Nutrition Products Limited

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31 March 2018

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Independent Auditors' Report to the Members

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of
Nutrition Products Limited

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Nutrition Products Limited (the "Company") set out on pages 1 to 41, which comprise the statement of financial position at 31 March 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, 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 *Auditors' 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.

Emphasis of Matter

We draw attention to note 25 of the financial statements, which states that the Government of Jamaica, through a Cabinet Decision, has given approval for the divestment/privatization of the manufacturing and distribution functions of the Company through the Accelerated Programme for the Rationalization Of Public Bodies. Our opinion has not been modified in respect this matter.

Other Matter

The financial statements of for Nutrition Products Limited for the year ended March 31, 2017 were audited by another firm whom expressed a unmodified opinion on those financial statements on December 19, 2017.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on the audit of the Financial Statements (continued)

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

Management is responsible for the preparation of 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 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.

Auditors' 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 auditors' 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.

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BAKER TILLY
STRACHAN
LAFAYETTE

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
Nutrition Products Limited
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Report on the audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' 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 auditors' 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.

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 matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been 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.

Baker Tilly Strachan Lafayette

Chartered Accountants
Kingston, Jamaica
28 November 2018

Nutrition Products Limited

Statement of Financial Position
As at 31 March 2018

	Note	2018 $'000	2017 $'000
ASSETS			
Non-current asset			
Property, plant and equipment	5	173,387	177,870
		173,387	177,870
Current assets			
Inventories	6	40,956	50,168
Receivables	7	14,148	22,193
Taxation recoverable		1,662	3,731
Cash and short term deposits	8	226,429	443,711
		283,195	519,803
TOTAL ASSETS		456,582	697,673
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	-	-
Capital reserves	10	10,327	10,327
Retained earnings		348,738	536,447
		359,065	546,774
Non-current liability			
Deferred income	11	58,148	70,232
		58,148	70,232
Current liabilities			
Payables	12	28,418	70,849
Deferred income	11	10,951	9,818
		39,369	80,667
TOTAL EQUITY AND LIABILITIES		456,582	697,673

Approved for issue by the Board on 28 November 2018 and signed on its behalf by:

Chairman
Ewart Gilzean

Director
Alden Brown

Nutrition Products Limited

Statement of Comprehensive Income
Year ended 31 March 2018

	Note	2018 $'000	2017 $'000
Revenue	13	803,400	1,410,105
Cost of sales	14	(762,146)	(901,088)
Gross profit		41,254	509,017
Other operating income	15	11,724	10,089
Administrative expenses	16	(138,152)	(107,374)
Distribution costs	17	(115,549)	(117,864)
Operating (loss)/profit	18	(200,723)	293,868
Finance income, net	20	16,921	7,477
(Loss)/profit before taxation		(183,802)	301,345
Taxation	21	(3,907)	(1,226)
Net (loss)/profit for year, being total comprehensive (loss)/income		(187,709)	300,119

Nutrition Products Limited

Statement of Changes in Equity
Year ended 31 March 3018

	Share Capital (*)	Capital Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000
Balance at 1 April 2016	-	10,327	236,328	246,655
Total comprehensive income	-	-	300,119	300,119
Balance at 31 March 2017	-	10,327	536,447	546,774
Total comprehensive loss	-	-	(187,709)	(187,709)
Balance at 31 March 2018	-	10,327	348,738	359,065

(*)- denotes $200.

