

**NUTRITION PRODUCTS LIMITED**  
**ANNUAL REPORT**  
**2020-2021**



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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.

**“Nutrition Supporting Education”**



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# COMPANY PROFILE

Nutrition Products Limited (NPL) was established in 1973 as an agency of the Ministry of Education Youth and Information. NPL underwent formal incorporation in 1974, operating as a Limited Liability Company in accordance with the Companies Act.

The Company is entrusted with the production and distribution of nourishing snacks to schools nationwide, as part of the overarching national school feeding initiative. NPL manages three production facilities situated in Kingston, St. Mary, and Westmoreland.

The primary objective of this programme is to furnish beneficiaries/students with a nourishing meal, thereby fostering the cultivation of healthy dietary practices, enhancing overall well-being, and bolstering educational attainment. This ensures that hunger does not impede the learning process, concurrently serving as a foundational measure in curtailing absenteeism.

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# CHAIRMAN'S REPORT



Despite the challenges brought about by the Covid-19 pandemic during the fiscal year 2020-2021, Nutrition Products Limited (NPL) exhibited responsiveness and adaptability pivoting away from a primary focus on the delivery of meal solutions to research and product development. Focused attention was also placed on plant retooling and infrastructure repairs, as well as human resource development in a bid to enhance staff efficiency and welfare and improve overall service delivery to our stakeholders.

Working closely with the Ministry of Health and Wellness, we constantly reviewed our COVID-19 protocols to ensure that we were ahead of the curve in terms of implementing measures based on the most current information available. These measures have now become a normal part of our operating environment. One of the major impacts of the COVID-19 pandemic that affected NPL severely was the closure of schools for the year under review.

I take this opportunity to express gratitude for their sterling work and unwavering support. To my fellow Board of Directors and the CEO of NPL and his hardworking team.

A handwritten signature in blue ink, appearing to read 'A. Franklin', with a horizontal line underneath.

**Dr. Aundre Franklin, C.D**

Board Chairman

(December 2020 – March 31, 2021)



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# CHIEF EXECUTIVE OFFICER'S REPORT



During the fiscal year 2020-2021, Nutrition Products Limited (NPL) faced significant obstacles in fulfilling its primary mission of supplying nutritious meals to designated infant and primary schools across the island. The emergence of the COVID-19 pandemic led to widespread school closures from the latter part of the 2019/2020 fiscal year throughout the entire 2020/2021 year. Consequently, there were no students or beneficiaries requiring the meals originally intended for the core distribution.

However, during the financial year 2020-2021 NPL was requested by its parent Ministry (the Ministry of Education Youth & Information) to provide solutions for ten days to twelve thousand two hundred and sixteen (12,216) sixth (6th) form students in the months of June and July that were slated to sit the Caribbean Secondary Examination Certificate (CSEC)

examinations.

As the pandemic persisted, it became evident that schools would remain closed for the foreseeable future. In response, NPL sought approval from the Ministry of Education, Youth and Information (MoEY&I) to utilize the stored raw materials. Permission was granted to convert these materials into finished products, which were then distributed to Ninety-three thousand four hundred and forty-nine (93,449) beneficiaries on the Programme of Advancement Through Health & Education (PATH) for fourteen days as specified by the MoEY&I. This proactive measure aimed to prevent losses incurred due to the expiration dates of the stored raw materials.

Amid the ongoing pandemic, the well-being of NPL's employees took precedence. The organization implemented various safety measures, including remote work arrangements



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where feasible, social distancing, mandatory safety protocols such as the use of personal protective equipment, regular sanitization, and open communication with the team to address their concerns and evolving needs.

Despite differing expert opinions on the duration of the battle against COVID-19, NPL remains committed to prioritizing the health and safety of its team members. The organization will continue to provide necessary facilities and support, encouraging employees to utilize these resources effectively.

Looking ahead, NPL expresses optimism that schools will eventually reopen for face-to-face classes as the pandemic subsides. This reopening will enable NPL to resume its crucial role in national development by supplying nutritious, ready-to-serve products to the nation's children, who have experienced significant disruptions in their learning opportunities.

In conclusion, I extend my heartfelt gratitude to the Board of Directors, management, and staff for their personal sacrifices and unwavering support throughout the challenges faced in the year 2020/2021. I anticipate your continued support and encourage everyone to stay safe as we navigate the uncertainties of the year ahead.



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**Andrew Narine**

Chief Executive Officer

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# BOARD OF DIRECTORS

## (APRIL 2020 – DECEMBER 6, 2020)



**Mr. Ewart Gilzean**

***Board Chairman***

Procurement & Contracts Chairman  
Finance & Planning Committee



**Alden Brown**

Human Resource & Admin. Servs. Chairman  
Customer Service & Quality Assurance  
Committee  
Warehouse & Distribution Committee  
Pension Trustee



**Dorothy Finlayson**

Customer Service & Quality Assurance  
Committee  
Procurement & Contracts Committee  
Internal Audit & Investigation Committee



**Donovan Samuels**

Human Resource & Admin. Services  
Committee  
Production, Maintenance Committee  
Warehouse & Distribution Committee  
Internal Audit & Investigation Committee



**Vicki Hanson**

Production, Maintenance Chairperson  
Warehouse & Distribution Committee  
Internal Audit & Investigation  
Committee



**Andrew Bellamy**

Finance & Planning + MIS Committee  
Procurement & Contracts Committee  
Production, Maintenance Committee  
Internal Audit & Investigation Committee



**Robert Collie**

Finance & Planning + MIS Committee  
Human Resource & Admin. Servs  
Committee  
Procurement & Contracts Committee



**Joyce Young**

Customer Services Committee  
Production, Maintenance & Safety  
Committee  
HR and Administrative Services  
Committee



**Kasan Troupe**

Customer Service & Quality Assurance  
Production, Maintenance Committee  
Warehouse & Distribution Committee



**Natalie Murray**

Customer Service & Quality Assurance-  
Chairperson  
Finance & Planning + MIS Committee  
Procurement & Contracts Committee



**Adonia Chin**

Human Resource & Admin. Services  
Procurement & Contracts Committee

# DIRECTORS ATTENDANCE

## BOARD AND COMMITTEE MEETINGS

(April 2020 – December 6, 2020)

DIRECTOR	BOARD MEETING	FINANCE	PROCUREMENT & CONTRACTS	INTERNAL AUDIT	H.R. & ADMIN. SERVICE	PROD. & MAINT.	WAREHOUSING & DISTR.	SPECIAL MEETING	TRUSTEES/PENSION	C.S.D
Toal number of meetings held	9	11	9	9	10	11	11	116	9	11
Ewart Gilzean	9	11	9	6	6	4	9	17	5	7
Andrew Bellamy	8	5	3	1	0	4	0	0	0	0
Alden Brown	9	1	0	0	10	1	7	116	7	11
Robert Collie	8	7	8	0	6	0	0	0	0	0
Dorothy Finlayson	9	0	9	9	0	0	0	1	9	11
Vicki Hanson	9	0	0	7	0	8	8	0	0	0
Krystal Lee	0	4	0	1	3	0	0	2	0	0
Robert Miller	5	0	0	5	1	7	7	10	0	4
Natalie Murray	8	10	8	0	0	0	0	1	0	11
Donovan Samuels	8	0	0	6	8	8	7	9	2	0
Joyce Young	9	0	0	0	10	10	0	5	3	11
Adonia Chin	4	0	2	0	0	0	0	0	0	0
Kasan Troupe	4	0	0	0	0	1	1	0	0	1
Stanford Maxwell *	0	0	0	0	7	0	0	1	9	0
Cleve McKenzie **	0	0	0	0	0	0	0	3	7	0

The Board Tenure ended on September 3, 2020; however, they were requested to serve until a new Board was named.

Workers' Representative \*

Pensioners' Representative \*\*

# DIRECTORS COMPENSATION

## (April 2020 – December 6, 2020)

DIRECTOR	FEES \$	TRAVELLING \$	TOTAL \$
Ewart Gilzean	987,000.00	53,200.00	1,040,200.00
Andrew Bellamy	180,500.00	0.00	180,500.00
Alden Brown	1,135,150.00	302,400.00	1,437,550.00
Robert Collie	232,500.00	2,800.00	235,300.00
Dorothy Finlayson	401,200.00	16,800.00	418,000.00
Vicki Hanson	291,100.00	5,600.00	296,700.00
Krystal Lee	81,800.00	31,641.00	113,441.00
Robert Miller	303,900.00	53,200.00	357,100.00
Natalie Murray	326,500.00	5,600.00	332,100.00
Donovan Samuels	389,600.00	33,600.00	423,200.00
Joyce Young	363,400.00	33,600.00	397,000.00
Adonia Chin	61,000.00	0.00	61,000.00
Kasan Troupe	67,500.00	0.00	67,500.00
Stanford Maxwell *	110,500.00	44,800.00	155,300.00
Cleve McKenzie**	65,000.00	28,000.00	93,000.00

Workers' Representative \*

Pensioners' Representative \*\*

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# BOARD OF DIRECTORS

(DECEMBER 7, 2020 – MARCH 31, 2021)



**Dr. Aundre Franklin, C.D**  
*Board Chairman*



**Ms. Karen Sutherland**  
*Deputy Chairman*

Finance and Planning and Pension Chairperson



**Mrs. Dorothy Finlayson**

Human Resource & Admin Servs. Chairperson  
Customer Service and Quality Assurance



**Mr. Andrew Warwar**

Procurement and Contracts  
Chairperson



**Mrs. Natalie Murray**

Customer Service and Quality Assurance Chairperson  
Finance and Planning and Pension



**Ms. Vicki Hanson**

Management Information Systems  
Chairperson  
Procurement and Contracts



**Mr. Maurice Sloley**

Maintenance, Production and Safety Chairperson



**Mr. Sean Lyn**

Management Information Systems  
Maintenance, Production and Safety



**Mr. Marlon Morgan**

Human Resource & Admin Servs  
Finance and Planning and Pension

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# BOARD OF DIRECTORS

(DECEMBER 7, 2020 – MARCH 31, 2021)



**Mr. Donovan Samuels**

Management Information Systems



**Mr. Alden Brown**

Resigned February 2021



**Ms. Odia Reid**

Procurement and Contracts



**Dr. Kasan Troupe**

Resigned February 2021



**Mr. Wayne Leahong**



**Ms. Dorrett Campbell**

(Appointed March 2021)



**Mr. Nigel Phipps**

(Appointed March 2021)



**Mr. Richard Cargill**

# DIRECTORS ATTENDANCE BOARD AND COMMITTEE MEETINGS (January 2021 – March 2021)

Board of Directors were appointed with effect from December 7, 2021

DIRECTORS	BOARD MEETING	FINANCE	PROCUREMENT & CONTRACTS	H.R. & ADMIN. SERVICE	CUSTOMER SERVICE	PROD. & MAINT.	MAGEMENT INFORMATION SYSTEM
Total number of meetings held	3	1	2	1	1	2	1
Audre Franklin	3	0	0	0	0	0	0
Karen Sutherland	3	1	0	0	0	0	0
Alden Brown*	1	0	0	0	0	0	0
Sean Lyn	3	0	0	0	0	2	0
Dorothy Finlayson	3	0	0	1	1	0	0
Vicki Hanson	3	0	1	0	0	0	0
Wayne Leahong	1	0	0	0	0	0	0
Odia Reid	3	0	2	0	0	0	0
Maurice Sloley	3	0	1	0	1	2	0
Natalie Murray	3	1	0	0	1	0	0
Richard Cargill	2	0	0	0	0	0	0
Donovan Samuels	2	0	0	0	0	0	1
Andrew Warwar	3	0	2	0	0	0	0
Marlon Morgan	3	1	0	1	0	0	0

