

NUTRITION PRODUCTS LIMITED

Serving Jamaica's Children since 1973



Annual

REPORT

2017 - 2018

TABLE OF CONTENTS

Mission Statement	1
Board of Directors	2
Executive Management.....	3
Directors Compensation 2017 - 2018	4
Directors Attendance (Board Meetings).....	5
Executive Management Compensation.....	6
Chairman's Report	7 -8
Chief Executive Officer's Report	9
Who we are	10
Department Performance	11
Production	12 - 15
Distribution & Warehousing	16 - 20
Management Information System	21
Human Resource and Administrative Services	22 - 24
Internal Audit	25 - 26
Customer Service	27 - 29
Procurement and Contracts.....	30
Finance.....	31 - 39

Financial Statements



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



Ewart Gilzean

Board Chairman
Chairman - Finance, Planning & MIT and Procurement & Contracts Committees



Alden Brown

Chairman - HR & Administrative Services ; Warehouse & Distribution Committees
Member - Pension Trustees and Customer Service & Quality Assurance Committees



Robert Miller

Chairman - Internal Audit & Investigation; Prod, Maint & Safety Committees
Member - Warehouse & Distribution Committee



Joyce Young

Chairman - Customer Service & Quality Control; Pension Trustees Committees
Member - Human Resource & Administrative Services Committee



Andrew Bellamy

Finance, Planning & MIT and Procurement & Contracts Committees



Krystal Lee

Finance, Planning & MIT and HR & Administrative Services Committees



Vicki Hanson

Internal Audit & Investigation, Warehouse & Distribution and Production, Maintenance & Safety Committees



Dorothy Finlayson

Procurement & Contracts; Internal Audit & Investigation; Customer Service & Quality Control and Pension Trustees Committees



Natalie Murray

Procurement & Contracts ; Customer Service & Quality Control and Finance Planning & MIT Committees



Robert Collie

Procurement & Contracts Committee



Donovan Samuels

Human Resource & Administrative Services and Internal Audit & Investigation Committees



Rory King

Warehouse & Distribution and Production, Maintenance & Safety Committees

EXECUTIVE MANAGEMENT TEAM



Darryl Nelson

Chief Executive Officer



Dwayne Hinds

Financial Controller



Andrew Narine

Warehouse and
Distribution Manager



Philip Hunter

Human Resource &
Administrative Services
Manager



Mabel Foster

Customer Service &
Quality Assurance
Manager



Lanceford Gordon

MIS Manager



Douglas Stewart

Procurement and Contracts
Manager

DIRECTORS' COMPENSATION

2017 - 2018

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 \$
Ewart S. Gilzean	910,654	175,788	N/A	N/A	1,086,442
Alden Brown	715,400	240,800	N/A	N/A	956,200
Robert Miller	701,799	159,601	N/A	N/A	861,400
Joyce Young	377,100	98,000	N/A	N/A	475,100
Andrew Bellamy	126,950	36,400	N/A	N/A	163,350
Krystal Lee	317,772	307,843	N/A	N/A	625,615
Vicki Hanson	320,600	103,452	N/A	N/A	424,052
Dorothy Finlayson	331,800	112,000	N/A	N/A	443,800
Natalie Murray	187,800	61,600	N/A	N/A	249,400
Robert Collie	177,500	64,400	N/A	N/A	241,900
Donovan Samuels	226,450	78,400	N/A	N/A	304,850
Rory King	77,300	28,000	N/A	N/A	105,300

DIRECTORS' ATTENDANCE: BOARD MEETINGS

APRIL 1, 2017 – MARCH 31, 2018

DIRECTORS	Attendance at Board Meetings
(Number of Meetings Held)	12
Ewart S. Gilzean	12
Alden Brown	12
Robert Miller	9
Vicki Hanson	11
Andrew Bellamy	7
Krystal Lee	11
Joyce Young	11
Dorothy Finlayson	10
Natalie Murray	8
Robert Collie	9
Donovan Samuels	9
Rory King	5

EXECUTIVE MANAGEMENT COMPENSATIONS

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 \$
Darryl Nelson	17/18	3,692,618	N/A	1,341,624	N/A	N/A	N/A	5,034,242
Dwayne Hinds	17/18	2,670,325	N/A	707,448	N/A	N/A	N/A	3,337,773
Phillip Hunter	17/18	2,246,451	N/A	707,448	N/A	N/A	N/A	2,953,899
Andrew Narine	17/18	2,361,639	N/A	707,448	N/A	N/A	N/A	3,069,087
Douglas Stewart	17/18	1,863,138	N/A	707,448	N/A	N/A	N/A	2,338,061
Lanceford Gordon	17/18	1,506,836	N/A	707,448	N/A	N/A	N/A	2,149,964
Mabel Foster	17/18	1,863,138	N/A	707,448	N/A	N/A	N/A	2,338,061

CHAIRMAN'S REPORT

In the fiscal year 2017-2018, Nutrition Products Limited (NPL) welcomed a new Board of Directors. Mr. Orville Lewinson (CEO), went on retirement effective June 2017 and a new Chief Executive Officer (CEO) was appointed. The Board expressed its sincere appreciation to Mr. Lewinson for his sterling contribution to the company over the many years of his tenure. These changes were implemented in keeping with the company's core mandate of producing and distributing nutritious meals to designated school children, islandwide.

Board Oversight

The new Board of Directors is committed to, and is ultimately accountable for enhancing all stakeholders' value by providing an advisory role in consultation with management regarding the strategic and operational direction of the company. In addition, the Board provides oversight in monitoring the company's performance. The responsibilities of the Board are separate and distinct from those of management, however, the Board's constant interactions with management, strengthens the company's decision making process, ensuring an appropriate balance of power. Critical objective of the Board is to ensure that the policy directives as delineated by the Ministry of Education, Youth and Information are effected.

Composition of the Board

The Nutrition Products Limited Board comprised of twelve directors under the chairmanship of Mr. Ewart S. Gilzean. The directors have diverse skill sets, strong experience and varied backgrounds which include experience in engineering, finance, audit, human resources, procurement and overall business management. Collectively, the background of the board members provides for a balanced mix of knowledge, competence and experience that enables the Board to fulfill its duties and responsibilities. The directors take care in ensuring that decisions are made after fulsome discussion and careful deliberation of all relevant information.



Board Committees

The Board has established committees to improve its effectiveness and efficiency in the execution of its duties and responsibilities. The Chairman of each board committee reports to the Board on the matters discussed at the committee meetings.

Board Decisions

With the thrust to drive organizational culture and performance for the ultimate benefit of the school feeding programme, the following decisions were made by the Board:

- 1) Establishment of a Procurement and Contracts Department

The Board viewed procurement as one of the most integral parts of the work of Nutrition Products Limited, in that, when efficiently and effectively done, will significantly minimize risks such as, exposure to fraud and collusion. Also, it would maximize the value of what is being procured, hence resulting in savings which would be beneficial to the company.

CHAIRMAN'S REPORT

Prior to the coming of the board, purchasing was done on behalf of the company by a junior staff member in the Finance Department and this individual was answerable to the Accountant. The Board saw this role/duty as a much more responsible and senior job. As such, the decision was taken to establish a Procurement and Contracts Department that became the central purchasing and contract authority for the company. This department is headed by a manager who reports directly to the Chief Executive Officer.

With this current arrangement along with the governing policies and principles that guide the department, management and the board are much more assured against misstatements and losses. In other words, there is a higher standard of transparency, oversight and adherence to the relevant legal and regulatory framework.

2) Establishment of a Customer Service Department

Another decision that was taken by the Board was to establish a fully functional Customer Service Department that is headed by a manager who is answerable to the Chief Executive Officer. The Board saw where the critical area of focus for the business was to increase customer satisfaction. To address this, the Customer Service Department was developed thus enabling:

- a) immensely improved relationship among the schools, the Ministry of Education, Youth and Information and NPL;
- b) the massive reduction in the schools accounts receivable balances; and,
- c) improvement in our ability to provide the excellent services required.

So far, the interactions with the schools have created appropriate feedback on issues such as, quality of products, service delivery and delinquency. Additionally, since the establishment of the department, the representatives of the department have created some positive employee culture throughout the organization as well as in the schools. This is as a result of their positive and upbeat attitude. Such culture has lifted schools/ stakeholders' feelings so that they now look forward to freely sharing information with the company.

The first year of the Board's existence was punctuated by challenges, however we are pleased to report that despite the challenges, the company had a successful year. Additional details may be found in the various sectional reports and the Audited Financials that are integral parts of this Annual report.

The success of the company did not happen by accident. As a matter of fact, it was achieved with the hard work, commitment and dedication of our talented employees, guided by the supportive oversight of the Board. We recognize the immeasurable contribution of our valued employees and board members and applaud their sustained efforts in delivering on our mandate.

On behalf of the Board of Directors, I thank the Management and Staff for all their effort and exemplary commitment throughout the year. I also thank my fellow Board members for their professionalism, dedication and unreserved support to the organization over the period.



Ewart S. Gilzean

Board Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

In the 2016-2017 year, my predecessor commented that "the overall performance for the year (2016 - 2017) was yet another commendable one". I am pleased to report that our management team continued to build on that performance in the year ended March 31, 2018. Guiding our performance was the proven strategy of delivering outstanding product quality backed by outstanding technical support as well as, engaging a flexible and adaptable workforce, third party contractors and suppliers.

Being newly appointed in the position of Chief Executive Officer, I pause to acknowledge the unselfish assistance of the Board of Directors "in holding my hands" throughout the year in review, as well as to acknowledge their contribution for passionately serving the company. I appreciate the invaluable experience and fresh insight to our deliberations to ensure the well-being of the company.

I also pause to acknowledge the efforts of the Executive and Senior Management team, for their contributions to the performance and success of the company. It would be remiss of me not to recognize the immeasurable contribution of our valued workforce (team members) and I applaud their sustained efforts to deliver on our mission and mandate. I celebrate our people as our greatest asset.

The core of our success continues to be our clients (the needy children); we listened more (especially via our recently established Customer Service Department), adjusted and rolled out more demanded products and delivery service. Our aim is to continue to improve on the quality and types of products.

Our strategy, moving forward, is to continuously build on our capacity, improve our efficiency and continue to invest in technology as our foundation for growth.

In closing, I express a sincere thank you and appreciation to our hard working and dedicated employees who have contributed to our accomplishments during the year. Also, a big thank you to our loyal customers (the needy children) for believing in our products and finally, to our directors and stakeholders who have remained steadfast in their confidence, support and direction because of the shared belief in the vision and mission.

Thank you.



A handwritten signature in blue ink, appearing to read "Darryl Nelson". The signature is stylized and fluid.