Nutrition Products Limited

Statement of Cash Flows
Year ended 31 March 2018

	2018	2017
	$'000	$'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
Operating Activities		
(Loss)/profit before taxation	(183,802)	301,345
Adjustments for:		
Loss on disposal of property, plant and equipment	-	54
Depreciation	25,433	24,411
Impairment loss recognized on trade receivables	-	200
Deferred income	(10,951)	(9,393)
Interest income	(17,890)	(8,396)
Interest expense	47	34
	(187,163)	308,255
Changes in operating assets and liabilities:		
Decrease/(increase) in receivables	9,893	(16,448)
Decrease/(increase) in inventories	9,212	(4,486)
(Decrease)/increase in payables	(42,431)	6,515
Cash (used in)/provided by operating activities	(210,489)	293,836
Income taxes paid	(1,838)	(1,357)
Interest received	16,042	5,593
Interest paid	(47)	(34)
Net cash (used in)/provided by operating activities	(196,332)	298,038
Investing Activity		
Purchase of property, plant and equipment	(20,950)	(25,161)
Net cash used in investing activity	(20,950)	(25,161)
Financing Activity		
Grant received	-	7,049
Net cash provided by financing activity	-	7,049
Net (decrease)/increase in cash and cash equivalents	(217,282)	279,926
Cash and cash equivalents at beginning of the year	443,711	163,785
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	226,429	443,711
Represented by:		
Cash at bank and in hand	18,804	193,391
Short-term deposits	207,625	250,320
	226,429	443,711

1. Identification and Principal Activities

The Nutrition Products Limited (the company) is incorporated and domiciled in Jamaica. The company is a limited liability company, wholly – owned by the Government of Jamaica, through the Ministry of Education, Youth and Information. The principal activities include the preparation of healthy breakfast and lunches to circulate to children attending basic, primary and all-age schools. The registered office of the company is located at 6 Marcus Garvey Drive, Kingston 15.

Consequent upon a Cabinet Decision dated 04 June 2018, the Government of Jamaica has given approval for the manufacturing and distribution functions of Nutritional Products Limited (NPL) to be outsourced through the Accelerated Programme for the Rationalization of Public Bodies. Management has since made operational changes under the guidance of the Ministry of Education, Youth and Information's health initiative (See note 25).

These financial statements are presented in Jamaican dollars, which is the functional currency.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board and have been prepared under the historical cost convention. They are also prepared in accordance with the provisions of the Jamaican Companies Act.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing concern basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are discussed in note 4.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards effective in the current year that are relevant to the company's operations

Amendments to IAS 7 'Statement of Cash Flows' to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment became effective January 1, 2017.

Cycle Annual improvements to IFRS, 2014-2016 cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 January 2017. The main amendments applicable to the company is IFRS 12 which clarifies that the disclosure requirements in the standard, except for paragraphs B10-B16 apply to interests in paragraph 5 listed as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The amendments did not result in any material effect on the company's financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, and subsequently amended in October 2010, November 2013 and July 2014 and becomes effective January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition.

Phase 1: Classification and measurement: The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The party is yet to assess IFRS 9's full impact. The party will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Phase 2: Impairment: The final version, issued in 2014, introduces an 'expected credit loss' model. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of the financial instruments.

Phase 3: Hedge accounting: Subsequent amendments issued in 2013 relates to a new general hedge accounting model requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company. (continued)

IFRS 15 'Revenue from Contracts with Customers', sets out requirements for recognizing revenue that apply to all contracts with customers, except by those governed Standards on leases, insurance contracts and financial instruments. IFRS 15 was issued May 2014 and becomes effective 1 January 2018. IFRS 15 sets to align revenue recognition for contracts with the requirements of the FASB. It seeks to replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreement for the Construction for Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 15 requires the entity to identify the contract(s) with the customer, identify performance obligation in the contract, determine and allocate the transaction price and recognize revenue when a performance obligation has been satisfied. The standard also sets out disclosure requirements.

IFRS 16 'Leases', specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 was issued January 2016 and becomes effective 1 January 2019. It replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

Nutrition Products Limited

Notes to the Financial Statements
31 March 2018

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company. (continued)

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' (effective for annual period beginning on or after 1 January 2019). These amendments require an entity to: use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipt are made. The guidance aims to reduce diversity in practice. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value of the consideration received or paid at a date other than the date of initial recognition of the nonmonetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

Nutrition Products Limited

Notes to the Financial Statements
31 March 2018

2. Summary of significant accounting policies (continued)

(b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see below). Depreciation is calculated on a straight-line basis at rates to write off the carrying value of the assets over their period of expected useful lives. The annual depreciation rates are as follows:

Buildings and roadways	2.5%
Plant and machinery	10%
Furniture, fixtures and office equipment	10%
Milk crates and pallets	20%
Motor vehicles	20%
Forklifts	20%
Computer equipment	20%

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.
Repairs and maintenances are charged to the statement of comprehensive income during the financial period in which they are incurred.

(c) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. Summary of significant accounting policies (continued)

(d) Inventories

Inventories are stated at the lower of cost and net realizable value, cost being determined on a first in first out basis. Net realizable value is the estimate of the selling price in the ordinary course of the business, less selling expenses.

(e) Receivables

Receivables are stated at their nominal value as reduced (where applicable) by appropriate allowances. The company maintains an allowance for credit losses, which in management's opinion, is adequate to absorb all credit related losses in its portfolio.

(f) Cash and short-term deposits

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitment rather than for investment or other purposes.

(g) Payables

Payables, including provisions, are stated at their nominal value. A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

(h) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2. Summary of significant accounting policies (continued)

(i) Employee benefit costs

Annual leave obligation

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

Pension obligations

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

(j) Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets carried on the statement of financial position include cash and short term deposits and receivables. Financial liabilities consist of payables.

Generally financial instruments are recognized on the statement of financial position when the company becomes a party to the contractual provisions of the instruments. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each items.

The fair values of the financial instruments are discussed in Note 3(f).

2. Summary of significant accounting policies (continued)

(k) Related party transactions

Related parties:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the company that gives it significant influence over the company; or has joint control over the company;

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is the company 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 (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any company that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

2. Summary of significant accounting policies (continued)

(l) Impairment

At each statement of financial position date, the company reviews the carrying amounts of its 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). Where 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

(m) Revenue recognition

Revenue comprises 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 and expense are recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

2. Summary of significant accounting policies (continued)

(n) 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 recognised as deferred income in the statement of financial position and transferred to profit and 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 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.

(o) 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 assets are consumed. Contingent rentals arising under operating leases are recognised asan expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised 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.

2. Summary of significant accounting policies (continued)

(p) 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.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when the legal right of offset exists.

(iii) General Consumption Tax (GCT)

Expenses and assets are recognised net of the amount of GCT, except when GCT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the taxis 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.

(q) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated into Jamaican dollars at the exchange rate prevailing at the statement of financial position date; that is, in the case of each currency, the Bank of Jamaica weighted average buying and selling rates at that date. Gains or losses arising from fluctuations in the exchange rates are reflected in the statement of comprehensive income.

3. Financial Risk Management

The company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

(a) Credit risk

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

Credit review process

Management performs ongoing analyses of the ability of borrowers and other counterparties to meet repayment obligations.

(i) Short term deposits

The company limits its exposure to credit risk by investing in Government of Jamaica securities. Accordingly, management does not expect the Government of Jamaica to fail to meet its obligations.

(ii) Cash

Cash transactions are limited to high credit quality financial institutions. The company has policies in place to limit the amount of exposure to any one financial institution.

3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Credit review process (Continued)

(iii) Receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer (school). Management has established a credit policy which is communicated to each customer.

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.