# DIRECTORS COMPENSATION

(January 2021 – March 2021)

DIRECTORS	FEES \$	TRAVELLING \$	TOTAL \$
Aundre Franklin	63,900.00	-	63,900.00
Karen Sutherland	46,700.00	-	46,700.00
Alden Brown	12,000.00	-	12,000.00
Sean Lyn	49,000.00	-	49,000.00
Dorothy Finlayson	53,200.00	-	53,200.00
Vicki Hanson	42,500.00	-	42,500.00
Wayne Leahong	12,000.00	-	12,000.00
Odia Reid	49,000.00	-	49,000.00
Maurice Sloley	70,400.00	-	70,400.00
Natalie Murray	53,200.00	-	53,200.00
Richard Cargill	24,000.00	-	24,000.00
Donovan Samuels	24,000.00	-	24,000.00
Andrew Warwar	57,400.00	-	57,400.00
Marlon Morgan	49,000.00	-	49,000.00



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# EXECUTIVE MANAGEMENT TEAM



**Andrew Narine**

**Chief Executive  
Officer**



**Keisha Jones-Jarett**

**Financial Controller**



**Robert Carr**

**Internal Auditor**



**Hugh Fogo**

**Production  
Manager**



**Katreena Barker**

**Customer Service  
Manager**



**Zedalin Thorpe**

**Procurement  
Manager**



**Micheal Montgomery**

**Warehouse &  
Distribution Manager**



**Kay-dian Knight**

**Human Resource  
Manager**

# EXECUTIVE MANAGEMENT

NAMES	POSITIONS \$	YEAR \$	SALARY \$	GRATUITY PERFORMANCE INCENTIVE \$
Andrew Narine	Chief Executive Officer	2020/21	4,236,475.92	-
Zedalin Thorpe-Ruddock	Procurement Manager	2020/21	2,501,774.00	1,395,591.60
Robert Carr	Internal Auditor	2020/21	2,475,864.15	-
Micheal Montgomery	Warehouse & Distribution Mgr.	2020/21	2,023,417.92	-
Maurice Clarke*	Human Resources Manager	2020/21	-	973,462.10
Keisha Jones-Jarrett	Financial Controller	2020/21	1,641,061.16	-
Hugh Fogo	Production Manager	2020/21	1,874,754.96	-
Stephen Johnson	Maintenance & Safety Mgr.	2020/21	2,055,735.96	-
Katreena Barker	Customer Services Manager	2020/21	2,405,208.00	-
Kaydian Knight	Human Resources Manager	2020/21	1,251,872.42	-
			<b><u>20,466,164.49</u></b>	<b><u>2,369,053.70</u></b>

\* Mr. Maurice Clarke tendered his resignation on March 31, 2020, and it is noteworthy that his gratuity payment was disbursed during the ensuing financial year in April 2021.

# COMPENSATION

TRAVELLING ALLOWANCE OR VALUE OF ASSIGNED MOTOR VEHICLE \$	PENSION/OTHER RETIREMENT BENEFITS \$	OTHER ALLOWANCES \$	NON-CASH BENEFITS \$	TOTAL \$
1,697,148.00	211,823.80	638,189.35	79,200.00	6,862,837.07
961,776.00	-	51,125.00	79,200.00	4,989,466.60
894,924.00	123,793.21	-	79,200.00	3,573,781.36
894,924.00	101,170.90	244,326.91	79,200.00	3,343,039.73
372,885.00	-	87,611.53	-	1,433,958.63
582410.93	82,053.06	165,207.45	46,200.00	2,516,932.60
894,924.00	93,737.75	95,441.48	79,200.00	3,038,058.19
894,924.00	102,786.80	47,485.50	79,200.00	3,180,132.26
Z894,924.00	120,260.40	94,234.03	79,200.00	3,593,826.43
491,590.70	-	84,591.76	46,200.00	1,874,254.88
<b><u>8,580,430.63</u></b>	<b><u>835,625.91</u></b>	<b><u>1,508,213.01</u></b>	<b><u>646,800.00</u></b>	<b><u>34,406,287.75</u></b>



# DEPARTMENTAL REPORTS



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# PRODUCTION

The production department of Nutrition Products Limited is responsible for manufacturing finished products to be distributed to its beneficiaries, primarily school children. This process involves the use of labour and machinery, along with meticulous planning, coordination, and direction of all necessary activities. The aim is to meet the nutritional needs of NPL's beneficiaries and fulfill the company's mission of providing nutritious meals.

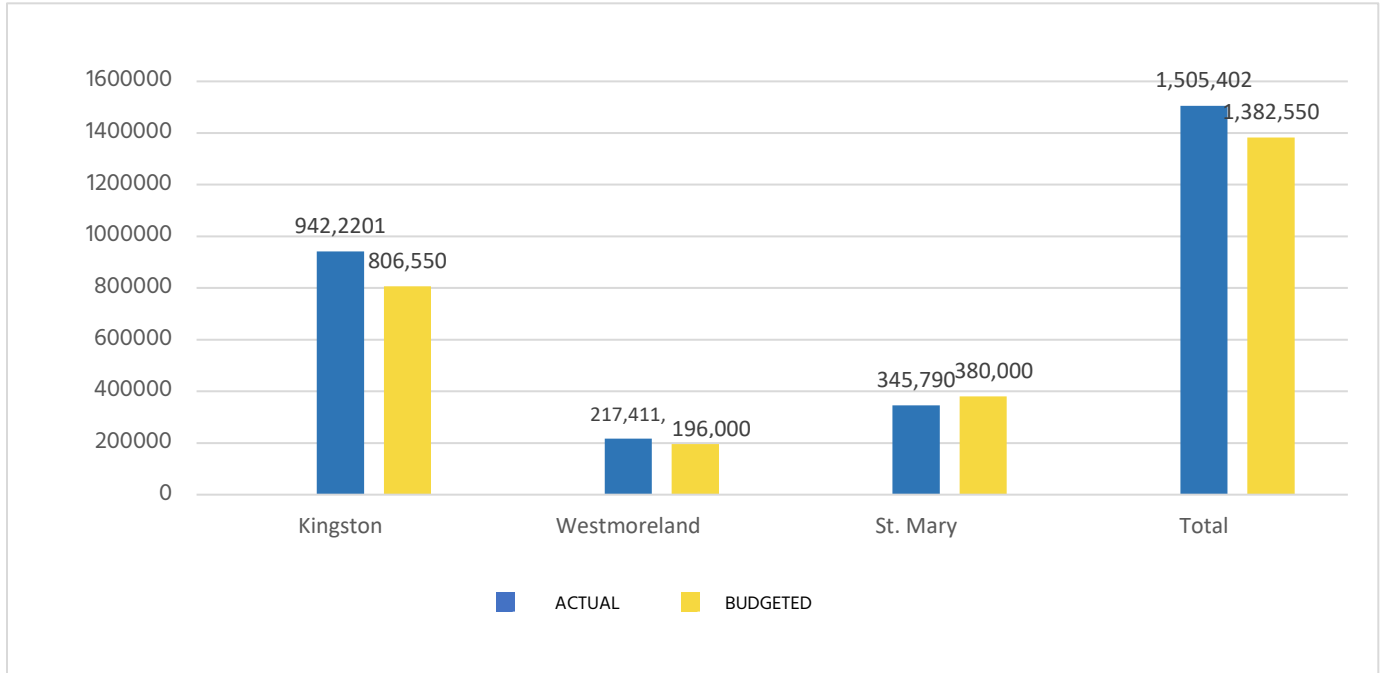
NPL operates manufacturing facilities in parishes of Kingston, St. Mary, and Westmoreland. However, due to the Covid-19 Pandemic and the closure of schools since March 2020, production for the fiscal period 2020-2021 are as follows:

- June & July 2020 - Kingston Plant; Production at the Kingston plant was done to facilitate face-to-face classes for 12,216 sixth-form students sitting the CSEC examinations over a period of ten days.
- In October and November 2020, production occurred at all three facilities to utilize existing packaging and raw materials that were in inventory before the onset of the pandemic.

Production came to a halt for the remainder of the financial year due to the continued closure of schools. Despite the challenges, actual production exceeded the budgeted targets. For detailed production information please refer to the tables and charts on pages 20-21.

# BUDGETED VS ACTUAL

## Production of Solids



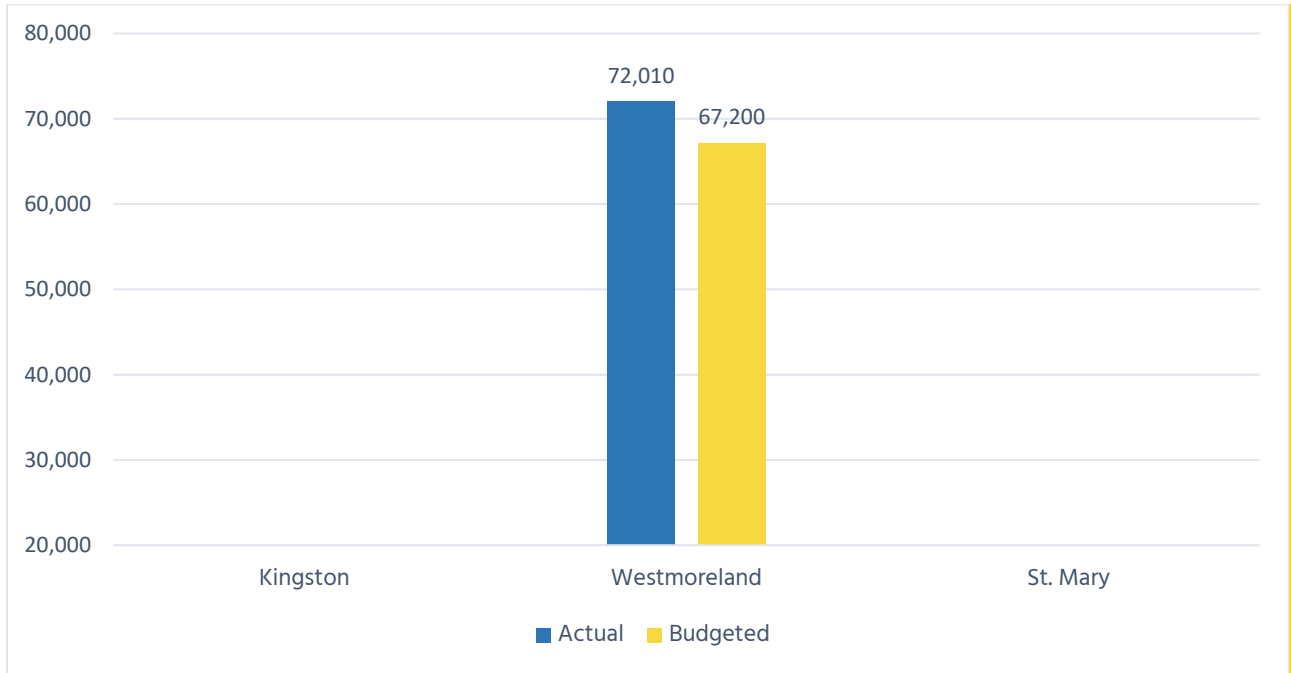
Production of Solid – Chart 1

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)	Percentage (%)
<b>Kingston</b>	942,201	806,550	135,651	16.82	116.82
<b>Westmoreland</b>	217,411	196,000	21,411	10.92	110.92
<b>St. Mary</b>	345,790	380,000	-34,210	-9.00	91.00
<b>Total</b>	<b>1,505,402</b>	<b>1,382,550</b>	<b>122,852</b>	<b>8.89</b>	<b>108.89</b>

Production of Solid – Table 1

# BUDGETED VS ACTUAL

## Production of Liquid



Production of Liquid – Chart 2

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)	Percentage (%)
<b>Kingston</b>	Nil	Nil	Nil	Nil	Nil
<b>Westmoreland</b>	72,010	67,200	4,810	7.2	107.2
<b>St. Mary</b>	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	72,010	67,200	4,810	7.2	107.2

Production of Liquid – Table 2

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# WAREHOUSING & DISTRIBUTION

The Warehousing & Distribution Department oversees the movement of goods from suppliers and manufacturer to the point of delivery. This is by ensuring that good quality products are being produced and distributed by guaranteeing:

- Raw materials are available and are being delivered for production on a timely basis and that these materials meet the stipulated quality standards.
- Raw materials are properly stocked and stored.
- Finished products are correctly stored and transported to designated schools island wide on time and in proper condition.

The combined (overall) delivery/distribution target compared to planned delivery for the year was accomplished. Please see tables/charts on pages 23-27.

Key activities carried out during the year in review included:

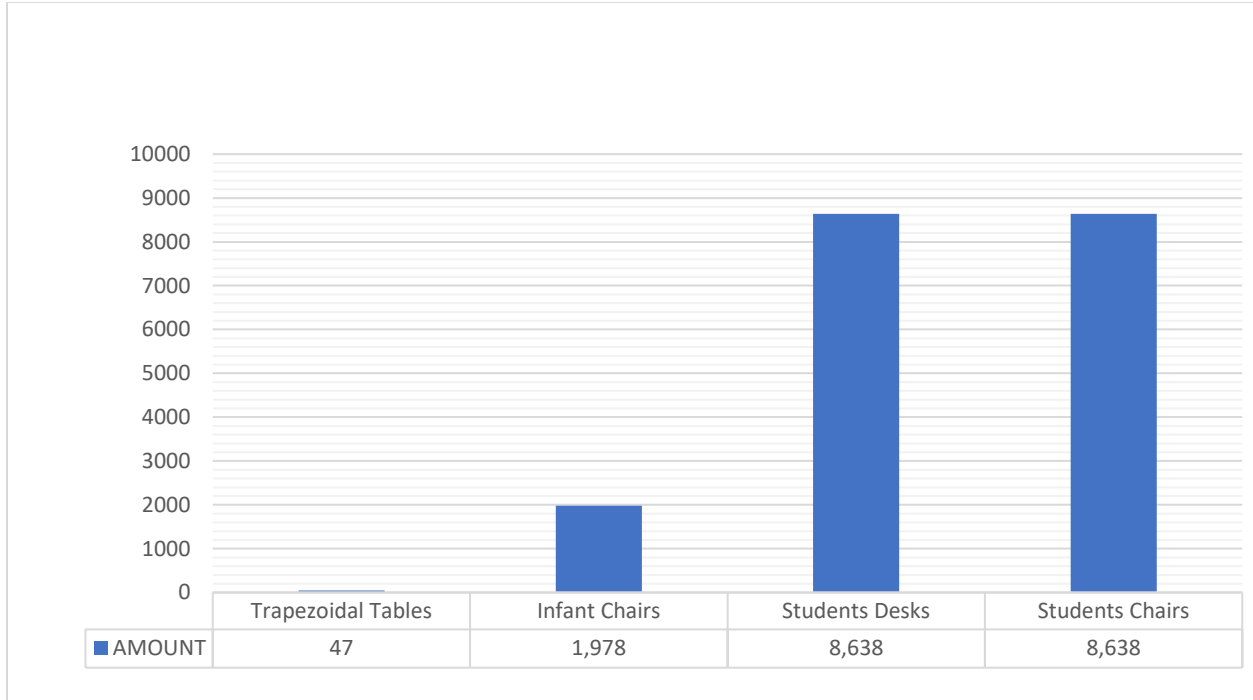
- A reconfiguration of the contractors' delivery routes to ensure a more effective delivery network for making sure deliveries to their destination are effective and efficient. This was done during the latter part of the year in review when NPL was requested to make deliveries to PATH beneficiaries during the continuous COVID-19 pandemic.
- Changes to the department's organizational structure to attain a clearer line of reporting and to minimize the overlapping of duties, which in turn led to improvement in the overall effectiveness of the department.
- Assisting the Ministry of Education Youth & Information in providing transportation via our contractors in delivering furniture to schools' island wide. These furniture were dual benches, students' desk and chairs, teachers' desk and chairs, trapezoidal tables and infant chairs.

We take seriously our responsibility of meeting the needs of our nation's children and will therefore do all that is necessary to further improve our service levels in the coming year.



# FURNITURE DELIVERY SUMMARY

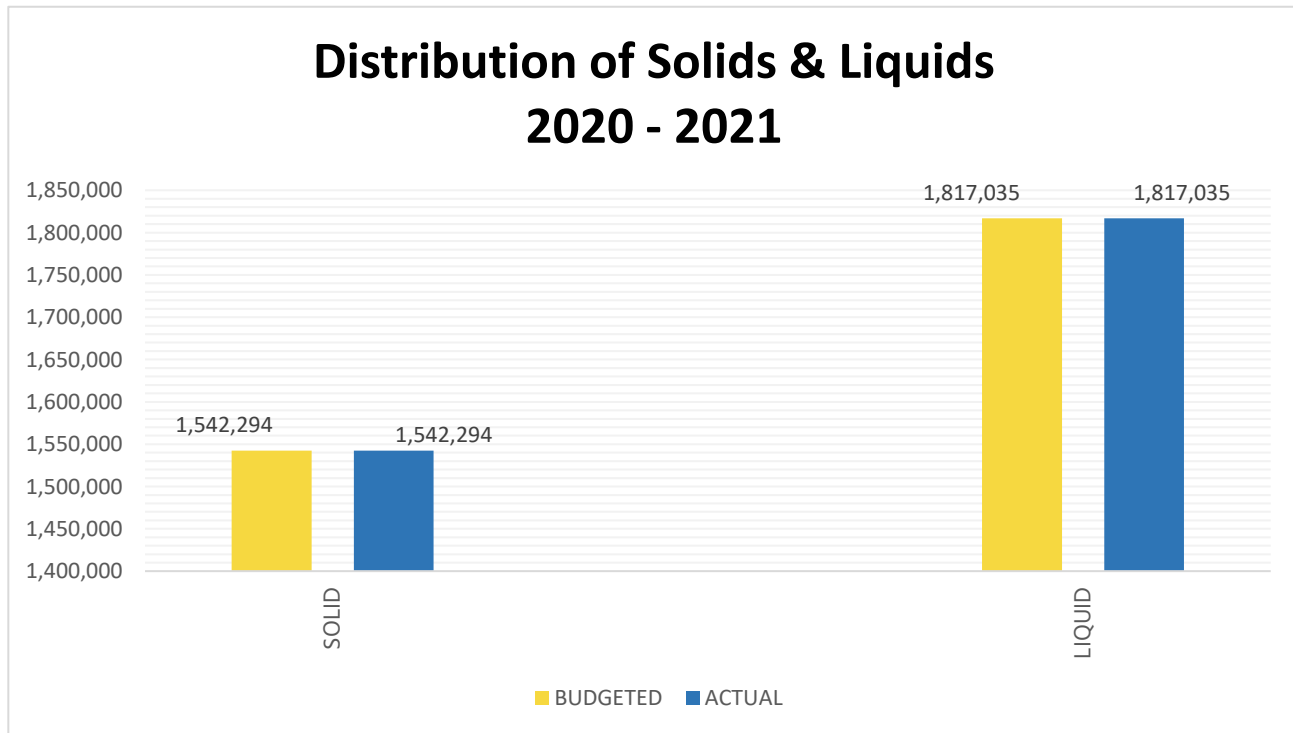
March 2020 April 2021



# Budgeted / Distribution

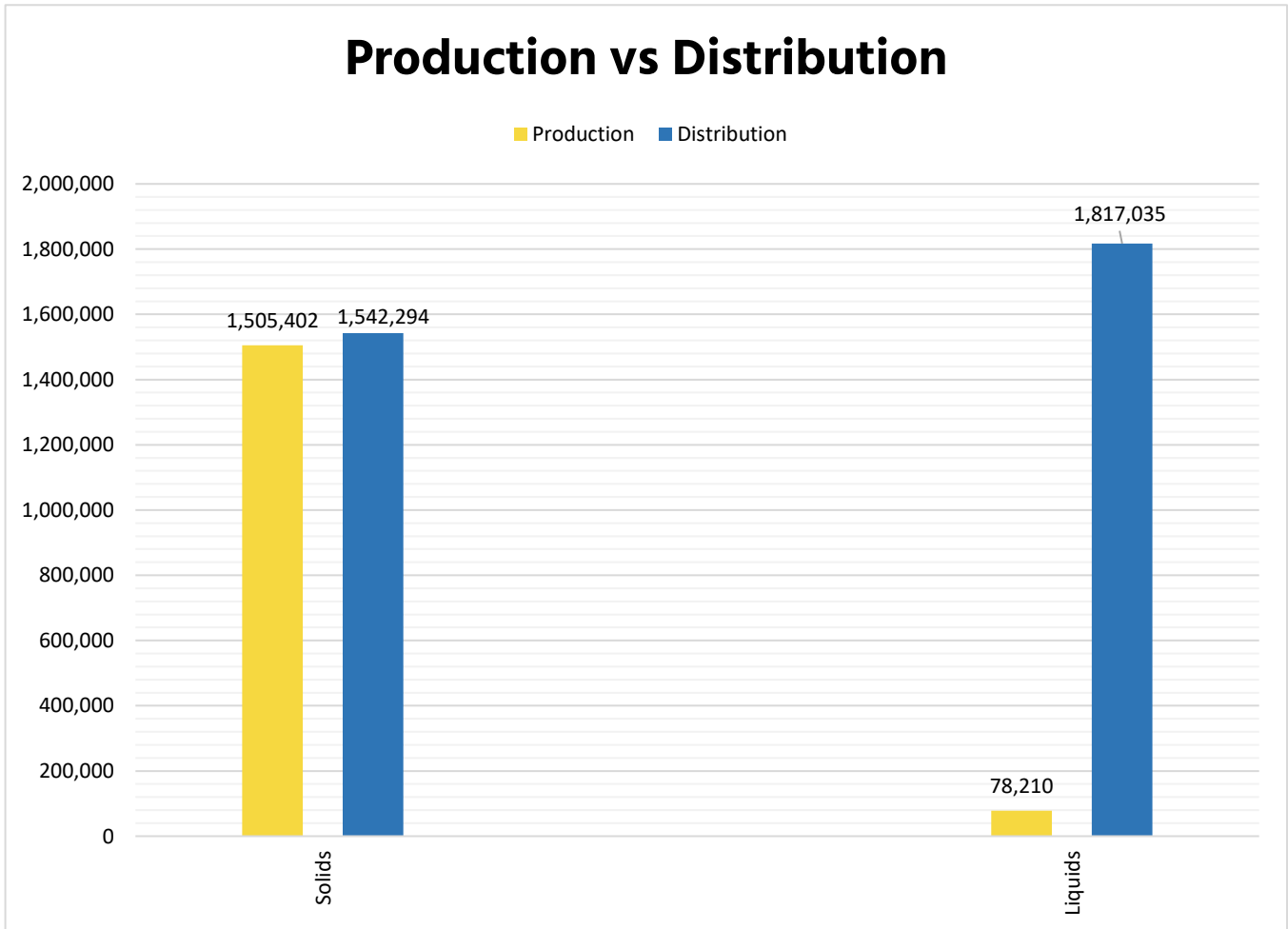
April 2020-March 2021

	SOLID	LIQUID
BUDGETED	1,542,294	1,817,035
ACTUAL	1,542,294	1,817,035
VARIANCE UNITS	0	0
VARIANCE %	0.00%	0.00%
	100.00%	100.00%