Darryl Nelson
Chief Executive Officer

WHO WE ARE

COMPANY PROFILE:

Nutrition Products Limited (NPL) is a limited liability company incorporated under the Companies Act and operates under the portfolio of the Ministry of Education, Youth and Information (MoEY&I). The company was established in 1973 and incorporated as a limited liability company in 1974. The Government of Jamaica wholly owns the company.

The company is charged with the responsibility for the production and distribution of nutritious snacks to schools, islandwide, under a national nutrition programme. The provision of school meals was in response to the need to assist in the development of the nation's human resources, especially at the pre-secondary educational levels. This is done through the School Feeding Programme and meals are distributed based on the approved list of schools provided by the MoEY&I.

The company operates three Plants which are located in Kingston (on the same compound on which the head office is located), Westmoreland and St. Mary. From each Plant, meals are provided at a minimal contribution to the over fifteen hundred (1,500) educational institutions/schools we assist and our funding comes directly from the Government. We are however, assisted by local and international donor agencies.

The Board of Directors sets policies for the company and the day-to-day operations are managed by the Chief Executive Officer (CEO) and his/her department managers.

THE COMPANY'S MISSION:

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

THE COMPANY'S MOTTO:

Nutrition Supporting Education

PROGRAMME AIM:

- The provision of nutritious food supplements to the children in order to stimulate the development of good dietary habits, improve health and increase learning capacity.
- The provision of a basic incentive for ensuring higher attendance levels in schools, especially in the rural areas.
- The prevention and minimization of truancy.

DEPARTMENT PERFORMANCE

April 2017 - March 2018

DEPARTMENT PERFORMANCE

P R O D U C T I O N

The Production Department is responsible for converting raw materials and other inputs into finished goods through a series of production processes. This is done through tactical planning, coordinating, directing, monitoring and controlling of all activities required to fulfill our customers' 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.

Production is the core of the business as, without production the company would not be able to deliver on its mandate and mission of providing nutritious meals to the needy school children. This department can be referred to as the driving force to which other functions react.

Manufacturing takes place at three locations, namely, Kingston, St. Mary and Westmoreland. Each location (Plant) is given their quota of the overall production. The combined Plants' overall production output for the year under review, was achieved when compared to planned production (please see Tables and Charts on pages 14 and 15).

The commendable performance of the Production Department (all Plants) can be attributed to the department's focus throughout the year, in improving operational efficiency and increasing productivity. This was attained through developing our people, refining on processes and upgrading our machinery and equipment because our demands dictated that we must work differently; that is, the department changes how we do business by making necessary changes to our business strategy and being more innovative, thus satisfying our valued customers' needs - the needy nation's children.

The workforce in production is the center of the operations and the department recognizes the immeasurable contribution of our valued team members and applaud their sustained efforts to deliver our targets; they are our greatest asset.

SAFETY

Nutrition Products Limited (NPL) never takes safety for granted because safety plays an important role in NPL to ensure the company is manufacturing at the highest level of output. NPL has learnt that without safety as a top priority, it is likely that the company will experience delays in getting our finished products as a result of lost time.

DEPARTMENT PERFORMANCE

PRODUCTION

To ensure the proper implementation and monitoring of a safety programme, the company employed a point man to ensure the safety of workers and facilities. This means that the Safety Officer (point man), on behalf of the company, ensures that all of the employer's Safety and Hygiene mandated responsibilities are met, which include:

- 1) Providing a workplace that is free from serious safety and health hazards:
 - a) Ensure that the workplace is constantly monitored and is fully in compliance with all of the company's safety standards, rules and guidelines.
 - b) Use labels, signs, posters, floor markings and colour coding to warn employees about potential hazards.
- 2) Monitor the workplace to ensure employees follow the safety rules and regulations:
 - a) Have and use safe tools and equipment.
 - b) Tools and equipment are properly maintained.
 - c) Ensure that Safety Operating Procedures (SOPs) are maintained and communicated to employees.
- 3) Getting the safety responsibility done, which includes:
 - a) Ensuring managers and supervisors have the appropriate safety and health, accident prevention and investigation training.
 - b) Ensure that managers and supervisors provide safety training and information to workers.
 - c) Assisting in the investigation of accidents.
 - d) Ensure the results of safety inspections are documented, monitoring the investigation of accidents and injuries, ensuring that corrective actions are taken and providing recommendations for ways to prevent similar accidents.
- 4) Improve safety in the factory with good signage:
 - a) Ensure that durable, clear and effective signs and labels are used

Nothing supercedes the safety and health of our employees (who are the most important resources of the company), as well as for our customers (children) and other stakeholders.

NPL will continue to strengthen its focus on quality, food safety and general workplace safety.

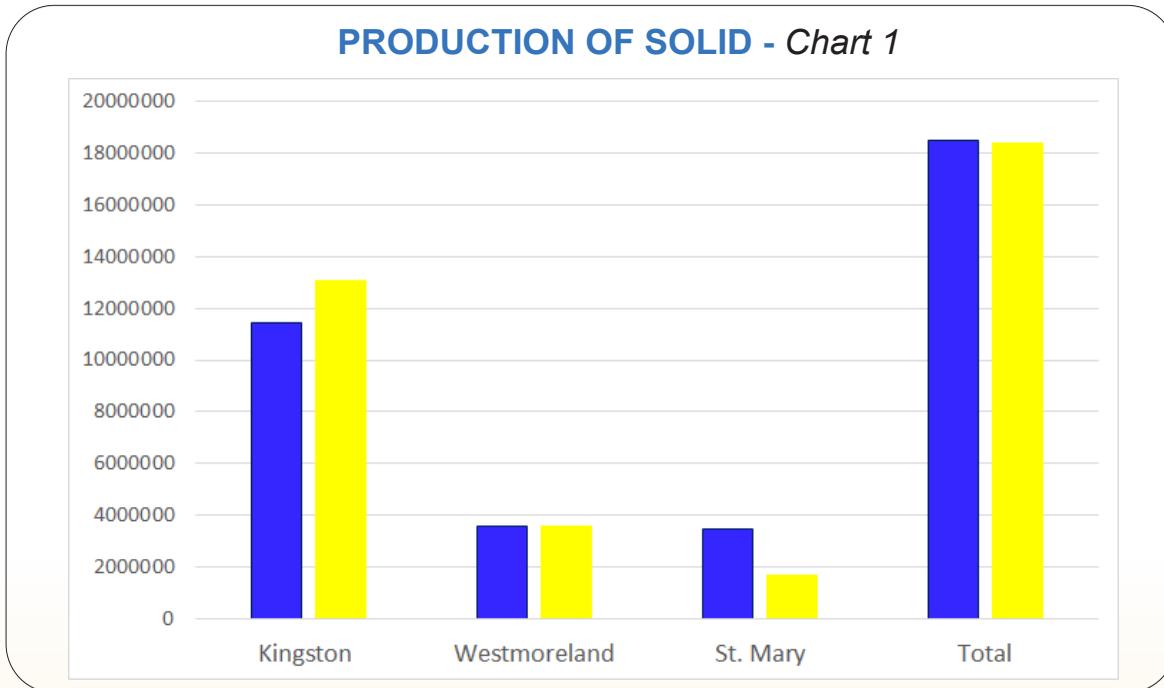
DEPARTMENT PERFORMANCE

PRODUCTION

PRODUCTION OF SOLID - Table 1

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)	Percentage(%)
Kingston	11,412,112	13,096,590	-1,684,478	-12.9	87.1
Westmoreland	3,571,252	3,600,000	-28,748	-0.8	99.2
St. Mary	3,477,058	1,703,410	1,773,648	104.1	204.1
Total	18,460,422	18,400,000	60,422	0.3	100.3

PRODUCTION OF SOLID - Chart 1



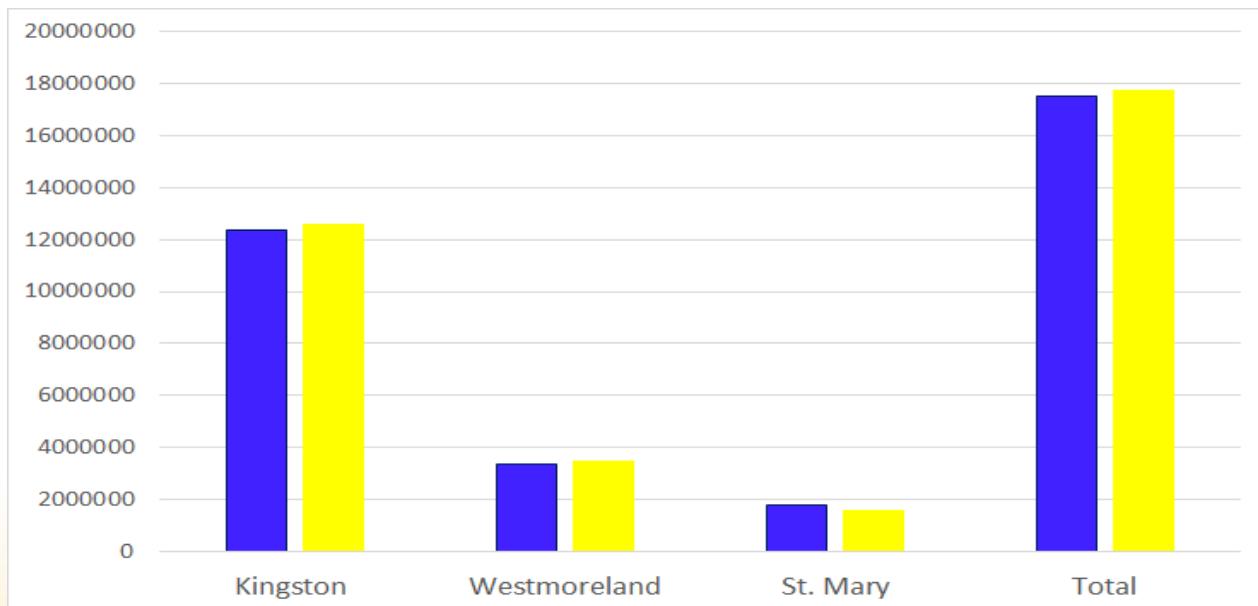
DEPARTMENT PERFORMANCE

PRODUCTION

PRODUCTION OF LIQUID - Table 2

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)	Percentage(%)
Kingston	12,361,858	12,596,590	-234,732	-1.87	98.13
Westmoreland	3,367,308	3,525,000	-157,692	-4.47	95.53
St. Mary	1,786,806	1,628,410	158,396	9.72	109.72
Total	17,515,972	17,750,000	-234,028	-1.30	98.7

PRODUCTION OF LIQUID - Chart 2



DEPARTMENT PERFORMANCE

DISTRIBUTION & WAREHOUSING

The Distribution Department oversees the movement of goods from suppliers and manufacturers to the point of delivery. The distribution process involves such diverse functions as customer service, shipping, warehousing, inventory control, private trucking fleet operations, packaging, receiving, material handling and the integration of information.

The responsibility of the distribution department is to ensure that good quality products are being produced and distributed by guaranteeing:

- 1) Raw materials are available and are being delivered for production, on a timely basis and that these materials meet the stipulated quality standards.
- 2) Raw materials are properly warehoused.
- 3) Finished products are correctly stored and transported to designated schools, islandwide, on time and in proper condition.

Each of the three Plants is provided with their quota of the products to be delivered to the schools being fed from their respective Plants. The combined (overall) delivery/distribution target for the company was achieved for the year in review. (See Tables and Charts on pages 17 - 20).

The department's level of achievement was due to the hard work and determination of the department's workforce and the commitment in feeding the children of the schools, islandwide, with having lots of fun doing so. The team members of this department are passionate about the company and the products that are being delivered to our valued customers (the children), every scheduled day.

We are a family that is deeply committed to meeting the needs of our nation's children and are energized to further improve our service levels in the coming year.

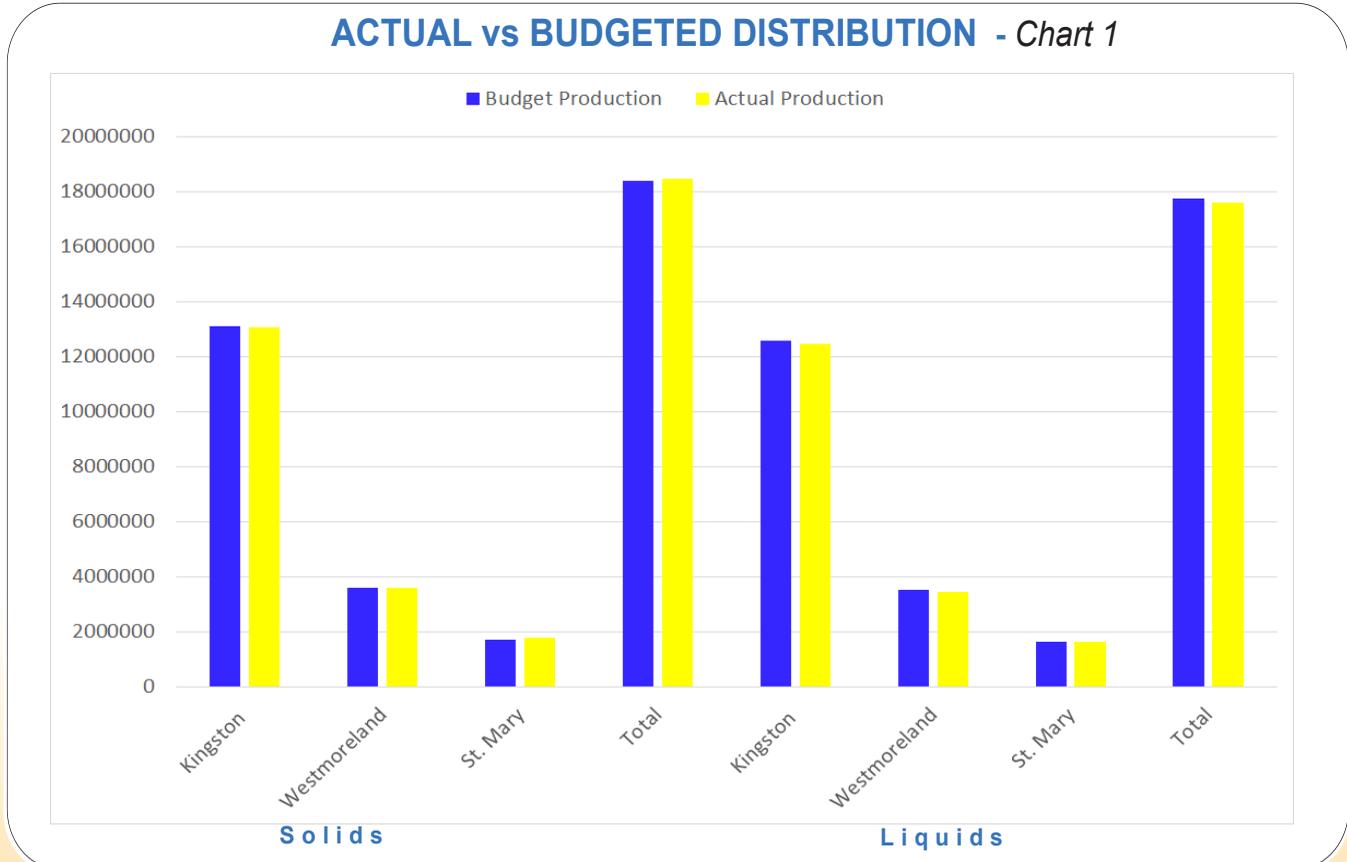
DEPARTMENT PERFORMANCE

DISTRIBUTION & WAREHOUSING

ACTUAL vs BUDGETED DISTRIBUTION - Table 1

	Solid				Liquid			
	Kingston	West/land	St. Mary	TOTAL	Kingston	West/land	St. Mary	TOTAL
BUDGETED	13,096,590	3,600,000	1,703,410	18,400,000	12,596,590	3,525,000	1,628,410	17,750,000
ACTUAL	13,087,289	3,602,044	1,780,468	18,469,801	12,474,320	3,457,388	1,653,886	17,585,594
VARIANCE UNITS	-9,301	2,044	77,058	69,801	-122,270	-67,612	25,476	-164,406
VARIANCE(%)	-0.07	0.05	4.5	0.37	-0.97	-1.9	1.56	-0.9
PERCENTAGE	99.93	100.05	104.5	100.37	99.03	98.1	101.56	99.1

ACTUAL vs BUDGETED DISTRIBUTION - Chart 1



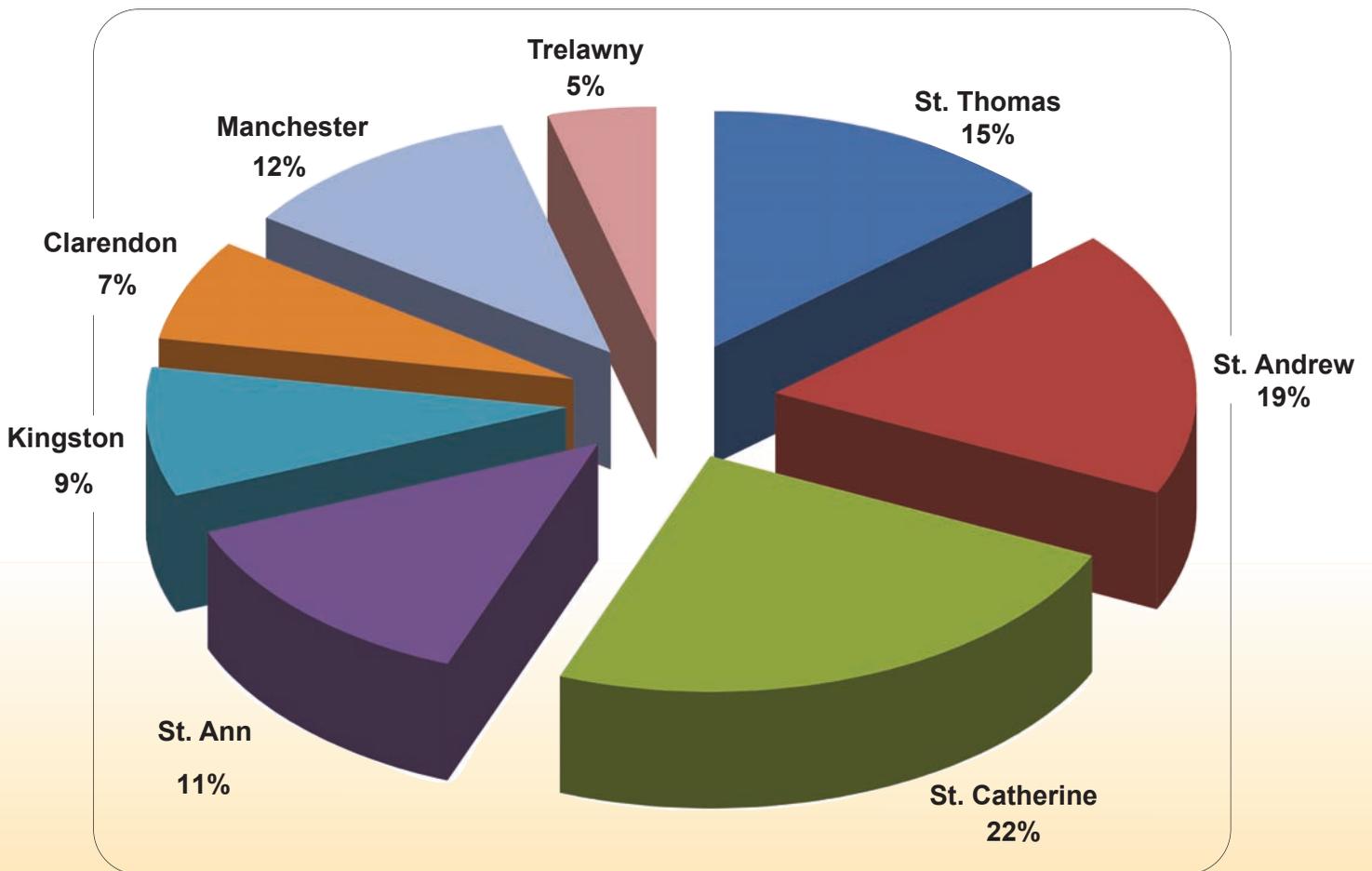
DEPARTMENT PERFORMANCE

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	30	61	70	49	38	22	37	17	324

SCHOOLS SERVED BY THE KINGSTON PLANT - Chart 2



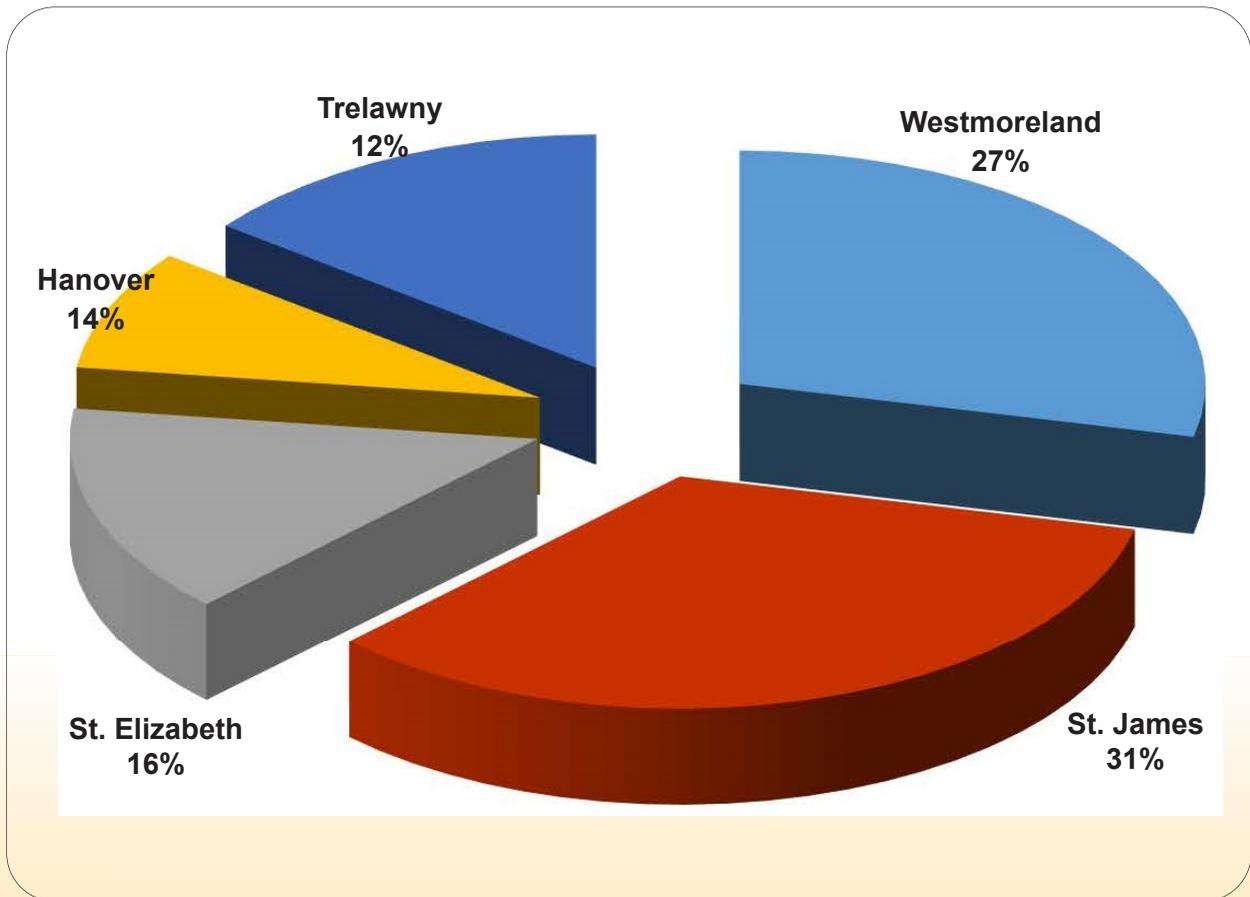
DEPARTMENT PERFORMANCE

DISTRIBUTION & WAREHOUSING

SCHOOLS SERVED BY THE WESTMORELAND PLANT - Table 3

Parish	WESTMORELAND	ST. JAMES	ST. ELIZABETH	HANOVER	TRELAWNY	TOTAL
Schools served	39	44	23	20	17	143

SCHOOLS SERVED BY THE WESTMORELAND PLANT- Chart 3



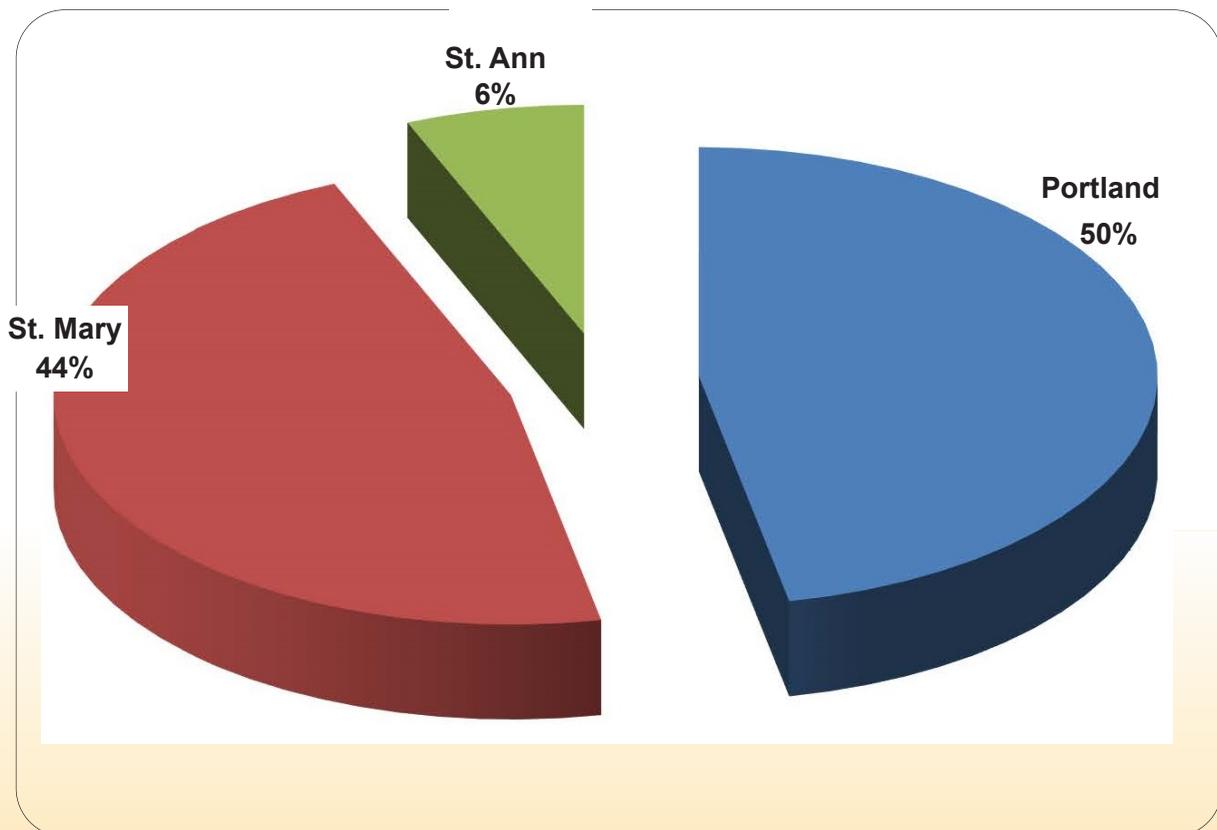
DEPARTMENT PERFORMANCE

DISTRIBUTION & WAREHOUSING

SCHOOLS SERVED BY THE ST. MARY PLANT - Table 4

Parish	ST. ANN	PORTLAND	ST. MARY	TOTAL
Schools served	5	43	38	86

SCHOOLS SERVED BY THE ST. MARY PLANT - Chart 3



DEPARTMENT PERFORMANCE

MANAGEMENT INFORMATION SYSTEM [MIS]

The reliability of Nutrition Products Limited's network is crucial in keeping our decision makers and their end users happy. In keeping with this, the focus of the Management Information System((MIS) department for the year under review, was the further automation of the different sections and departments. It also involved the upgrading of the present network in an effort to enhance the quality service that is being provided to individuals, group of individuals, the management functionaries, the managers and top managers. Ultimately, making human connections more valuable via the continuous upgrade of our network.

The above mentioned implementations have improved internal efficiencies and enhanced the interactive experience with the different sections, departments and their end users.

The department is ever committed to playing its role in assisting with the growth of Nutrition Products Limited by making available, and maintaining a system capable of maximizing the value of information accessibility by the relevant persons and departments.

DEPARTMENT PERFORMANCE

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

The Human Resource and Administrative Services Department is responsible for overseeing all activities related to managing the company's human capital. The focus is therefore in a number of major areas, including:

- Recruitment and Staffing
- Compensation and Benefits
- Training and Learning
- Labour and Employee Relations
- Organizational Development
- Overseeing of the Pension Fund

The department offers a service to employees and as such, is constantly aware of its responsibility to ensure that such service is provided with efficiency and effectiveness by creating, managing and cultivating an excellent employer/employee relationship.

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

The continued investment in honing of the skills and talents of its people remains the core of NPL's strategy, to support the company's delivery results and improve the capabilities of management and staff. To this end, the department continues to:

- 1) Introduce each newly employed individual to an induction programme allowing for review of the company's policies and procedures and the company's code of ethics.
- 2) Re-train employees to refresh their skills and knowledge to ensure that tasks are performed safely and correctly.
- 3) Support internal cross-departmental career mobility which allowed employees to develop the skills necessary to take up new roles within the company, therefore, allowing them to have more diverse and accomplishing careers.
- 4) Offer education grants and loans for job related courses.
- 5) Provide training opportunities in the areas of computer, people management, inventory and warehousing management techniques, Public Sector Procurement and Contracts, Safety(Fire Prevention, First Aid/CPR, proper lifting techniques, etc.).

The development and administration of the different training programmes assists in enabling personal development for employees and increase the effectiveness of the company.

DEPARTMENT PERFORMANCE

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

STAFFING

For the year 2017-2018, the staff complement was Three Hundred and Eight (308) in comparison to Three Hundred and Seventeen (317) for the previous year, (please see Table 1 below for staffing comparison data over a five year period).

STAFF COMPARISON DATA - TABLE 1

PERIOD	KINGSTON	ST. MARY	WESTMORELAND	TOTAL
2013/2014	157	48	43	248
2014/2015	159	48	43	250
2015/2016	184	55	55	294
2016/2017	208	55	54	317
2017/2018	205	52	51	308

While the number of employees decreased for the year, the overall ratio of employment to the delivery target was adequate.

STAFF BENEFITS

Nutrition Products Limited (NPL) provides health and accident insurance coverage for all their employees. The company also provides:

- 1) Transportation for employees who work on the night shift; a means of ensuring their safety. This is mainly because of the unavailability of public transportation during the night.
- 2) Uniforms for employees working on the 'shop floor' to ensure uniformity and compliance with the dress code and requirements/standards established for a food manufacturing entity.
- 3) Personal Protective Equipment/Gears. These are equipment/clothing worn/used to ensure the safety of the employee.
- 4) Subsidized meals for the staff in that the cost of meals is shared in a predetermined ratio between the company and employees.

DEPARTMENT PERFORMANCE

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

HR PROGRAMMES/ACTIVITIES

For the year under review, some of the programmes/activities that were coordinated by the HR and Administrative Services Department included:

1) Scholarship Programme:

For the year 2017-2018, assistance in the form of scholarships was provided to three employees' children who were successful at the Grade Six Achievement Test (GSAT). The scholarship is reviewed each year to determine if the scholarship criteria for their advancement on the programme are satisfied. For this period, a total of thirteen students benefitted from the programme. Three of these students graduated from the programme with up to ten CXC passes. These students and their parents were publicly recognized for their achievements.

2) Summer Employment:

Through the HR and Administrative Services Department, Nutrition Products Limited (NPL) offered summer employment (work experience) to a total of nineteen students for the month of July and August 2017. They were placed in different departments where they were exposed to various tasks.

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.

3) External Educational Institutions:

Several Grade 10 and 11 Home Economics and Business Studies students from the Norman Manley High and Penwood High schools, were accommodated in our Production and Management Information System departments for four weeks. This work experience was a requirement for their course of study and they all performed at a commendable level.

DEPARTMENT PERFORMANCE

INTERNAL AUDIT

In simple terms, the Internal Audit Unit is responsible for objectively reviewing and evaluating the organization's business processes, hence mitigating any form of risk to achieving the company's objectives; thus providing reasonable assurance against misstatement or loss.

Management and directors acknowledge their overall responsibility for maintaining and establishing systems of internal control for the company and for reviewing the effectiveness of these controls.

As an integral part of the company's structure, the company has an internal audit unit that gives assurance to the Board and Management. This assurance is made possible through the unit that provides objective and professional advice to the Board and Management, based on the assessment of certain key business processes for adequacy and effectiveness.

The Internal Audit unit reports directly to the Board through the Audit Committee. The scope/activities of the internal audit function encompasses the following:

- 1) Formulates and agrees with the Audit Committee the audit plan strategy and scope of work; ensuring the annual internal audit plan is designed to assist in attaining the company's strategic objectives.
- 2) Reviews the internal audit charter for possible modification and approval by the Audit Committee.
- 3) Reviews the adequacy and effectiveness of management's processes for risk management, internal control and governance.
- 4) Conducts assurance reviews as well as analyze and assess certain key business processes and make recommendations to improve their effectiveness and efficiency
- 5) Coordinates and reviews the company's relationship with the external auditors, including independence and management's response to any major external audit recommendations.
- 6) Reviewing financial reporting and disclosure controls and advising management in their presentations and assertions regarding those controls.
- 7) Reviewing guidelines for ethical business conduct and the process of ensuring compliance.
- 8) Periodically reviewing and making recommendations concerning procedures for receipt, retention and treatment of complaints about accounting and auditing matters.

The internal auditors have full and free access to the Audit Committee and these auditors meet sometimes privately with the committee and sometimes with management present, to discuss accounting, auditing and financial reporting matters.

DEPARTMENT PERFORMANCE

INTERNAL AUDIT

During the year in review, the Internal Audit Department:

- 1) continued to improve its quality and effectiveness with a focus on greater use of technology to drive efficiency;
- 2) developed/formalized the role and function of the department and the Audit Committee for approval by the Board of Directors;
- 3) evaluated the implementation of recommendations made by the department in the previous year to ensure the desired results were being achieved;
- 4) made further recommendations to strengthen controls of the warehousing of raw materials; and,
- 5) made recommendations for the improvement of records management in the HR and Administrative Services Department.

Going forward, the Internal Audit Department will continue to provide objective, professional advice to the Board and all levels of management and assist the company in continuously improving efficiency and effectiveness of operations.

DEPARTMENT PERFORMANCE

CUSTOMER SERVICE

The newly appointed Board of Directors saw the need to establish a fully functional Customer Service Department, headed by a manager. This department's focus would wholly be on interacting with the schools we serve with the objective of cultivating a partnership with them; referred to by the Board as a means of increasing customer satisfaction. The customer service team is responsible for taking the concept of improved customer service to the schools and be instrumental in reducing the amount owed to Nutrition Product Limited (NPL) by these schools, hence reducing school delinquency.

The scope of activities for the Customer Service Department encompassed the following:

- 1) Improving relationship among the schools we served, NPL and the Ministry of Education, Youth and Information through effective partnership.
- 2) Reducing the amount owed to NPL by the schools we served through the implementation of strategic initiatives such as reconciliations and collections.
- 3) Providing the required service enabling appropriate feedback on issues such as quality of products, service delivery and other matters related to the School Feeding Programme.

Generally speaking, the tasks and activities of the department are directly related to public relations and the creation of a positive company culture.

PUBLIC RELATIONS

The department is largely responsible for establishing and cementing the relationship of NPL with the schools, parents and other stakeholders. This is done through continued interaction with schools, creating an image of the company that leaves a lasting impression on the stakeholders.

COMPANY CULTURE

The team members who were employed for the department all had a positive and upbeat attitude, enabling the creation of a positive employee culture throughout the organization. The creation of this positive employee culture was and continues to be infectious throughout the organization. This positive and upbeat culture also resulted in the schools and other stakeholders feeling free to share information with the company.

During the year under review, team members of this department, through effective communication, created an atmosphere in which schools and other stakeholders looked forward to communicating with the company on any matter pertaining to our products and services provided.

DEPARTMENT PERFORMANCE

CUSTOMER SERVICE

In addition, the team members also interacted with schools and other stakeholders to provide them with information which addressed enquiries regarding products and services. They also dealt with and helped resolve any (customer) complaints.

The department is committed to continuing the development of the customer-centered culture and service excellence, by practicing total customer engagement and strengthening our valued trusted relationship, while fulfilling the schools and other stakeholders' needs.

QUALITY

Nutrition Products Limited (NPL) takes quality assurance very serious - it is regarded as the benchmark of protection for the end-users who are mainly children - in terms of an obligation that ensures safety, quality and efficiency. Hence, quality assurance is seen as the process of vouching for the integrity of products to the required standards.

The products NPL produces are ingested by consumers, especially pre-secondary school children, and we are keenly aware of the responsibility that comes with producing these types of products. The children and their families have placed their trust and health in our hands and we take both seriously. With this in mind, NPL and the department look at safeguarding quality, not only as a departmental effort but also as a team effort. NPL produces thousands of products daily. Due to the volume, quality assurance staff cannot inspect every product of every batch made. It is therefore crucial to have trained individuals at each step of the process. Hence, the department is involved in a fair amount of training of team members, line operators, cleaning/sanitizing crews, supervisors and managers; every person involved in making a product is responsible for making it a quality product.

The children's satisfaction and trust are what we strive for everyday therefore, our promise is to take every possible step to ensure the safety and efficacy of every product we produce.

DEPARTMENT PERFORMANCE

CUSTOMER SERVICE

The quality assurance regime was bolstered by:

- 1) Routine audits done by the local regulatory authorities notably, the Bureau of Standards Jamaica (BSJ), the Ministry of Health (Public Health Department), Ministry of Labour and the Food Safety and Prevention of Infestation Division (FSPID). Their recommendations are usually accepted and implemented.
- 2) Internal schedule and random audits to verify compliance to regulations.
- 3) Investigation of schools' complaints.
- 4) Maintaining relationship with schools and regulatory agencies.

With the implementation of quality assurance policies, we will continue to provide the platform from which our products will conform to stipulated regulatory standards, thereby providing nutritious meals for the children of Jamaica.

DEPARTMENT PERFORMANCE

PROCUREMENT AND CONTRACTS

Procurement is an integral part of the work of Nutrition Products Limited (NPL) which supports management and the Board in ensuring fair and open competition while minimizing risks such as exposure to fraud and collusion.

Upon taking office, the Board immediately came to a decision that, given the nature of the organization and the emphasis placed on proper procurement procedures, there should be a Procurement and Contracts Department with a manager at the helm and answerable to the Chief Executive Officer (CEO). Previously, procurement was performed by a junior level staff in the Finance Department who answered to an Accountant.

During the year under review, the Procurement and Contracts Department was established, enabling all procurement and contract development to be under one portfolio. This gives the department the sole responsibility for all purchasing on behalf of the company.

The Procurement and Contracts Department is the central purchasing and contract authority for the company. The department is responsible for managing the procurement and contract process for NPL including purchase orders, contracts and any other legal agreements associated with the acquisition of goods and services.

The process is used to ensure that NPL receives goods and services or works at the best possible price when aspects such as quality, quantity, time and location are compared. This process, no doubt, brings a measure of efficiency and effectiveness to the procurement process resulting in cost savings for the company which is beneficial to the growth of the organization.

DEPARTMENT PERFORMANCE

FINANCE

FINANCE

The principal duties/functions 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.

The Finance 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.

DEPARTMENT PERFORMANCE

KEY FINANCIAL PERFORMANCE INDICATORS

BALANCE SHEET	2018	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-Current Assets	173,387	177,870	177,174	139,829	105,966
Current Assets	283,195	519,803	216,209	210,846	75,162
Current Liabilities	39,369	80,667	73,726	153,334	89,793
Inventories	40,956	50,168	45,682	27,230	38,534
Receivables	14,148	22,193	3,142	8,496	7,483
Payables	28,418	70,849	64,334	78,310	84,089
Cash & Equivalents	226,429	443,711	163,785	171,956	20,782

PROFIT & LOSS	2018	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues & Other Income	832,045	1,427,671	1,111,675	963,221	877,937
Manufacturing Cost	762,146	901,088	788,658	690,979	661,928
Administrative Expenses	138,152	107,374	103,131	91,803	83,771
Distribution Cost	115,549	117,864	108,300	99,415	104,238
Pre-tax Profit/(Loss)	(183,802)	301,345	111,586	81,024	26,060
After-tax Profit/(Loss)	(187,709)	300,119	111,088	80,742	27,667

KEY RATIOS	2018	2017	2016	2015	2014
Operating Surplus to Revenue	-22.56%	21.02%	9.99%	8.38%	3.20%
Operating Surplus to Total Assets	-41.11%	43.02%	28.24%	23.02%	15.30%
Inventory Turnover	16.73	12.73	21.63	27.29	11.5
Day Sale O/s	102.20	47.45	44.06	32.08	49.90
Current Ratio	7.19	6.44	2.93	1.38	0.8
Quick Ratio	6.15	5.82	2.31	1.20	0.3

DEPARTMENT PERFORMANCE

KEY FINANCIAL PERFORMANCE INDICATORS

FINANCIAL OVERVIEW

The Financial Year 2017/2018 resulted in a deficit of \$183.8M in comparison to the year 2016/2017 surplus of \$300.1M. The budgeted subvention for the year was significantly reduced by approximately \$309M. During the year, the Ministry of Education Youth and Information (MoEYI) paid GCT withholding taxes outstanding for four (4) years – 2014-2018. This also impacted the subvention available for operations in 2017/2018. Despite the reduction in subvention, the company was able to meet the obligations to the nation's children by utilizing the available cash brought forward from the previous year.

Details of these and other results, along with the previous year's performance, are set out in the Financial Statements which are included in this Annual Report.

OUTLOOK

Attention is being drawn to Note 25 (Subsequent Event) 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 Nutrition Products Limited (NPL) through the Accelerated Programme for the Rationalization of Public Bodies. Please refer to Note 25 of the 2017/2018 Financials for further details.

NPL will continue to work closely with the MoEYI in ensuring that the policy directives are carried out in accordance with the relevant rules and regulations.

DEPARTMENT PERFORMANCE

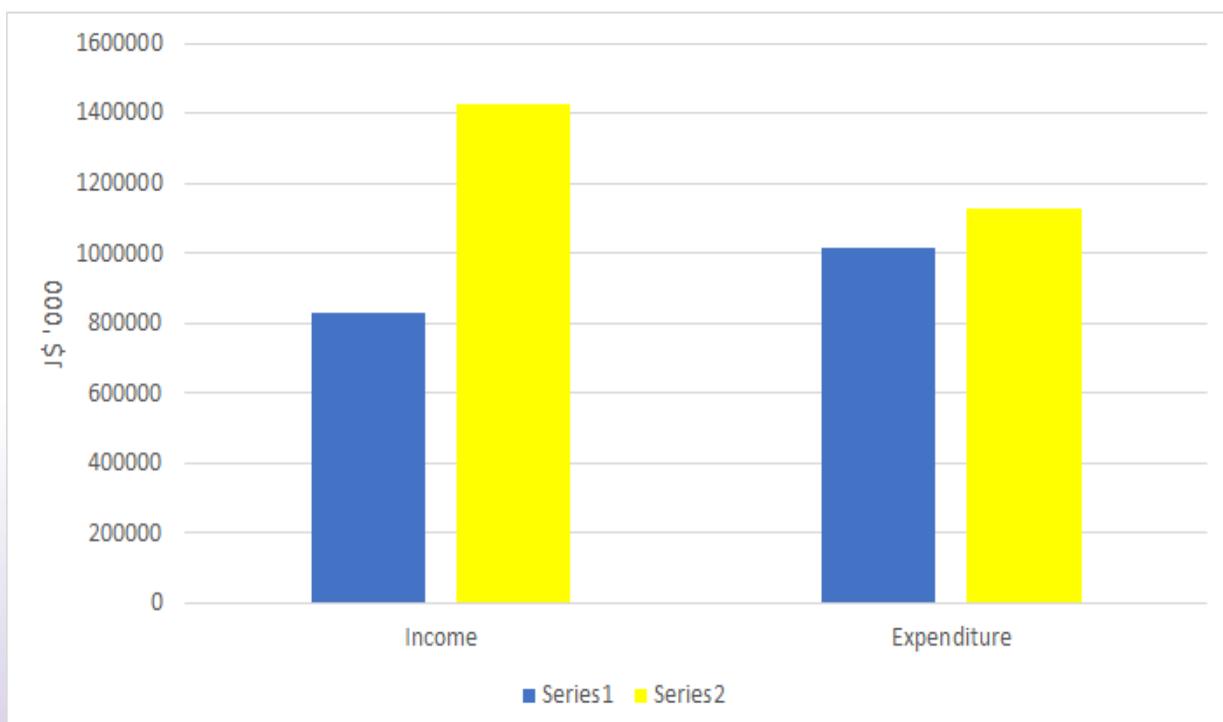
FINANCE AND ACCOUNTING STATISTICAL PROFILE

- a. Income vs Expenditure 2017 - 2018 (See page 34)
- b. Income vs Expenditure 5 year comparison data (See page 35)
- c. Operating Expenses for year ended March 2018 (See page 36)
- d. Operating Expenses (by category) 5 year comparison data (See page 37)
- e. Factory cost of production for year ended March 2018 (See page 38)
- f. Factory cost of production 5 year comparison data (See page 39)

INCOME VS EXPENDITURE FOR PERIOD 2017 - 2018 (J\$M) - Table 1

YEARS	2018	2017
	\$'000	\$'000
INCOME	832,045	1,427,671
EXPENDITURE	1,015,847	1,126,326

INCOME VS EXPENDITURE FOR PERIOD 2017 - 2018 - Chart 1



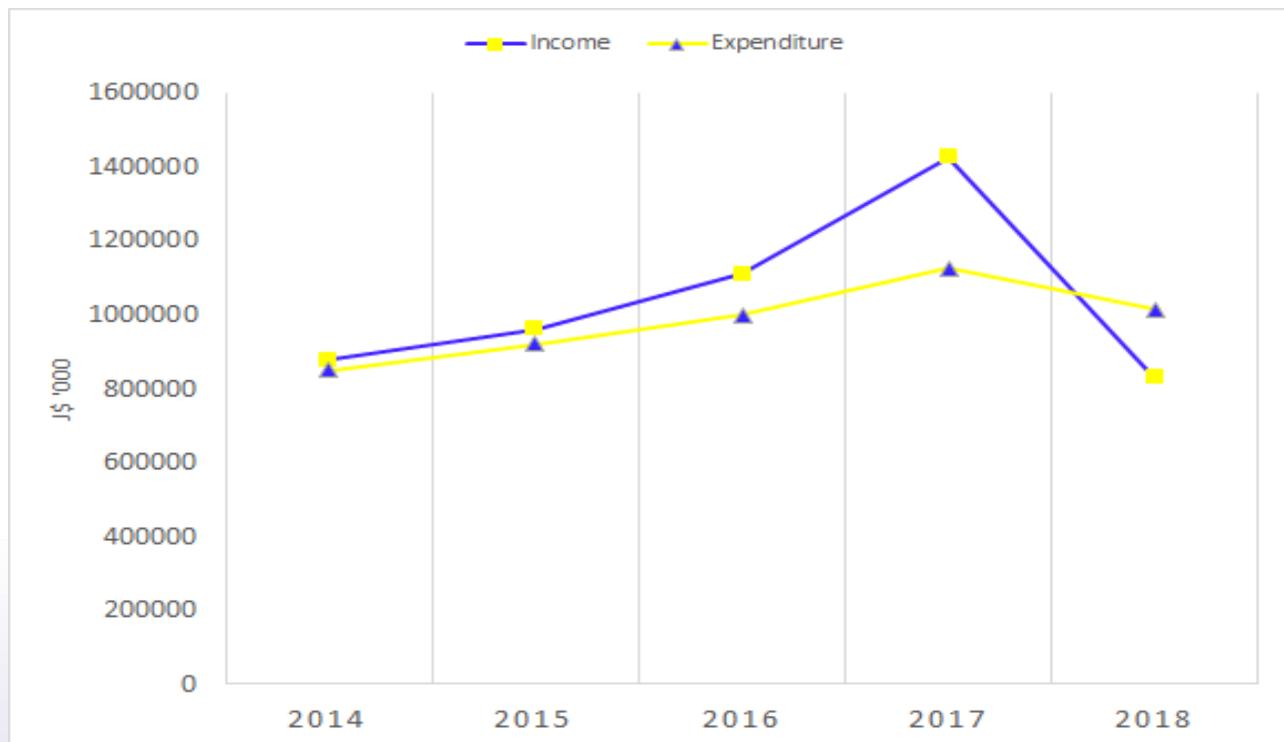
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

YEARS	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME	877,937	963,221	1,111,676	1,427,671	832,045
EXPENDITURE	849,937	882,197	1,000,089	1,126,326	1,015,847

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



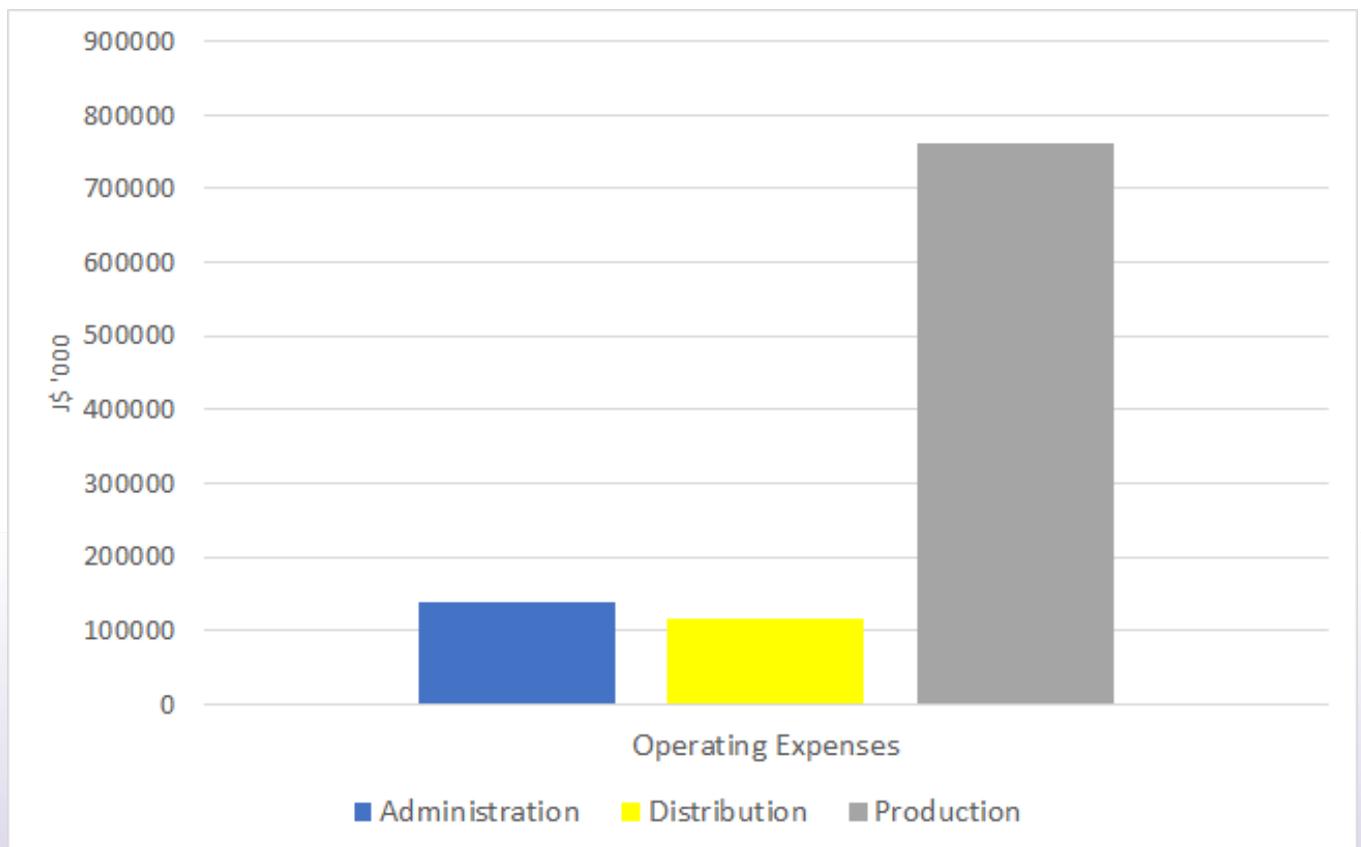
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

OPERATING EXPENSES FOR YEAR ENDED MARCH 2018 (J\$ M) - Table 3

Departments	Administration	Distribution	Production	Total
	\$'000	\$'000	\$'000	\$'000
OPERATING EXPENSES	138,152	115,549	762,146	1,015,847
PERCENTAGE	13.6%	11.4%	75.0%	100%

OPERATING EXPENSES FOR YEAR ENDED MARCH 2018 (J\$ M)- Chart 3



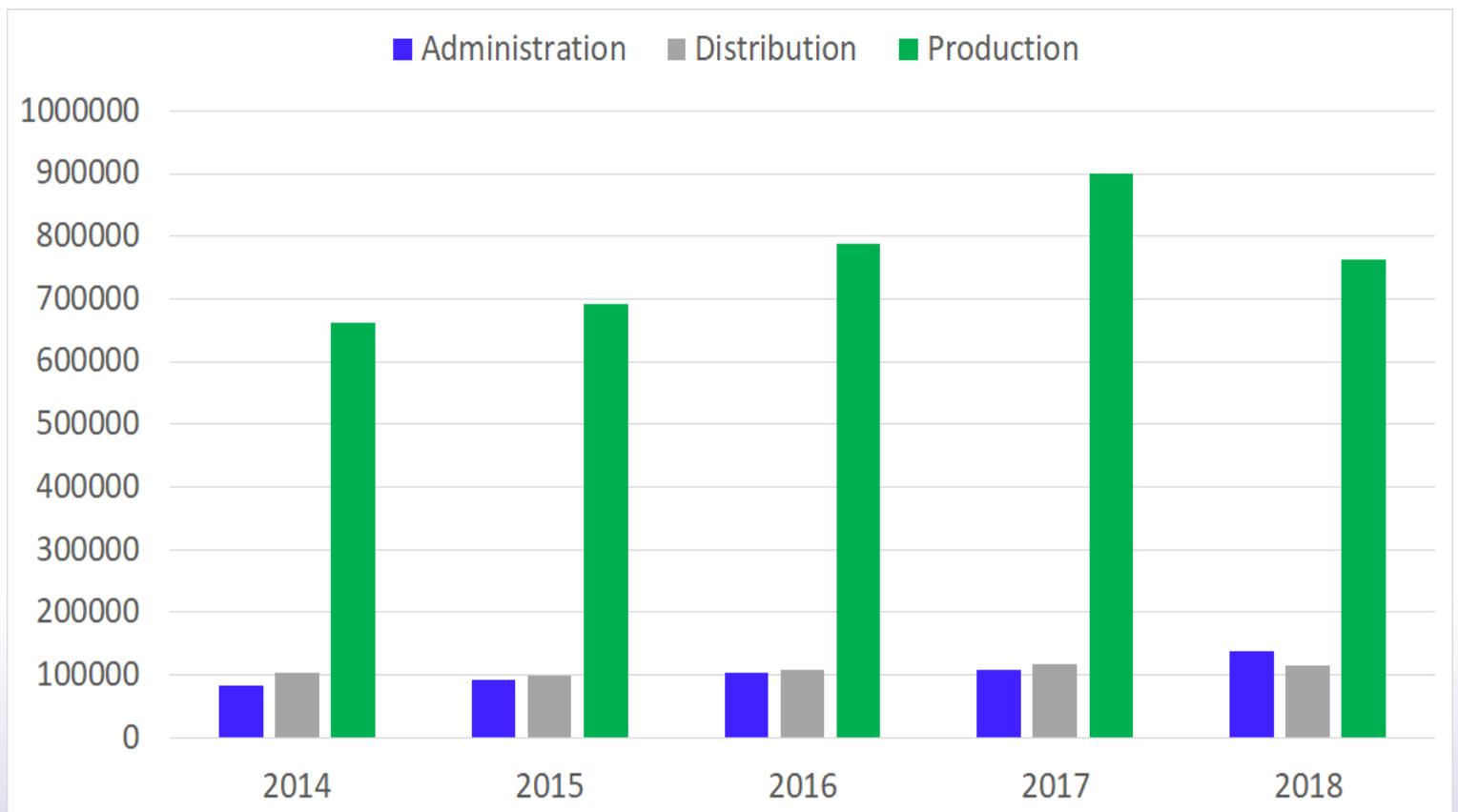
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

YEARS	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTRATION	83,711	91,803	103,131	107,374	138,152
DISTRIBUTION	104,238	99,415	108,300	117,868	115,549
PRODUCTION	661,928	690,979	788,658	901,088	762,146

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



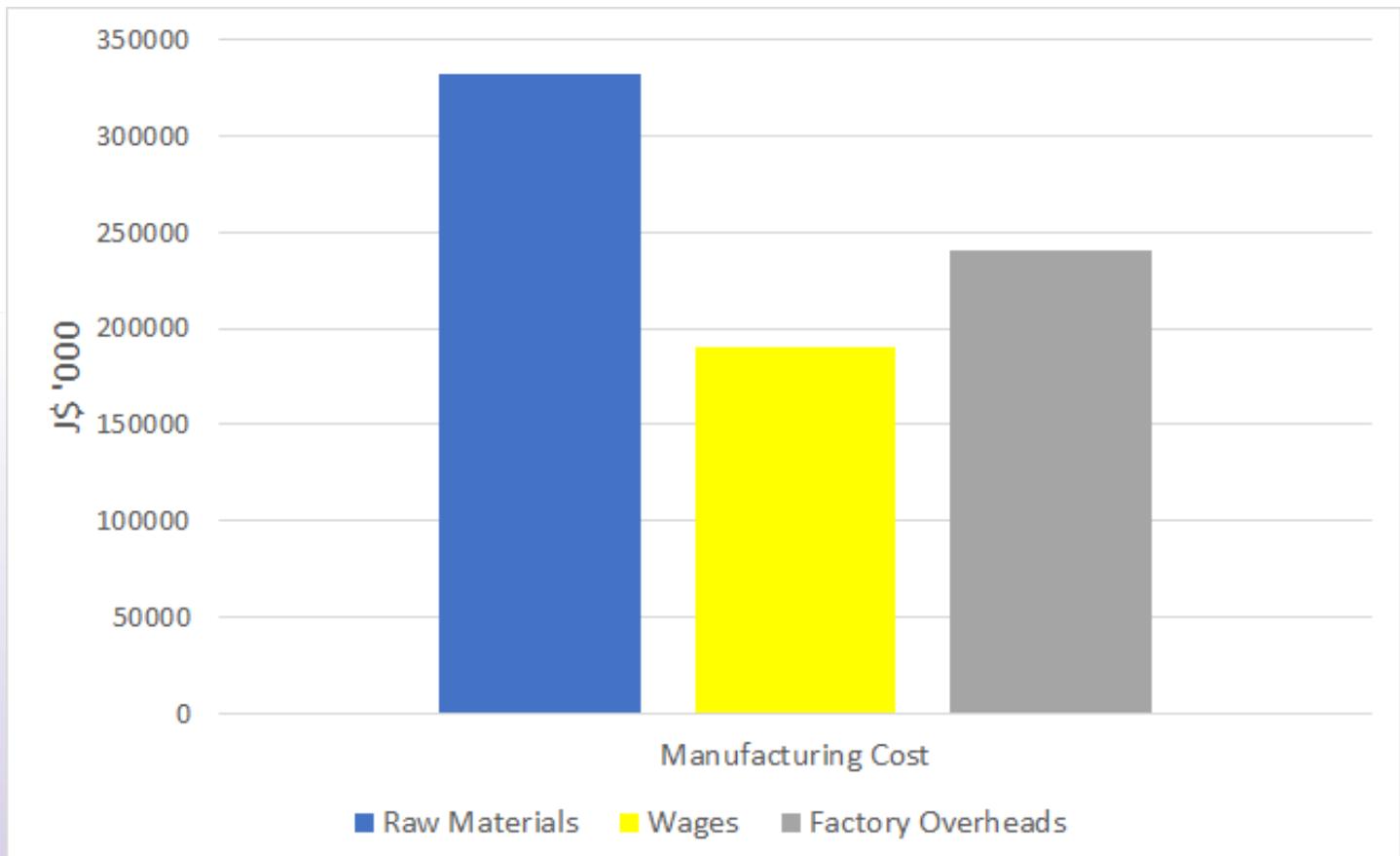
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

FACTORY COST OF PRODUCTION FOR YEAR ENDED MARCH 2018 (J\$M) - Table 5

	Raw Materials Consumed	Wages	Factory Overheads	Total
	\$'000	\$'000	\$'000	\$'000
MANUFACTURING COST	331,712	189,778	240,656	762,146
PERCENTAGE	43.5%	24.9%	31.6%	100%

FACTORY COST OF PRODUCTION YEAR ENDED MARCH 2018 (J\$M) - Chart 5



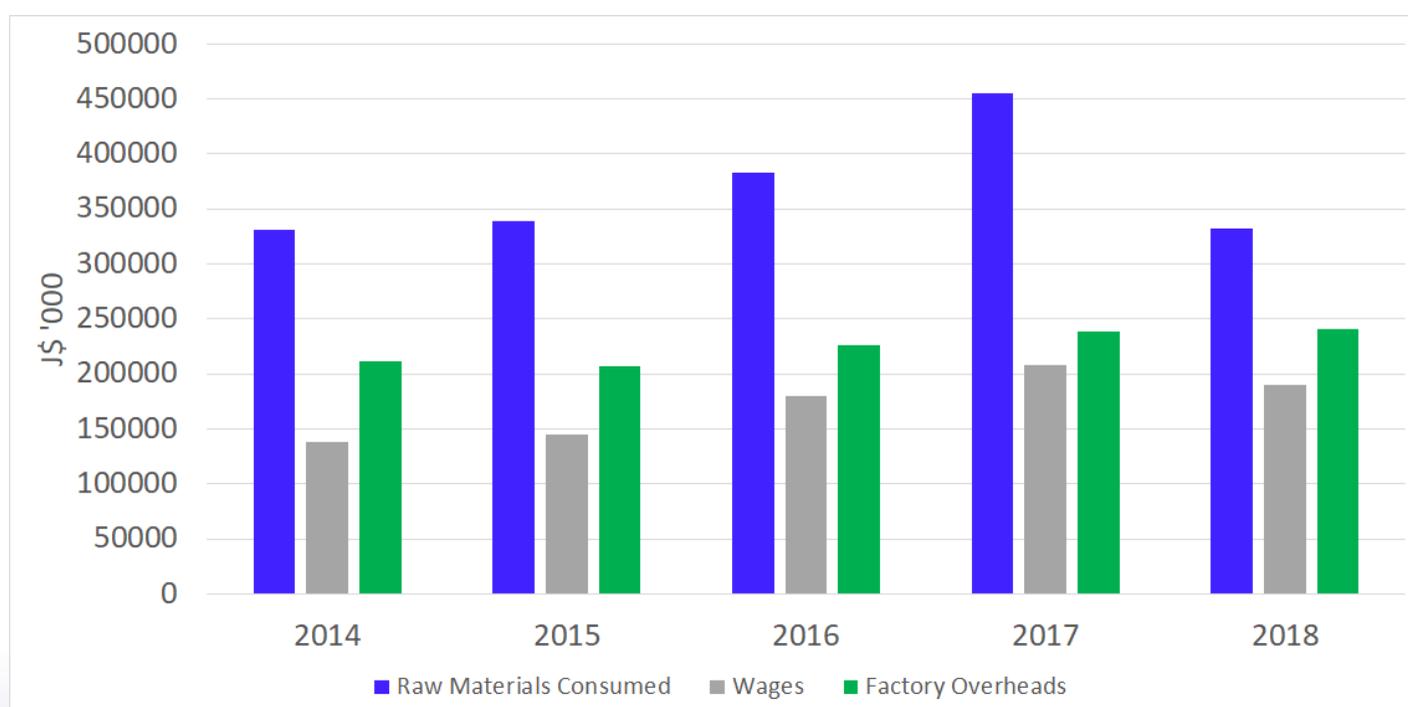
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

YEARS	2014	2015	2016	2017	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
RAW MATERIAL CONSUMED	311,590	339,519	382,560	454,914	331,712
WAGES	138,464	145,031	179,451	207,700	189,778
FACTORY OVERHEADS	211,474	206,426	226,647	238,474	240,656

FACTORY COST OF PRODUCTION FIVE YEAR COMPARISON DATA (J\$Mio) - Chart 6





NUTRITION PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT &

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018



Nutrition Products Limited

**Financial Statements
31 March 2018**

Nutrition Products Limited

Index
31 March 2018

Page

Independent Auditors' Report to the Members

Financial Statements

Statement of financial position	1
Statement of comprehensive income	2
Statement of changes in equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 42

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
Nutrition Products Limited
Page 2

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
Nutrition Products Limited
Page 3

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
28th 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
		<u>173,387</u>	<u>177,870</u>
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
		<u>283,195</u>	<u>519,803</u>
TOTAL ASSETS		<u>456,582</u>	<u>697,673</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	-	-
Capital reserves	10	10,327	10,327
Retained earnings		348,738	536,447
		<u>359,065</u>	<u>546,774</u>
Non-current liability			
Deferred income	11	58,148	70,232
		<u>58,148</u>	<u>70,232</u>
Current liabilities			
Payables	12	28,418	70,849
Deferred income	11	10,951	9,818
		<u>39,369</u>	<u>80,667</u>
TOTAL EQUITY AND LIABILITIES		<u>456,582</u>	<u>697,673</u>

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

Nutrition Products Limited

Statement of Changes in Equity Year ended 31 March 2018

	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

	<u>2018</u> \$'000	<u>2017</u> \$'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
	<u>(187,163)</u>	<u>308,255</u>
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	<u>(210,489)</u>	<u>293,836</u>
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	<u>(196,332)</u>	<u>298,038</u>
Investing Activity		
Purchase of property, plant and equipment	<u>(20,950)</u>	<u>(25,161)</u>
Net cash used in investing activity	<u>(20,950)</u>	<u>(25,161)</u>
Financing Activity		
Grant received	-	7,049
Net cash provided by financing activity	<u>-</u>	<u>7,049</u>
Net (decrease)/increase in cash and cash equivalents	<u>(217,282)</u>	<u>279,926</u>
Cash and cash equivalents at beginning of the year	<u>443,711</u>	<u>163,785</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>226,429</u>	<u>443,711</u>
Represented by:		
Cash at bank and in hand	18,804	193,391
Short-term deposits	207,625	250,320
	<u>226,429</u>	<u>443,711</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

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 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.

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

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.

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)

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).

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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).

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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 as an 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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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 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.

(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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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
	<u>240,577</u>	<u>465,904</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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:

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

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).

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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:

	<u>2018</u> \$'000	<u>2017</u> \$'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	-
	<u>5,968</u>	<u>3,640</u>
Overdue and impaired		
91 days and over	-	9,341
	<u>-</u>	<u>9,341</u>

Movement analysis of provision for impairment of receivables

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

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

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 2018	1 to 5 Years	Total
	\$'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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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
	<u>\$'000</u>	<u>\$'000</u>
Trade payables- USD	3	5
Trade payables- JMD	<u>314</u>	<u>634</u>

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
	<u>2018</u>	<u>\$'000</u>	<u>2017</u>	<u>\$'000</u>
Currency :				
Revaluation	2	6	1	6
Devaluation	4	(12)	6	(38)
	<u>4</u>	<u>(12)</u>	<u>6</u>	<u>(38)</u>

Nutrition Products Limited

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	3 to 12 months	1 year & over	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

3. Financial Risk Management (Continued)

(e) Interest rate risk (Continued)

	Within 3 months	3 to 12 months	1 year & over	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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)).

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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

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

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Movement in provision for inventories		
Balance at the beginning and end of year	<u>189</u>	<u>189</u>

7. Receivables

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

8. Cash and short-term deposits

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

- 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 collateralised 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

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

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

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
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
	<u>10,327</u>	<u>10,327</u>

11. Deferred income

Deferred income arising on government grant:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
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	<u>69,099</u>	<u>80,050</u>
Comprising:		
Current	10,951	9,818
Non-current	58,148	70,232
	<u>69,099</u>	<u>80,050</u>

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

12. Payables

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

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.

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

14. Cost of Sales

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
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
	<u>240,656</u>	<u>238,474</u>
	<u>762,146</u>	<u>901,088</u>

Nutrition Products Limited**Notes to the Financial Statements
31 March 2018**

15. Other operating income

Other operating income comprises the following:

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

16. Administrative expenses

	<u>2018</u>	<u>2017</u>
	\$'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
	<u>138,152</u>	<u>107,374</u>
Distribution costs (Note 17)	115,549	117,864
Finance income, net (Note 20)	<u>(16,921)</u>	<u>(7,477)</u>
	<u>236,780</u>	<u>217,761</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

17. Distribution costs

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
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
	<u>115,549</u>	<u>117,864</u>

18. Operating (loss)/profit

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

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

19. Staff costs

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

20. Finance income, net

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

21. Taxation

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

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Income tax	3,847	1,166
Minimum Business Tax	60	60
	<u>3,907</u>	<u>1,226</u>

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:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
(Loss)/profit before taxation	<u>(183,802)</u>	<u>301,345</u>
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	<u>250,648</u>	<u>281,811</u>
	<u>3,907</u>	<u>1,226</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.

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

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

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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:

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Directors fees	5,997	622
Management remuneration	<u>50,396</u>	<u>45,972</u>

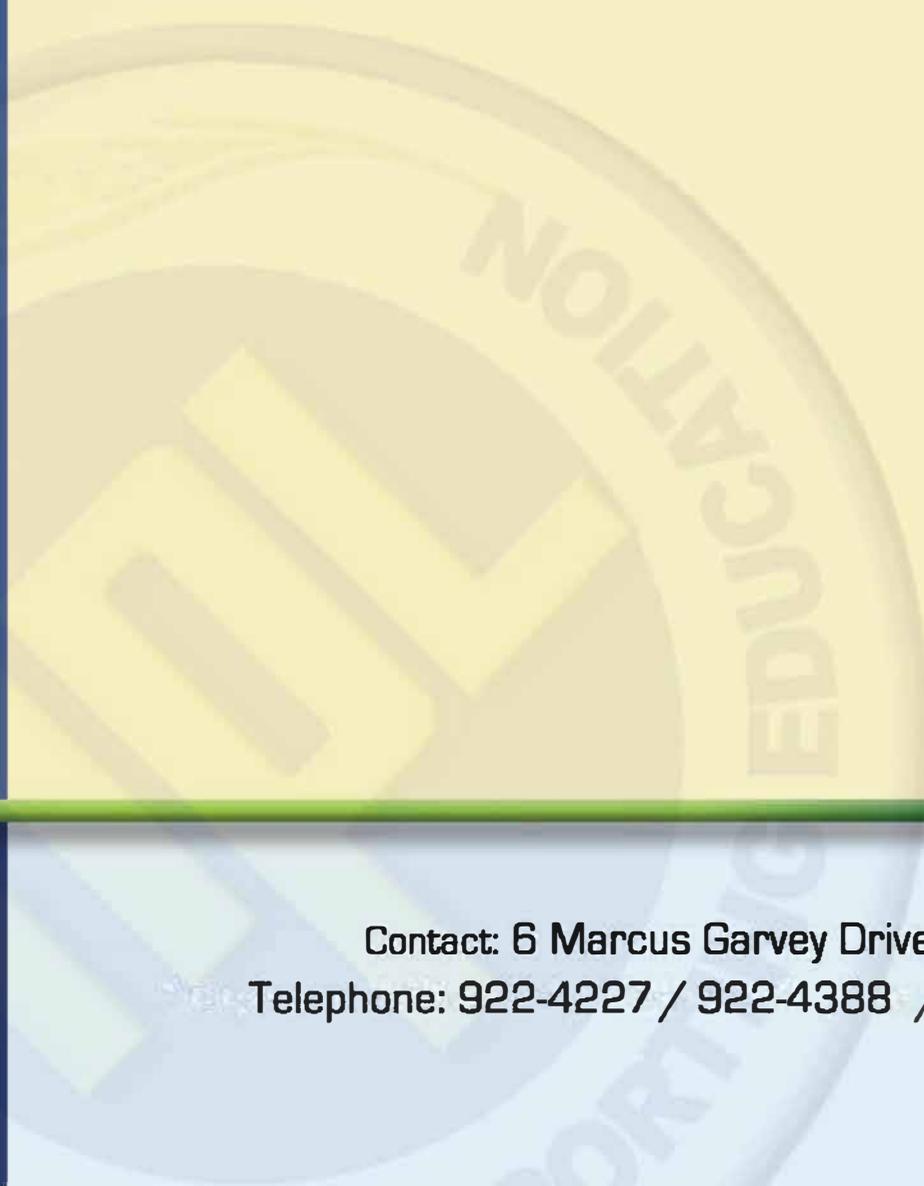
Nutrition Products Limited

Notes to the Financial Statements 31 March 2018

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.



Contact: 6 Marcus Garvey Drive, Kingston 15

Telephone: 922-4227 / 922-4388 / Email: gm@npl.com