The company's average credit period is 30 days. The company has not provided for all receivables based on historical experience, as well as an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Maximum exposure to credit risk

The company's maximum exposure to credit risk at year end was as follows:

	2018	2017
	$'000	$'000
Receivables	14,148	22,193
Cash and short term deposits	226,429	443,711
	240,577	465,904

3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Credit review process (Continued)

Exposure to credit risk for trade receivables
The following table summarizes the company's credit exposure for trade receivables at their carrying value amounts:

	2018 $'000	2017 $'000
Trade	6,333	12,981
Other receivables	7,815	19,053
	14,148	32,034
Less: Provision for doubtful debts	-	(9,841)
	14,148	22,193

Ageing analysis of receivables that are past due and impaired
As of 31 March 2018 receivables of Nil; (2017 - $9.841million) were considered impaired. Included in the company's trade receivable balance are debtors with a carrying amount of $5.968 million (2017: $3.640 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 receivables is 109 days (2017: 51 days).

3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Credit review process (Continued)

Ageing analysis of receivables (Continued)
The ageing of these receivables was as follows:

	2018 $'000	2017 $'000
Trade receivables	6,333	12,981
Neither overdue nor impaired	365	-
Overdue but not impaired		
31 – 60 days	1,766	2,281
61 – 90 days	1,905	1,359
Over 90 days	2,297	-
	5,968	3,640
Overdue and impaired		
91 days and over	-	9,341

Movement analysis of provision for impairment of receivables
The movement on the provision for impairment of receivables was as follows:

	2018 $'000	2017 $'000
Opening balance	9,841	9,641
Provision (written back)/made during year	(9,841)	200
Closing balance	-	9,841

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

(iv) Liquidity risk

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

Nutrition Products Limited

Notes to the Financial Statements
31 March 2018

3. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

Liquidity risk management process
The company's liquidity management process includes:
(i) Monitoring future cash flows and liquidity on a daily basis;
(ii) Maintaining marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
(iii) Optimising cash returns on investment.

Undiscounted cash flows of financial liabilities
The maturity profile of the company's financial liabilities at year end on contractual undiscounted payments was as follows:

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 Years	Total
			2018		
	$'000	$'000	$'000	$'000	$'000
Payables	11,421	8,354	8,643	-	28,418
			2017		
	$'000	$'000	$'000	$'000	$'000
Payables	22,330	14,886	33,633	-	70,849

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short-term deposits and receivables.

3. Financial Risk Management (Continued)

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk exposures are measured using sensitivity analysis. The company is exposed to currency risk and interest rate risk.

(d) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is exposed to foreign exchange risk arising from currency exposure primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The company is primarily exposed to such risks arising from foreign currency translation in relation to cash and short term deposits, payables. The company had net foreign currency liabilities denominated balances as at 31 March 2018 are as follows:-

	2018	2017
	$'000	$'000
Trade payables- USD	3	5
Trade payables- JMD	314	634

Nutrition Products Limited

Notes to the Financial Statements
31 March 2018

3. Financial Risk Management (Continued)

(d) Currency risk (Continued)

The following table indicates the currency to which the company had significant exposure on its monetary assets and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in the foreign exchange rate. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for changes in foreign currency rates as indicated in the table below. The sensitivity of the surplus was as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	% Change in Currency Rate 2018	Effect on Surplus 2018 $'000	% Change in Currency Rate 2017	Effect on Surplus 2017 $'000
Currency :				
Revaluation	2	6	1	6
Devaluation	4	(12)	6	(38)

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Notes to the Financial Statements
31 March 2018

3. Financial Risk Management (Continued)

(e) Interest rate risk

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

The following table summarizes the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorized by the contractual repricing or maturity dates.

	Within 3 months $'000	3 to 12 months $'000	1 year & over $'000	Non-interest bearing $'000	Total $'000
			2018		
Assets					
Receivables	-	-	-	14,148	14,148
Cash and short term deposits	14,507	211,922	-	-	226,429
Total financial assets	14,507	211,922	-	14,148	240,577
Liability					
Payables	-	-	-	28,418	28,418
Total financial liability	-	-	-	28,418	28,418
Total interest repricing gap	14,507	211,922	-	(14,270)	212,159

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Notes to the Financial Statements
31 March 2018

3. Financial Risk Management (Continued)

(e) Interest rate risk (Continued)

	Within 3 months $'000	3 to 12 months $'000	1 year & over $'000 2017	Non-interest bearing $'000	Total $'000
Assets					
Receivables	-	-	-	22,193	22,193
Cash and short term deposits	193,391	250,320	-	-	443,711
Total financial assets	193,391	250,320	-	22,193	465,904
Liability					
Payables	-	-	-	70,849	70,849
Total financial liability	-	-	-	70,849	70,849
Total interest repricing gap	193,391	250,320	-	(48,656)	395,055

3. Financial Risk Management (Continued)

(f) Fair value estimates

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The amount included in the financial statements for cash and short term deposits, receivables and payables, reflect their approximate fair values because of the short-term maturity of these instruments.

The fair value of long term loans approximate amortised costs. The fair values of directors' account and due to related companies could not be reasonably assessed as there are no set repayment terms.

4. Critical accounting estimates and judgments in applying accounting policies

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on receivables

The company reviews its receivables to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the statement of income, the company makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables resulting from adverse change in the payment status of the customer or national and economic conditions that correlate with defaults on receivables in the company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Income taxes

Estimates and judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain during the ordinary course of business. In cases of such uncertainty, the company recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

4. Critical accounting estimates and judgments in applying accounting policies (continued)

(iv) Fair value of financial assets

Management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions; (note 3(f)).

5. Property, plant and equipment

	Buildings and Roadways	Plant and Machinery	Furniture, Fixtures and Office Equipment	Milk Crates and Pallets	Motor Vehicles	Forklifts	Computer Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost -								
1 April 2016	61,647	153,338	45,091	22,824	13,532	6,626	28,613	331,671
Disposals	-	-	(211)	-	-	(1,065)	(2,700)	(3,976)
Additions	6,373	7,989	5,896	2,461	-	-	2,442	25,161
31 March 2017	68,020	161,327	50,776	25,285	13,532	5,561	28,355	352,856
Additions	473	8,604	4,405	2,064	-	-	5,404	20,950
31 March 2018	68,493	169,931	55,181	27,349	13,532	5,561	33,759	373,806
Depreciation -								
1 April 2016	13,775	74,795	18,514	15,618	7,269	1,875	22,651	154,497
Relief on disposals	-	-	(202)	-	-	(1,065)	(2,655)	(3,922)
Charge for the period	1,662	11,965	3,959	2,261	1,504	1,034	2,026	24,411
31 March 2017	15,437	86,760	22,271	17,879	8,773	1,844	22,022	174,986
Charge for the year	1,709	11,683	4,349	2,776	1,622	1,037	2,257	25,433
31 March 2018	17,146	98,443	26,620	20,655	10,395	2,881	24,279	200,419
Net book value -								
31 March 2018	51,347	71,488	28,561	6,694	3,137	2,680	9,480	173,387
31 March 2017	52,583	74,567	28,505	7,406	4,759	3,717	6,333	177,870

Nutrition Products Limited

Notes to the Financial Statements
31 March 2018

6. Inventories

	2018	2017
	$'000	$'000
Raw materials	10,517	15,011
Packaging supplies	27,803	32,242
Consumable stores	2,825	3,104
	41,145	50,357
Provision for obsolete stock	(189)	(189)
	40,956	50,168

	2018	2017
	$'000	$'000
Movement in provision for inventories		
Balance at the beginning and end of year	189	189

7. Receivables

	2018	2017
	$'000	$'000
Amount due from schools	6,333	12,981
Other receivables	7,466	3,266
Prepayments	349	474
Suppliers deposits and advances	-	15,313
	14,148	32,034
Less: Provision for doubtful debts	-	(9,841)
	14,148	22,193

8. Cash and short-term deposits

	2018	2017
	$'000	$'000
Cash at bank and in hand	18,804	193,391
Short term deposits	207,625	250,320
Cash and short term deposits	226,429	443,711

i. Cash at bank substantially comprise savings and operating accounts at licensed commercial banks in Jamaica.

ii. Short term deposits are held at licensed financial institutions and attract interest at 0.25% - 1.5% per annum. They all have remaining maturities of less than one year, substantially comprise Reverse Repurchase Agreements on Certificates of Participation, consisting of interest in, or is collaterised by mainly Government of Jamaica and Bank of Jamaica Securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The risk is managed primarily by reviews of the financial status of the counterparty.

9. Share capital

	2018	2017
Authorised, issued and fully paid:		
Ordinary shares at beginning and end of the year	200	200

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

Nutrition Products Limited

Notes to the Financial Statements
31 March 2018

10. Capital reserves

	2018	2017
	$'000	$'000
The balance at the end of the year 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:

	2018	2017
	$'000	$'000
Balance at beginning of year	80,050	82,394
Additions	-	7,049
Amount transferred to income, Note 15	(10,951)	(9,393)
Balance at end of year	69,099	80,050
Comprising:		
Current	10,951	9,818
Non-current	58,148	70,232
	69,099	80,050

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

There were no additions during the year 2017/18 however; additions for the year 2016/17 include grant funding received from the government totalling $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. Payables

	2018 $'000	2017 $'000
Trade payables	17,964	37,216
Statutory payable	3,630	154
GOJ collection liability	-	20,735
Other payables and accruals	6,824	12,744
	28,418	70,849

13. Revenue

Revenue comprises the subvention received from the Government of Jamaica and the sale of goods and is stated net of discounts, returns and allowances.

	2018 $'000	2017 $'000
Sales to schools	21,140	26,027
GOJ collection liability	21,891	-
Subvention	760,369	1,384,078
	803,400	1,410,105

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14. Cost of Sales

	2018	2017
	$'000	$'000
Opening inventories	50,168	45,682
Purchases, haulage, duty and freight	322,500	459,400
	372,668	505,082
Closing inventories	(40,956)	(50,168)
	331,712	454,914
Manufacturing labour	189,778	207,700
Prime cost	521,490	662,614
Factory overheads:		
Charitable donations- snacks	3,122	1,939
Depreciation	16,146	15,888
Factory rental and maintenance	8,843	4,021
Fuel oil	17,562	17,120
Insurance	700	599
Machinery lease	3,803	3,780
Stationery and printing	282	7,143
Repairs and maintenance	73,901	62,507
Sanitation	15,125	17,287
Security	17,295	17,774
Staff welfare and subsistence	31,528	36,131
Transportation	11,058	11,586
Utilities	41,291	42,699
	240,656	238,474
	762,146	901,088

15. Other operating income

Other operating income comprises the following:

	2018 $'000	2017 $'000
Capital grant deferred income, Note 11	10,951	9,393
Rental income	720	670
Other income	53	26
	11,724	10,089

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Notes to the Financial Statements
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16. Administrative expenses

	2018	2017
	$'000	$'000
Advertising and public relations	1,904	1,096
Audit and accountancy	1,410	3,568
Bad debt	6,003	200
Commissions	1,264	2,234
Computer service	6,110	5,393
Depreciation	6,349	6,798
Directors' expenses	5,997	622
Group health and life insurance	1,663	1,428
Insurance	389	333
Irrecoverable GCT	-	10,114
Legal and professional fees	9,051	2,451
Motor vehicle expenses	565	573
Repairs and maintenance	4,081	1,409
Salaries and wages	66,847	50,184
Sanitation	1,677	1,165
Security	1,089	949
Staff welfare and subsistence	7,717	5,485
Stationery, office expenses and supplies	4,700	3,702
Subscription and donations	2,289	2,095
Utilities	9,047	7,575
	138,152	107,374
Distribution costs (Note 17)	115,549	117,864
Finance income, net (Note 20)	(16,921)	(7,477)
	236,780	217,761

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Notes to the Financial Statements
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17. Distribution costs

	2018	2017
	$'000	$'000
Contract deliveries	69,217	76,498
Depreciation	2,938	1,725
Group health and life insurance	848	1,059
Insurance	467	399
Motor vehicle expenses	4,491	4,350
Repairs and maintenance	1,638	2,470
Salaries and wages	17,410	15,805
Sanitation	1,152	848
Security	4,787	4,171
Staff welfare and subsistence	2,029	2,429
Staff transportation	1,095	1,021
Stationery, office expenses and supplies	1,044	1,113
Transportation and haulage	5,812	4,173
Utilities	2,010	1,685
Warehouse distribution expenses	611	118
	115,549	117,864

18. Operating (loss)/profit

In arriving at the operating (loss)/profit, the following have been charged: -

	2018	2017
	$'000	$'000
Auditors' remuneration	1,410	1,764
Depreciation	25,433	24,411
Directors' emoluments:		
- Fee	5,997	622
- Management remuneration	50,396	45,972
Staff costs (Note 19)	274,418	273,689

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19. Staff costs

	2018	2017
	$'000	$'000
Salaries and wages	253,557	249,724
Statutory contributions	11,732	12,608
Pension costs (Note 22)	9,129	11,357
	274,418	273,689

20. Finance income, net

	2018	2017
	$'000	$'000
Interest income	(17,890)	(8,396)
Interest expense	47	34
Bank charges	914	1,134
Foreign exchange (loss)/gain	8	(249)
	(16,921)	(7,477)

21. Taxation

Taxation is computed on the (loss)/profit for the year adjusted for taxation purposes and comprises:

	2018	2017
	$'000	$'000
Income tax	3,847	1,166
Minimum Business Tax	60	60
	3,907	1,226

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%.

The taxation charged in the statement of comprehensive income differs from the theoretical amount that would arise using the applicable tax rate, as follows:

	2018	2017
	$'000	$'000
(Loss)/profit before taxation	(183,802)	301,345
Tax calculated at tax rate of 25%	(45,951)	75,336
Tax effect of income not chargeable for tax purposes	-	(2,355)
Tax effect of expenses deductible for tax purposes	-	(1,040)
Income not subject to tax	(200,850)	(352,586)
Minimum business tax	60	60
Tax effect of subvention utilized	250,648	281,811
	3,907	1,226

22. 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 $9.129 million (2017: $11.357 million). Prior year contribution included an additional amount of $2 million to facilitate the purchase of annuities for pensioners to aid the pension fund in financing its operations.

23. 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.

	2018	2017
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year.	8,053	7,801

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

	2018	2017
	$'000	$'000
Within 1 year	8,093	7,690
Longer than 1 year and not longer than 4 years	8,406	14,083
	16,499	21,773

24. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party transactions and balances are recognised and disclosed below for the following:

(a) Enterprises over which a substantial interest in the voting power is owned by a key management personnel, including directors and officers and close members of families; or

(b) Enterprises over which such a person, in (a) above, is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the company.

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

	2018	2017
	$'000	$'000
Directors fees	5,997	622
Management remuneration	50,396	45,972

25. Subsequent Event

On June 4, 2018, the Government of Jamaica, through Cabinet Decision No. 20/18, after consideration, gave approval under the Accelerated Programme for the Rationalization of Public Bodies for a Divestment/Privatization action to be undertaken to outsource the manufacturing and distribution functions for Nutrition Products Limited. It was also suggested that this process could be achieved through an Employee Share Stock Ownership (ESOP) program. This decision was supported by the Ministry of Education, Youth and Information which monitors the nutritional content and cost of operations for Nutrition Products Limited.

Management has since made operational changes under the guidance of the Ministry of Education, Youth and Information's health initiative. These changes include a restructuring of the current labour force; a redesign of the recipes for baked products to reduce sugar content; replacement of sugary drinks with bottled water along with further measures to reduce costs.