# Production vs Distribution

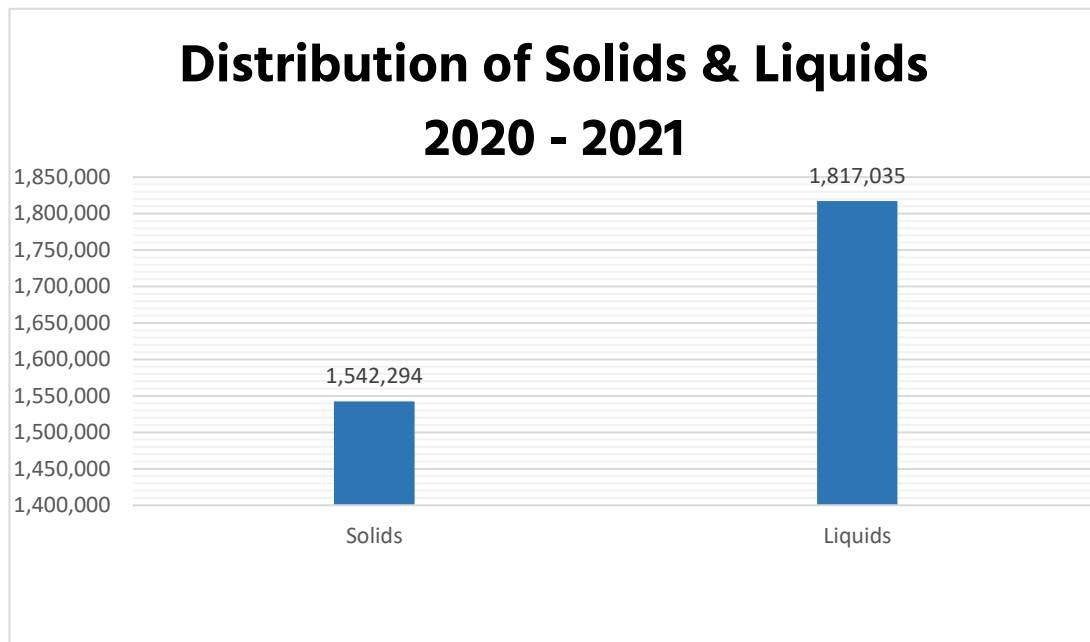
	SOLID	LIQUID
PRODUCTION	1,505,402	78,210
DISTRIBUTION	1,542,294	1,817,035



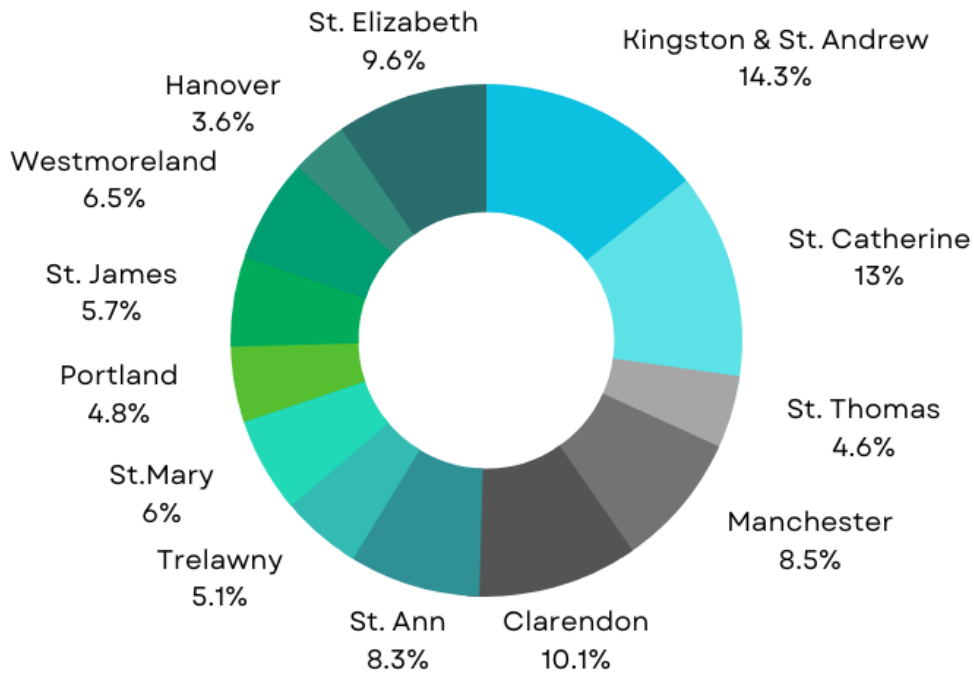
Note: Water was purchased as finished products for distribution.

# DISTRIBUTION OF SOLIDS & LIQUIDS 2020 – 2021

	SOLIDS	LIQUIDS
Distribution	1,542,294	1,817,035



# Schools Served by Parishes 2020-2021



PARISH	SCHOOLS SERVED
Kingston & St. Andrew	131
St. Catherine	119
St. Thomas	42
Manchester	78
Clarendon	93
St. Ann	76
Trelawny	47
St. Mary	55
Portland	44
St. James	52
Westmoreland	60
Hanover	33
St. Elizabeth	88
<b>Total</b>	<b>918</b>

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# MAINTENANCE & SAFETY

The Covid-19 Pandemic had greatly impacted our operations at Nutrition Products Limited. Throughout the period, the Maintenance, Safety and Security Department remained steadfast in creating a safe environment for all staff members and customers, while executing its mandate to support all operational activities of the company.

Our maintenance activities, which are supported by our maintenance coordinators, technician and contractors, ensured that the machinery and equipment used are operating up to standard that production targets can be met. The Covid-19 pandemic has hampered our major maintenance activities; however, the maintenance team continue to do preventative and corrective maintenance activities throughout the period.

The maintenance department, utilizing its coordinators, technicians, and contractors has maintained all machinery and equipment, completing regular checks and servicing and repairs. Although some of our strategic pursuits, was set-back by the pandemic, the department managed to complete a few goals for the period. Strategies were also implemented to closely monitor our utilities usage to reduce our consumption and ensuring the efficient use of our water and electricity supply.

Safety is our utmost priority. The pandemic has brought about a novel way of operations. Our Covid-19 protocol has been implemented to ensure a safe working environment for all our staff and customers. The success of our Safety and health programme has been attributed to the vigilance and cooperative effort of all employees and their active participation and support.

We continue to review our programme with the view to update to new standards and guidelines outlined by our local regulated bodies and international standards (Factories cooperation of Jamaica Act), OSHA (Occupational Safety and Health Administration standards). These programmes include:

- Safety and hygiene policies.
- Safety training for all staff.

- 
- Monitoring system with regular evaluations.
  - Conduction of safety surveys and audits.
  - Use safety monitors to identify and report unsafe acts and hazards and recommend viable solutions.
  - Regular safety meetings.

Covid-19 has impacted our training for the financial year 2020-2021. Throughout the year we have done several sensitization sessions across plants for the below subject areas.

- Covid-19 and Safety
- Proper lifting technique
- Ergonomics
- Fire Prevention and Sensitization
- Personal Protective Equipment use

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# HUMAN RESOURCE & ADMINISTRATIVE SERVICES

The Nutrition Products Limited (NPL) recognizes that our most valuable resources is our employees and the strength of the business and our level of efficiency is directly linked to the productivity of our employees. The goal of the Human Resource and Administrative Services (HR&AS) Department is to support the management structure by creating an environment where our employees could continue to thrive and deliver exceptional results.

The HR&AS Department experienced changes in its leadership, as the department was without a manager for approximately 4 months from the start of the financial year. In the month of August 2020, the position of Human Resource and Administrative Services Manager was filled.

The COVID-19 pandemic greatly impacted the activities planned by the HR&AS Dept. Training was significantly curtailed, so too social activities. This Department's main focus for the year under review was to:

- Attract and invest in talented individuals. That is, people endowed with the right skills as well as the quality and passion to perform.
- Develop our team and engage them in a culture of continuous improvement and leadership.
- Create and maintain a harmonious environment for the employees, mainly by fostering an environment of awareness and the resolving of conflicts and disputes amicably.



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The Department's key activities which took place during the year under review included: -

### **1. Training and Development**

The following training programmes were conducted in an effort to impart additional knowledge and skills to our employees and create a more productive working environment: -

- Management Training/Seminars - conducted externally with the aim of strengthening employees' managerial and capability skills. These included Supervisory Management, INPRI Certification, Industrial Relations, Supervisory Management, and Good Manufacturing Practice, HACCP Management and Sanitation & Pest Control.
- The HR&AS Dept. introduced a new onboarding format during the financial year, where new recruits were entertained in a one-day session, to meet the Chief Executive Officer, and members of the senior management team. They were introduced to an overview of the functions of all departments, then taken on a tour of the Plant.

### **2. Scholarship Programme**

The Company continued to provide Scholarship grants of \$15,000.00 each to children of permanent employees after being awarded the scholarship, upon sitting the Profile Exit Programme (PEP) Examination. This year a total of twelve recipients were in the programme. Three (3) successful PEP students were awarded scholarships of fifteen thousand dollars (\$15,000) each. These students are children of permanent employees of NPL.

### **3. Staffing**

At the end of the financial year, a total of Two Hundred and Forty (240) persons were employed, comprising of Two Hundred and Thirty-One (231) Permanent and nine (9) contracted employees, with a total of eight (8) persons being employed during the period.



**New hire for the last five financial years is reflected in the table below.**

Financial Year	Kingston	St. Mary	Westmoreland	New Hire (Total)
2020/2021	8	0	0	<b>8</b>
2019/2020	10	2	2	<b>14</b>
2018/2019	9	1	2	<b>12</b>
2017/2018	31	7	0	<b>38</b>
2016/2017	2	2	0	<b>4</b>

#### **4. Separations**

A total of nineteen (19) persons were separated from the Company during the period, apportioned as follows:

Twelve (12) persons by way of resignation, two (2) retirement, one (1) deceased, two (2) terminations, one (1) end of contract, and one (1) person retired on medical grounds.

**The table below shows a comparison of separations for the last five (5) financial years**

Financial Year	Kingston	St. Mary	Westmoreland	Total Separations
2020/2021	11	2	6	<b>19</b>
2019/2020	16	8	2	<b>26</b>
2018/2019	19	3	4	<b>26</b>
2017/2018	58	6	3	<b>67</b>
2016/2017	5	5	2	<b>12</b>





**Bereavement**

The NPL family grieved the loss of one of its members on February 18, 2021. The employee joined the Company on September 8, 2013, and worked in the capacity of Packer at the Kingston Plant until she passed away.

**Medical Retirement**

On the recommendation of the Medical Board, one member was placed on Medical Retirement which took effect from November 20, 2020, where the diagnosis included complications associated with stroke and renal failure.



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# PROCUREMENT & CONTRACTS

The Procurement and Contracts Department plays an integral role at Nutrition Products Limited (NPL) as it ensures the organization demonstrates how its procurement activities delivers value for money, contribute to the realization of its broader goals and objectives, and provide a panoramic snapshot of the effectiveness of its procurement strategy.

The responsibility of the Procurement and Contracts department was effectively carried out throughout the period under review by: -

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

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

At NPL, the Head of Department (HOD) is a member of the senior management team which supports the General Manager and the Board of Directors in safeguarding the procurement processes. The HOD is responsible for ensuring that fair and open competition is practiced whilst mitigating the risks associated with fraud and unethical relations.

During the 2020/ 2021 review period, the pandemic covid-19 impacted several requirements services schedule where the scope of work was significantly reduced. These services included, Provision of Security Services, Provision of Janitorial Services, and the Provision of Garbage Disposal Services.

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Moreover, the pandemic resulted in the closure of schools' island wide and a halt of production which hindered the award of contracts such as the Provision of Chemical, Provision of Raw Material, Provision of Uniform, and the Provision of Safety Shoes.

Several major procurement activities were engaged in during the 2020/2021 financial year which are as follows: -

- Provisions of Janitorial Services
- Provisions of External Audit/ Consultancy Services
- Provisions of Transportation/Delivery Contractors/ Transportation/Shuttle
- Provisions of Canteen Concessionaires
- Provisions of Group/Health Insurance
- Provisions of Insurance Placement
- Provisions of Security Services
- Provisions of IT Systems (software, UPS, and Network)

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# INTERNAL AUDIT

The scope and activities of the internal audit function for the Financial Year 2020/2021 involved the following:

- Development of an annual audit plan which was discussed with the Audit Committee to agree on the strategy and scope of work and ensure the plan was in keeping with the company's strategic objectives.
- Review of the internal audit charter and make recommendations for any amendment which has to be approved by the Audit Committee.
- Review of the adequacy and effectiveness of management's processes for risk management, internal control, and governance.
- Conduct assurance reviews as well as analyse and assess certain key business processes and make recommendations to improve their effectiveness and efficiency.
- Review of financial reporting and disclosure controls and advise management of their presentations and assertions regarding those controls.
- Review of guidelines for ethical business conduct and the process of ensuring compliance.
- Periodically reviewing and making recommendations regarding procedures for receipt, retention, and treatment of complaints about accounting and auditing matters.

During the year in review, the Internal Audit Unit conducted the following:

- Verification of amounts presented by the Human Resources Department for outstanding and expected payments due to members of staff.
- Review inventory count exercises and make recommendations on how to enhance controls by the Warehousing Department.
- Observation of the opening of sealed bids for the provision of goods and services tendered to the Procurement and Contracts Department.

- 
- Observation and submission of reports for several disposal exercises conducted by the Production Department with recommendations on measures to be taken to ensure compliance with policy and procedures.
  - Special investigations requested by the Management of the company.
  - Discuss findings and recommendations made to various departments with the Audit Committee.

For the year in review independence and expected standards were maintained by the Internal Audit Unit. Generally, the findings and recommendations given were accepted by management for the areas reviewed.

The Internal Audit Unit will continue providing independent and objective reviews and making recommendations where necessary, to enhance the operations of the organization. The department will be seeking to improve effectiveness by the increased use of technology and will participate in external training to keep abreast of any updated auditing methods, techniques, and standards.

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# FINANCE

The Finance Department is responsible for ensuring efficient financial management by identifying the financial requirements and supplying the needed funds at the right time to all departments to carry out their activities.

The department continued its fiduciary responsibility of management of the company's finances on an ongoing basis by: -

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

The Finance Department will continue to play its role by having a firm handle on the company's finances by means of continued prudent and effective financial management. The whole business operations of the company for the period reviewed were significantly affected by the onset of the Covid 19 Pandemic. The ways we were accustomed to conducting operations changed drastically due to increased safety and health measures, team members being mandated to work from home and other changes of various aspects of our operations led to increased operational costs for the company.

In response to the mentioned increased costs, stringent cost containment measures were employed to reduce the impact on the bottom line of the company.



## KEY FINANCIAL PERFORMANCE INDICATORS

BALANCE SHEET	2021	2020	2019	2018	2017
	\$,000	\$,000	\$,000	\$,000	\$,000
Non-Current Assets	146,811	156,953	149,908	173,387	177,870
Current Assets	121,842	301,891	82,962	283,195	519,803
Current Liabilities	41,867	136,930	77,644	39,369	80,667
Inventories	48,139	77,620	54,205	40,956	50,168
Receivables	42,288	38,479	15,096	14,148	22,193
Payables	30,641	124,814	69,915	28,418	70,849
Cash & Equivalents	29,753	184,130	11,999	226,429	443,711

PROFIT & LOSS	2021	2020	2019	2018	2017
	\$,000	\$,000	\$,000	\$,000	\$,000
Revenue & Other Income	552,898	1,099,303	645,426	832,045	1,427,671
Manufacturing Cost	434,637	627,987	632,713	762,146	901,088
Administrative Expenses	125,171	117,976	117,206	138,152	107,374
Distribution Costs	80,730	183,054	149,102	115,549	117,864
Pre-tax Profit/(Loss)	-87,640	170,286	-253,595	-183,802	301,345
After-tax Profit/(Loss)	-87,640	170,286	-253,655	-187,709	300,119

KEY RATIOS	2021	2020	2019	2018	2017
Operating Surplus to Revenue	-15.85%	15.49%	-40.01%	-22.56%	21.02%
Operating Surplus to Total Assets	-32.62%	37.11%	-108.36%	-41.11%	43.02%
Inventory Turnover	6.91	9.53	11.67	16.73	12.73
Day Sale O/S	0.00	0.00	0.00	102.20	47.45
Current Ratio	2.91	2.20	1.07	7.19	6.44
Quick Ratio	1.76	1.63	0.37	6.15	5.82

**Operating surplus (deficit) to revenue ratio** – for the 2021 year a deficit occurs for NPL, however when compared to the 2020 financial year it was the reverse as the company was operating at a surplus. The deficit indicates that the expenses exceed revenues of the

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company in 2021 by -15.85%. The deficit is therefore not ideal as the company expenses exceed the revenue for the period.

**Operating Surplus (deficit) to Total Assets ratio** – when compared NPL operating surplus to total assets ratio of the previous year 2020 to the current year 2021 the company measurement of its operating expenses performs poorly in comparison to the fixed assets given the -32.62% in comparison to 37.11% for the previous year.

**Inventory Turnover Ratio** – NPL inventory ratio of 6.91 for the 2021 financial year is signaling that the entity is managing its inventory. Stock will not be depleted as the company continues to operate during the pandemic period. The company is in the ideal ratio of 5-10 which is the benchmark.

Days Sale o/s ratio is zero as the entity had no trade receivables. The company is not a profit-making entity and therefore all distribution of solutions are for free to the recipient schools and the entities that receive same.

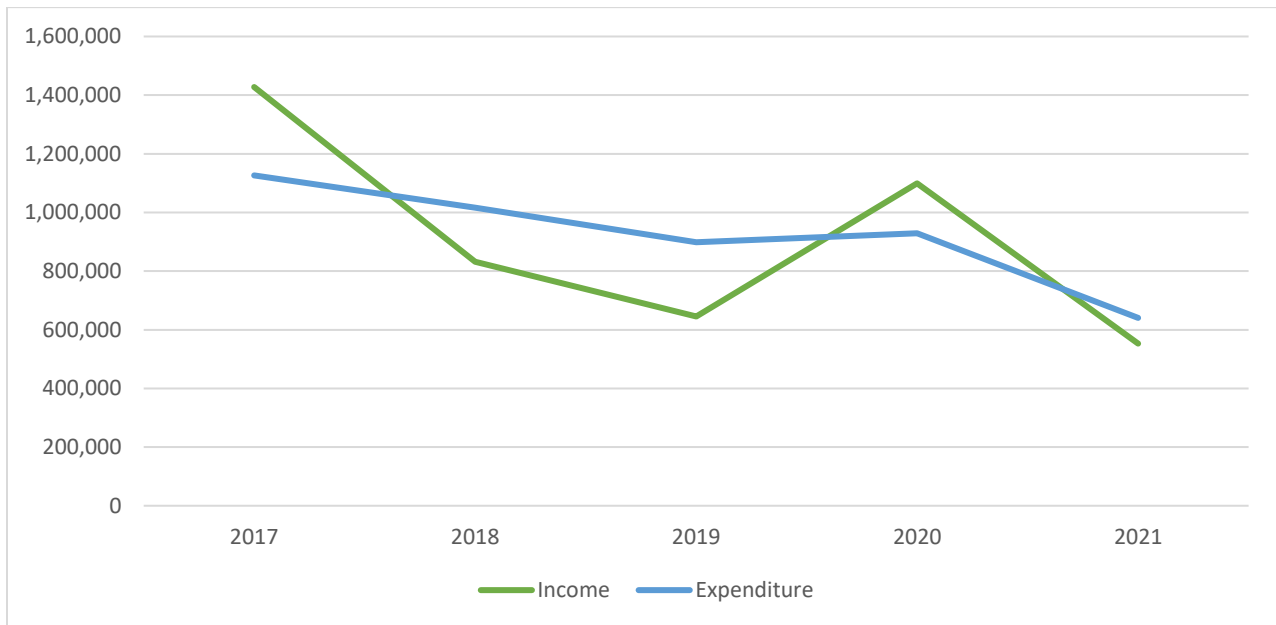
**Current Ratio** – NPL current ratio of 2.91 is considered to be good in the manufactory industry. The company is able to pay its short-term liability that falls due within a year 2.91 times for the financial year 2021.

**Quick Ratio** – NPL quick ratio is above the one benchmark threshold. It has the ability to use it cash and near cash assets which are liquid to cover its liability once they become due in a year for the financial year 2021.

**INCOME VS EXPENDITURE FIVE YEAR COMPARISON DATA (J\$M) - TABLE 2**

YEARS	2017	2018	2019	2020	2021
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income</b>	1,427,671	832,045	645,426	1,099,303	552,898
<b>Expenditure</b>	1,126,326	1,015,847	899,021	929,017	640,538

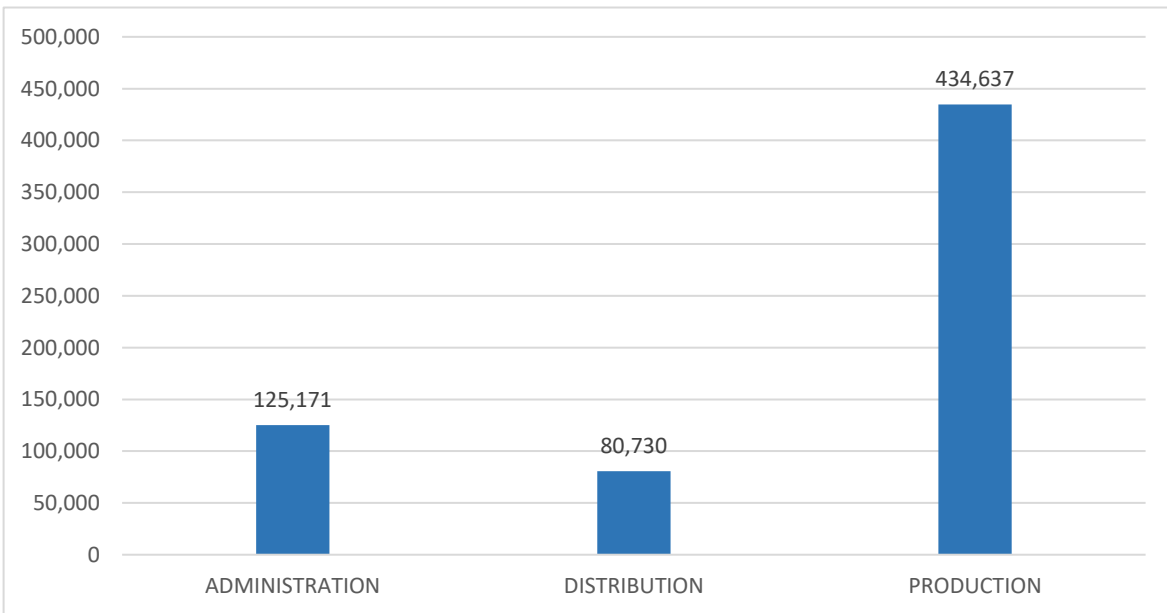
**INCOME VS EXPENDITURE FIVE YEAR COMPARISON DATA (J\$M) - CHART 2**



**OPERATING EXPENSES FOR YEAR ENDED MARCH 2021 (J\$M) - TABLE 3**

DEPARTMENTS	ADMINISTRATION	DISTRIBUTION	PRODUCTION	TOTAL
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operating Expenses</b>	125,171	80,730	434,637	640,538
<b>Percentage</b>	19.54%	12.60%	67.85%	100%

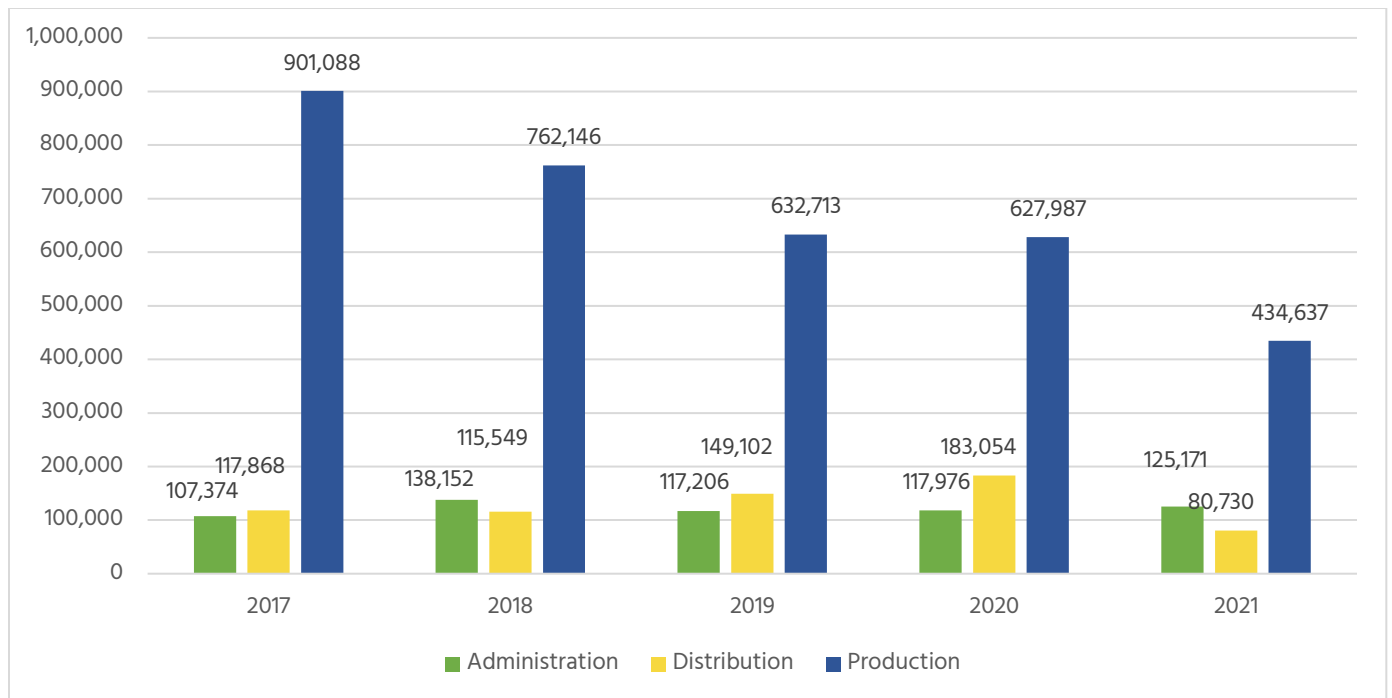
**OPERATING EXPENSES FOR YEAR ENDED MARCH 2021 (J\$M) - CHART 3**



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

YEARS	2017	2018	2019	2020	2021
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administration</b>	107,374	138,152	117,206	117,976	125,171
<b>Distribution</b>	117,868	115,549	149,102	183,054	80,730
<b>Production</b>	901,088	762,146	632,713	627,987	434,637

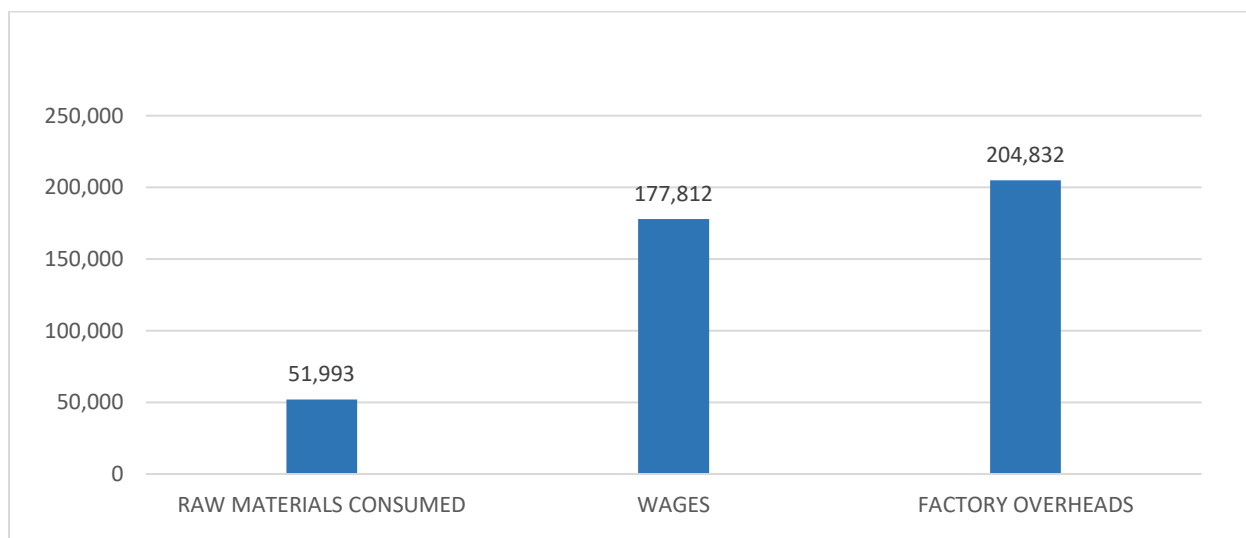
**OPERATING EXPENSES (BY CATEGORY) FIVE YEAR COMPARISON DATA (J\$M) - TABLE 4**



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

	RAW MATERIALS CONSUMED	WAGES	FACTORY OVERHEADS	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>Manufacturing Cost</b>	51,993	177,812	204,832	434,637
<b>Percentage</b>	11.96%	40.91%	47.13%	100.00%

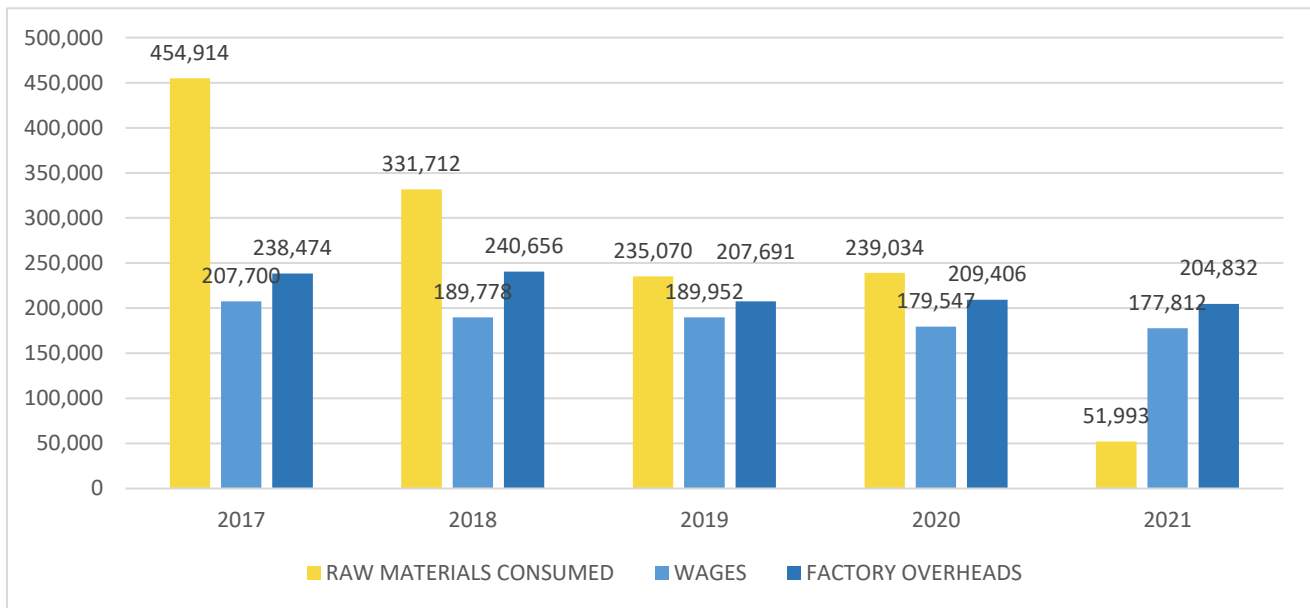
**FACTORY COST OF PRODUCTION FOR YEAR ENDED MARCH 2021 (J\$M) - TABLE 5**



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

YEARS	2017	2018	2019	2020	2021
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>RAW MATERIALS CONSUMED</b>	454,914	331,712	235,070	239,034	51,993
<b>WAGES</b>	207,700	189,778	189,952	179,547	177,812
<b>FACTORY OVERHEADS</b>	238,474	240,656	207,691	209,406	204,832

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





# FINANCIAL STATEMENTS





NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

4. Financial risk management (Continued)

a) Financial instrument risks

(ii) Liquidity risk (continued)

**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:

	2021			Total \$'000	Carrying value \$'000
	1 to 3 months \$'000	4 to 12 months \$'000	Over 1 year \$'000		
Lease liability	-	-	-	7,919	7,838
Payables	24,153	-	-	24,153	24,153

	2020			Total \$'000	Carrying value \$'000
	1 to 3 months \$'000	4 to 12 months \$'000	Over 1 year \$'000		
Lease liability	1,123	3,368	4,864	9,355	8,518
Payables	124,814	-	-	124,814	124,814

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

(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 4 (iv)) and currency risk (see 4 (iv)). 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 2021 and 2020, the Company had no significant exposure to variable rate interest rate risk.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

4. Financial risk management (Continued)

a) Financial instrument risks

(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 receivables and payables. The company had foreign currency net assets/(liabilities) denominated balances as at 31 March 2021, as follows:-

	2021 \$'000	2020 \$'000
Receivables - JMD	-	24,274
Payables - JMD	(4,026)	(100)
	<u>(4,026)</u>	<u>24,174</u>
<b>Currency</b>		
USD	<u>(27)</u>	<u>163</u>

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 2021	Effect on Surplus 2021 \$'000	% Change in Currency Rate 2020	Effect on Surplus 2020 \$'000
Currency:				
Revaluation	2	81	2	(483)
Devaluation	6	(241)	6	1,450

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

YEAR ENDED 31 MARCH 2021

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4. Financial risk management (Continued)

b) Fair value estimates

The fair value for lease liability is assumed to approximate carrying value as the contractual cash flows are at current market interest rates that are available to the company for similar financial instruments.

5. 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 4(b)).

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

6. Property, plant and equipment

	Buildings and Roadways \$'000	Plant and Machinery \$'000	Furniture, Fixtures and Office Equipment \$'000	Milk Crates and Pallets \$'000	Motor Vehicles \$'000	Forklifts \$'000	Computer Equipment \$'000	Total \$'000
Cost -								
1 April 2019	69,597	174,963	55,400	27,349	13,532	5,561	33,916	380,318
Additions	313	17,079	1,144	-	-	-	663	19,199
31 March 2020	69,910	192,042	56,544	27,349	13,532	5,561	34,579	399,517
Additions	12,271	11,213	1,495	-	-	-	4,156	29,135
31 March 2021	82,181	203,255	58,039	27,349	13,532	5,561	38,735	428,652
Depreciation -								
1 April 2019	20,711	112,512	30,891	23,242	12,210	3,833	27,011	230,410
Charge for the year	1,282	8,056	4,407	1,984	945	1,121	2,479	20,274
31 March 2020	21,993	120,568	35,298	25,226	13,155	4,954	29,490	250,684
Charge for the year	2,055	20,326	5,803	1,664	3	305	7,461	37,617
31 March 2021	24,048	140,894	41,101	26,890	13,158	5,259	36,951	288,301
Net book value -								
31 March 2021	58,133	62,361	16,938	459	374	302	1,784	140,351
31 March 2020	48,886	62,451	24,509	4,107	1,322	1,728	6,905	149,908

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

7. Right-of-use asset

(i) Amounts recognized in the statement of financial position

The statement of financial position shows the following amounts relating to leases: -

<u>Right-of-use asset</u>	2021 \$'000	2020 \$'000
Balance as at beginning of the year	16,590	12,017
Amortisation	<u>(10,131)</u>	<u>(3,897)</u>
Balance as at end of year	<u>6,459</u>	<u>8,120</u>
<u>Lease liabilities</u>		
	2021 \$'000	2020 \$'000
Current	3,528	3,878
Non-current	<u>4,310</u>	<u>4,640</u>
Balance as at end of year	<u>7,838</u>	<u>8,518</u>

(ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 \$'000	2020 \$'000
Amortisation of right-of-use assets (included in administrative expenses)	6,234	3,897
Interest expense (included in finance cost)	<u>1,723</u>	<u>965</u>

(iii) Amounts recognized in the statement of cash flows

	2021 \$'000	2020 \$'000
Total cash outflows for leases	<u>10,564</u>	<u>4,464</u>

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

8. Inventories

	2021 \$'000	2020 \$'000
Raw materials	20,109	22,977
Finished products	1,329	23,010
Packaging supplies	24,077	29,097
Consumable stores	2,813	2,725
	<u>48,328</u>	<u>77,809</u>
Provision for obsolete stock	(189)	(189)
	<u>48,139</u>	<u>77,620</u>
	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Movement in provision for inventories		
Balance at the beginning and end of year	<u>189</u>	<u>189</u>

During the years ended March 2021 and 2020, there were no inventory written off.

9. Receivables

	2021 \$'000	2020 \$'000
Advance to suppliers	29,398	29,170
Other receivables	12,371	7,779
Prepaid insurance	519	1,530
	<u>42,288</u>	<u>38,479</u>

10. Cash and short-term deposits

		2021 \$'000	2020 \$'000
Cash at bank and in hand	(i)	26,249	180,699
Short term deposits	(ii)	<u>3,504</u>	<u>3,431</u>
		<u>29,753</u>	<u>184,130</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.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

11. Share capital

	2021 \$'000	2020 \$'000
Authorized, issued and fully paid: Ordinary shares at beginning and end of the year	200	200

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

12. Capital reserves

	2021 \$'000	2020 \$'000
The balance at the end of the year comprises: Unrealised surplus on valuation of property, plant and equipment	9,539	9,539
Surplus on acquisition of assets of Nutrition Products Centre	788	788
	10,327	10,327

13. Deferred income

Deferred income arising on government grant:

	2021 \$'000	2020 \$'000
Balance at beginning of year	49,816	57,545
Amount transferred to income, (Note 17)	(7,698)	(7,729)
Balance at end of year	42,118	49,816
Comprising:		
Current	7,698	7,698
Non-current	34,420	42,118
	42,118	49,816

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

14. Payables

	2021 \$'000	2020 \$'000
Trade payables	19,986	107,182
Statutory payable	1,484	2,373
Other payables and accruals	9,171	15,259
	30,641	124,814

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

15. 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.

	2021 \$'000	2020 \$'000
Subvention	544,598	1,090,096
	<u>544,598</u>	<u>1,090,096</u>

16. Cost of sales

	2021 \$'000	2020 \$'000
Opening inventories	77,620	54,205
Purchases, haulage, duty and freight	22,701	262,449
	<u>100,321</u>	<u>316,654</u>
Closing inventories	(48,328)	(77,620)
	<u>51,993</u>	<u>239,034</u>
Manufacturing labour (Note 21)	177,812	179,547
	<u>229,805</u>	<u>418,581</u>
Prime cost		
Factory overheads:		
Amortisation of right of use assets	10,131	3,897
Charitable donations- snacks	2,727	973
Depreciation	24,043	12,443
Factory rental and maintenance	23,240	4,122
Fuel oil	724	5,173
Insurance	386	626
Machinery lease	(1,109)	4,517
Stationery and printing	-	6
Repairs and maintenance	67,723	79,091
Sanitation	22,370	17,548
Security	17,628	20,484
Staff welfare and subsistence	11,878	32,604
Transportation	4,421	5,357
Utilities	20,761	22,565
	<u>204,832</u>	<u>209,406</u>
	<u>434,637</u>	<u>627,987</u>



NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

17. Other operating income

	2021 \$'000	2020 \$'000
Capital grant deferred income, (Note 13)	7,698	7,729
Rental income	1,760	720
Other income	43	3,123
	<u>9,501</u>	<u>11,572</u>

18. Administrative expenses

	2021 \$'000	2020 \$'000
Accounting fee		
Advertising and public relations	245	1,083
Audit fee	1,610	1,610
Bank charges	1,365	1,058
Computer service	2,396	2,806
Depreciation	13,265	6,613
Directors' expenses	5,407	7,630
Donation	-	80
Group health and life insurance	2,400	2,054
Insurance	215	206
Legal and professional fees	9,260	16,358
Motor vehicle expenses	221	412
Repairs and maintenance	5,605	11,500
Salaries and wages (Note 21)	57,207	46,444
Sanitation	5,769	1,461
Security	1,321	1,619
Staff welfare and subsistence	5,505	5,719
Stationery, office expenses and supplies	4,256	2,370
Subscription and donations	2,272	2,415
Utilities	6,852	6,538
	<u>125,171</u>	<u>117,976</u>
Distribution costs (Note 19)	77,417	183,054
Finance cost (income), net (Note 22)	1,509	2,365
	<u>204,097</u>	<u>303,395</u>

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

19. Distribution costs

	2021 \$'000	2020 \$'000
Contract deliveries	14,989	117,105
Depreciation	308	1,218
Group health and life insurance	1,433	1,026
Insurance	258	248
Motor vehicle expenses	3,878	4,663
Other distribution	23,696	2
Repairs and maintenance	409	2,592
Salaries and wages (Note 21)	23,167	21,900
Sanitation	762	982
Security	5,949	7,283
Staff welfare and subsistence	713	3,336
Stationery, office expenses and supplies	1,038	1,004
Transportation and haulage	2,602	20,027
Utilities	1,527	1,668
	<u>80,729</u>	<u>183,054</u>

20. Operating profit/(loss)

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

	2021 \$'000	2020 \$'000
Auditors' remuneration	1,610	1,610
Depreciation	37,617	20,274
Directors' emoluments:		
- Fee	5,407	7,630
- Management remuneration (included in staff costs, note 21)	258,186	247,891
	<u>258,186</u>	<u>247,891</u>

21. Staff costs

	2021 \$'000	2020 \$'000
Salaries and wages	236,439	227,228
Statutory contributions	12,204	12,373
Pension costs (Note 24)	9,543	8,290
	<u>258,186</u>	<u>247,891</u>
Staff cost reflected in:-		
Cost of sales (Note 16)	177,812	179,547
Administrative expenses (Note 18)	57,207	46,444
Distribution costs (Note 19)	23,167	21,900
	<u>258,186</u>	<u>247,891</u>

**NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2021**

**22. Finance cost/(income), net**

	2021 \$'000	2020 \$'000
Interest income	(175)	(194)
Interest expense	49	47
Lease interest expense	1,415	965
Foreign exchange (gain) loss	(88)	1,547
	<u>1,201</u>	<u>2,365</u>

**23. Taxation**

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

	2021 \$'000	2020 \$'000
Income tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</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:

	2021 \$'000	2020 \$'000
(Loss) profit before taxation	<u>(87,640)</u>	<u>170,286</u>
Tax calculated at tax rate of 25%	-	42,572
Adjustment for the effect of:-		
Income not subject to tax	-	(272,524)
Minimum business tax	-	-
Tax effect of subvention utilized	<u>-</u>	<u>229,952</u>
	<u>-</u>	<u>-</u>

**24. Pension scheme**

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

The pension scheme is funded by contributions from employees at a fixed rate of 5% (with option of contributing up to 15%) of salary with the employer contributing 5%. Pension benefits are based on the accumulation of contributions by employees and employer plus investment income earned. The company's contribution for the year totaled \$9.5 million (2020: \$8.3 million).

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2021

25. 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:

	2021 \$'000	2020 \$'000
Directors fee	5,407	7,630
Management remuneration (included in staff costs)	<u>34,086</u>	<u>35,134</u>

26. Other

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

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

27. Coronavirus Pandemic

Due to the Coronavirus (COVID-19) outbreak the Government of Jamaica mandated the discontinuation of face-to-face teaching at schools. As a result, the company lost majority of its customer base that it serves. In light of this, the company significantly scaled back its manufacturing operations. The company however maintained all its staff during this period.

As a result, the company's revenue and manufacturing expenses were reduced significantly during the year.



NUTRITION PRODUCTS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2021





NUTRITION PRODUCTS LIMITED

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31 MARCH 2021

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## INDEPENDENT AUDITORS' REPORT

To the Directors of Nutrition Products Limited

### *Report on the audit of the Financial Statements*

#### *Opinion*

We have audited the financial statements of Nutrition Products Limited ("the Company"), which comprise of the statement of financial position at 31 March 2021, 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 2021, 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 26 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.

#### *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

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## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Directors of Nutrition Products Limited

### *Report on the audit of the Financial Statements (Continued)*

#### *Auditors' Responsibilities for the Audit of the Financial Statements (Continued)*

to influence the economic decisions of users taken on the basis of these financial statements.

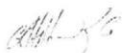
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.



Chartered Accountants  
Kingston, Jamaica  
April 28, 2022



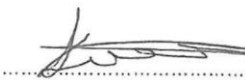
NUTRITION PRODUCTS LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2021

	Note	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	140,352	148,833
Right of use assets	7	6,459	8,120
		<u>146,811</u>	<u>156,953</u>
<b>Current assets</b>			
Inventories	8	48,139	77,620
Receivables	9	42,288	38,479
Taxation recoverable		1,662	1,662
Cash and cash equivalents	10	29,753	184,130
		<u>121,842</u>	<u>301,891</u>
<b>TOTAL ASSETS</b>		<u>268,653</u>	<u>458,844</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	-	-
Capital reserves	12	10,327	10,327
Retained earnings		177,729	265,369
		<u>188,056</u>	<u>275,696</u>
<b>Non-current liabilities</b>			
Deferred income	13	34,420	42,118
Lease liability	7	4,310	4,640
		<u>38,730</u>	<u>46,758</u>
<b>Current liabilities</b>			
Payables	14	30,641	124,814
Current portion of lease liability	7	3,528	3,878
Deferred income	13	7,698	7,698
		<u>41,867</u>	<u>136,390</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>268,653</u>	<u>458,844</u>

Approved for issue by the Board of Directors on 28 April 2022 and are signed on its behalf by:

  
.....Chairman  
Dr. Andre Franklin

  
.....Director  
Karen Sutherland

NUTRITION PRODUCTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 MARCH 2021

	Note	2021 \$'000	2020 \$'000
Revenue	15	544,598	1,090,096
Cost of sales	16	<u>(434,637)</u>	<u>(627,987)</u>
Gross profit		109,961	462,109
Other operating income	17	9,501	11,572
Administrative expenses	18	(125,171)	(117,976)
Distribution costs	19	<u>(80,730)</u>	<u>(183,054)</u>
Operating (loss) profit	20	(86,439)	172,651
Finance cost, net	22	<u>(1,201)</u>	<u>(2,365)</u>
(Loss) profit before taxation		(87,640)	170,286
Taxation	23	<u>-</u>	<u>-</u>
Net (loss) profit for year, being total comprehensive (loss) income		<u>(87,640)</u>	<u>170,286</u>

NUTRITION PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 31 MARCH 2021

	Share Capital(*) \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at April 1, 2019	-	10,327	95,083	105,410
Total comprehensive loss	-	-	170,286	170,286
Balance at March 31, 2020	-	10,327	265,369	275,696
Total comprehensive loss	-	-	(87,640)	(87,640)
Balance at March 31, 2021	-	10,327	177,729	188,056

(\*) - denotes \$200.

NUTRITION PRODUCTS LIMITED

STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2021

	2021 \$'000	2020 \$'000
<b>CASH RESOURCES WERE PROVIDED BY/(USED IN):</b>		
<b>Operating Activities</b>		
(Loss) profit before taxation	(87,640)	170,286
Adjustments for:		
Depreciation	37,617	20,274
Amortisation of right of use assets	10,131	3,897
Deferred income	(7,698)	(7,729)
Interest income	(175)	(194)
Lease interest expense	1,415	965
Interest expense	49	47
Foreign exchange (gain) loss	(88)	1,547
	(46,390)	189,093
Changes in operating assets and liabilities:		-
Increase in receivables	(3,809)	(23,383)
Increase in inventories	29,480	(23,415)
Increase in payables	(94,173)	53,352
	(114,892)	195,647
Cash (used in) provided by operating activities	(114,892)	195,647
Interest received	175	194
Interest paid	(49)	(47)
Foreign exchange gain	88	-
Lease interest paid	(1,415)	(965)
	(116,093)	194,829
Net cash (used in) provided by operating activities	(116,093)	194,829
<b>Investing Activity</b>		
Purchase of property, plant and equipment	(29,135)	(19,199)
	(29,135)	(19,199)
Net cash used in investing activity	(29,135)	(19,199)
<b>Financing Activity</b>		
Lease liability principal payments	(9,149)	(3,499)
	(9,149)	(3,499)
Net cash used in investing activity	(9,149)	(3,499)
Net (decrease) increase in cash and cash equivalents	(154,377)	172,131
Cash and cash equivalents at beginning of the year	184,130	11,999
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 10)</b>	<b>29,753</b>	<b>184,130</b>

**NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2021**

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**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 26).

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 5.

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

The following standard has been adopted by the company for the first time and is effective for mandatory adoption for the financial year beginning on or after 1 January 2019 and has a material impact on the company:

**IFRS 16 'Leases'**, specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 was issued January 2016 and became 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 resulted in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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)

**IFRS 16 'Leases'**

Adoption of IFRS 16 resulted 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. The company applied the standard from its mandatory adoption date of 1 April 2019. The company elected to adopt the simplified approach and have not restated comparative amounts for the year prior to first adoption. Right-of-use assets were measured at the amount of the lease liability and adoption (adjusted for any prepaid or accrued lease expenses). Commitments relating to short-term leases and low value leases will continue to be recognised on a straight-line basis as expense in profit and loss.

For leases previously classified as operating leases, under previous accounting requirements the company did not recognise related assets or liabilities, and instead had spread the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

Under IFRS 16, instead of recognising an operating expense for its operating lease payments, the company has instead recognised interest on its lease liabilities and amortisation on its right-of-use assets. Operating cash flows increased, and financing cash flows decreased as repayment of the principal portion of the lease liabilities have been classified as cash flows from financing activities.

The following amendments to published 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 2019. They did not result in any material effect on the company's financial statements:

**Amendments to IFRS 9 'Financial Instruments', 'Prepayment Features with Negative Compensation'** (effective for annual periods beginning on or after 1 January 2019). Under the current IFRS 9 requirements, the solely for payments of principal and interest (SPPI) condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain). 'Prepayment Features with Negative Compensation' amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the company model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The final amendments also contain (in the Basis for Conclusions) a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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 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. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

**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

YEAR ENDED 31 MARCH 2021

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)

Annual improvements to IFRS 2015 - 2017 Cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective for annual periods beginning on or after 1 January 2019). The IASB issued its Annual Improvements to IFRSs 2015 -2017 cycle amending a number of standards:

- Amendments to IFRS 3 'Business combinations' which clarifies that an entity should remeasure its previously held interest in the joint operation at fair value when it obtains control of the business.
- Amendments to IFRS 11 'Joint arrangements' which clarifies that an entity should not remeasure its previously held interest in the joint operation at fair value when it obtains joint control of the business.
- Amendments to IAS 12 'Income Taxes' which clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- Amendments to IAS 23 'Borrowing costs' which clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of general borrowings and is included when calculating the capitalization rate on general borrowings.

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

Definition of a Company - Amendments to IFRS 3 (effective for Company combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020). The amended definition of a company requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Definition of Material (Amendments to IAS 1 and IAS 8) The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining this as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The ISAB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship in the objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition.



NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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)**

**Revised Conceptual Framework for Financial Reporting (continued)**

The standard further includes changes to adding guidance on different measurement basis and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the company.

(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

YEAR ENDED 31 MARCH 2021

2 Summary of significant accounting policies (Continued)

(d) Lease liabilities and Right-of-use assets

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- (i) Leases of low value assets; and
- (ii) Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 3 for 'changes in accounting policies'. The following policies apply subsequent to the date of initial application, 1 April 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- (i) amounts expected to be payable under any residual value guarantee;
- (ii) the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- (iii) any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

To determine the incremental borrowing rate, the company:

- (i) since it does not have recent third-party financing, uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, and
- (ii) makes adjustments specific to the lease, e.g. term, currency and security.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- (i) lease payments made at or before commencement of the lease;
- (ii) initial direct costs incurred; and
- (iii) the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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2 Summary of significant accounting policies (Continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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2 Summary of significant accounting policies (Continued)

(j) 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.

(k) Employee benefit costs

Annual leave obligation

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

Pension obligations

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

Termination obligations

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

(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

YEAR ENDED 31 MARCH 2021

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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.

(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.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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2 Summary of significant accounting policies (Continued)

(p) Taxation

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

(i) Current taxation

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

(ii) Deferred income taxes

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

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

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

(iii) General Consumption Tax (GCT)

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

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

(q) Foreign currency translation

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

3. Application of New and Revised International Financial Reporting Standards (IFRS)

3.1 Current year changes

In the current year the company applied amendments to IFRS, which are effective for annual periods beginning on or after January 1, 2020. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

3. Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

The application of the new and amended standards had no impact on the amounts or disclosures in the current or prior reporting periods for these financial statements and resulted in no changes to the company's principal accounting policies.

Following is a summary of the amendments effective for financial periods beginning on or after January 1, 2021:

Amendments to Standards

IAS 1 and IAS 8 *Presentation of Financial Statements; Accounting Policies, Changes in Accounting Estimates and errors: Amendments regarding the definition of Material*

The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amended definition clarifies that the materiality assessment will need to take into account the reasonably expected influence on economic decisions of primary users.

The amendments have no significant impact on the financial statements but will potentially impact how materiality judgements are made in practice by elevating the importance of how information is communicated and organised in the financial statements especially in light of 'obscuring information'.

IFRS 3 *Business Combinations - Amendments regarding the definition of a business:*

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

There is no impact on these financial statements.

IFRS 7, 9, IAS 39 *Financial Instruments: Disclosures; Financial Instruments; Financial Instruments: Recognition and Measurement - Amendments regarding pre-placement issues in the context of the IBOR reform:*

The amendments require additional disclosures around uncertainty arising from the interest rate benchmark reform given the potential effects the Interbank Offered Rates (IBOR) reform could have on financial reporting. IBORs are interest referenced rates (e.g. LIBOR) that represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity and in a particular interbank term lending market. Recent market developments have brought into question the long-term viability of those benchmarks. Issues arise for financial reporting in the period before the replacement of existing interest rate benchmarks with an alternative interest rate, which the amendment addresses. The amendments also address the implications for specific hedge accounting requirements of IFRS 9 and IAS 39, which require forward looking analysis and disclosures around the effects on hedging relationships.

There is no impact on these financial statements.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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3. Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

3.1 Current year changes (Continued)

Conceptual Framework of Financial Reporting 2018

*Amendments to References to the Conceptual Framework in IFRS Standards – amendments to IFRS 2, 3, 6 and 14 and IAS 8, 34, 37, 38 and IFRIC 12, 19, 20 and 22:*

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard. Its purpose is to assist the IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

3.2 Future changes

The new and amended standards and interpretations that are issued, but not mandatorily effective are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

***IFRS 17 Insurance Contracts (new Standard)***

The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. IFRS 17 reflects the IAS Board's view that an insurance contract combines features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, the IAS Board developed an approach that:



NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

3. Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

3.2 Future changes (Continued)

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

An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. This standard is not applicable to the company.

Other amendments to IFRS Standards and Interpretations issued but not yet effective are listed below:

<u>Revised Standards</u>	Description and effective financial period beginning:
IFRS 3	<i>Business Combinations</i> - Amendments updating a reference to the <i>Conceptual Framework – 1 January 2022</i>
IFRS 4, 7, 9, 16, IAS 39	- Amendments regarding replacement issues in the context of the IBOR reform – 1 January 2021
IFRS 1, 9	- Amendments arising from 2018 – 2020 Annual Improvements to IFRS: Topics covered – (i) Subsidiary as a first-time adopter (ii) Fees in the 10% test for derecognition of a financial liability – 1 January 2022
IFRS 4	<i>Insurance Contracts</i> - Fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 now revised to: - 1 January 2023
IFRS 16	<i>Leases</i> - Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification – 1 April 2021
IAS 1	<i>Presentation of Financial statements</i> - Amendments regarding the classification of liabilities and the disclosure of Accounting policies – 1 January 2023
IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i> - Amendments regarding the definition of accounting estimate – 1 January 2023
IAS 16	<i>Property, Plant and Equipment</i> - Amendment prohibiting deducting from cost of PP&E, amounts received from selling items produced while the entity is preparing the asset for its intended use -1 January 2022.
IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i> - Amendments regarding the cost to include when assessing whether a contract is onerous - 1 January 2022

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2021

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4. 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 and payables.

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 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.

(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.