land. The land is not registered in the name of the company.

(iii) Kingston - The land is owned by the Commissioner of Lands. There is no lease agreement for the land.

Certain plant and machinery, furniture, fixtures and office equipment, milk crates and motor vehicles were revalued in 1990, and the revaluation surplus credited to capital reserve. The revalued amounts have been designated as the deemed cost of these assets as permitted under the provisions of IFRS 1.

6. INVENTORIES

Inventories consist of the following:

	2017 $'000	2016 $'000
Raw materials	15,011	22,281
Packaging supplies	32,242	21,936
Consumable stores	3,104	1,654
	50,357	45,871
Provision for obsolete stock	(189)	(189)
	50,168	45,682

The cost of inventories recognised as an expense during the year was $454,914 million (2016: $382.560 million). This is recognized in factory cost of production.

	2017 $'000	2016 $'000
Movement in provision for inventories		
Balance at the beginning of the year	189	-
Charge for the year	-	189
Balance at the end of the year	189	189

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	2017 $'000	2016 $'000
Amounts due from schools (Note 7(a))	12,981	10,931
Less: Provision for doubtful debts	(9,841)	(9,641)
	3,140	1,290
Other receivables	463	1,522
Prepayments	474	330
Advances to suppliers	15,313	-
	19,390	3,142

(a) The average credit period on sale of goods is thirty days. The company has provided fully for all balances over ninety days because historical experience is such that receivables that are past due beyond this period are generally not recoverable. Trade receivables over 30 to 90 days are provided for based on estimated irrecoverable amounts from the sale of goods determined by reference to past default experience.

Before accepting a new customer (school), the company would obtain approval from the Ministry of Education, Youth and Information. The quantities of goods distributed to new schools are initially set based on instructions from the Ministry of Education, Youth and Information. Amounts can be subsequently altered based on receipt of goods by the school at time of delivery. There is no customer (school) who represents more than 5% of the total balance of trade receivables.

Included in the company's trade receivable balance are debtors with a carrying amount of $3.640 million (2016: $3.011 million) which is past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral over these balances. The average age of the receivables is 51 days (2016: 44 days).

Ageing of past due but not impaired

	2017 $'000	2016 $'000
31 – 60 days	2,281	2,251
61 – 90 days	1,359	760
	3,640	3,011

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the provision for doubtful debts

	2017 $'000	2016 $'000
Balance at beginning of the year	9,641	6,542
Impairment losses recognised on receivables	200	3,099
Balance at end of the year	9,841	9,641

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors believe that at the end of the reporting period there is no further credit provision required in excess of the provision for doubtful debts.

Ageing of impaired trade receivables

	2017 $'000	2016 $'000
Over 90 days	9,841	9,641

8. CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

	2017 $'000	2016 $'000
Cash at bank and in hand (Note 8(a))	193,391	106,409
Short-term deposits (at interest rates ranging from 1% to 5%) maturing April 2017	250,320	57,376
Cash and cash equivalents	443,711	163,785
Interest receivable on short term deposits	2,803	-
Cash and short term deposits	446,514	163,785

(a) Cash at bank includes interest bearing accounts totaling $44.261 million (2016: $7.897 million) at interest rates ranging from 0.4% to 1.5% (2016: at interest rates ranging from 0.4% to 1.5%).

9. SHARE CAPITAL

	2017 No. of shares	2016 No. of shares
Authorised, issued and fully paid:		
Ordinary shares at the beginning and end of the year	200	200
	$	$
Stated capital at the beginning and at end of the Year	200	200

The company has one class of ordinary shares which carry no rights to fixed income.

10. CAPITAL RESERVE

	2017 $'000	2016 $'000
This comprises:		
Unrealised surplus on valuation of property, plant and equipment	9,539	9,539
Surplus on acquisition of assets of Nutrition Products Centre	788	788
	10,327	10,327

11. DEFERRED INCOME

Deferred income arising on government grant:

	2017 $'000	2016 $'000
Balance at beginning of year	82,394	136,798
Additions	7,049	21,333
Amount transferred to income	(9,393)	(75,737)
Balance at end of year	80,050	82,394
Comprising:		
Current	9,818	9,392
Non-current	70,232	73,002
	80,050	82,394

The deferred income arises as a result of capital grants received from government. The grants are used to purchase plant and equipment and are amortized over the useful life of the assets acquired.

Additions for the year 2016/17 include grant funding received from the government totaling $7.049 million that was used to acquire plant and equipment. These additions were included in property, plant and equipment (Note 5) of $3.722 million for buildings and roadways and furniture, fixtures and office equipment of $3.327 million.

12. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Trade payables	37,216	36,927
Statutory and payroll related deductions payable	154	100
GOJ collection liability	20,735	18,059
Other payables and accruals	12,744	9,248
	70,849	64,334

As at March 31, 2017, the Company had GCT payable totaling $124.922 million which was comprised of GCT amounts withheld by the Company and also had GCT recoverable on imports totaling $27.185 million not yet been settled by the Accountant General Department in accordance with the GCT Act. The amounts outstanding as at March 31, 2017 consist of accumulated net GCT payables amounts incurred from June 1, 2014 to March 31, 2017.

13. REVENUE AND GOVERNMENT SUBVENTION AND SUPPORT

Gross revenue comprises:

	2017 $'000	2016 $'000
Sales to schools	26,027	24,552
Subvention	1,384,078	1,073,117
	1,410,105	1,097,669

For the year ended March 31, 2016, subvention included $66.661 million transferred from deferred income in respect of the new breakfast feeding programme.

14. EXPENSES

	2017 $'000	2016 $'000
Factory Cost Of Production		
Raw materials consumed.	454,914	382,560
Wages, pension and statutory contributions	207,700	179,451
Factory overheads (See below)	238,474	226,647
	901,088	788,658
Factory Overheads		
Staff welfare and subsistence	36,131	35,064
Fuel oil	17,120	14,190
Utilities	42,699	40,500
Repairs and maintenance	62,507	55,471
Depreciation	15,888	13,644
Insurance	599	2,054
Security	17,774	20,730
Sanitation	17,287	15,833
Charitable donations - snacks	1,939	3,525
Factory rental and maintenance	4,021	3,730
Machinery lease	3,780	3,536
Transportation	11,586	10,267
Other	7,143	8,103
	238,474	226,647

14. EXPENSES (CONTINUED)

	2017 $'000	2016 $'000
Administrative Expenses		
Salaries, wages, allowances, N.I.S. and pension contributions	50,184	44,295
Staff welfare and subsistence	5,485	3,167
Group health and life insurance	1,428	1,016
Commissions	2,234	2,200
Utilities	7,575	6,765
Repairs and maintenance	1,409	626
Sanitation	1,165	2,975
Depreciation	6,798	5,805
Insurance	333	1,137
Security	949	58
Stationery, office expenses and supplies	2,770	4,100
Computer service	5,393	4,865
Motor vehicle expenses	573	1,137
Audit and accountancy	3,568	2,311
Legal and professional fees	2,451	1,832
Directors' fees/expenses	622	3,299
Advertising and public relations	1,096	492
Subscription and donations	2,095	1,874
Bad debt	200	3,099
Irrecoverable GCT	10,114	10,839
Other	1,851	1,239
	108,293	103,131

14. EXPENSES (CONTINUED)

	2017 $'000	2016 $'000
Distribution Costs		
Salaries, wages, allowances and statutory contributions	15,805	14,870
Staff welfare and subsistence	2,429	1,797
Group health and life insurance	1,059	946
Contract deliveries	76,498	73,825
Transportation and haulage	4,173	3,579
Staff transportation	1,021	1,187
Warehouse and distribution expenses	118	998
Utilities	1,685	1,510
Motor vehicles expenses	4,350	4,512
Repairs and maintenance	2,470	849
Depreciation	1,725	1,099
Insurance	399	1,366
Security	4,171	169
Stationery, printing expenses and supplies	1,113	254
Sanitation expense	848	1,339
	117,864	108,300

15. OTHER INCOME

	2017 $'000	2016 $'000
Interest income on deposits	8,396	3,729
Other	10,089	10,277
	18,485	14,006

Other income includes deferred income amortized during the year amounting to $9.393 million (2016: $9.076 million).

16. TAXATION

(a) The company's income mainly comprises subventions from the Government of Jamaica, which is used to offset production and distribution costs of school meals. Subvention income is not subject to taxation. However, the company has investment income which is subject to income tax. Current tax has been calculated using the tax rate of 25% (2016: 25%).

(b) Taxation for the year comprises:

	2017 $'000	2016 $'000
Income tax charge	1,226	498

(c) The charge for the year is reconciled to the surplus per the Statement of Comprehensive Income as follows:

	2017 $'000	2016 $'000
Surplus before tax	301,345	111,586
Tax at domestic income tax rate of 25% (2016: 25%)	75,336	27,897
Tax effect of expenses (income) not deductible (chargeable) for tax purposes	(2,355)	6,121
Tax effect of expenses deductible for tax purposes	(1,040)	(447)
Income not subject to tax	(352,526)	(274,417)
Tax effect of subvention utilized	281,811	241,344
	1,226	498

17. SURPLUS FOR THE YEAR

Surplus for the year has been arrived at after charging:

	2017 $'000	2016 $'000
(a) Revenue (Expenses) on financial assets carried at amortized cost		
Revenue		
Interest – bank deposits (at amortised cost)	8,396	3,729
Expenses		
Impairment losses recognised on trade receivables	(200)	(3,099)
(b) Other expenses		
Directors' remuneration		
Fees	622	3,299
Depreciation	24,411	20,548
Audit fees - current year	1,764	1,680
- prior year	-	631
Pension cost	11,357	7,775
Loss on disposal of property, plant and equipment	54	2

18. PENSION SCHEME

The company operates a defined contribution retirement benefit plan for all full time employees. The assets of the plan are held separately from those of the company in funds under the control of the Trustees.

The pension scheme is funded by contributions from employees at a fixed rate of 5% (with option of contributing up to 15%) of salary with the employer contributing 5%. Pension benefits are based on the accumulation of contributions by employees and employer plus investment income earned. The company's contribution for the year totaled $11.357 million (2016: $7.775 million). The contribution for the year included an additional amount of $2 million to facilitate the purchase of annuities for pensioners to aid the pension fund in financing its operations.

19. OTHER DISCLOSURES - EMPLOYEES

Staff costs incurred during the year were:

	2017 $'000	2016 $'000
Salaries and wages	249,724	220,523
Statutory contributions	12,608	10,318
Pension costs	11,357	7,775
	273,689	238,616

20. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors, committee members and other key members of management during the year was as follows:

	2017 $'000	2016 $'000
Directors fees	622	3,299
Short-term benefits	45,972	41,646

21. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Categories of financial instruments

The following table sets out the financial instruments as at the end of each reporting period:

	2017 $'000	2016 $'000
Financial Assets		
Cash and short-term deposits	446,514	163,785
Loans and receivables (at amortised cost)		
Trade and other receivables	18,916	2,812
	465,430	166,597
Financial Liabilities (at amortised cost)		
Payables	65,818	59,922

21. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives

By its nature, the company's activities involve the use of financial instruments. The company has exposure to the following risks from its use of its financial instruments: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The company has financial risk management policies. These policies set out the company's overall business strategies and its risk management philosophy. The financial risk management programme seeks to minimize potential adverse effects of financial performance of the company.

The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk and liquidity risk and cash flow interest rate risk. Periodic reviews are undertaken to ensure that the company's policy guidelines are complied with.

There has been no change during the year to the company's exposure to these financial risks or the manner in which it manages and measures the risk.

The company does not hold or issue derivative financial instruments.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market 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 security or its issuer or factors affecting all securities traded in the market. Except in respect of foreign exchange, as disclosed in Note 21(b) below and interest rates, as disclosed in Note 21(c) below, the company has no exposure to market risk.

(b) Foreign exchange risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Transactions denominated in currencies other than the Jamaican dollar results in exposure to exchange rate fluctuations.

The following balance held in United States dollars is included in those financial statements.

	2017 $'000	**2016 $'000**
Trade payables (2017: US$4,933; 2016: US$3,196)	634	389

21. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(b) Foreign exchange risk management (continued)

Foreign currency sensitivity

The Company's sensitivity to a 6% devaluation or 1% revaluation of the Jamaican dollar against the United States dollar represents management's assessment of the reasonably possible change in foreign currency rates in the short term. If the Jamaican dollar devalues by 6% or revalues by 1% against the United States currency, net surplus will (decrease) increase as follows:

March 31, 2017

	%	Revaluation $'000	%	Devaluation $'000
United States dollar	1	6	6	(38)

March 31, 2016

	%	Revaluation $'000	%	Devaluation $'000
United States dollar	1	4	6	(23)

(c) Interest rate risk management

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates as a result of cash flow or fair value interest rate risk. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow risk.

The company's exposure to interest rate risk on financial assets is detailed below.

	Jamaican Dollar Instruments	
	Effective Interest Rate %	1 – 12 Months $'000
March 31, 2017		
Short-term deposits	1.00 – 6.75	250,320
Bank deposits	0.40 – 1.50	44,261
		294,581
March 31, 2016		
Short-term deposits	1.00 – 6.00	57,376
Bank deposits	0.40 – 1.50	7,897
		65,273

Management of interest rate risk

The company manages its interest rate risk by monitoring the movements in the market interest rates closely.

21. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (Continued)

(c) Interest rate risk management (continued)

Interest rate sensitivity
The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. A 100 basis point increase and a 100 basis points decrease (2016: 100 basis points increase and a 100 basis points decrease) represents management's assessment of the possible change in interest rates in the short-term.

If interest rates had been 100 basis points higher and 100 basis points lower (2016: 100 basis points higher and 100 basis points lower) and all other variables were held constant, the company's surplus for the year ended March 31, 2017 would increase by $2.946 million and decrease by $2.946 million respectively (2016: increase by $0.653 million and decrease by $0.653 million). This is mainly attributable to the company's exposure to interest rate risk on its bank and short-term deposits.

The company's sensitivity to interest rates has increased during the current period mainly due to the higher holdings of interest bearing bank and short-term deposits.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company.

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash, cash equivalents and trade and other receivables. The maximum exposure to credit risk is the amount of approximately $465.430 million (2016: $166.597 million) disclosed under 'categories of financial instruments' above and the company holds no collateral in this regard. The directors believe that the credit risks associated with these financial instruments are minimal.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Trade receivables consist of a large number of customers, spread over a number of counterparties and as such, the company does not have significant credit risk exposure to any single counterparty. The book value of receivables is stated after allowance for likely losses estimated by the company's management based on prior experience and their assessment of the current economic environment.

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. The management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

21. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (Continued)

(e) Liquidity risk management (continued)

Liquidity risk analyses in respect of financial liabilities and financial assets

	2017 Less than 1 Year $'000	2016 Less than 1 Year $'000
Financial assets		
Interest bearing	300,137	65,360
Non-interest bearing	152,733	101,324
	452,870	166,684
Financial liabilities		
Non-interest bearing	65,818	59,922

(f) Fair value of financial assets and financial liabilities

The following methods and assumptions have been used in determining the fair values of financial assets and financial liabilities:

- The carrying amounts included in the financial statements for cash and short-term deposits, receivables and payables are assessed by management to reflect the approximate fair values largely due to the short-term maturity of these instruments.

Fair value measurements recognized in the Statement of Financial Position:
There were no financial instruments that were measured subsequent to initial recognition at fair value or for which fair value disclosures are required that would be significant to the financial instruments held by the company.

Capital risk management policies and objectives

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

The company's overall strategy as directed by the Directors remains unchanged from year ended 2016.

22. OPERATING LEASE ARRANGEMENTS

Operating leases relate to rental of factory space and factory equipment. Leases are negotiated for an average period of five years for factory space and the equipment over a period of eight years.

	2017 $'000	2016 $'000
Minimum lease payments under operating leases recognised as an expense in the year	7,801	7,266

At the end of the reporting period the company had outstanding commitments under operating leases which fall due as follows:

	2017 $'000	2016 $'000
Within 1 year	7,690	7,216
Longer than 1 year and not longer than 4 years	14,083	8,754
	21,773	15,970

23. FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS

During the year, the Company restated the General Consumption Tax GCT payable balance in accordance with the requirements of the GCT Act and IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors. GCT amounts withheld by the Company from June 1, 2014 up to the year ended March 31, 2017 of $124.922M (GCT Payable) and GCT on imports amounting to $27.185 million were adjusted for to reflect claims to the Accountant General Department through its Parent Ministry, Ministry of Education, Youth and Information. The effect of the adjustment was for 2016, the net surplus for the year increased by $38.838 million and retained earnings increased by $58.617 million. The increase in the opening retained earnings as at April 1, 2015 was $19.779 million.

Below is the reconciliation of equity as at April 1, 2015 and March 31, 2016 and the Statement of Comprehensive Income for the year ended March 31, 2016:

a) Reconciliation of equity as at April 1, 2015

	As at 01/04/15 as previously reported $'000	Adjustments $'000	Note	As at 01/04/15 as restated $'000
Non-current assets	139,829			139,829
Trade and other receivables	14,722	(6,226)	(1)	8,496
Other current assets	202,350	-		202,350
Total assets	356,901	(6,226)		350,675
Non-current liabilities	61,774			61,774
Trade and other payables	104,315	(26,005)	(2)	78,310
Other current liabilities	75,024			75,024
Total effect on net assets	115,788	19,779		135,567
Share Capital	-			-
Capital reserve	10,327			10,327
Retained earnings	105,461	19,779	(3)	125,240
Total effect on equity	115,788	19,779		135,567

23. FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS (CONTINUED)

b) Reconciliation of equity as at March 31, 2016

	As at 31/03/16 as previously reported $'000	Adjustments $'000	Note	As at 31/03/2016 as restated $'000
Non-current assets	177,174			177,174
Trade and other receivables	19,919	(16,777)	(1)	3,142
Other current assets	213,067	-		213,067
Total assets	410,160	(16,777)		393,383
Non-current liabilities	73,002			73,002
Trade and other payables	139,728	(75,394)	(2)	64,334
Other current liabilities	9,392			9,392
Total effect on net assets	188,038	58,617		246,655
Share Capital	-	-		-
Capital reserve	10,327			10,327
Retained earnings	177,711	58,617	(3)	236,328
Total effect on equity	188,038	58,617		246,655

c) Reconciliation of the Statement of Profit and Loss and Other Comprehensive Income

	As at 31/03/16 as previously reported $'000	Adjustments $'000	Note	As at 3/31/2016 as restated $'000
Revenue and Government subvention and support	1,097,669			1,097,669
Factory cost of production	(788,658)			(788,658)
	309,011			309,011
Other income	14,006			14,006
Administrative expenses	(141,969)	38,838	(4)	(103,131)
Distribution costs	(108,300)			(108,300)
Surplus before taxation	72,748			111,586
Taxation	(498)			(498)
NET SURPLUS BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR	72,250	38,838		111,088

23. FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS (CONTINUED)

Notes

(1) Adjustments to GCT recoverable on imports
(2) Adjustment to GCT payable on purchases
(3) Cumulative effect of net adjustments to GCT on retained earnings
(4) Net adjustment reflecting the impact GCT recoverable on imports and GCT payable on purchases