# NUTRITION PRODUCTS LIMITED

Serving Jamaica's Children since 1973

NPL
NUTRITION SUPPORTING EDUCATION

# Annual REPORT

2013 - 2014

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# Mission Statement

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

# BOARD OF DIRECTORS

**James E.D. Rawle**

Board Chairman

**Alex Drysdale**

Finance & Procurement Committee – Chairman
Board of Trustees Committee

**Andrea Sweeney**

Audit Committee – Chairman
Finance & Procurement Committee

**David McBean**

Operations & Quality Assurance Committee – Chairman

**Emile Spence**

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

**Trevor Riley**

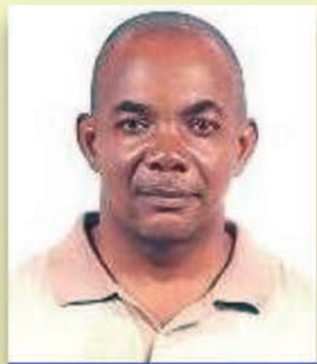
Operations & Quality Assurance Committee
Audit Committee

**Suzanne Soares-Wynter**

Operations & Quality Assurance Committee
Audit Committee

**Anthony O'Conner**

Human Resource & Administrative Services Committee
Audit Committee



**Cleve McKenzie**

Human Resource & Administrative Services Committee
Board of Trustees Committee

**Audrey Johnson**

Human Resource & Administrative Services Committee
Board of Trustees Committee

**C. Helen Robertson**

Operations & Quality Assurance Committee
Finance & Procurement Committee
Audit Committee

**Sandor Pike**

Operations & Quality Assurance Committee

# MANAGEMENT TEAM

**Orville Lewinson**

General Manager

**Josiah Williams**

Operations Manager

**Marlon Beatton**

Financial Controller

**Philip Hunter**

Human Resources & Administrative Services Manager

**Darryl Nelson**

Distribution/Warehouse Manager

**Lanceford Gordon**

MIS Manager

# SENIOR EXECUTIVE MANAGEMENT COMPENSATIONS

| Position of Senior Executives | Year | Salary $ | Gratuity or Performance Incentive $ | Traveling Allowance or Value of Assigned Motor Vehicle $ | Pension or Other Retirement Benefits $ | Other Allowances $ | Non-Cash Benefits $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| General Manager | 13/14 | 3,459,806 | | 1,950,000 | | 78,865 | | 5,488,671 |
| Operations Manager | 13/14 | 2,249,730 | | 514,500 | | | | 2,764,230 |
| Human Resources & Administrative Services Manager | 13/14 | 1,988,434 | | 514,500 | | | | 2,502,934 |
| Financial Controller | 13/14 | 2,363,623 | | 514,500 | | | | 2,878,123 |
| Distribution & Warehouse Manager | 13/14 | 1,714,322 | | 514,500 | | | | 2,228,822 |
| M.I.S Manager | 13/14 | 1,362,786 | | 514,500 | | | | 1,877,286 |

# DIRECTORS COMPENSATION 2013 - 2014

| Position of Director | Fees $ | Motor Vehicle Upkeep/Traveling or Value of Assigned Motor Vehicle $ (Travel) | Honoraria $ | All Other Compensation including Non-Cash Benefits as applicable $ (Meal Allowance) | Total $ |
|---|---|---|---|---|---|
| Chairman | 188,000 | 106,400 | | | 294,400 |
| Finance & Procurement Chairman | 227,200 | 98,000 | | | 325,200 |
| Audit Committee Chairman | 153,500 | 70,000 | | | 223,500 |
| Operations & Quality Assurance Chairman | 97,500 | 33,600 | | | 131,100 |
| HR & Administrative Services Committee Chairman | 248,840 | 106,400 | | | 355,240 |
| Director | 66,500 | 25,200 | | | 91,700 |
| Director | 75,500 | 36,400 | | | 111,900 |
| Director | 165,000 | 191,800 | | | 356,800 |
| Director | 178,400 | 75,600 | | | 254,000 |
| Director | 163,000 | 75,600 | | | 238,600 |
| Director | 149,500 | 75,600 | | | 225,100 |
| Director | 129,300 | 39,200 | | | 168,500 |

# DIRECTORS ATTENDANCE: BOARD AND COMMITTEE MEETINGS
# APRIL 1, 2013 – MARCH 31, 2014

***The following table shows the composition of the committees and directors' attendance at meetings as at March 31, 2014:***

| DIRECTORS | BOARD MEETING | FINANCE & PROCUREMENT COMMITTEE | AUDIT COMMITTEE | H. R. & ADMIN. SERVICES COMMITTEE | OPERATIONS & QUALITY CONTROL COMMITTEE | BOARD OF TRUSTEES |
|---|---|---|---|---|---|---|
| (Number of Meetings Held) | 12 | 11 | 6 | 10 | 2 | 4 |
| Mr. James E. D. Rawle | 11 | | | | | |
| Mr. Alex Drysdale | 12 | 11 | | | | 4 |
| Ms. Audrey Johnson | 12 | | | 9 | | 4 |
| Dr. David McBean | 8 | | | | 2 | |
| Mr. Cleve McKenzie | 12 | | | 10 | | 4 |
| Mr. Anthony O'Conner | 11 | | 6 | 10 | | |
| Mr. Sandor Pike | 11 | | | | 1 | |
| Mr. Trevor Riley | 7 | | 1 | | | |
| Ms. C. Helen Robertson | 10 | 10 | 3 | | 2 | |
| Dr. Suzanne Soares-Wynter | 5 | | 4 | | 2 | |
| Mr. Emile Spence | 11 | 11 | | 9 | | 4 |
| Mrs. Andrea Sweeney | 9 | 9 | 6 | | | |

# CHAIRMAN'S REPORT

The focus on systematic and sustained continuous improvements initiated in the prior year continued with intensity throughout 2013/2014. Resulting from the various initiatives, the organization recorded significant improvements and growth in all areas. The table below summarizes the evolution of selected key performance indicators over the period 2012 to 2014:

**SELECTED KEY PERFORMANCE INDICATORS**

**2012-2014**

| | Description | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| 1. | Units produced and distributed | 22,987,835 | 20,793,253 | 21,639,590 |
| 2. | Electricity Usage: Units produced/100 Kwh | 2,756 | 2,437 | 2,232 |
| 3. | Water Usage: Units produced/100 Litres water | 87 | 67 | 56 |
| 4. | Total Administrative Expenses ($Mio) | 83.7 | 91.8 | 101.7 |
| 5. | Total Distribution Costs ($Mio) | 104.2 | 128.5 | 145.2 |
| 6. | Total Delivered Cost of each Snack/Meal Solution ($) | 36.99 | 37.89 | 39.91 |
| 7. | Surplus/(Deficit) ($Mio) | 27.7 | 35.5 | (83.01) |

In summary, all the key indicators and ratios continued to trend in the right direction, controls were reinforced, full compliance with statutory and regulatory requirements achieved, and the organization delivered on its core mandate of producing and distributing an increased number of nutritious snacks/meal solutions to designated school children. Additional details may be found in the various sectional reports and the Audited Financials that are integral parts of this Annual Report.

The improved performance can be attributed to efficiency gains and optimization in all areas of the operations. The savings generated by these gains, allowed for further Plant and operational improvements, upgrading of the facilities, improvement and upgrading of the Management Information Systems (MIS), and importantly, staff training, development and welfare.

Product renovation and innovation continued, and we now have a suite of products formulated around local agricultural inputs and of improved nutritional profile. In this context, we introduced for the first time, breakfast solutions for segments of the Early Childhood Cohort, inclusive of hot solution (porridges), sandwiches, muffins, breads/ cakes and an improved juice drink, made utilising locally produced fruit pureé.

Most notable in the area of efficiency gains (in addition to electricity and water utilization/consumption) is that which is being realized from the retrofitting of the ovens and boilers to use LPG (in substitute of diesel fuel). In addition to facilitating a cleaner operation and improved control, this conversion yielded savings of approximately $6M in the first two terms of the 2013/2014 school year.

As in the prior year, the considerable advances realized were greatly facilitated by the timely disbursement of subventions by the Ministry of Education (allowing for tight treasury management and cash flows), the oversight of the various Sub-Committees of the Board, and the flexibility and adaptability of the entire work force, third party contractors and suppliers.

There now exists considerable capacity and capability in Nutrition Products Limited to extend the reach and effectiveness of the organization in providing a variety of meals and snack solutions to the broader School Feeding Programme.

On behalf of the Board of Directors, I thank the entire staff for their efforts, commitment and responsiveness. I also thank my fellow Board Members for their professionalism, dedication and unreserved support to the organization over the period.

**James E.D. Rawle**
Board Chairman

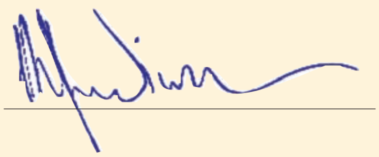
# GENERAL MANAGER'S REPORT

*For the year 2013/2014, similar to the previous period, Nutrition Products Limited (NPL) again achieved its production and distribution targets. This could not have been without the unwavering commitment, contribution and hard work of the Board of Directors, Management and Staff of NPL.*

Nutrition Products Limited has always been mindful of the pivotal role it plays in the Government's School Feeding Programme, and we have always taken this responsibility very serious. Hence, NPL will continue to strengthen its effort to find innovative and appealing ways of feeding the nation's children in order to assist in national development, by providing a major percentage of the nutritional needs for school children at the pre-secondary level.

The Board of Directors and Management are committed to the Government's policy of integrating local agricultural produce in the production of the products for the school feeding programme. We are constantly launching new products that incorporate local agricultural produce to satisfy the increasing demand of the children. These products include breads, muffins, porridge and juice drinks (made from seasonal fruits), and the local agricultural items are carrot, banana, ginger, mixed peel, liquid eggs and fruit pureé. Also, continuous research is being carried out to determine how much more of our local materials can be incorporated into our existing product line.

The success of the company could not have happened by accident; it was indeed the result of the team's dedication and tireless commitment, guided by the supportive oversight of the Board. I thank you all for making a difference in the lives of the children we serve.



**Orville Lewinson**
General Manager

# DEPARTMENT PERFORMANCE

2013 / 2014

# PRODUCTION

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

Manufacturing takes place at three (3) locations, namely, Kingston, St. Mary and Westmoreland. Each manufacturing location (plant) is divided into two major production departments, the bakery and liquid processing, with each plant given its quota of solid (baked product) and liquid (juice drink or flavoured drink) of the overall production.

***Key Achievements for the Year Under Review Include:***

- Production of both solid and liquid for the period was 100% of planned production for both departments. ***(See Tables and Charts, pages 11-12).***
- An increase by 2.2 million (10.6%) in the number of meal solutions produced compared to last year.
- Savings of $6.8mio on the cost of fuel by converting steam boilers and ovens from using Automotive Diesel Oil (ADO) to Liquefied Petroleum Gas (LPG).
- Quality assurance focus on both plant and product safety continued to the extent where external product analyses for the year totaled one hundred and ten (110) up from eighty six (86) the previous year.
- Reformulation of existing products and development of new ones to include local agricultural produce (liquid whole eggs, ripe bananas, carrots, pureé from local fruits).
- An increase from 24.37 meal solutions per kilowatt hour (kwh) of electricity used to 27.56 per kwh. This is a rise of 18.20%.

## BAKERY DEPARTMENT

The bakery achieved its budgeted target for the year. This performance was largely due to the sustained effort and cooperation of the different teams in the bakery throughout the three locations and the supporting departments – Accounts, Human Resource (HR) and Maintenance.

In continuing on the path of fulfilling the company's mission along with increasing and improving our offerings, the bakery added four new products that utilized a significant amount of local agricultural produce - carrot, banana, ginger, mixed peel, liquid eggs and fruit pureé – to the existing suite of products. The new products are carrot bread, banana bread, carrot muffin and banana muffin. The existing suite of products manufactured in the bakery were bullas, rock cakes, spice buns, spice cakes and cheese bread.

Improving efficiency and the overall quality of the products manufactured, the general presentation of the meal solutions and waste reduction continue to be a "work in progress" for the department.

## LIQUID DEPARTMENT

The Liquid Department also achieved its target for the year. In addition to the variety of flavoured drink normally produced by this department, the offering now includes a variety of juice drink - made from concentrate and or local fruit pureé - along with different types of porridge.

## BREAKFAST SOLUTIONS

In the latter part of the year, a range of new and renovated products whose recipes include local agricultural materials (eggs, bananas and carrots), were introduced as breakfast solutions to twelve thousand (12,000) designated children each day in schools located in the Parishes of Kingston & St. Andrew, St. Thomas, St Catherine and Clarendon.

The suite of products supplied were:

- Muffins (Banana, Carrot).
- Breads (Banana, Carrot).
- Porridge (Cornmeal, Cream of Wheat).
- Fruit Drink (made from concentrate and local seasonal fruits).

This has been very successful and the decision is for the number of solutions to be significantly increased in the near future.

## QUALITY & SAFETY

The department's focus was on assuring both plant and product safety as well as quality improvement. Consequently, additional in-process audits were conducted and the external product analyses for the year totaled one hundred and ten (110) up from eighty six (86) the previous year

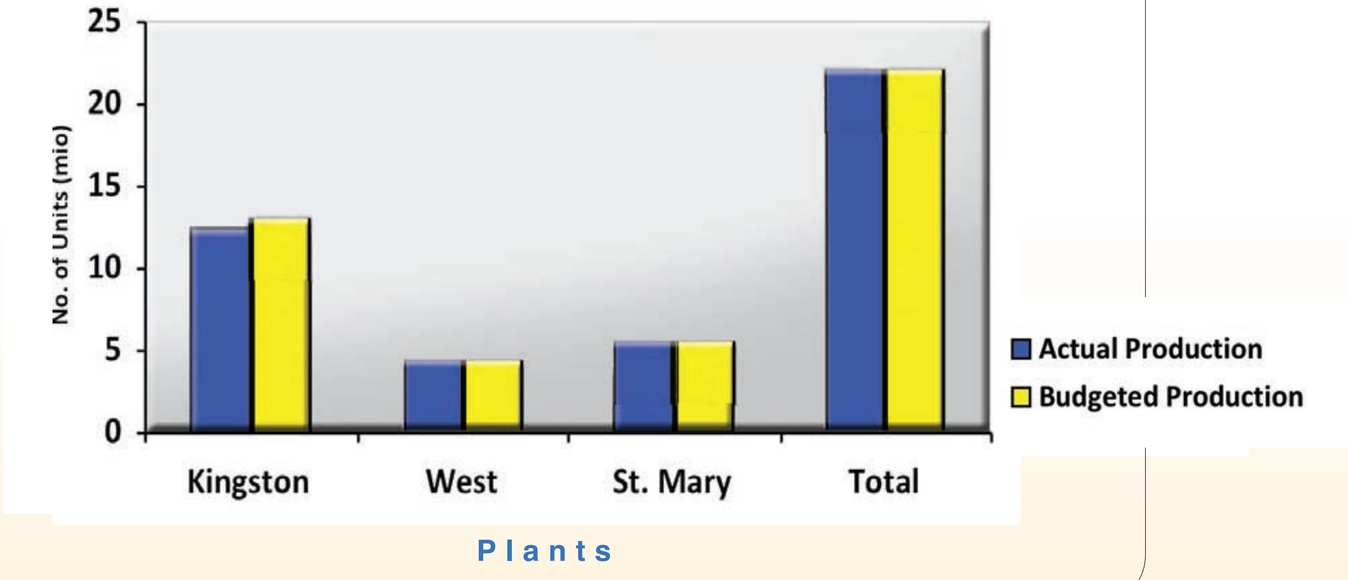
Several products, namely, breads, muffins and a variety of porridge all of which included locally produced inputs (Pasteurized Liquid Whole Eggs, Bananas and Carrots) were formulated to support the Ministry of Education's breakfast initiative.

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

### PRODUCTION OF SOLID - *Table 1*

| | Actual Production | Budgeted Production | Variance (Value) | Variance (%) |
|---|---|---|---|---|
| Kingston | 12,6631,171 | 13,108,750 | -477,579 | -3.643 |
| Westmoreland | 4,749,550 | 4,714,170 | 35,380 | 0.751 |
| St. Mary | 55,607,114 | 55,226,015 | 381,099 | 7.292 |
| Total | 22,987,835 | 23,048,935 | -61,100 | -0.265 |

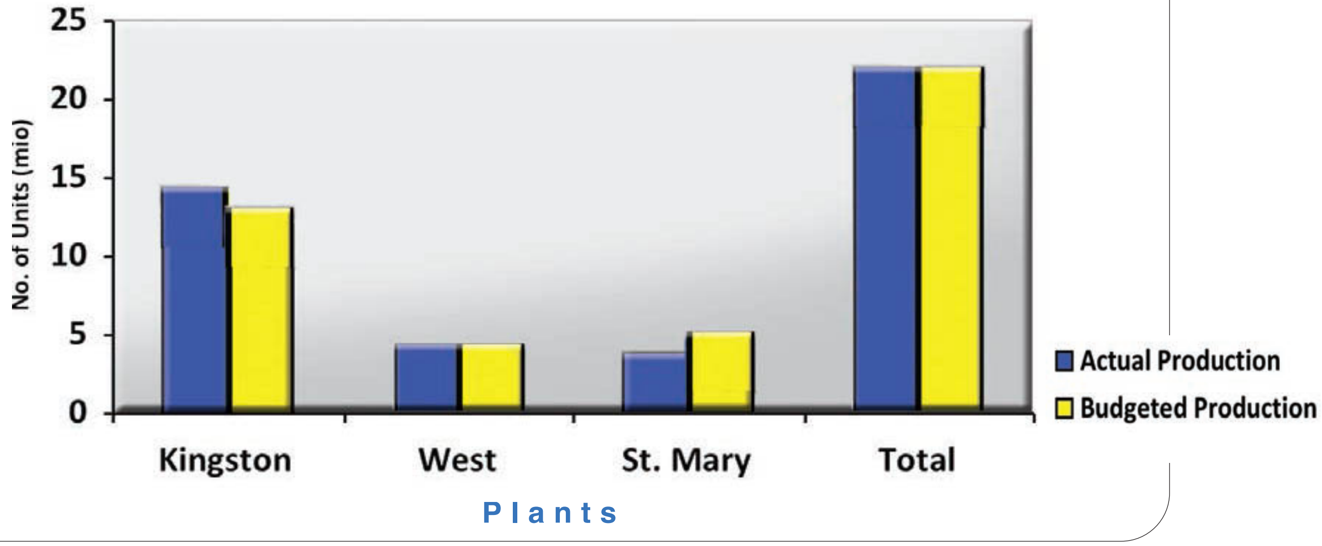
### SOLID PRODUCTION - *Chart 1*



## PRODUCTION OF LIQUID - *Table 2*

| | Actual Production | Budgeted Production | Variance (Value) | Variance (%) |
|---|---|---|---|---|
| **Kingston** | 14,851,830 | 13,108,750 | 1,743,080 | 13.30 |
| **Westmoreland** | 4,721,640 | 4,714,170 | 7,470 | 0.16 |
| **St. Mary** | 3,403,040 | 5,226,015 | (1,822,975) | -34.87 |
| **Total** | 22,976,510 | 23,048,935 | (72,425) | -0.31 |

## LIQUID PRODUCTION - *Chart 2*




## PRODUCTION OF PORRIDGE - *Table 3*

| February 2014 | March 2014 | Total |
|---|---|---|
| 2,700 | 7,756 | **10,516** |

***Porridge production started in the Kingston Plant and was introduced on a phase basis to Basic Schools, commencing February 2014.***

# DISTRIBUTION & WAREHOUSING

The Distribution & Warehousing Department is responsible for ensuring that good quality products are being produced and distributed by guaranteeing that:

- Raw materials purchased meet the stipulated quality standards;
- Raw materials are properly warehoused and efficiently dispatched to production locations; and
- Finished products are correctly stored and transported islandwide.

The actual delivery of solid and liquid compared to plan delivery for the year was 99% for both.
**(See Tables & Charts, pages 13 -14).**

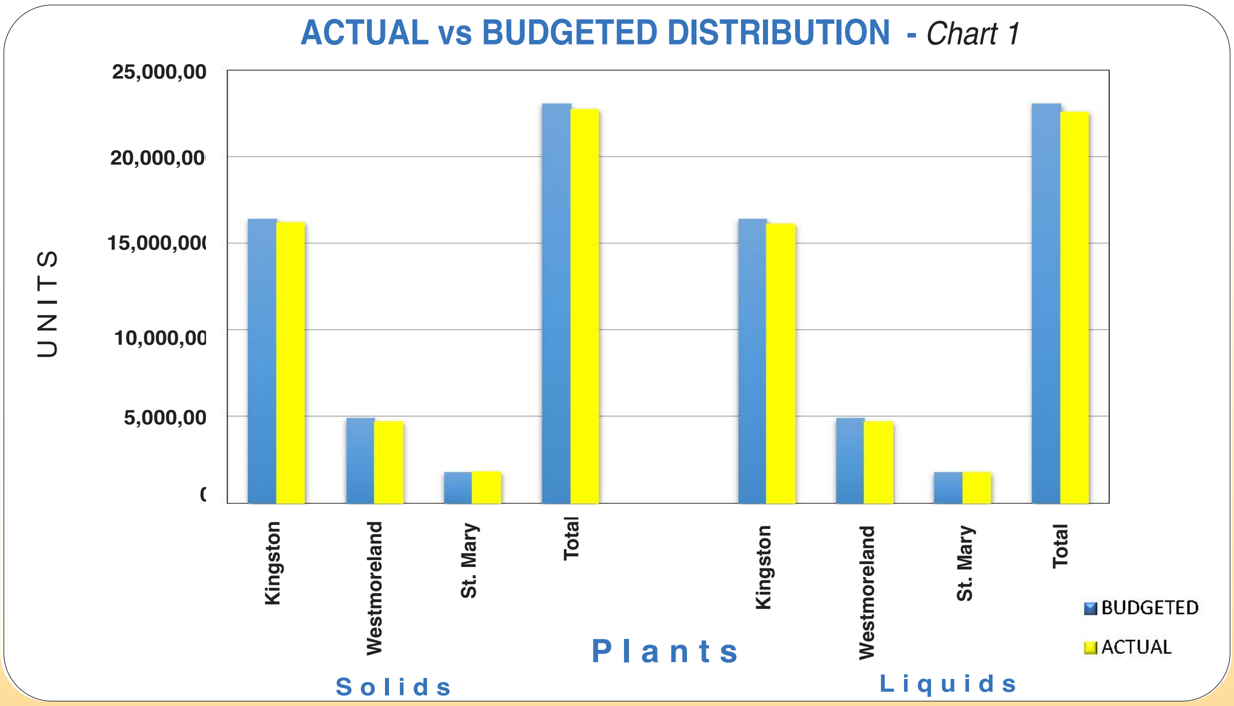
The distribution target was not met owing to the reduction in schools' demand as a result of several school activities throughout the period including professional development programmes, Grades Four & Six Diagnostic/Achievement Tests and different days taken for mid-term breaks; the distribution had to be matched to suit the demands.

***Key Activities carried out during the period included:***

* Distribution of 8,200 breakfast solutions, commenced in October 2014, to designated schools in region 1 (Kingston & St. Andrew)
* Distribution of 3,800 breakfast solutions, commenced in February 2014, to designated schools located in the parishes of St. Catherine, St. Thomas and Clarendon.

## ACTUAL VS BUDGETED DISTRIBUTION – *Table 1*

| | Solid | | | | Liquid | | | |
|---|---|---|---|---|---|---|---|---|
| | Kingston | West/land | St. Mary | TOTAL | Kingston | West/land | St. Mary | TOTAL |
| BUDGETED | 16,400,000 | 4,883,580 | 1,772,641 | 23,056,221 | 16,400,000 | 4,868,580 | 1,772,641 | 22,906,221 |
| ACTUAL | 16,206,138 | 4,705,990 | 1,802,300 | 22,714,428 | 16,115,753 | 4,681,030 | 1,778,110 | 22,574,893 |
| VARIANCE UNITS | 193,862 | 177,590 | -29,659 | 341,793 | 284,247 | 187,550 | -5,469 | 331,328 |
| VARIANCE | -1.18% | -3.64% | 1.67% | -1.48% | -1.73% | -3.85% | 0.31% | -1.44% |
| | 98.82% | 96.36% | 101.67% | 98.52% | 98.27% | 96.15% | 100.31% | 98.56% |

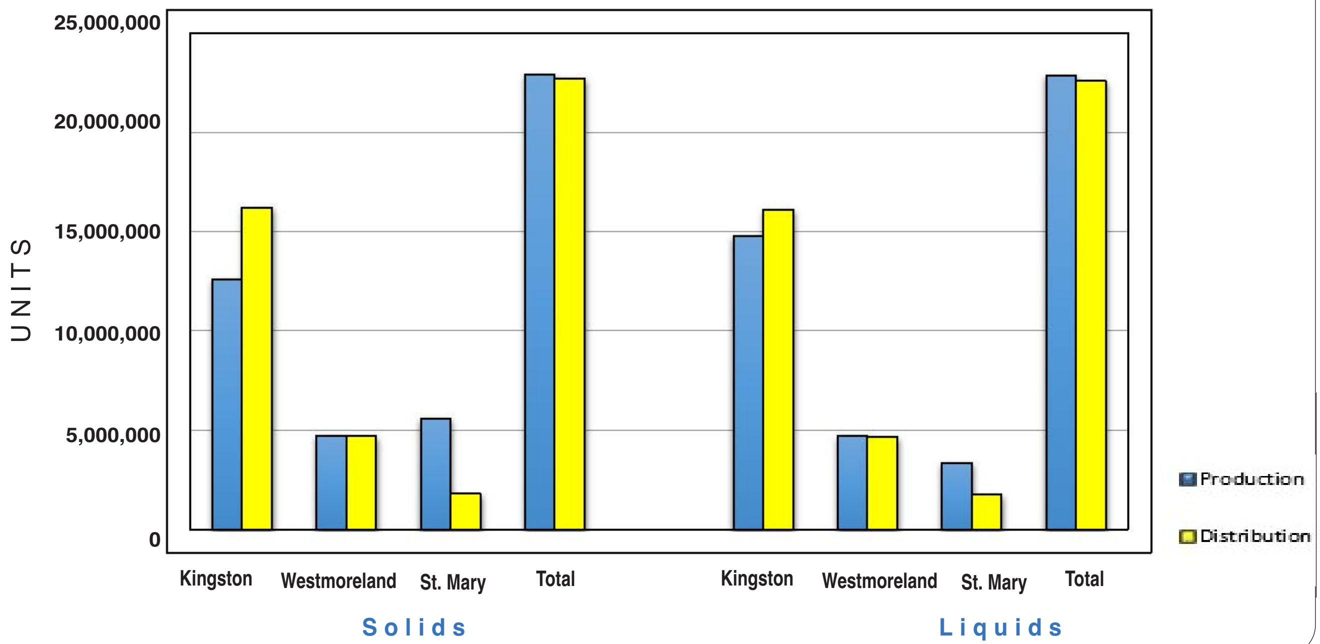


# DISTRIBUTION & WAREHOUSING

## PRODUCTION vs DISTRIBUTION – *Table 2*

| | Solid | | | | Liquid | | | |
|---|---|---|---|---|---|---|---|---|
| | Kingston | West/land | St. Mary | TOTAL | Kingston | West/land | St. Mary | TOTAL |
| **Production** | 12,631,171 | 4,749,550 | 5,607,114 | **22,987,835** | 14,851,830 | 4,721,640 | 3,403,040 | **22,976,510** |
| **Distribution** | 16,206,138 | 4,705,990 | 1,802,300 | **22,714,428** | 16,115,753 | 4,681,030 | 1,778,110 | **22,574,893** |

## PRODUCTION vs DISTRIBUTION – *Chart 2*




***Specified quantities of Solid and Liquid produced at the St. Mary plant were transferred to the Kingston plant as make up for distribution.***

# DISTRIBUTION STATISTICAL PROFILE

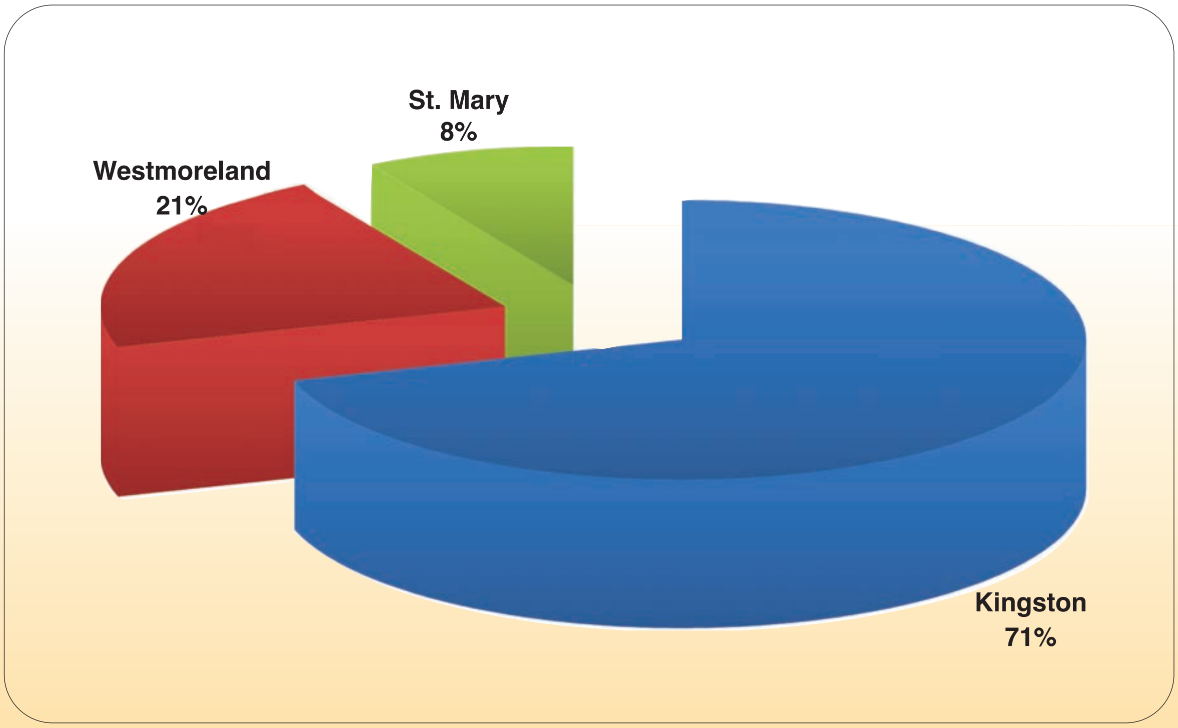
***For further details of distribution of solid and liquid and schools/parishes served by each plant, please see the following:***

*a)* Distribution of Solids by Plant **(See page 15)** *b)* Distribution of Liquids by Plant **(See page 16)**
*c)* Schools served by Kingston Plant **(See page 17)** *d)* Schools served by Westmoreland Plant **(See page 18)**
*e)* Schools served by St. Mary Plant **(See page 19)**

## DISTRIBUTION OF SOLIDS BY PLANT – *Table 3*

| | Solids | | | |
|---|---|---|---|---|
| | Kingston | Westmoreland | St. Mary | TOTAL |
| **Distribution** | 16,206,138 | 4,705,990 | 1,802,300 | **22,714,428** |

## DISTRIBUTION OF SOLIDS BY PLANT – *Chart 3*

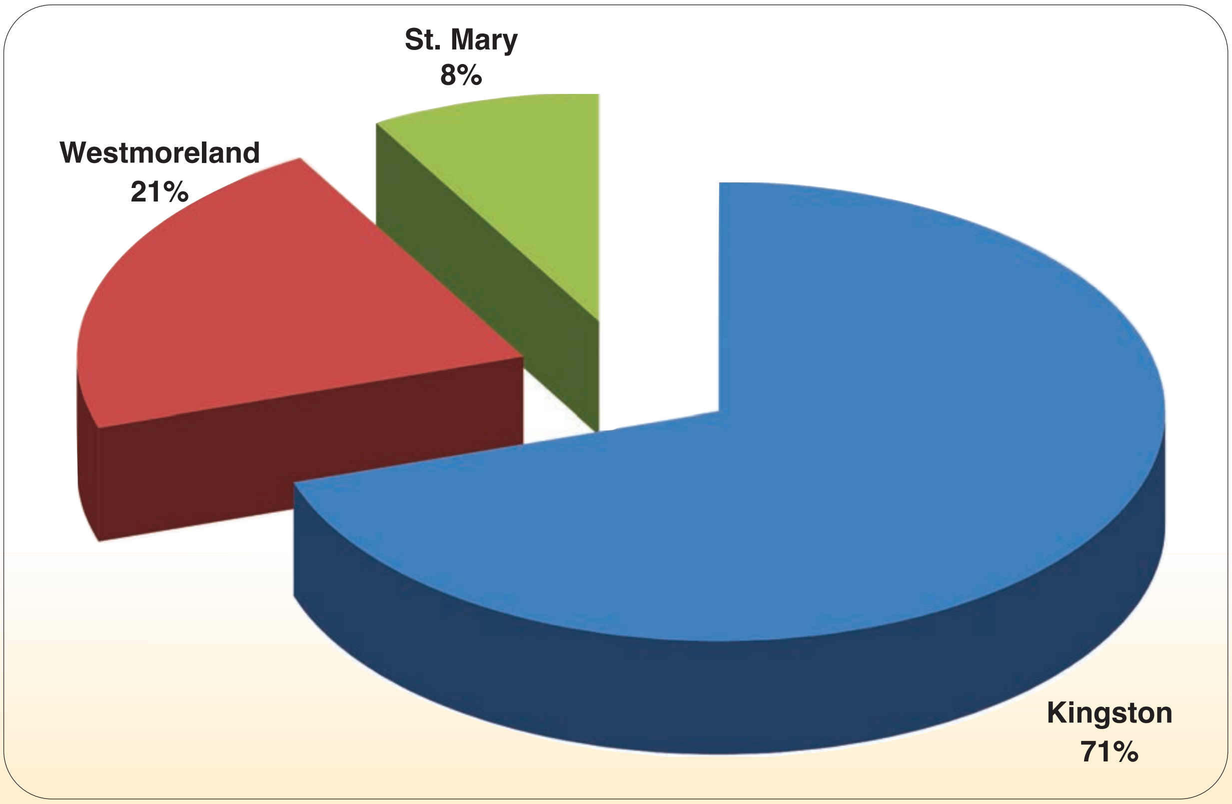


# DISTRIBUTION STATISTICAL PROFILE

## DISTRIBUTION OF LIQUIDS BY PLANT – *Table 4*

| | Liquids | | | |
|---|---|---|---|---|
| | Kingston | Westmoreland | St. Mary | TOTAL |
| Distribution | 16,115,753 | 4,681,030 | 1,772,641 | **22,574,893** |

## DISTRIBUTION OF LIQUIDS 2013-2014 – *Chart 4*

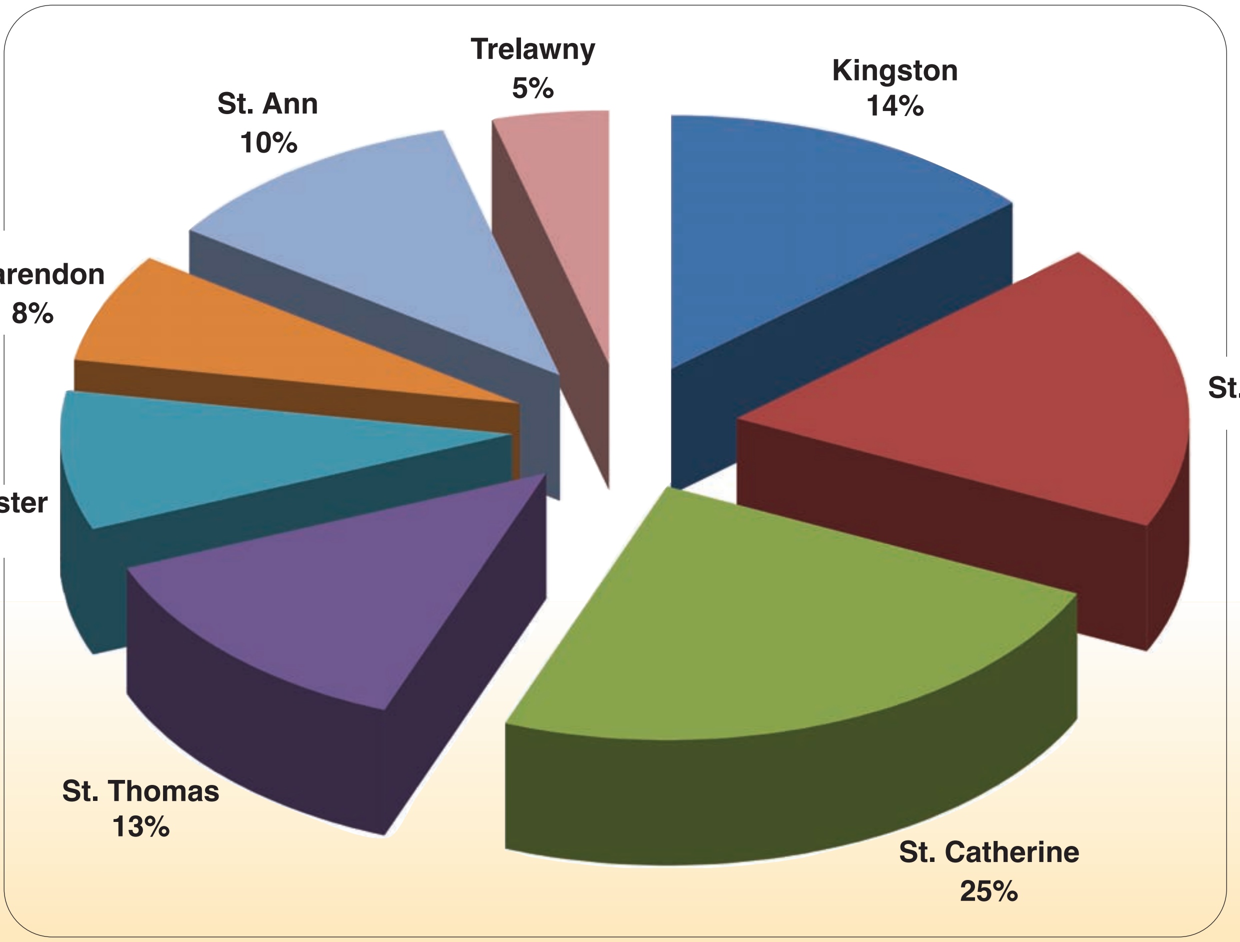


# DISTRIBUTION STATISTICAL PROFILE

## KINGSTON PLANT – *Table 5*

| Parish | KGN. | ST. ANDREW | ST. CATHERINE | ST. THOMAS | MANCHESTER | CLARENDON | ST. ANN | TRELAWNY | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| Schools served | 77 | 103 | 143 | 73 | 44 | 48 | 55 | 26 | **569** |

## SCHOOLS SERVED BY THE KINGSTON PLANT PLANT – *Chart 5*

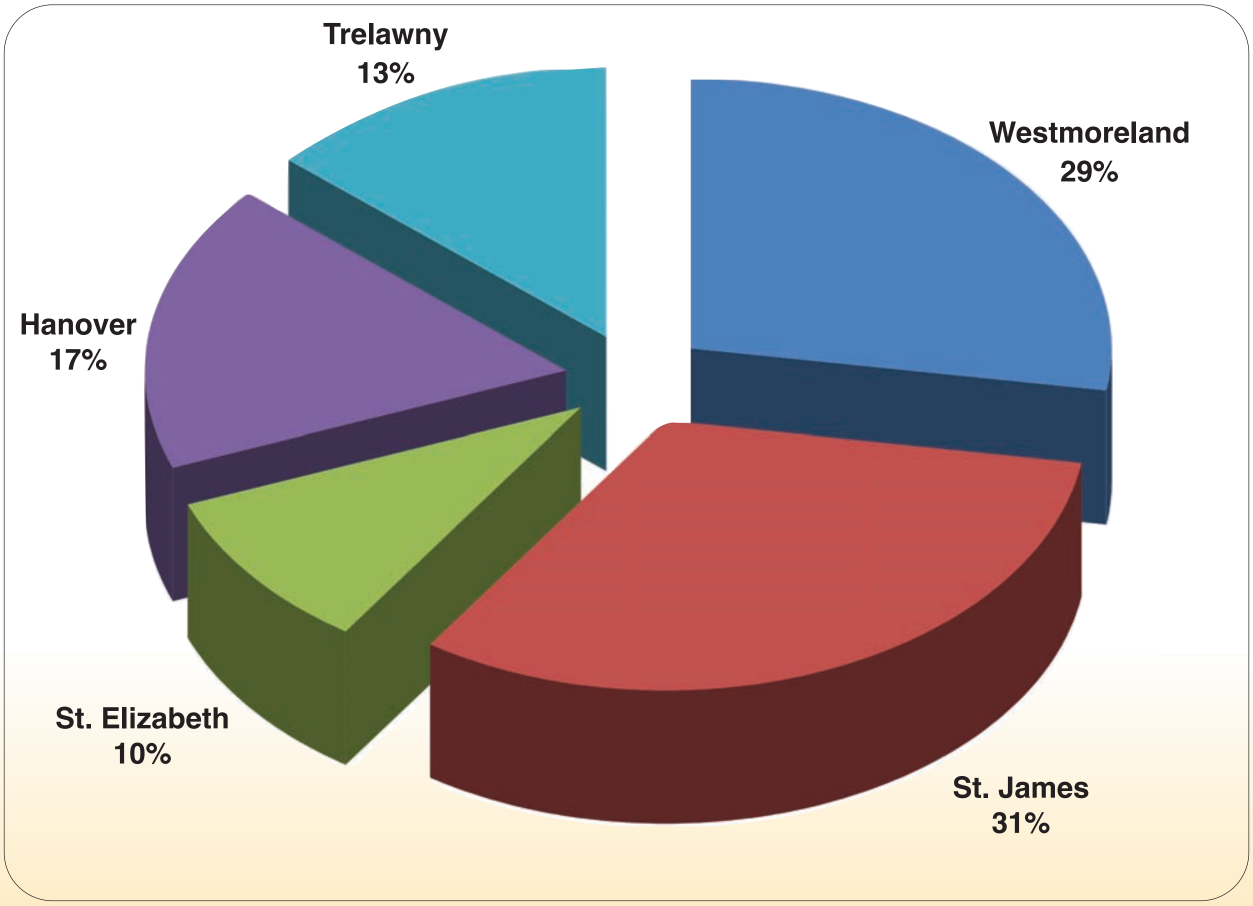


# DISTRIBUTION STATISTICAL PROFILE

**WEST MORELAND –** *Table 6*

| Parish | WESTMORELAND | ST. JAMES | ST. ELIZABETH | HANOVER | TRELAWNY | TOTAL |
|---|---|---|---|---|---|---|
| Schools served | 61 | 66 | 20 | 35 | 28 | **210** |

**SCHOOLS SERVED BY THE WESTMORELAND PLANT –** *Chart 6*

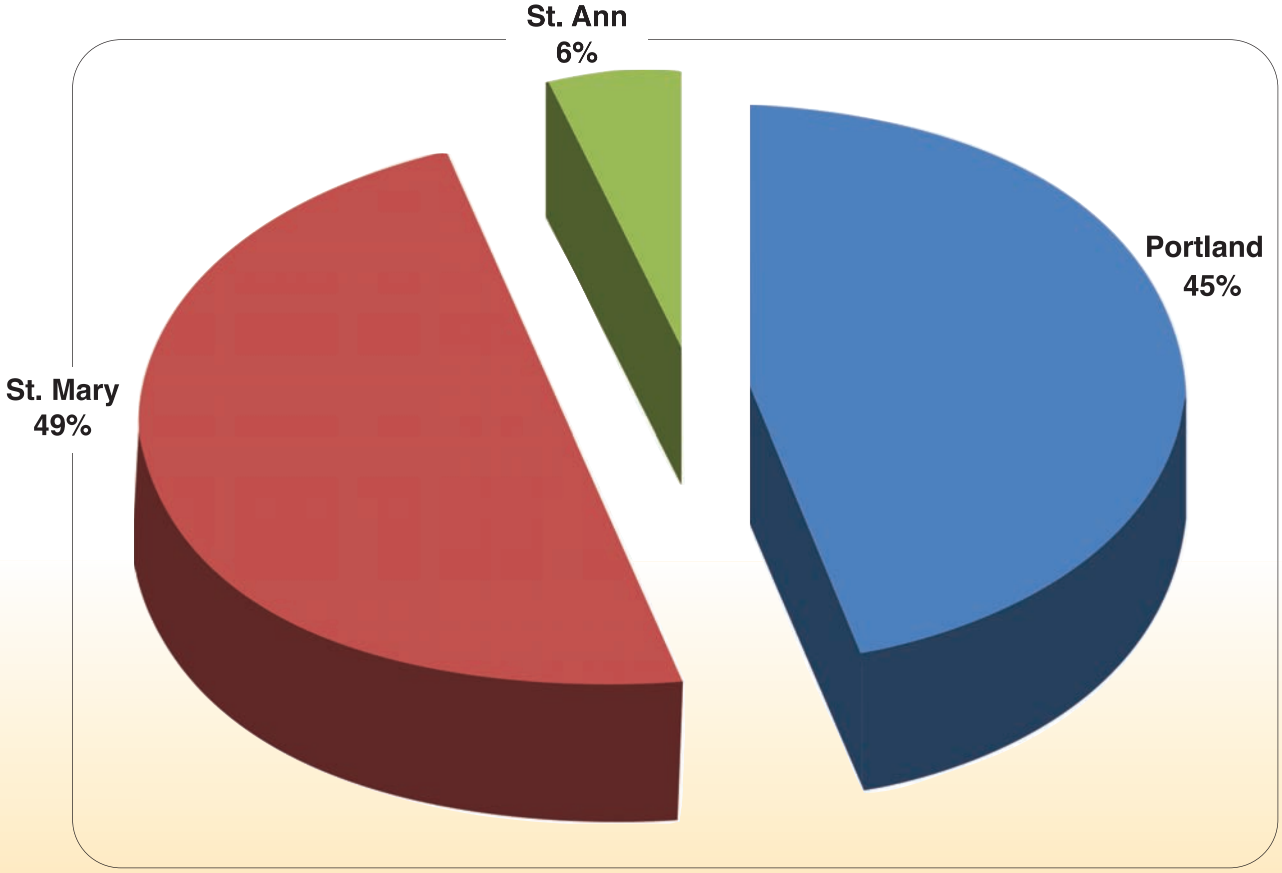


# DISTRIBUTION STATISTICAL PROFILE

**ST. MARY PLANT** – *Table 7*

| Parish | ST. ANN | PORTLAND | ST. MARY | TOTAL |
|---|---|---|---|---|
| Schools served | 5 | 37 | 41 | **83** |

**SCHOOLS SERVED BY THE ST. MARY PLANT** – *Chart 7*



# MANAGEMENT INFORMATION SYSTEM (MIS)

The department continued to improve its environment to better assist the organization in achieving a more sophisticated communication and information technology infrastructure that will make Nutrition Products Limited more efficient and productive. We continued with improvements of our accounting and manufacturing software [Sage Accpac & MiSys] to ensure a smoother and real time accounting and manufacturing operation.

The department consist of two (2) staff members – A Manager and a Technical Support Officer - who provide the range of services and support necessary to maintain the effectiveness of the system. For some specific services, approved third party contractors are engaged.

***Key Activities during the period include:***

- Upgrading the accounting software; Sage Accpac 5.5a to Sage Accpac ERP 2012, for much greater performance and stability.
- Upgrading of the manufacturing software; MiSys Manufacturing 5.5a to MiSys Manufacturing 6.1.
- Restructuring of the network for greater security.
- Establishing and implementing the Organization own Virtual Private Network [VPN].
- Providing help desk assistance/activities to end users.
- Upgrading three [3] work stations from Windows XP to Windows 8 Operating System [OS].

The department is ever committed to maintaining a reliable Information Technology (IT) environment as well as to provide the necessary support and expertise to meet the company's standards and regulatory requirements.

# HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

The Human Resource and Administrative Services Department is the support department responsible for:

- Overseeing employee welfare and that of retired employees through the Board of Trustees of the pension plan.
- Ensuring that correct industrial relations procedures are practiced.
- Maintaining employee files in a secure and confidential environment.
- Coordinating and assisting in the selection and hiring of employees.
- Ensuring that Human Resource policies and practices are aligned with the directives of the Board of Directors.
- Providing training which is aligned with the objectives of the company and satisfying identified competency gaps.

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

***Key activities which took place during the period under review include:***

- **Training & Development**

Nutrition Products Limited (NPL) believes in ongoing training and development so as to keep the skills of its employees current and this is achieved through its Human Resource and Administrative Services Department. To this end, a HR Plan was developed to support the company's objectives. This plan primarily focuses on developing the human resource of the company through a number of initiatives that engage employees with the objective to create a work environment of high performing individuals. Implicit in the development of employees is also employee welfare which also impacts on motivation.

The following training programmes/seminars were coordinated/implemented by NPL to satisfy identified needs among staff members:

- Government of Jamaica Procurement Policies and Procedures – facilitated by the Management Institute for National Development (MIND) and attended by two (2) management staff members.

- Stress Management and Counselling – conducted by the Director of Employee Assistance and Counselling from the Ministry of Finance and Planning and attended by nineteen (19) staff members (managers, supervisors and shift leaders).

- Good Manufacturing Practices – conducted in house by the Quality Control Officer and attended by one hundred and thirty nine (139) staff members (production, administrative and warehouse personnel).

- Fire Prevention Training - conducted by the Jamaica Fire Brigade and attended by thirty-three (33) staff members (safety monitors, fire warders, managers, supervisors, shift leaders etc.).
- Food Handlers Certification Seminar –facilitated by the Ministry of Health and attended by all staff members for the renewal of their Food Handlers permit.

The total man-hours spent in training for the period amounted to 1,292 man-hours.

The company also facilitates a Summer Employment Programme for Secondary and Tertiary level students, exposing them to work ethics and proper conduct as part of their development. This is accomplished with the assistance of HEART Trust/NTA, during orientation and wrap up sessions.

# HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

To ensure that departments have motivated individuals who possess the knowledge and skill set needed to get the job done, a number of in-house and external training programmes were planned and implemented:

- Creation of knowledge transfer through partnerships with external educational institutions such as the HEART Trust/NTA.
- Provision of courses, workshops and seminars to meet identified organizational needs.
- Identifying opportunities for personal and professional growth, based on feedback from the Performance Appraisal process.
- Offering programmes to address the work-life balance.

NPL will continue to provide the environment in which workers will continually learn new ways, techniques, skills and attitudes for personal and organisational gains. This approach will enable NPL to be able to continue producing the highest quality products for the enjoyment of the nation's children.

- **Staffing**

  The staff complement for the period under review remains the same as for the previous period. Please see table below for staffing comparison data:

| PERIOD | KINGSTON | St. MARY | WESTMORELAND | TOTAL |
|---|---|---|---|---|
| 2011/2012 | 166 | 54 | 46 | 266 |
| 2012/2013 | 154 | 50 | 44 | 248 |
| 2013/2014 | 157 | 48 | 43 | 248 |

The staff turnover rate, during the review period, was 4.4% compared to 4.6% for the previous period. This staff turnover rate is a calculation of the number of employees who left the company over a 12 month period and it is expressed as a percentage of the average number of employees for the period.

| PERIOD | AVERAGE STAFF EMPLOYED | TOTAL VACANCY CREATED | TURNOVER (%) |
|---|---|---|---|
| 2011/2012 | 255 | 12 | 4.7 |
| 2012/2013 | 257 | 12 | 4.6 |
| 2013/2014 | 247 | 11 | 4.4 |

# HUMAN RESOURCE AND ADMINISTRATIVE SERVICES

- **Educational Assistance Programme**

The company provides for a scholarship programme that targets children of permanent employees. This programme assists in the development of the child, optimizing their potential for future endeavors. For the period April 2013 to March 2014 there were seventeen (17) students benefitting from this scholarship. One of the three students who left the programme after Grade 11 in 2013, went on to do CAPE with the intention of going on to Tertiary education.

During the period, employees were also encouraged to access our Education Assistance Loan in support of furthering their education and four employees benefitted from this. Employees will continue to be supported in their educational ambitions.

- **Employee Recognition**

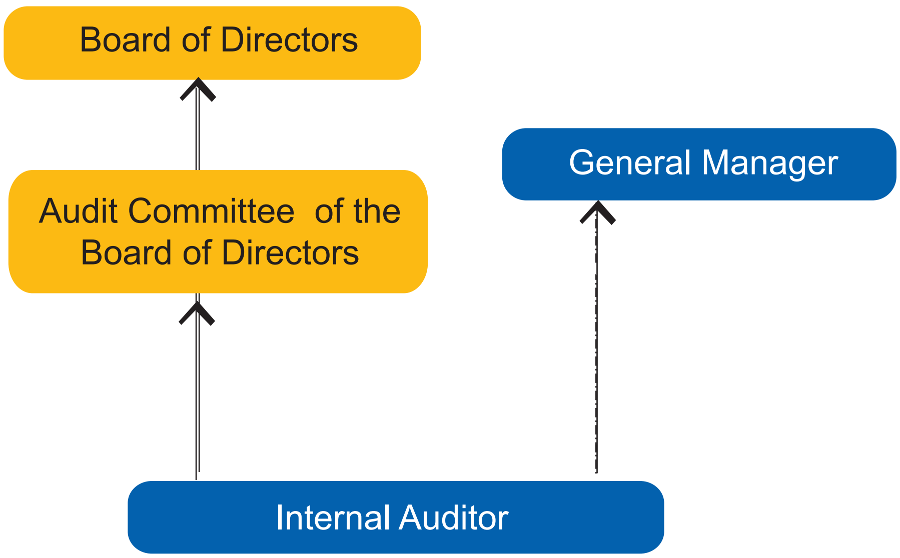
An Employee Recognition Programme was implemented in January 2014 on a phased basis beginning with our St. Mary Plant for the quarter January 2014 to March 2014. The programme will be extended to the Westmoreland Plant in April 2014 and the Kingston Plant in September 2014. The aim of this programme is to identify individuals who have contributed the most to the objectives of NPL on a quarterly basis and/or annually. It is intended to support the developement of a culture of excellence at NPL and reinforce important principles; it is not a compensation system, it is geared towards recognition.

For the quarter (January - March 2014), the employee who was nominated by the employees of the St. Mary Plant had their picture displayed on a plaque at both rural plants -the St. Mary Plant and Westmoreland Plant – and at the Head Office in Kingston. A letter of commendation from the Chief Executive Officer was also presented to the employee.

# INTERNAL AUDIT

The internal Audit Unit is comprised of an Internal Auditor and an Assistant Internal Auditor. The unit provides management with an independent appraisal of the internal control system as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper economic and effective use of resources. Also, recommendations are made to improve the organization's operations.

The Internal Auditor has a dual reporting relationship. He reports functionally to the Board of Directors through the Audit Committee and administratively to the Chief Executive Officer (CEO). *See illustration below:*




The table below illustrates planned and actual number of audits conducted by the Internal Audit Department:

| Audit | Planned | Actual |
|---|---|---|
| Financial | 7 | 6 |
| Operational | 5 | 3 |
| Special Audit | 0 | 1 |
| | 12 | 10 |

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

- Improvement in controls governing travel claims, expenditure vouchers and the preparation of bank reconciliations.
- Strengthening of controls governing delivery contractors.
- Establishment of a policy governing occupational health and safety.
- Establishment of health and safety committees and plan of action.

# FINANCE & PROCUREMENT

## FINANCE

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

- Ensuring the integrity of the organization's financial statements.
- Ensuring compliance with legal, regulatory, statutory and other relevant requirements in regard to financial transactions and information.
- Review of all financial information published by the company.
- Timely and accurate publishing of financial reports to our stakeholders and the public at large, in keeping with the relevant regulations.
- Monitoring the performance of the external auditors, and
- Preparing budget for approval and constantly reviewing and monitoring approved budgets.

## PROCUREMENT AND CONTRACTS

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

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

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

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

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

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

The finance and procurement department is headed by the financial controller, assisted by the receivables accountant and the payables accountant.

The receivables accountant supervises the invoicing and receivables as well as the inventory and fixed assets. The payables accountant supervises the payables and payroll areas.

# FINANCE & PROCUREMENT

*The year's major activities include:-*

1. **Development of New Products:**

   During the year, our consumer offerings were increased to include muffins, breakfast bread and a variety of porridges whilst taking advantage of available manufacturing capacity and incorporation of local agricultural materials. As such, Nutrition Products Limited under the Ministry of Education's Basic Breakfast Programme, produced an additional 19,000 breakfast solutions per week during the January to March 2014 quarter.

2. **Upgrading of the Kingston Plant:**

   The company is committed to improving its manufacturing operations so as to improve efficiency, reduce cost and position the company to maximize its production capacity. During the period, the company invested in the operations by:-

   - The installation of a steam kettle for porridge production.
   - The installation of a packaging machine to facilitate individual packaging of baked products such as muffins and breakfast bread.
   - The installation of a muffin depositor.
   - The construction of a hygienic cooling room for all baked products.
   - The construction of a hygienic preparation room for sandwiches.
   - The construction of a cleaning and sanitizing room for sanitation and storage of igloos, baking utensils and accessories.
   - The expansion of the packaging area.
   - Upgrading the quality control laboratory including equipment and supplies.

3. **Improve Net Revenue from Sale of Snacks:**

   Net revenue from sale of snacks increased by 11.9% over the previous financial year moving to $35.77Mio (2012-2013: $31.98Mio).

4. **Reduction In Distribution Cost:**

   Continued tweaking of the delivery network resulted in a 18.9% reduction in the distribution cost.

5. **Greater Econmies of Scale:**

   Direct procurement of major materials (Flour, Sugar and Dried Skimmed Milk) at lower cost than if purchased through third parties, thereby acheiving greater economies of scale.

# KEY FINANCIAL PERFORMANCE INDICATORS

| BALANCE SHEET | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Non-Current Assets | 105,966 | 69,687 | 72,477 | 71,391 | 65,948 |
| Current Assets | 75,162 | 54,376 | 39,911 | 91,645 | 179,020 |
| Current Liabilities | 89,793 | 79,373 | 99,632 | 69,127 | 31,543 |
| Inventories | 38,534 | 19,938 | 13,794 | 22,499 | 27,792 |
| Receivables | 7,483 | 9,134 | 9,642 | 8,521 | 62,373 |
| Payables | 84,089 | 75,804 | 96,063 | 66,940 | 31,543 |
| Cash & Equivalents | 20,782 | 16,856 | 7,963 | 45,491 | 80,091 |

| PROFIT & LOSS | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Revenues | 877,937 | 823,336 | 780,677 | 802,569 | 789,262 |
| Manufacturing Cost | 661,928 | 567,514 | 616,726 | 669,726 | 557,462 |
| Administrative Expenses | 83,771 | 91,770 | 101,712 | 105,427 | 85,042 |
| Distribution Cost | 104,238 | 128,465 | 145,215 | 149,683 | 92,852 |
| Pre-tax Profit/(Loss) | 28,060 | 35,587 | (82,976) | (122,267) | 53,907 |
| After-tax Profit/(Loss) | 27,667 | 35,503 | (83,006) | (123,967) | 53,007 |

| KEY RATIOS | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | | | | | |
| Operating Surplus to Revenue | 3.2% | 4.3% | -10.6% | 6.8% | 6.7% |
| Operating Surplus to Total Assets | 15.3% | 28.6% | -73.9% | -76.0% | 21.6% |
| Inventory Turnover | 11.5 | 15.4 | 17.0 | 12.0 | 21.6 |
| Day Sale O/s | 49.9 | 48.0 | 46.8 | 79.1 | 79.1 |
| Current Ratio | 0.8 | 0.7 | 0.4 | 5.7 | 5.7 |
| Quick Ratio | 0.3 | 0.3 | 0.2 | 4.5 | 4.5 |

## FINANCIAL OVERVIEW

The financial year of 2014 saw positive results with a surplus of $27.66Mio. This second consecutive year of positive performance, following two consecutive years of significant loss, shows that we have moved in the right direction as a company. The results achieved despite the economic challenges, can be attributed to a different kind of strategic guidance from the Board of Directors.

# KEY FINANCIAL PERFORMANCE INDICATORS

## CAPITAL INVESTMENT

Fixed Assets purchased within the year totaled $50.06Mio.

## OUTLOOK

We will continue to carry out the cost reduction strategies implemented over the past year and a half with renewed focus on driving efficiencies across the company and provide support to the education system by producing and delivering cost effective and nutritious meal solutions for the nation’s children.

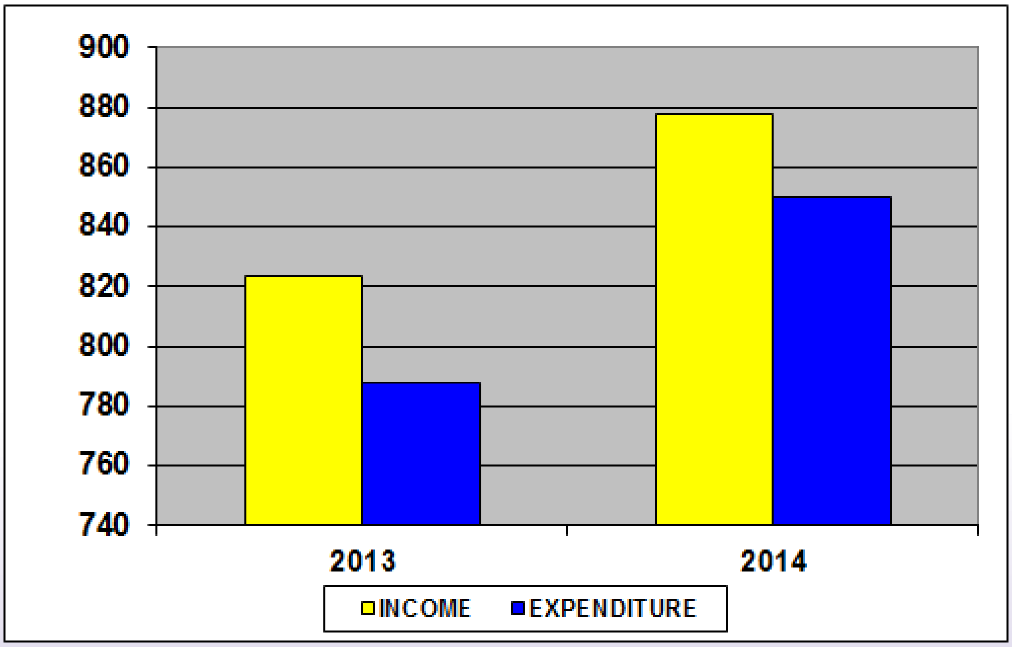
# FINANCE AND ACCOUNTING STATISTICAL PROFILE

**a.** Income vs Expenditure 2013 – 2014 **(See page 28)**
**b.** Income vs Expenditure 5 year comparison data **(See page 29)**
**c.** Operating Expenses for year ended March 2014 **(See page 30)**
**d.** Operating Expenses (by category) 5 year comparison data **(See page 31)**
**e.** Factory cost of production for year ended March 2014 **(See page 32)**
**f.** Factory cost of production 5 year comparison data **(See page 33)**

## INCOME VS EXPENDITURE FOR PERIOD 2013 – 2014 (J$MIO)– *Table 1*

| | 2013<br>$'000 | 2014<br>$'000 |
|---|---|---|
| **INCOME** | 823,336 | 877,937 |
| **EXPENDITURE** | 787,832 | 850,270 |

## INCOME VS EXPENDITURE FOR PERIOD 2013 – 2014 (J$MIO) – *Chart 1*

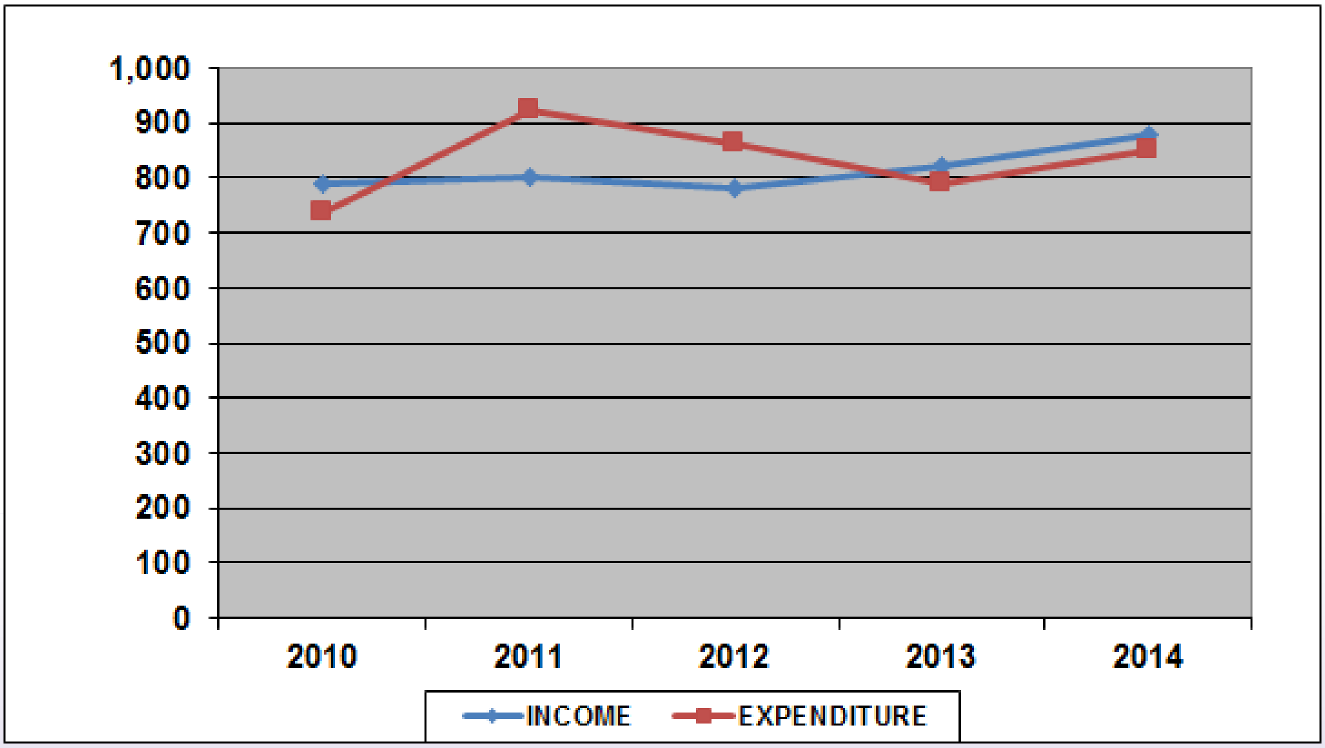


# FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **INCOME** | 789,262 | 802,569 | 780,677 | 823,336 | 877,937 |
| **EXPENDITURE** | 735,355 | 924,836 | 863,653 | 787,832 | 850,270 |

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

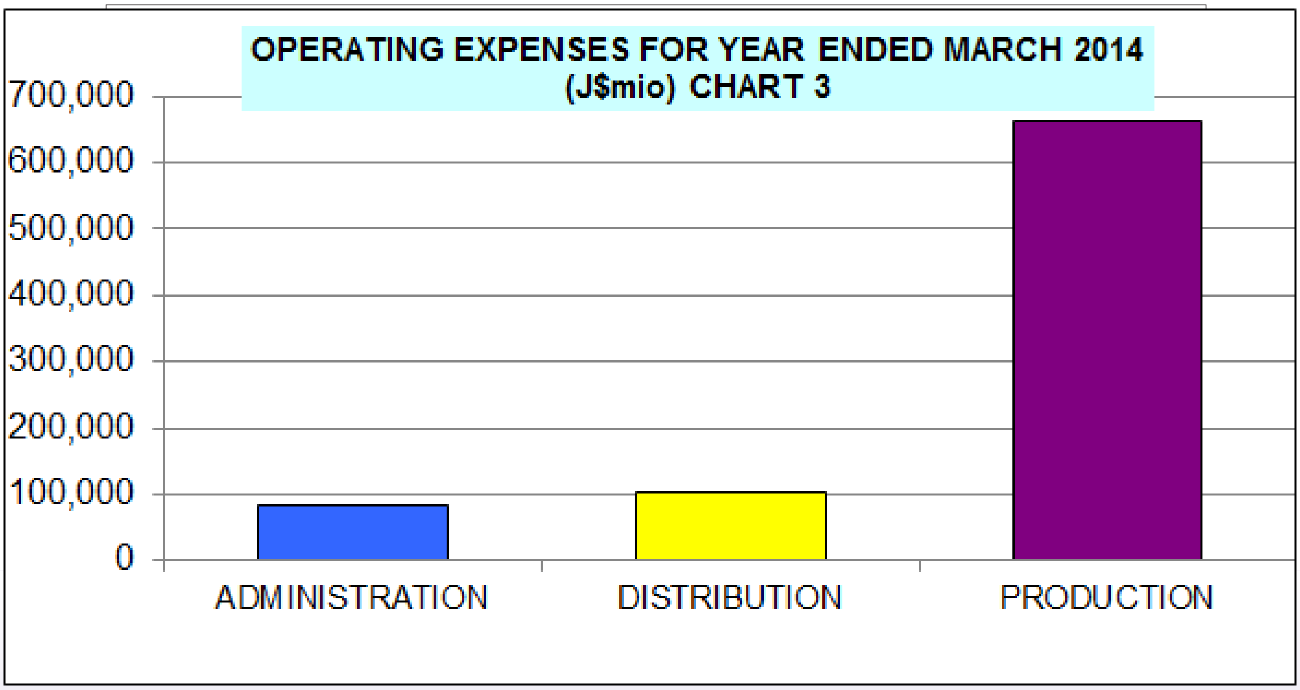


# FINANCE AND ACCOUNTING STATISTICAL PROFILE

### OPERATING EXPENSES FOR YEAR ENDED MARCH 2014 (J$Mio) - *Table 3*

| | Administration | Distribution | Production | Total |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **OPERATING EXPENSES** | 83,711 | 104,238 | 661,928 | 849,877 |
| | 9.9% | 12.3% | 77.8% | 100% |

### OPERATING EXPENSES FOR YEAR ENDED MARCH 2014 (J$Mio)- *Chart 3*

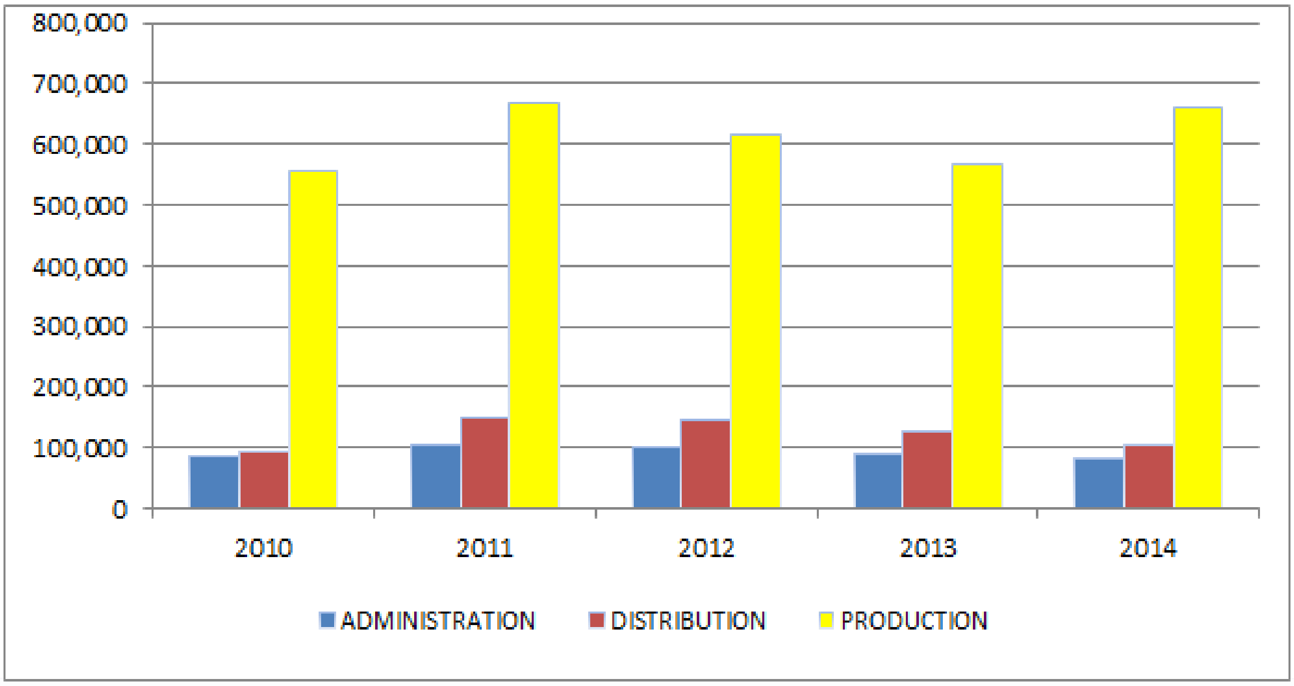


# FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **ADMINISTRATION** | 85,942 | 105,375 | 101,712 | 91,770 | 83,711 |
| **DISTRIBUTION** | 92,852 | 149,683 | 145,215 | 128,465 | 104,238 |
| **PRODUCTION** | 557,462 | 669,726 | 616,726 | 567,514 | 661,928 |

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

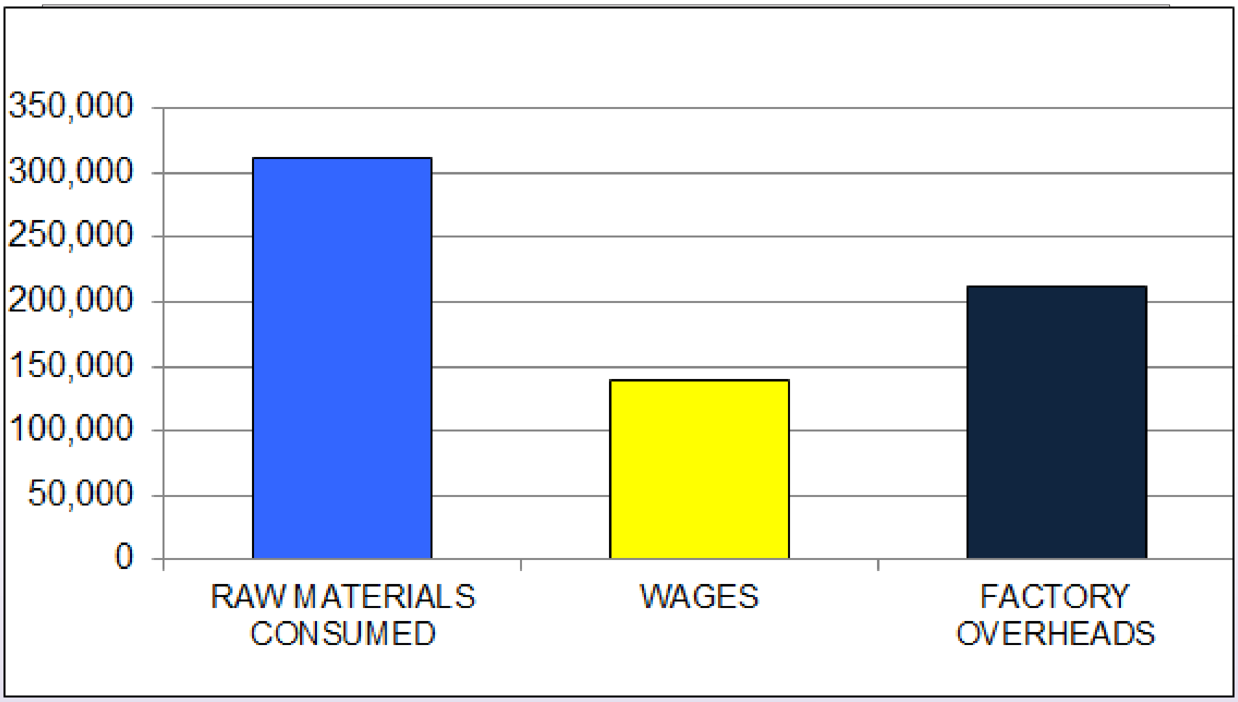


# FINANCE AND ACCOUNTING STATISTICAL PROFILE

## FACTORY COST OF PRODUCTION FOR YEAR ENDED MARCH 2014 (J$Mio) - *Table 5*

| | Raw Materials Consumed | Wages | Factory Overheads | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| MANUFACTURING COST | 311,590 | 138,864 | 211,474 | 661,928 |
| | 47.1% | 21.0% | 31.9% | 100% |

## FACTORY COST OF PRODUCTION YEAR ENDED MARCH 2014 (J$Mio) - *Chart 5*

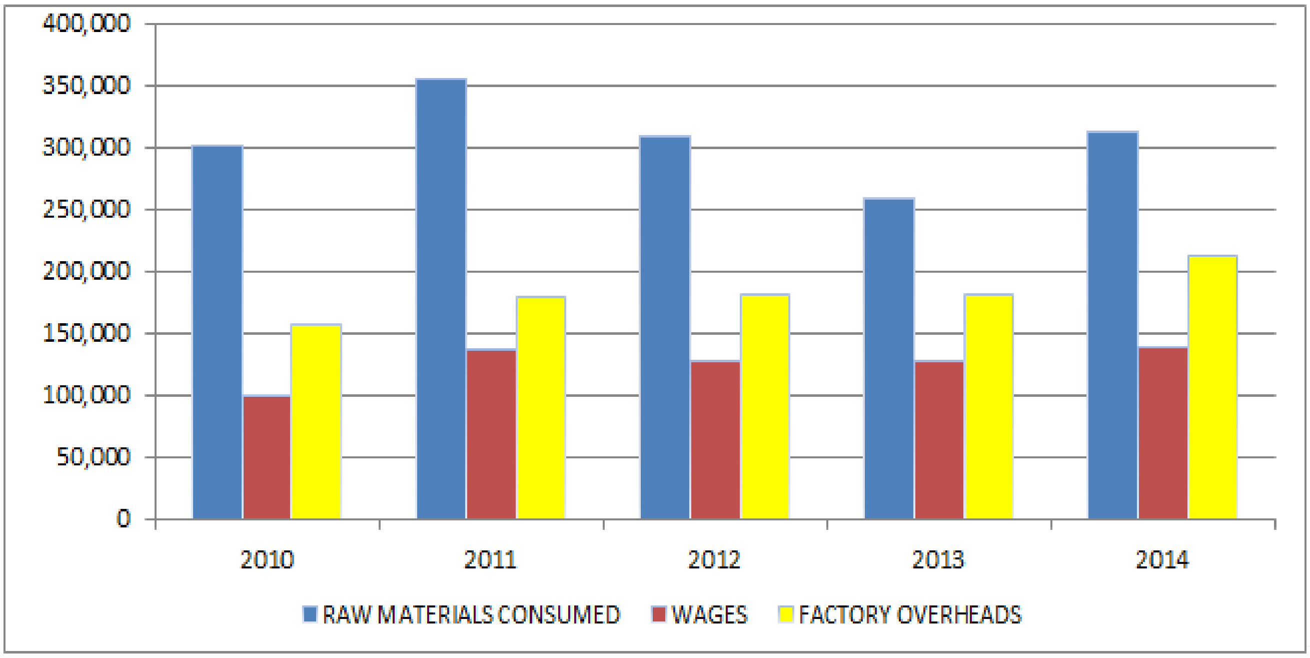


# FINANCE AND ACCOUNTING STATISTICAL PROFILE

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **RAW MATERIAL CONSUMED** | 301,624 | 354,812 | 308,797 | 259,284 | 311,590 |
| **WAGES** | 99,526 | 136,474 | 127,828 | 127,404 | 138,464 |
| **FACTORY OVERHEADS** | 156,312 | 178,440 | 180,101 | 180,826 | 211,474 |

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




NPL
SUPPORTING EDUCATION

# NUTRITION PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT &

# FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

**NUTRITION PRODUCTS LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

(Expressed in Jamaican Dollars)

**NUTRITION PRODUCTS LIMITED**

**YEAR ENDED MARCH 31, 2014**

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EY
Building a better working world
Chartered Accountants

8 Olivier Road
Kingston 8
Jamaica, W.I.

Tel: +1 876 925 2501
Fax: +1 876 755 0413
ey.com

# INDEPENDENT AUDITORS' REPORT

**To the Members of Nutrition Products Limited**

## Report on the Financial Statements

We have audited the accompanying financial statements of Nutrition Products Limited (the company) which comprise the statement of financial position as at March 31, 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act, 2004 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITORS' REPORT (Continued)

**To the Members of Nutrition Products Limited (Continued)**

**Report on the Financial Statements (Continued)**

*Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on additional requirements of the Jamaican Companies Act, 2004**

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 and the financial statements are in agreement therewith and give the information required in the manner so required.

Ernst & Young

Chartered Accountants

Kingston, Jamaica,
30 October 2014

NUTRITION PRODUCTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

| | Notes | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 105,966 | 69,687 |
| **Current assets** | | | |
| Inventories | 6 | 38,534 | 19,938 |
| Trade and other receivables | 7 | 7,483 | 9,134 |
| Income tax recoverable | | 8,363 | 8,448 |
| Cash and bank balances | 8 | 20,782 | 16,856 |
| | | 75,162 | 54,376 |
| **Total assets** | | 181,128 | 124,063 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and Reserves** | | | |
| Share capital | 9 | - | - |
| Capital reserve | 10 | 10,327 | 10,327 |
| Retained earnings | | 44,498 | 16,831 |
| | | 54,825 | 27,158 |
| **Non-current liability** | | | |
| Deferred income | 11 | 36,510 | 17,532 |
| **Current liabilities** | | | |
| Deferred income | 11 | 5,704 | 3,569 |
| Trade and other payables | 12 | 84,089 | 75,804 |
| | | 89,793 | 79,373 |
| **Total equity and liabilities** | | 181,128 | 124,063 |

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

The financial statements were approved and authorised for issue by the Board of Directors on 30 October 2014 and are signed on its behalf by:

Director – James Rawle

Director – Orville Lewinson

**NUTRITION PRODUCTS LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED MARCH 31, 2014**

| | Notes | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Revenue and Government subvention and support | 13 | 870,896 | 818,434 |
| Factory cost of production | | (661,928) | (567,514) |
| | | 208,968 | 250,920 |
| Other income | 14 | 7,041 | 4,902 |
| Administrative expenses | | (83,711) | (91,770) |
| Distribution costs | | (104,238) | (128,465) |
| **SURPLUS BEFORE TAXATION** | | 28,060 | 35,587 |
| Taxation | 15 | (393) | (84) |
| **SURPLUS BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 16 | 27,667 | 35,503 |

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

**NUTRITION PRODUCTS LIMITED**
**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED MARCH 31, 2014**

| | Note | Share Capital(*) $'000 | Capital Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at April 1, 2012 | | - | 10,327 | (18,672) | (8,345) |
| Surplus being total comprehensive income for the year | | - | - | 35,503 | 35,503 |
| Balance at March 31, 2013 | | - | 10,327 | 16,831 | 27,158 |
| Surplus being total comprehensive income for the year | | - | - | 27,667 | 27,667 |
| Balance at March 31, 2014 | | - | 10,327 | 44,498 | 54,825 |

(*) - denotes $200.

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

**NUTRITION PRODUCTS LIMITED**
**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2014**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Surplus for the year | 27,667 | 35,503 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 13,361 | 11,860 |
| Loss on disposal of property | 422 | 36 |
| Interest income | (1,305) | (429) |
| Deferred income | (4,020) | (3,569) |
| Impairment loss recognised on trade receivables | 1,552 | 312 |
| Tax expense | 393 | 84 |
| | 38,070 | 43,797 |
| Movements in working capital | | |
| Decrease in trade and other receivables | 99 | 196 |
| Increase in inventories | (18,596) | (6,144) |
| Increase/(Decrease) in trade and other payables | 8,285 | (20,259) |
| Cash generated from operations | 27,858 | 17,590 |
| Taxes paid | (308) | (20) |
| Net cash provided by operating activities | 27,550 | 17,570 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | 1,305 | 429 |
| Acquisition of property, plant and equipment | (50,062) | (9,106) |
| Net cash used in investing activities | (48,757) | (8,677) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Capital grant received | 25,133 | - |
| Net cash provided by financing activities | 25,133 | - |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | 3,926 | 8,893 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 16,856 | 7,963 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 20,782 | 16,856 |

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

## 1. IDENTIFICATION

Nutrition Products Limited (the company) is a limited liability company incorporated in Jamaica. The company is wholly-owned by the Government of Jamaica. Its main objective is to prepare nutritious lunches for distribution to children attending basic, primary and all-age schools. The company is domiciled in Jamaica and its registered office is located at 6 Marcus Garvey Drive, Kingston 13.

These financial statements are expressed in Jamaican dollars.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards and Disclosures affecting amounts reported and or disclosures in the current period (and/or prior periods)

In the current year, the company has applied a number of new and revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period. These are listed below.

**IFRS 13 *Fair Value Management***

IFRS 13 establishes a single source of guidance of fair value measurements and disclosures about fair value measurements. The Scope of IFRS is broad; the fair value measurement requirements of IFRS 13 apply to both financial instruments and non-financial instruments for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair valued (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standards in comparative information provided for periods before the initial application of the Standard. The application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

**Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income***
The amendments to IAS 1 introduce new terminology, whose use is not mandatory, for the statements of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The company has not adopted the change in name. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. The application of the amendments to IAS 1 does not result in any impact on surplus or deficit and total comprehensive income.

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

### 2.2 *Standards and Interpretations adopted with no effect on financial statements*

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to Standards | | |
| IAS 1, 32, 34 and IFRS 1 | Amendment arising from 2009 - 2011 Annual Improvements to IFRS | January 1, 2013 |
| IAS 19 | Employees Benefits<br>- Amended standard resulting from the Post Employment Benefits and Termination Benefits projects | January 1, 2013 |
| IAS 27 | Consolidated and Separate Financial Statements<br>- Reissued as IAS 27 Separate Financial Statements | January 1, 2013 |
| IAS 28 | Investments in Associates<br>- Reissued as IAS 28 Investments in Associates and Joint Ventures | January 1, 2013 |
| IFRS 7 | Financial Instruments: Disclosures<br>- Amendments enhancing disclosures about offsetting financial assets and financial liabilities | January 1, 2013 |
| IFRS 10 | Consolidated Financial Statements | January 1, 2013 |
| IFRS 10, 11, and 12 | Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities<br>- Transition guidance | January 1, 2013 |
| IFRS 11 | Joint Arrangements | January 1, 2013 |
| IFRS 12 | Disclosures of Interests in Other Entities | January 1, 2013 |
| IFRIC 20 | Stripping costs in the Production Phase of a Surface Mine | January 1, 2013 |

### 2.3 *Standards and interpretations in issue not yet effective*

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but were not effective or early adopted for the financial period being reported on:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| New and Revised Standards | | |
| IAS 16, 24, 38 and IFRS 2, 3, 8 and 13 | Amendments arising from 2010 – 2012 Annual Improvements to IFRS | July 1, 2014 |
| IAS 40 and IFRS 1, 3 and 13 | Amendments arising from 2011 – 2013 Annual Improvements to IFRS | July 1, 2014 |
| IAS 19 | Employee Benefits – Amendment to clarify the requirements that relate to how contributions from employees or third parties linked to service should be attributed to periods of service | July 1, 2014 |
| IAS 32 | Financial Instruments:<br>- Amendments to application guidance on the offsetting of financial assets and financial liabilities | January 1, 2014 |

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

### 2.3 *Standards and interpretations in issue not yet effective (Continued)*

| | | Effective for annual periods beginning on or after |
|---|---|---|
| New and Revised Standards (Continued) | | |
| IAS 39 | Financial Instruments: Recognition and Measurement | |
| | - Amendments to permit an entity to continue to apply hedge accounting requirements | When IFRS 9 is applied |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | |
| | - Amendment for Government loan with a below-market rate of interest when transitioning to IFRS | July 1, 2013 |
| IFRS 7 | