

NUTRITION PRODUCTS LIMITED

Serving Jamaica's Children since 1973



Annual

REPORT

— 2018 - 2019 —

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Mission Statement

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



BOARD OF DIRECTORS



Ewart Gilzean

Board Chairman

Chairman - Procurement & Contracts Committee
Member - Finance, Planning & MIT



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

Chairman - 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



Andrew Narine

Chief Executive Officer



Maurice Clarke

Human Resource &
Administrative Services
Manager



Douglas Stewart

Procurement and Contracts
Manager



Dwayne Hinds

Financial Controller



Heather English

Distribution and
Warehouse Manager



Mabel Foster

Customer Service
Manager



Hugh Fogo

Production Manager

DIRECTORS' COMPENSATION

2018 - 2019

	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	1,289,450	170,800	N/A	N/A	1,460,250
	Alden Brown	1,495,550	395,400	N/A	N/A	1,890,950
	Robert Miller	747,600	198,238	N/A	N/A	945,838
	Natalie Murray	259,650	75,600	N/A	N/A	335,250
	Krystal Lee	274,836	309,345	N/A	N/A	584,181
	Andrew Bellamy	146,050	42,000	N/A	N/A	188,050
	Robert Collie	92,200	28,000	N/A	N/A	127,200
	Dorothy Finlayson	386,750	101,100	N/A	N/A	487,850
	Vicki Hanson	332,400	98,000	N/A	N/A	430,400
	Donovan Samuels	242,900	84,000	N/A	N/A	326,900
	Joyce Young	377,100	98,000	N/A	N/A	475,100
	Rory King	82,750	25,200	N/A	N/A	107,950
	Sharmaine Edwards*	39,000	14,000	N/A	N/A	53,000

* Co-opted Board Member on the Customer Service and Production Committees

DIRECTORS' ATTENDANCE: BOARD MEETINGS

APRIL 1, 2018 – MARCH 31, 2019

DIRECTORS	Attendance at Board Meetings
(Number of Meetings Held)	17
Ewart S. Gilzean	16
Alden Brown	17
Robert Miller	15
Vicki Hanson	14
Andrew Bellamy	10
Krystal Lee	12
Joyce Young	17
Dorothy Finlayson	15
Natalie Murray	11
Robert Collie	7
Donovan Samuels	12
Rory King	3

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 \$
Andrew Narine	18/19	3,692,618	N/A	1,341,624	N/A	N/A	N/A	5,034,242
Dwayne Hinds	18/19	2,670,325	N/A	707,448	N/A	N/A	N/A	3,337,773
Maurice Clarke	18/19	2,246,451	N/A	707,448	N/A	N/A	N/A	2,953,899
Douglas Stewart	18/19	2,361,639	N/A	707,448	N/A	N/A	N/A	3,069,087
Mabel Foster	18/19	1,863,138	N/A	707,448	N/A	N/A	N/A	2,338,061
Heather English	18/19	269,063	N/A	115,254	N/A	N/A	N/A	384,318
Hugh Fogo	18/19	1,716,809	N/A	751,663	N/A	41,873	N/A	2,510,345

CHAIRMAN'S REPORT

There were no changes to the composition of the Board of Directors in the 2018/2019 fiscal year. This was a reflection that the composition and skill set of the Board were considered to be optimal to the needs of the company. I was confident that the existing composition would provide an effective balance of diverse perspective, skills and experience, which would ensure the continued effectiveness of the Board's performance of its role during the year in review – a year of transformational change.

This was even more so based on the directives received from the Government to redesign the company's recipes to accommodate significant reduction in the sugar contents of the baked products being produced as well as to replace the sugary drinks with bottled water and/or with other liquid products with no sugar or with significantly reduced sugar content. With this in mind, I was more than comfortable knowing that with the continuation of the same board members (with their expertise and experience) along with the oversight of the various committees of the Board, the company would be in a better position to implement initiatives that would enable a wide variety of healthy (nutritious) products for the school feeding programme.

Throughout the year in review, the whole focus of the company had to take on a strategic shift in effectively and efficiently fulfilling the mandate/directive of the Government. This strategic shift brought about various initiatives that assisted in steering the company forward, thus enabling the achievement of a very successful 2018/2019 year. The initiatives implemented in steering the company through the transformational change included:

- 1) Directing a lot of our attention to fostering a winning organizational culture in which the employees aspire to do their best and take pride in what they do, thus being able to satisfy the Government's directives and the needs of the nation's children.
- 2) Continuously finding innovative and appealing ways to improve our methods of operations, that is, doing business differently.

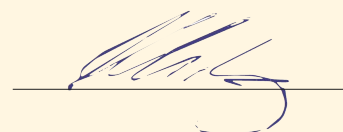


- 3) Refining and calibrating the different processes for greater efficiencies.
- 4) Changing of our business strategies giving rise to focus on how we do business; that is, how we work, where we work and when we work.
- 5) Creating and providing an environment in which our employees learn new ways, techniques and attitude for doing things.
- 6) Creating partnership with (external) research and development agencies/institutions (Bureau of Standards, Scientific Research Council, etc.) for continued product development and innovation resulting in improved nutritional profile of the products.
- 7) Continued support to the enrichment of the health and safety of our valuable students/beneficiaries through the provision of new and exciting quality products.
- 8) Tighter treasury management and cash flow by working closely with the Ministry of Education, Youth & Information and the Ministry of Finance and Planning in regard to the timely disbursement of subvention.

CHAIRMAN'S REPORT

The Board is mindful of its expectations from the Government, customers/students, parents and other stakeholders/public at large. We therefore pledge to continue improving our service delivery and enhancing the efficiency of our system to delivering even better service.

In closing, I must use this opportunity to thank the members of the Board for their dedicated contribution and stewardship; together they bring a distinct set of experience and expertise needed to steer Nutrition Products Limited (NPL) through this transformation period of change. I am also thankful for the commitment of our executive team and the employees whom they lead. I look forward to a prosperous and rewarding fiscal year, 2019/2020.

A handwritten signature in blue ink, appearing to read 'E. Gilzean', is written over a horizontal line.

Ewart S. Gilzean

Board Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

The year 2018/2019 was a year of real change. This was mainly due to the directive received from the Government of Jamaica during the year in review regarding the redesigning of the company's recipes to reduce the sugar content of our baked and liquid products resulting in operational changes. These changes included, among other things:

- A restructuring of the workforce;
- Staff development at all levels; and,
- Continued product development and monitoring via research and development, ensuring new product offerings.

This resulted in having to continually make the necessary strategic shift in our thinking to enhance the change.



Let me be quick to point out that this year of changes was my first year in the position of Chief Executive Officer. It was a year punctuated with challenges however, despite the challenges, I am pleased to report that the company had a successful year.

This achievement was made possible, in large part, by the unselfish assistance of the Board of Directors throughout the year and through the strong team effort which includes effective leadership and the engagement of our well trained and highly motivated employees. I am pleased with you all who, despite the challenges, still maintain a sense of focus and direction during the year to ensure a successful year.

In moving forward, we will focus on the following which will, no doubt, ensure an increase in the provision of healthier meals to the schools/children to assist in building a healthier nation:

- 1) Working in partnership with internal and external research and development agencies such as the Bureau of Standards, Scientific Research Council and other relevant institutions, to formulate a varied healthy menu variety in a cost effective manner.
- 2) Guaranteeing a highly trained and motivated staff with the capacity to effectively and efficiently fulfill the mandate of the organization and the Ministry of Education, Youth and Information.
- 3) Educate the wider society about the products being provided and the mission of the organization.
- 4) Continue to strengthen our efforts to find innovative and appealing ways of feeding the nation's children.

In closing, I would like to thank the Board of Directors for their unreserved support and guidance and all the employees for their extreme patience and exemplary commitment during the changes that took place throughout the year in review, to ensure the provision of healthier meals for the enjoyment of the needy children of Jamaica. I am really motivated and thankful to you all for your commitment and invaluable support – looking forward to next year, 2019/2020.

A stylized handwritten signature in black ink, consisting of a large 'A' followed by a series of loops and a final horizontal stroke.

Andrew Narine
Chief Executive Officer

A SNAPSHOT OF NUTRITION PRODUCTS LIMITED

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 no cost to three hundred and ninety nine (399) educational institutions/schools we assist and our funding comes directly from the Government of Jamaica. We are however, assisted from time to time, 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.

DEPARTMENTAL INPUTS

April 2018 - March 2019

DEPARTMENT PERFORMANCE

PRODUCTION

The Production Department is referred to as the driving force to which other functions react and it is responsible for converting raw materials (and other inputs) into finished goods of at least minimum quality standards. These finished goods will ensure that the nation's children are receiving goods of the best value and quality.

During the year in review, the focus on production had to change as a result of the Government's directive to reduce the sugar content for our baked products and to replace the sugary drinks with spring water and/or with other liquid products containing little or no added sugar. With this in mind, the department had to change how we do business by making necessary changes to our business strategies and being more innovative.

In addition, we had to work closely with our internal research and development section of the Quality Assurance Department as well as with external research and development agencies such as the Bureau of Standards, Jamaica so as to satisfy our directives from the Government and in so doing, satisfying our valued customers – the needy nation's children.

The department also had to work closely with the Human Resource and Administration Department which assisted in preparing and guiding our employees through the transformation change as a result of the Government's directives. This was made possible by creating and providing the environment in which the workers learn new ways, techniques and attitudes for doing things/business.

During the "change" process in production, the department concentrated on the principle of using a lean production method which ensured that every employee took responsibility for managing quality issues in order to make sure that waste was minimized and quality maximized.

Prior to the distribution of the new products during the year in review, as per the Government's directives earlier mentioned to the designated schools on the school feeding programme, pilots were conducted in regard to texture, appearance, taste, etc. These pilots were conducted with schools in close proximity to the Plant and they were carried out with the assistance of the Customer Service Department.

Upon satisfactory feedback from the schools on the pilot along with the research and development nod of approval, the (new) products were ultimately distributed to the designated schools on the school feeding programme. The products distributed during the year in review included cheese bread, smaller sized buns with reduced sugar content, sandwiches made up of mostly vegetables, soup, instant porridge, fruit juice and spring water manufactured/bottled by a contracted supplier.

The combined Plants' overall production output for the year under review was achieved when compared to planned production. Please see five year performance comparison data on pages 15 and 16. The department's achievement was shaped by, and delivered through a strong team effort, which includes effective leadership and the engagement of all employees.

DEPARTMENT PERFORMANCE

PRODUCTION

Quality Assurance and Safety

Product quality and safety of our employees and other shareholders is a central responsibility of Nutrition Products Limited (NPL). Both require constant vigilance to ensure this responsibility is met. Additionally, quality and safety are a lot alike in that they have the following common characteristics:

- Both complimenting the company's goals;
- Both driven by management, often top-down;
- Focus on continuous improvement;
- Training procedures and standardized operating procedures play important roles;
- Decision making based on data, trends and evidence; and,
- Both are dependent on employee actions.

In regard to product quality, the moral philosophy of NPL is that safety and quality go hand-in-hand where safety is one of the characteristics of the quality. That is, safety is seen as the foundation of quality and therefore safety is the basic minimum quality. The main reason for this view is that the products NPL produces are ingested by consumers, especially children, and we are keenly aware of the "safety" responsibility that comes with producing these "healthy" products. In addition, we are aware of how much the children and their families have placed their trust and health in our hands and we take both seriously.

NPL has taken quality so seriously in that they have a dedicated Quality Assurance unit so as to ensure that the company's products are safe and meet the required quality standards. Also, individuals at each step of the manufacturing process who are involved in making a product, are properly trained so as to make it their responsibility for making it a quality product; a way of preventing mistakes and defects and avoiding problems when delivering the products to the customers (needy children).

The quality assurance regime was further bolstered by:

- 1) Routine audits done by 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).
- 2) Internal schedule and random audits to verify compliance to regulations.
- 3) Investigation of schools/children complaints.
- 4) Maintaining relationship with schools and regulatory agencies.

As we continue to fulfil our mandate of providing healthy food menu for the nation's children, we will continue to be guided by the implemented and proven quality assurance policies and procedures that have allowed us to conform to, and in some instances, surpass the stipulated standards set by the regulatory authorities.

DEPARTMENT PERFORMANCE

PRODUCTION

The company recognizes that for operational efficiency, safety is one of the key drivers towards that goal; without safety as a top priority, it is likely that the company would experience delays in getting out finished products as a result of loss time. With this in mind, the company has continued with their drive/thrust to continuously promote and improve their safety programme through:

- 1) Accidents/incidents investigations.
- 2) Regular audits/inspections of the floor, equipment and processes for unsafe acts/practices.
- 3) Regular training/sensitization of employees.
- 4) Assessing/evaluating the effectiveness of training.
- 5) Maintaining records.

In addition, NPL has shown their commitment to providing an environment that is comfortable and safe for team members and clients, to managing risks relating to employees/clients practices and to workplace safety by ensuring:

- 1) The provision of physical facilities and safety suppliers relevant to the nature of the work to be undertaken.
- 2) Adequate safety training is provided for our team.
- 3) Safety rules and regulations are effectively communicated to all team members and are prominently displayed where necessary.
- 4) Timely review and update of our policies, rules, regulations, procedures and guidelines.

Putting our employees' first, implementing proper safety training and education and then enforcing it, have resulted in the following positive results:

- Minimize the risk to life;
- Increase workers' productivity;
- Improve the quality of the products being produced and the delivery of service;
- Reduce property damage;
- Reduce financial losses; and,
- Improve the company's reputation and public image/relationship.

NPL will continue to provide a safe working environment for their employees because it is obvious that by caring about our employees (putting them first), they see themselves not as numbers, but as persons who can make a difference regardless of the type of work being performed.

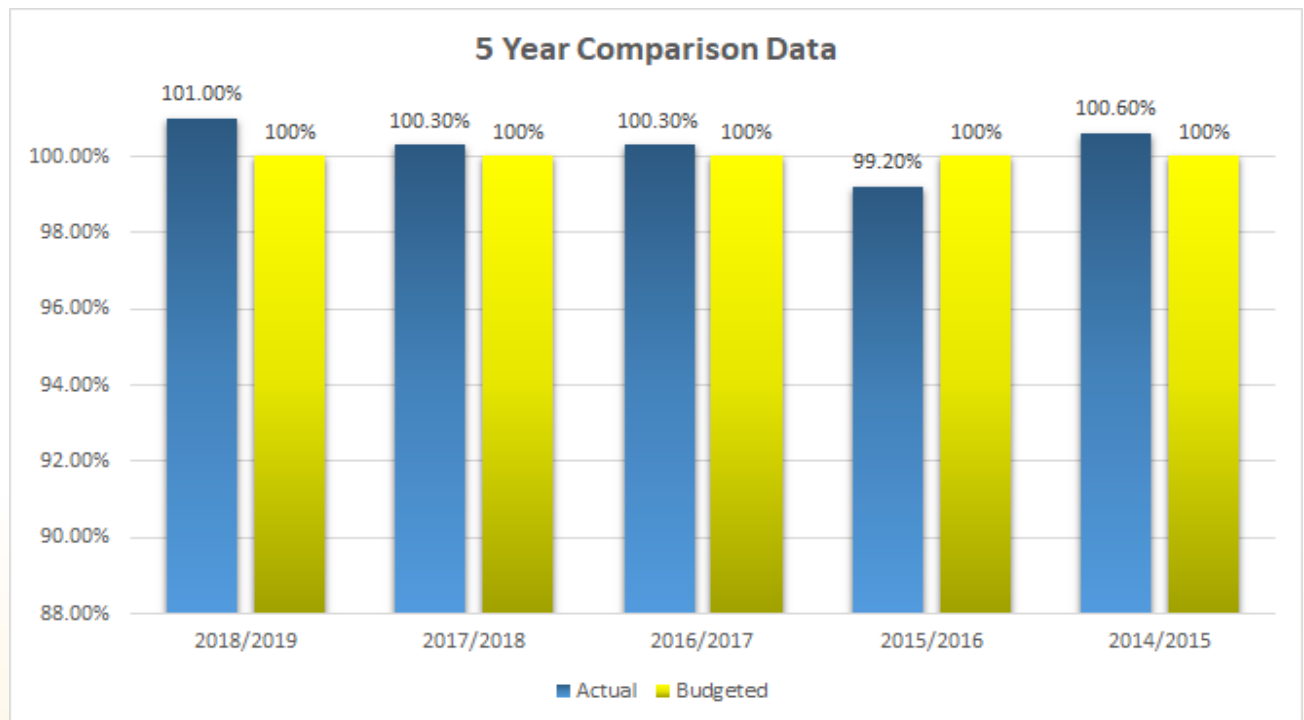
DEPARTMENT PERFORMANCE

PRODUCTION

PRODUCTION OF SOLID - Table 1

Year	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Output (%)	101%	100.3%	100.3%	99.2%	100.6%

PRODUCTION OF SOLID - Chart 1



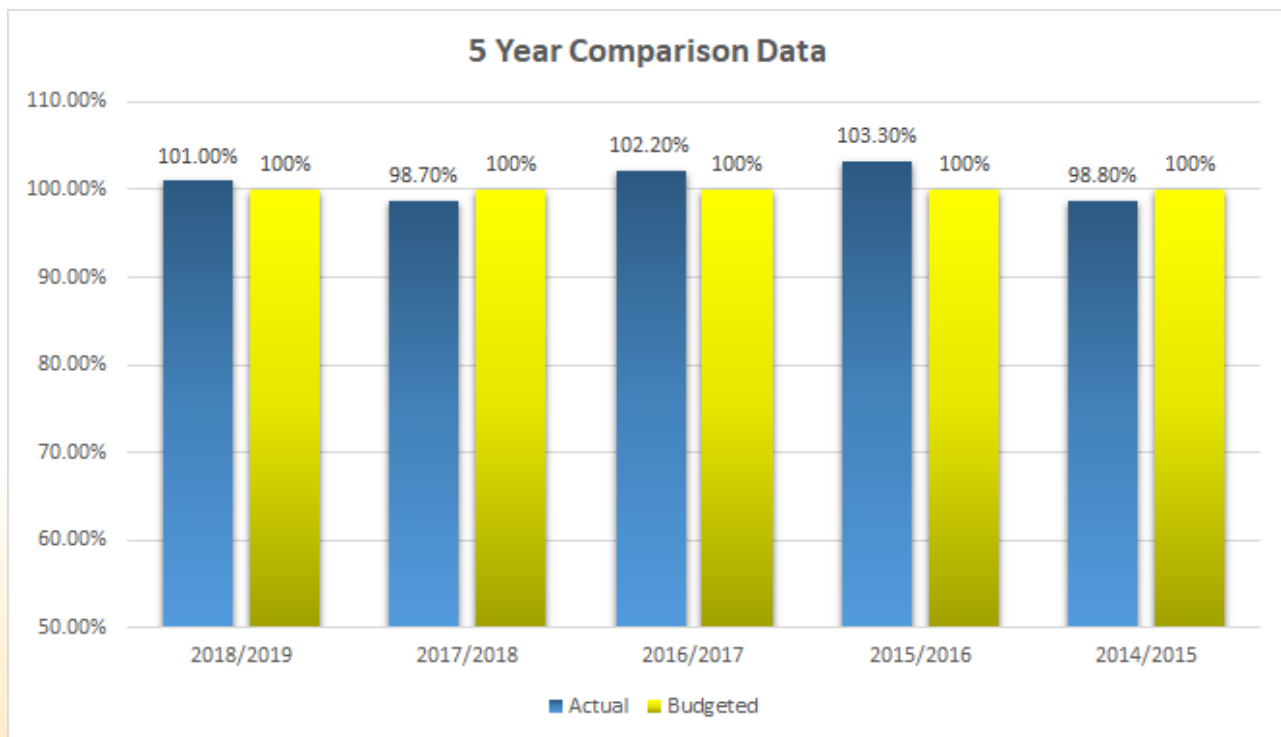
DEPARTMENT PERFORMANCE

PRODUCTION

PRODUCTION OF LIQUID - Table 2

Year	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Output (%)	101%	98.7%	102.2%	103.3%	98.8%

PRODUCTION OF LIQUID - Chart 2



DEPARTMENT PERFORMANCE

WAREHOUSING & DISTRIBUTION

Through the Procurement and Contracts Department, properly managed procurement activities were used to negotiate and procure the high quality raw materials that were used by the Production Department in converting them (raw materials) into finished products for delivery to the schools on the school feeding programme.

The Warehousing and Distribution Department is responsible for ensuring that the receipt of goods from suppliers at the stipulated quality standards, proper storage/warehousing of these goods, timely delivery of the required amount of goods to production for processing, the receipt and proper storage of the finished goods manufactured by production, and ultimately for the delivery of these finished goods to the designated schools, island wide, on a timely basis and in proper condition.

The combined (overall) delivery/distribution target for the company was achieved for the year in review. Please refer to pages 18 and 19 for a five-year performance comparison data.

The commendable performance of the Warehousing and Distribution Department strongly depended on the talent and commitment of the department's team members who were deeply committed to meeting the needs of our nation's children. Please note that the Warehousing and Distribution team continued to make a difference in the lives of the children we serve in so many different ways hence, we are energized to further improve our service levels in the coming year.

“Together We Can, Together We Will”

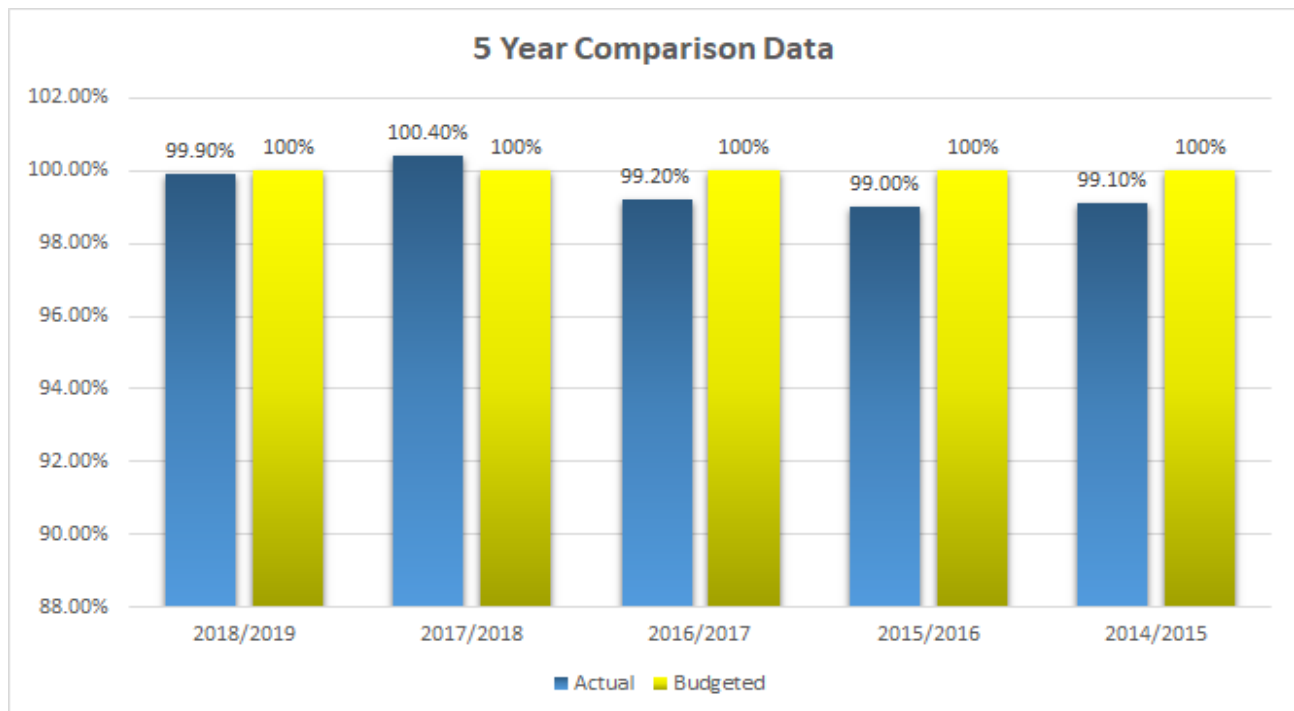
DEPARTMENT PERFORMANCE

WAREHOUSING & DISTRIBUTION

SOLID DISTRIBUTION - Table 1

Year	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Output (%)	99.9%	100.4%	99.2%	99%	99.1%

SOLID DISTRIBUTION - Chart 1



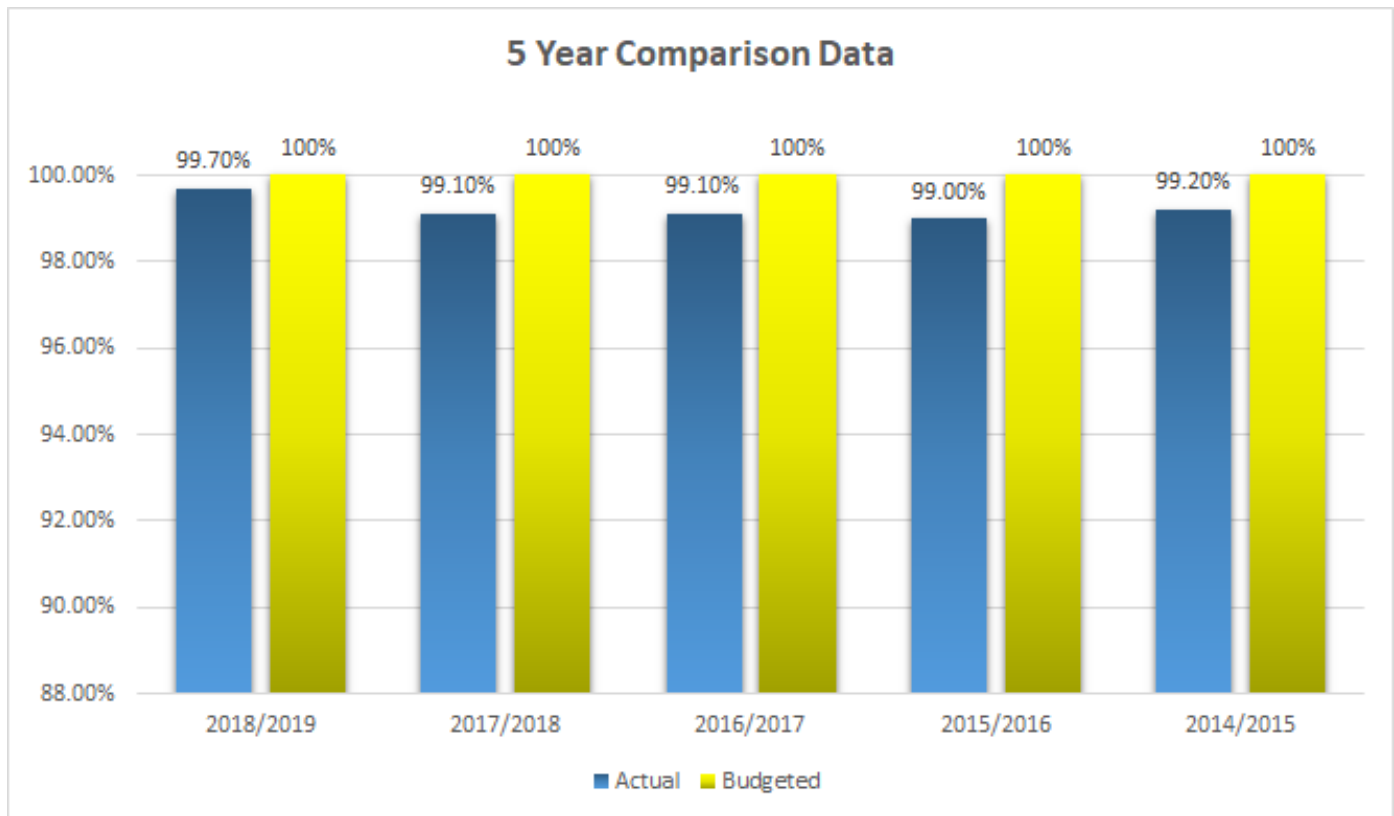
DEPARTMENT PERFORMANCE

WAREHOUSING & DISTRIBUTION

LIQUID DISTRIBUTION - Table 2

Year	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Output (%)	99.9%	100.4%	99.2%	99%	99.1%

LIQUID DISTRIBUTION - Chart 2



DEPARTMENT PERFORMANCE

MANAGEMENT INFORMATION SYSTEM [MIS]

The Management Information System (MIS) Department had specific responsibility for establishing structures, mechanisms and processes that ensure the information technology is controlled and delivers value to the company.

For the year under review, the company, through the MIS Department, placed great focus on the use of technology to automate the processes throughout the organization, thus minimizing errors and maximizing work efficiency. In achieving this, the department was able to further extend the company's data mining capabilities to satisfy our reporting needs and decision making capabilities. That is, an excellent information system was provided which is capable of providing the data needed in a matter of seconds.

In addition, the goal to achieve continued operational efficiency and to develop stronger security measures was also achieved by the department.

The department will continue to focus its effort in improving operational efficiency and product development by leveraging the latest technologies and software development. Also, our infrastructure focus will be on greater reliability.

DEPARTMENT PERFORMANCE

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

The Human Resource and Administrative Services (HR &AS) Department is dedicated to utilizing the best human resource policies and practices to ensure the well-being of our employees, while at the same time achieving maximum productivity of the company.

The department continually creates and provides the environment in which workers are continuously learning new ways, techniques and attitudes for personal and organizational gains. Such process is constantly being refined and refashioned, thus enabling Nutrition Products Limited (NPL) to continue producing the highest quality products for the enjoyment of our beneficiaries – the needy children of Jamaica.

Based on the directive of the Government during the year in regard to the redesigning of the company's recipes to reduce the sugar content for baked and liquid products, the HR &AS Department had to realign its strategic focus on human capital development. This was so as to enable the preparation and guidance of our employees (the company's greatest assets of all) through the change as a result of the above mentioned Government's directive.

We know that if the employees were not managed properly the organization would face the chance of falling apart. With this in mind, the HR & AS Department played a vital role in bringing out the best in the employees, hence contributing to the success of the company. This was the time when the efficiency, effectiveness and success of the company depended largely on the skills, abilities and commitment of the employees who constitute the most important asset of the company.

During the year under review, the HR & AS Department was focused on the following to effectively enable the 'change':

- 1) Continuously communicate with employees, letting them know the responsibilities and challenges of their jobs.
- 2) Letting them (employees) know that it is not just the services offered but the mode of delivery of the service that matters.
- 3) Be patient and active in answering queries and addressing concerns.
- 4) Take employees suggestions in order to make their services more effective and to improve their work areas.

DEPARTMENT PERFORMANCE

HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

Additionally, the HR & AS Department, throughout the year, has continued to assist in developing employee related strategies and handle the organization's employee-centered activities. This has resulted in:

- improving company moral;*
- developing methods to ensure high performance standards;*
- resolving conflicts among employees; and,*
- ensuring positive working relationship throughout the organization, thus increasing employee satisfaction.*

The HR & AS Department is aware that it is one of the major parts of the company and as such, its goal is to motivate and empower our workforce to peak performance, hence maximizing the productivity of the organization.

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 2018-2019, 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.

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 2018. 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

As an integral part of the company's structure, the company has an Internal Audit unit to give assurance to the Board and Management. This assurance is made possible through the unit (Internal Audit) that provides impartial opinions and assessments of the company's records, processing and procedures.

The specific expectations of the internal audit functions include:

- 1) Objectively monitor the health of financial, operational and compliance controls.
- 2) Provide insights into the effectiveness of risk management.
- 3) Coordinate activities with the external (independent) Auditor.
- 4) Acts as a catalyst for positive change in processes and controls.
- 5) Offer guidance regarding internal compliance control.

In light of the above, during the year in review, members of the Internal Audit Department worked alongside the managers in the company in executing their duties/activities but at the same time, maintaining a certain level of independence from the work being audited/assessed. For processes and contracts that were not working effectively, insights and recommendations (based on analysis and assessments of data and business processes) were provided to them (Managers) for action(s) allowing them an opportunity to improve them. In other words, we assisted the managers to succeed by telling them how the systems and processes designed to keep the organization on track, were working.

The following were some of the main implementations during the year in review based on recommendations from the Internal Audit Department:

- 1) Evaluated the implementation of recommendations made by the department in the previous year to ensure the desired results were being achieved.
- 2) Made further recommendations to strengthen control of the storage and dispatching of raw materials used in the production processes.
- 3) Took greater control over the access to the company's network system.
- 4) Ensured greater consistency in the amount of raw materials used in the products being produced.

DEPARTMENT PERFORMANCE

INTERNAL AUDIT

The Internal Audit Department will continue to assess the significance of the company's many risks and the effectiveness of risk management efforts – communicate these to management and the Board and develop recommendations.

DEPARTMENT PERFORMANCE

CUSTOMER SERVICE

The Customer Service Department which was re-established by the Board in their first year of existence, 2017-2018, has been very successful in accomplishing the goals set out by the Board. These mainly were to improve the relationship among the schools, the Ministry of Education, Youth and Information and Nutrition Products Limited (NPL) and increasing our customers (the nation's children) satisfaction.

During the year under review, the above were accomplished by “providing the best in customer service” – simply put, building/increasing trust.

The Customer Service unit sees itself as playing a crucial role in the organization because it helps with our customers/beneficiaries complaints and queries and gives them information about our products and services via phones, emails, memos/letters and other written information as well as through face-to-face communication. This is all about making sure our customers/beneficiaries feel they are valued, treated fairly and appreciated by the company.

The philosophy of the department/company is that customer service is everyone's job/responsibility, hence during the year in review, the company, through the Customer Service and HR & AS Departments, invested heavily in training all members of the Customer Service Department and other key employees such as the delivery drivers/contractors, the distribution crew, telephone operators and others who, at some time or the other, have to deal with the schools and other stakeholders on related matters.

In addition, team members of the Customer Service Department also spent a significant amount of time conducting audits/assessments of the processes involved in meeting the customers'/beneficiaries needs. For example, assessing if the schools were receiving their meals within the scheduled time period and if the service being delivered by the drivers/contractors was to their (schools/beneficiaries) satisfaction. Coming out of the audits/assessments, the necessary corrective measures were taken with the involvement of the relevant stakeholders.

Of note, the feedback during the surveys/audits that were done, was very positive in regard to how their (stakeholders) matters were addressed via telephones, emails, face-to-face and other forms of communication. This, no doubt, was as a result of the intense training received by the employees and contractors.

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

‘BEST CUSTOMER SERVICE BUILDS TRUST’

DEPARTMENT PERFORMANCE

PROCUREMENT AND CONTRACTS

At Nutrition Products Limited (NPL), the importance of procurement is recognized by having the head of procurement and contracts placed at an executive level. The main reasons being that the head of procurement, through his department, supports management and the Board in ensuring fair and open competition while minimizing risks such as exposure to fraud and collusion. Also, assist in maximizing the value of what is being procured, hence resulting in savings which is beneficial to the growth of the organization.

During the year in review, properly managed procurement activities of the Procurement and Contracts Department, not only kept the company's operations running smoothly, but it also saved money, time and resources; that is, avoiding costly delays and errors.

The above was achieved by:

- 1) Negotiating the best deal for the company; that is, the highest quality products available for the lowest price while meeting company standards, client and public expectations and industry regulations.
- 2) Negotiating appropriate terms with suppliers allowing for tight treasury management and cash flow.
- 3) Assuring continuity of supply by ensuring delivery to the Plant at the right time, that is, not allowing the Plant to stop operating.

The Procurement and Contracts Department will continue to play its part by using successful procurement processes to develop good working relationship with vendors and negotiate and establish the best deals with the appropriate terms and conditions. In so doing, the value of what is being procured will be maximized. That is, spend wisely and save as much as possible – simply put.

DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING

Finance is an important and integral function in Nutrition Products Limited (NPL) and involves the efficient management of financial resources and activities of the organization. The principal financial management services and activities include the following:

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

The Finance Department will continue to play its advisory role in consultation with management and the Board regarding the financial health of the organization.

DEPARTMENT PERFORMANCE

KEY FINANCIAL PERFORMANCE INDICATORS

BALANCE SHEET	2019	2018	2017	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-Current Assets	149,908	173,387	177,870	177,174	139,829
Current Assets	82,962	283,195	519,803	216,209	210,846
Current Liabilities	77,644	39,369	80,667	73,726	153,334
Inventories	54,205	40,956	50,168	45,682	27,230
Receivables	15,096	14,148	22,193	3,142	8,496
Payables	69,915	28,418	70,849	64,334	78,310
Cash & Equivalents	11,999	226,429	443,711	163,785	171,956

PROFIT & LOSS	2019	2018	2017	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues & Other Income	645,042	832,045	1,427,671	1,111,675	963,221
Manufacturing Cost	632,713	762,146	901,088	788,658	690,979
Administrative Expenses	116,058	138,152	107,374	103,131	91,803
Distribution Cost	149,102	115,549	117,864	108,300	99,415
Pre-tax (Loss)/Profit	(253,595)	(183,802)	301,345	111,586	81,024
After-tax (Loss)/Profit	(253,655)	(187,709)	300,119	111,088	80,742

KEY RATIOS	2019	2018	2017	2016	2015
Operating Surplus to Revenue/(Deficit)	-40.01%	-22.56%	21.02%	9.99%	8.38%
Operating Surplus to Total Assets/(Deficit)	-108.57%	-41.11%	43.02%	28.24%	23.02%
Inventory Turnover	11.67	16.73	12.73	21.63	27.29
Day Sale Outstanding	0.00	102.20	47.45	44.06	32.08
Current Ratio	1.07	7.19	6.44	2.93	1.38
Quick Ratio	0.37	6.15	5.82	2.31	1.20

DEPARTMENT PERFORMANCE

KEY FINANCIAL PERFORMANCE INDICATORS

FINANCIAL OVERVIEW

For the second consecutive Financial Year. 2018/2019, the company saw another downturn resulting in a deficit of \$253.6M in comparison to the 2017/2018 year's deficit of 183.8M. Despite the deficit, the company was able to operate effectively in achieving it's mandate and mission due to the healthy cash position coming from the 2017/2018 year end, that is 226.43M; the cash position for the year 2018/2019, closed at \$11.99M.

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 dated June 4, 2018, 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. However, to date, the Government of Jamaica has not yet decided the future operations of NPL. (Reference noted of the 2018/2019 Financials for the further details).

NPL is still awaiting the Government of Jamaica decision on the way forward.

DEPARTMENT PERFORMANCE

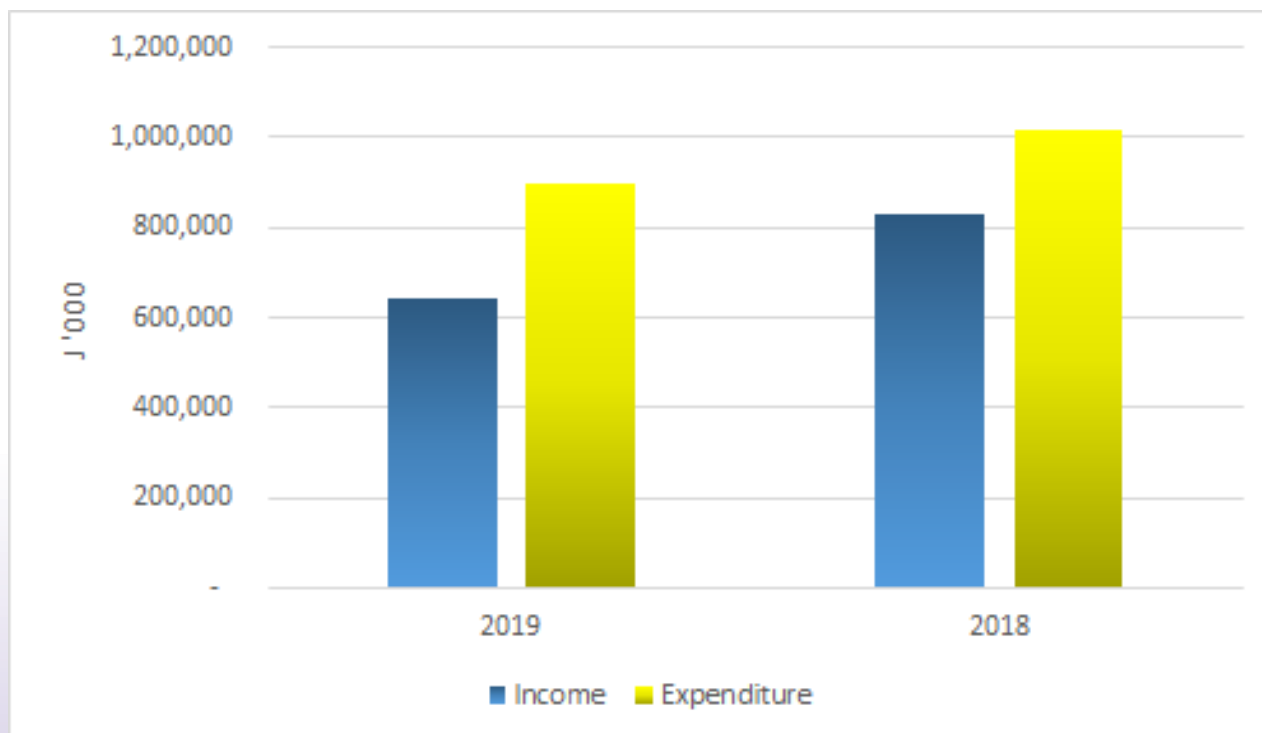
FINANCE AND ACCOUNTING STATISTICAL PROFILE

- Income vs Expenditure 2018 - 2019 (See page 30)
- Income vs Expenditure 5 year comparison data (See page 31)
- Operating Expenses for year ended March 2019 (See page 32)
- Operating Expenses (by category) 5 year comparison data (See page 33)
- Factory cost of production for year ended March 2019 (See page 34)
- Factory cost of production 5 year comparison data (See page 35)

INCOME VS EXPENDITURE FOR PERIOD 2018 - 2019 (J\$M) - Table 1

YEARS	2019	2018
	\$'000	\$'000
INCOME	645,042	832,045
EXPENDITURE	897,873	1,015,847

INCOME VS EXPENDITURE FOR PERIOD 2018 - 2019 - Chart 1



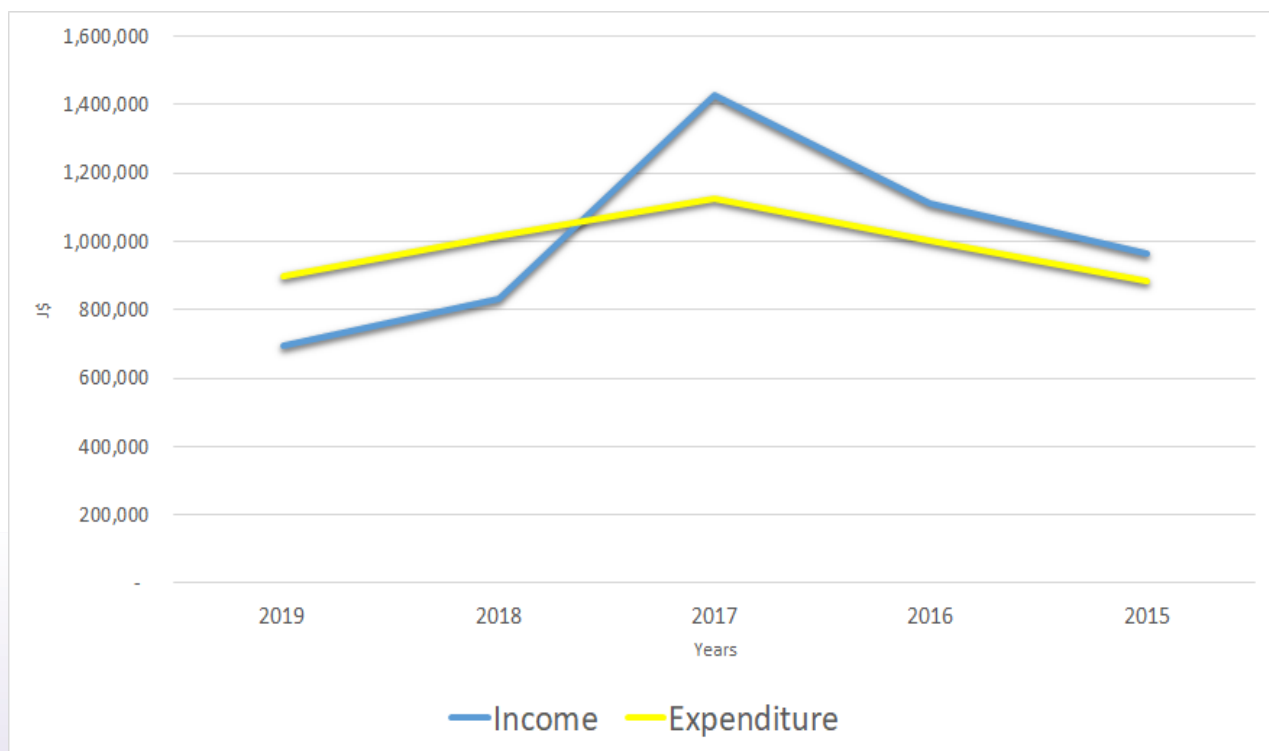
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

YEARS	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME	963,221	1,111,676	1,427,671	832,045	644,278
EXPENDITURE	882,197	1,000,089	1,126,326	1,015,847	897,873

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



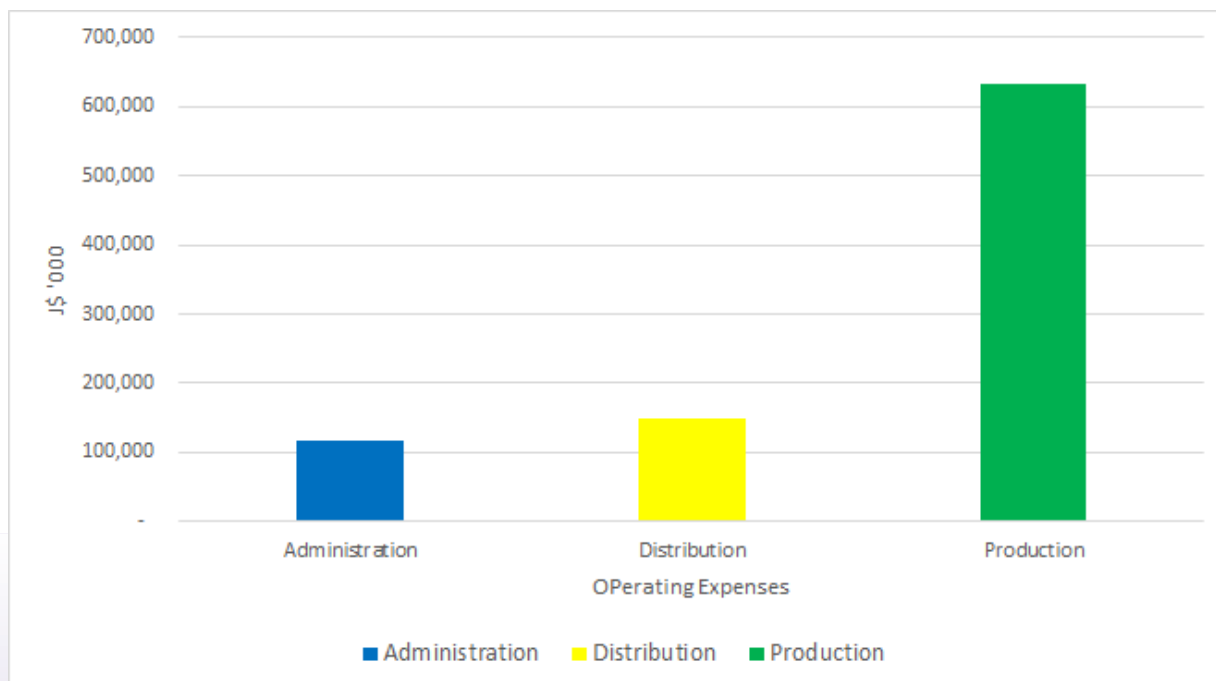
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

OPERATING EXPENSES FOR YEAR ENDED MARCH 2019 J\$ M) - Table 3

Departments	Administration	Distribution	Production	Total
	\$'000	\$'000	\$'000	\$'000
OPERATING EXPENSES	116,058	149,102	632,713	897,873
PERCENTAGE	12.9%	16.6%	70.5%	100%

OPERATING EXPENSES FOR YEAR ENDED MARCH 2019 (J\$ M)- Chart 3



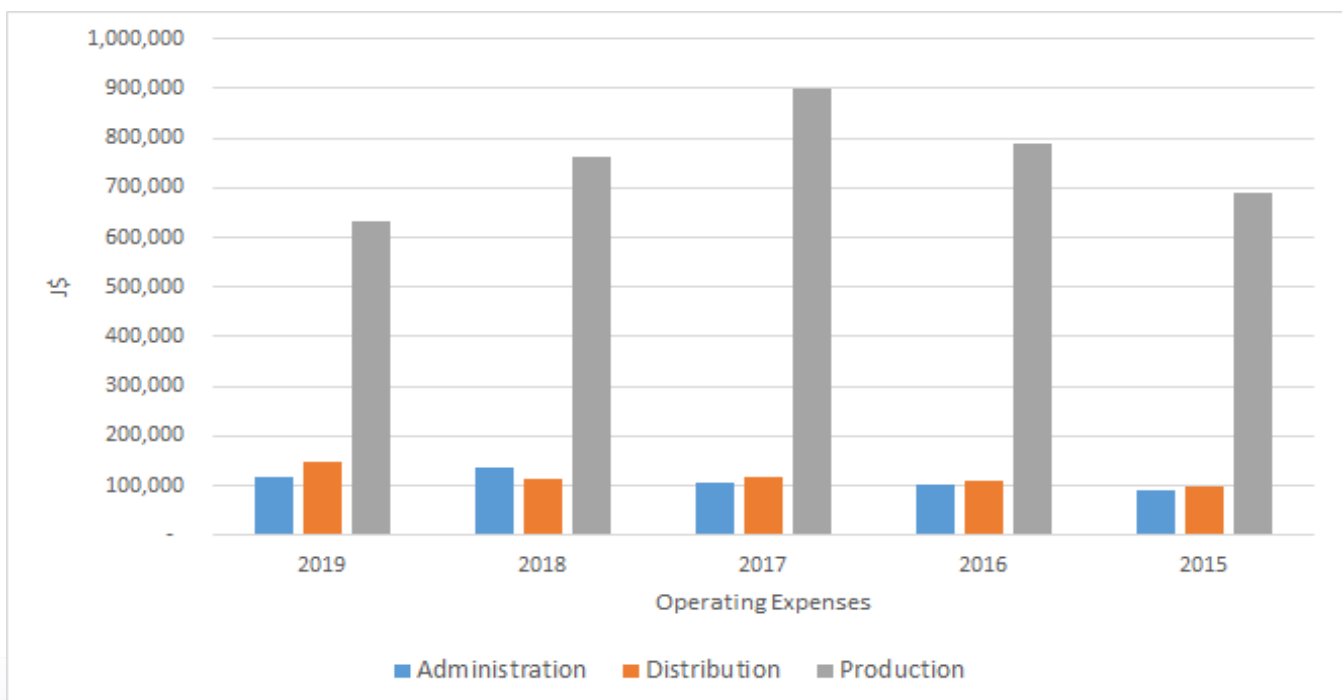
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

YEARS	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
ADMINISTRATION	91,803	103,131	107,374	138,152	116,058
DISTRIBUTION	99,415	108,300	117,868	115,549	149,102
PRODUCTION	690,979	788,658	901,088	762,146	632,713

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



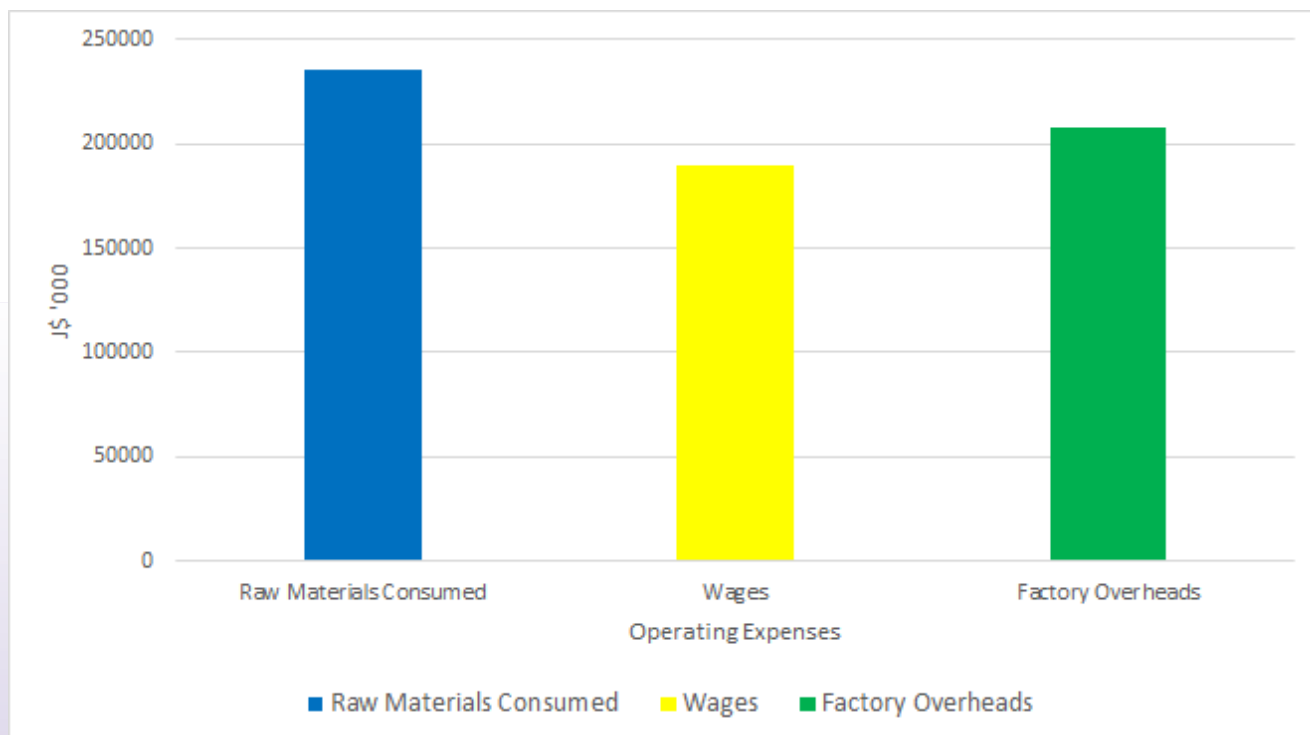
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

FACTORY COST OF PRODUCTION FOR YEAR ENDED MARCH 2019 (J\$M) - Table 5

	Raw Materials Consumed	Wages	Factory Overheads	Total
	\$'000	\$'000	\$'000	\$'000
MANUFACTURING COST	253,070	189,952	207,691	632,713
PERCENTAGE	43.5%%	24.9%%	31.6%%	100%

FACTORY COST OF PRODUCTION YEAR ENDED MARCH 2019 (J\$M) - Chart 5



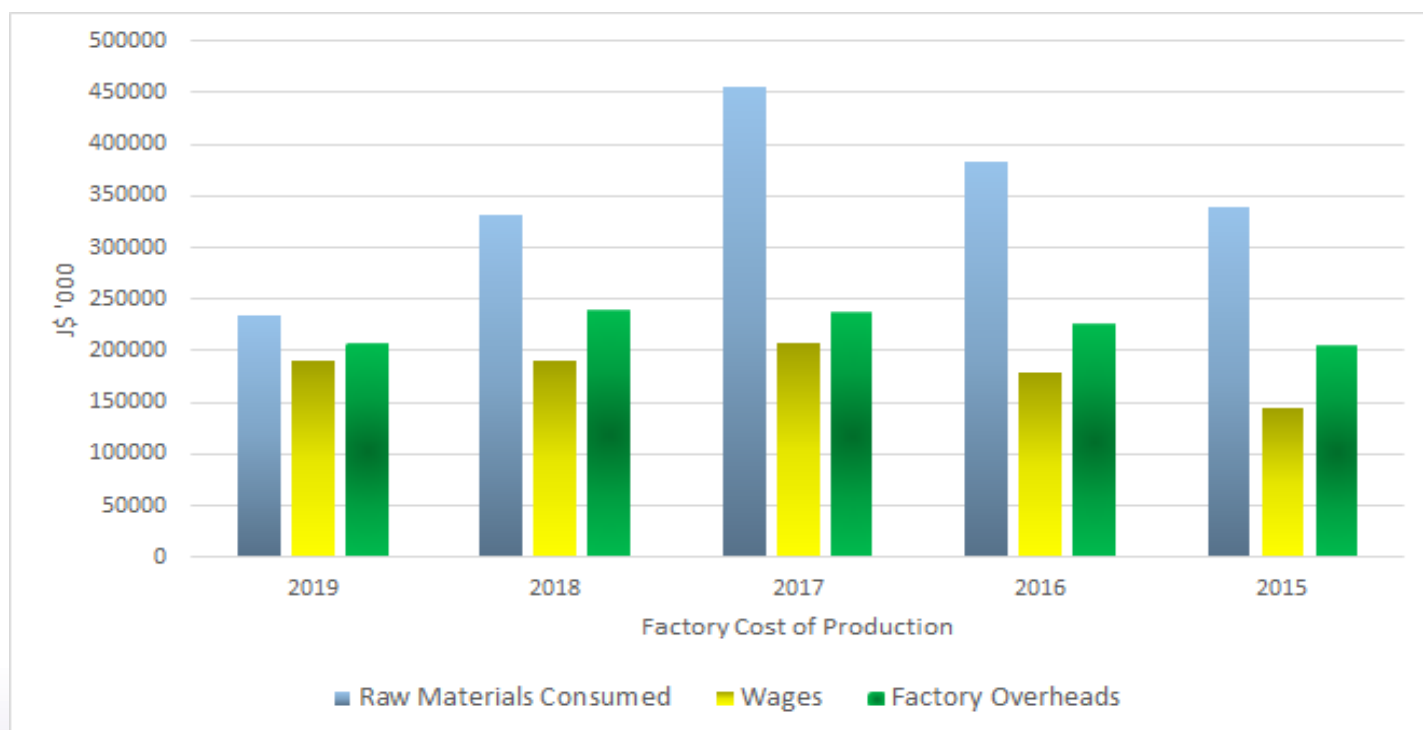
DEPARTMENT PERFORMANCE

FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

YEARS	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
RAW MATERIAL CONSUMED	339,519	382,560	454,914	331,712	235,070
WAGES	145,031	179,451	207,700	189,778	189,952
FACTORY OVERHEADS	206,426	226,647	238,474	240,656	207,691

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



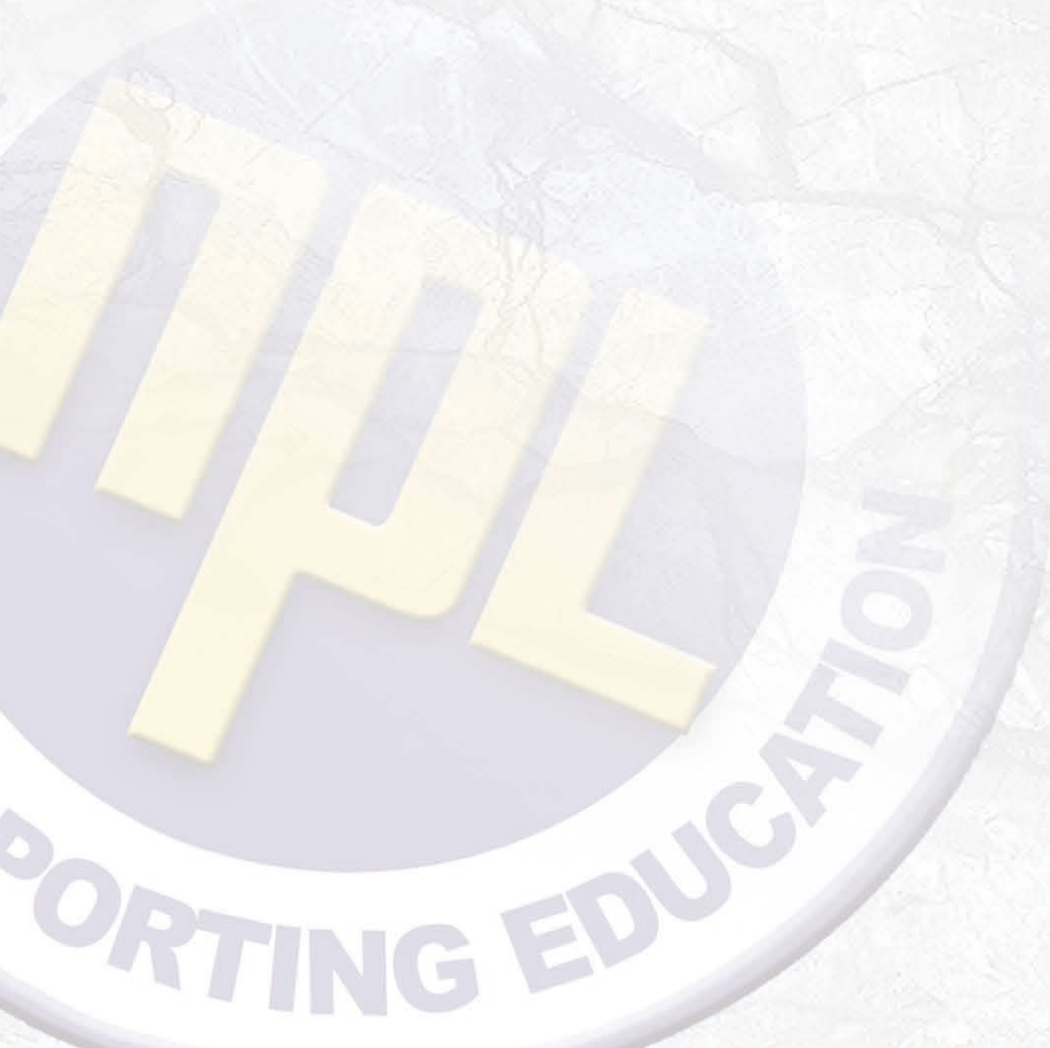


NUTRITION PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT &

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018



Nutrition Products Limited

Financial Statements
31 March 2019

Nutrition Products Limited

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31 March 2019

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Independent Auditors' Report to the Members

Financial Statements

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Statement of comprehensive income	2
Statement of changes in equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 36

INDEPENDENT AUDITORS' REPORT

To the Members of
Nutrition Products Limited

14 Ruthven Road
Kingston 10
Jamaica

T: 876 906 1658-9
F: 876 920 3226

admin@bakertilly.com.jm
www.bakertilly.com.jm

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 36, which comprise the statement of financial position at 31 March 2019, 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 notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, 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.

.../2

ADVISORY • ASSURANCE • TAX

PARTNERS: Wayne Strachan; FCA;FCCA;MBA Emile Lafayette; FCA;FCCA;MBA PRINCIPAL: Roxiana Malcolm-Tyrell; FCA;FCCA;MBA

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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
Chartered Accountants

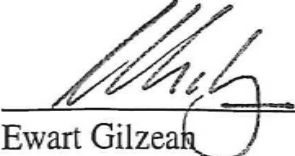
Kingston, Jamaica
24 October 2019


Nutrition Products Limited

Statement of Financial Position As at 31 March 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Non-current asset			
Property, plant and equipment	5	149,908	173,387
Current assets			
Inventories	6	54,205	40,956
Receivables	7	15,096	14,148
Taxation recoverable		1,662	1,662
Cash and short term deposits	8	11,999	226,429
		82,962	283,195
TOTAL ASSETS		232,870	456,582
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	-	-
Capital reserves	10	10,327	10,327
Retained earnings		95,083	348,738
		105,410	359,065
Non-current liability			
Deferred income	11	49,816	58,148
Current liabilities			
Payables	12	69,915	28,418
Deferred income	11	7,729	10,951
		77,644	39,369
TOTAL EQUITY AND LIABILITIES		232,870	456,582

Approved for issue by the Board on 24 October 2019 and signed on its behalf by:

 Chairman
Ewart Gilzean

 Director
Alden Brown

Nutrition Products Limited

Statement of Comprehensive Income Year ended 31 March 2019

	Note	2019 \$'000	2018 \$'000
Revenue	13	631,987	803,400
Cost of sales	14	(632,713)	(762,146)
Gross (loss)/profit		(726)	41,254
Other operating income	15	13,055	11,724
Administrative expenses	16	(116,058)	(138,152)
Distribution costs	17	(149,102)	(115,549)
Operating loss	18	(252,831)	(200,723)
Finance (costs)/income, net	20	(764)	16,921
Loss before taxation		(253,595)	(183,802)
Taxation	21	(60)	(3,907)
Net loss for year, being total comprehensive loss		(253,655)	(187,709)

Nutrition Products Limited

Statement of Changes in Equity Year ended 31 March 2019

	Share Capital (*)	Capital Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 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
Total comprehensive loss	-	-	(253,655)	(253,655)
Balance at 31 March 2019	-	10,327	95,083	105,410

(*)- denotes \$200.

Nutrition Products Limited

Statement of Cash Flows Year ended 31 March 2019

	2019	2018
	\$'000	\$'000
CASH RESOURCES WERE (USED IN)/PROVIDED BY:		
Operating Activities		
Loss before taxation	(253,595)	(183,802)
Adjustments for:		
Depreciation	29,991	25,433
Deferred income	(11,554)	(10,951)
Bad debt	2,448	6,003
Interest income	(890)	(17,890)
Interest expense	82	47
	<u>(233,518)</u>	<u>(181,160)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(3,396)	3,890
(Increase)/decrease in inventories	(13,249)	9,212
Increase/(decrease) in payables	41,497	(42,431)
Cash used in operating activities	<u>(208,666)</u>	<u>(210,489)</u>
Income taxes paid	(60)	(1,838)
Interest received	890	16,042
Interest paid	(82)	(47)
Net cash used in operating activities	<u>(207,918)</u>	<u>(196,332)</u>
Investing Activity		
Purchase of property, plant and equipment	(6,512)	(20,950)
Net cash used in investing activity	<u>(6,512)</u>	<u>(20,950)</u>
Net decrease in cash and cash equivalents	(214,430)	(217,282)
Cash and cash equivalents at beginning of the year	<u>226,429</u>	<u>443,711</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>11,999</u>	<u>226,429</u>
Represented by:		
Cash at bank and in hand	8,788	18,804
Short-term deposits	3,211	207,625
	<u>11,999</u>	<u>226,429</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

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.

(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 2019

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

The following standards have been adopted by the company for the first time which have been issued and are effective for mandatory adoption for the financial year beginning on or after 1 January 2018.

IFRS 9, 'Financial instruments', replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018

IFRS 15, 'Revenue from Contracts with Customers', replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC – 31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The adoption of IFRS 15 Revenue from Contracts with Customers from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 15 the company has elected to use the cumulative effect method and as such, comparative figures have not been restated. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy. The reclassifications and the adjustments arising from the implementation of the standard are therefore recognised in the opening balance sheet on 1 January 2018. The company has also elected to apply the new standard only to those contracts that are not considered complete contracts at the date of initial application.

Nutrition Products Limited**Notes to the Financial Statements
31 March 2019**

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 (continued)**

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 non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

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 2019

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 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. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed.

Adoption of IFRS 16 will result in the company recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. The only exceptions are short-term (less than 12 months) and low-value leases. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The company will apply the standard from its mandatory adoption date of 1 January 2019. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Commitments relating to short-term leases and low value leases will be recognised on a straight line basis as expense in profit and loss.

At 31 March 2019 operating lease commitments amounted to \$10.639 million which is not expected to be materially different to the anticipated position on 31 March 2020 or the amount which is expected to be disclosed at 31 March 2020. However, further work still needs to be carried out to fully determine the right-of-use assets and lease liabilities being recognised on January 1, 2019 and the resulting impact on the company's financial position and net profit after tax.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. Operating cash flows will increase, and financing cash flows decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Nutrition Products Limited**Notes to the Financial Statements
31 March 2019**

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)

IFRIC 23, 'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority.

Annual improvements to IFRS 2015 - 2017 Cycle – Amendments to IFRS 3, IAS 12 and IAS 23 (effective for annual periods beginning on or after 1 January 2019). The amendments to IFRS 3 clarifies how a company remeasures its previously held interest in a joint operation when it obtains control of a business. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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 2019

2. Summary of significant accounting policies (continued)

(b) Property, plant and equipment

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 expected useful lives. The rates used to write off the cost of assets 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 2019

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. For trade receivables impairment provisions, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

Under the simplified approach within IFRS 9, the impairment provision is assessed using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(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) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Nutrition Products Limited**Notes to the Financial Statements
31 March 2019**

2. Summary of significant accounting policies (continued)**(h) Trade and other 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.

(i) 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 determined.

(j) 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 (note 22).

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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

2. Summary of significant accounting policies (continued)

(k) Financial instruments

Classification

From 1 April 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. IFRS9(4.3.2),(4.3.3)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Nutrition Products Limited**Notes to the Financial Statements
31 March 2019**

2. Summary of significant accounting policies (continued)**(l) 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 2019**

2. Summary of significant accounting policies (continued)**(m) 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.

(n) 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.

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 2019**

2. Summary of significant accounting policies (continued)**(o) 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.

(p) 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 2019

2. Summary of significant accounting policies (continued)

(q) 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.

Deferred income taxes have not been provided for in these accounts as their utilization is currently considered not to be sufficiently probable.

(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.

(r) 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 2019

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) Financial instrument risks

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 instruments carried on the statement of financial position include cash and cash equivalents, receivables, payables and shareholders' loan.

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of business. No derivative financial instruments are presently used to manage, mitigate or eliminate exposure to financial instrument risks.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at fair value through other comprehensive income (FVOCI) and deposits with banks and financial institutions.

The company manages this risk by maintaining cash resources with reputable financial institutions. The company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

At the statement of financial position date, there were no trade receivables and the exposure to credit risk of other financial assets were considered immaterial.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

3. Financial Risk Management (Continued)

a) Financial instrument risks (Continued)

(ii) 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.

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:

	1 to 3 months	4 to 12 months	Over 1 year	Total	Carrying value
	2019				
	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	69,915	-	-	69,915	69,915
	2018				
	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	11,421	8,354	8,643	28,418	28,418

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

3. Financial Risk Management (Continued)

a) Financial instrument risks (Continued)

(iii) 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 risks mainly arise from changes in interest rates (see 3 (iv)) and currency risk (see 3 (v)). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk exposures are measured using sensitivity analysis. There has been no significant change in exposure to market risks or the manner in which it manages and measures the risk.

(iv) 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 company's interest rate risk mainly arises from its cash and cash equivalents. This risk is managed by analysing the economic environment. At 31 March 2019 and 2018, the Company had no significant exposure to variable rate interest rate risk.

(v) 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 cash equivalents and payables. The company had net foreign currency liabilities denominated balances as at 31 March 2019 are as follows:-

	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Trade payables- USD	3	3
Trade payables- JMD	<u>326</u>	<u>314</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

3. Financial Risk Management (Continued)

a) Financial instrument risks (Continued)

(v) 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 2019	Effect on Surplus 2019 \$'000	% Change in Currency Rate 2018	Effect on Surplus 2018 \$'000
Currency :				
Revaluation	4	13	2	6
Devaluation	6	(20)	4	(12)

b) 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.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

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. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the Credit risk note.

(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 the statement of comprehensive income through impairment or adjusted depreciation provisions.

(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(b)).

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

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 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
Additions	1,104	5,032	219	-	-	-	157	6,512
31 March 2019	69,597	174,963	55,400	27,349	13,532	5,561	33,916	380,318
Depreciation -								
1 April 2017	15,437	86,760	22,271	17,879	8,773	1,844	22,022	174,986
Charge for the period	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
Charge for the year	3,565	14,069	4,271	2,587	1,815	952	2,732	29,991
31 March 2019	20,711	112,512	30,891	23,242	12,210	3,833	27,011	230,410
Net book value -								
31 March 2019	48,886	62,451	24,509	4,107	1,322	1,728	6,905	149,908
31 March 2018	51,347	71,488	28,561	6,694	3,137	2,680	9,480	173,387

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

6. Inventories

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Raw materials	9,120	10,517
Finished products	20,002	-
Packaging supplies	23,089	27,803
Consumable stores	2,183	2,825
	<u>54,394</u>	<u>41,145</u>
Provision for obsolete stock	(189)	(189)
	<u>54,205</u>	<u>40,956</u>
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Movement in provision for inventories		
Balance at the beginning and end of year	189	189

7. Receivables

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Amount due from schools	-	6,333
Advance to suppliers	7,658	-
Other receivables	7,052	7,466
Prepayments	386	349
	<u>15,096</u>	<u>14,148</u>

During the year, receivables of \$2.4M (2018: \$6.0M) was written off during the year.

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

8. Cash and short-term deposits

		<u>2019</u>	<u>2018</u>
		<u>\$'000</u>	<u>\$'000</u>
Cash at bank and in hand	(i)	8,788	18,804
Short term deposits	(ii)	<u>3,211</u>	<u>207,625</u>
		<u>11,999</u>	<u>226,429</u>

- i. Cash at bank substantially comprise savings and operating accounts at licensed commercial banks in Jamaica. The rate of interest earned on the company's accounts, ranges from 0.35% to 1.2%.
- 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>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised, issued and fully paid:		
200 Ordinary shares at beginning and end of the year	<u>-</u>	<u>-</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 2019

10. Capital reserves

	<u>2019</u>	<u>2018</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	<u>788</u>	<u>788</u>
	<u>10,327</u>	<u>10,327</u>

11. Deferred income

Deferred income arising on Government Grant:

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	69,099	80,050
Amount transferred to income, Note 15	<u>(11,554)</u>	<u>(10,951)</u>
Balance at end of year	<u>57,545</u>	<u>69,099</u>
Comprising:		
Current liability	7,729	10,951
Non-current liability	<u>49,816</u>	<u>58,148</u>
	<u>57,545</u>	<u>69,099</u>

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

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

12. Payables

	2019	2018
	\$'000	\$'000
Trade payables	55,600	17,964
Statutory payable	2,455	3,630
Other payables and accruals	11,860	6,824
	<u>69,915</u>	<u>28,418</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.

	2019	2018
	\$'000	\$'000
Sales to schools	5,554	21,140
GOJ collection liability	-	21,891
Subvention	626,433	760,369
	<u>631,987</u>	<u>803,400</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

14. Cost of sales

	2019	2018
	\$'000	\$'000
Opening inventories	40,956	50,168
Purchases, haulage, duty and freight	248,319	322,500
	289,275	372,668
Closing inventories	(54,205)	(40,956)
	235,070	331,712
Manufacturing labour (Note 19)	189,952	189,778
Prime cost	425,022	521,490
Factory overheads:		
Charitable donations- snacks	1,019	3,122
Depreciation	20,221	16,146
Factory rental and maintenance	7,078	8,843
Fuel oil	7,206	17,562
Insurance	551	700
Machinery lease	3,561	3,803
Stationery and printing	1,820	282
Repairs and maintenance	66,625	73,901
Sanitation	18,258	15,125
Security	20,509	17,295
Staff welfare and subsistence	27,006	31,528
Transportation	6,965	11,058
Utilities	26,872	41,291
	207,691	240,656
	632,713	762,146

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

15. Other operating income

Other operating income comprises the following:

	2019	2018
	\$'000	\$'000
Capital grant deferred income, Note 11	11,554	10,951
Rental income	720	720
Other income	781	53
	<u>13,055</u>	<u>11,724</u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

16. Administrative expenses

	2019	2018
	\$'000	\$'000
Advertising and public relations	789	1,904
Audit and accountancy	2,473	1,410
Bad debt	2,448	6,003
Commissions	-	1,264
Computer service	3,510	6,110
Depreciation	8,882	6,349
Directors' expenses	7,921	5,997
Group health and life insurance	2,015	1,663
Insurance	306	389
Legal and professional fees	7,281	9,051
Motor vehicle expenses	359	565
Repairs and maintenance	3,120	4,081
Salaries and wages (Note 19)	54,022	66,847
Sanitation	1,984	1,677
Security	1,562	1,089
Staff welfare and subsistence	5,758	7,717
Stationery, office expenses and supplies	2,375	4,700
Subscription and donations	2,463	2,289
Utilities	8,790	9,047
	<u>116,058</u>	<u>138,152</u>
Distribution costs (Note 17)	149,102	115,549
Finance costs/(income), net (Note 20)	<u>764</u>	<u>(16,921)</u>
	<u><u>265,924</u></u>	<u><u>236,780</u></u>

Nutrition Products Limited

Notes to the Financial Statements 31 March 2019

17. Distribution costs

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Contract deliveries	99,842	69,217
Depreciation	888	2,938
Group health and life insurance	1,118	848
Insurance	374	467
Motor vehicle expenses	4,525	4,491
Repairs and maintenance	629	1,638
Salaries and wages (Note 19)	19,464	17,410
Sanitation	1,999	1,152
Security	6,988	4,787
Staff welfare and subsistence	1,565	2,029
Staff transportation	394	1,095
Stationery, office expenses and supplies	627	1,044
Transportation and haulage	9,275	5,812
Utilities	1,364	2,010
Warehouse distribution expenses	50	611
	<u>149,102</u>	<u>115,549</u>

18. Operating loss

In arriving at the operating loss, the following have been charged: -

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Auditors' remuneration	1,400	1,410
Depreciation	29,991	25,433
Directors' emoluments:		
- Fee	7,921	5,997
- Management remuneration	30,241	50,396
Staff costs (Note 19)	<u>263,438</u>	<u>274,035</u>

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Notes to the Financial Statements 31 March 2019

19. Staff costs

	2019	2018
	\$'000	\$'000
Salaries and wages	241,432	253,174
Statutory contributions	11,790	11,732
Pension costs (Note 22)	10,216	9,129
	<u>263,438</u>	<u>274,035</u>
Staff cost reflected in:-		
Cost of sales	189,952	189,778
Administrative expenses	54,022	66,847
Distribution costs	19,464	17,410
	<u>263,438</u>	<u>274,035</u>

20. Finance costs/(income), net

	2019	2018
	\$'000	\$'000
Interest income	(890)	(17,890)
Interest expense	82	47
Bank charges	1,148	914
Foreign exchange loss	424	8
	<u>764</u>	<u>(16,921)</u>

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Notes to the Financial Statements 31 March 2019

21. Taxation

Taxation is computed on the loss for the year adjusted for taxation purposes and comprises:

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Income tax	-	3,847
Minimum Business Tax	<u>60</u>	<u>60</u>
	<u>60</u>	<u>3,907</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>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Loss before taxation	<u>(253,595)</u>	<u>(183,802)</u>
Tax calculated at tax rate of 25%	(63,399)	(45,951)
Adjustments for the effect of:-		
Income not subject to tax	(157,997)	(200,850)
Minimum business tax	60	60
Tax effect of subvention utilized	<u>221,396</u>	<u>250,648</u>
	<u>60</u>	<u>3,907</u>

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Notes to the Financial Statements 31 March 2019

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 \$10.2 million (2018: \$9.1 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>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Minimum lease payments under operating leases recognised as an expense in the year.	<u>7,736</u>	<u>8,053</u>

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

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	7,736	8,093
Longer than 1 year and not longer than 4 years	<u>1,027</u>	<u>8,406</u>
	<u>8,763</u>	<u>16,499</u>

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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>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Directors' fees	7,921	5,997
Management remuneration	<u>30,241</u>	<u>50,396</u>

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Notes to the Financial Statements 31 March 2019

25. Subsequent event

The Government of Jamaica, through Cabinet Decision No. 20/18 dated June 4, 2018, 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.

To date, the Government of Jamaica has not yet decided the future operations of Nutrition Products Limited.



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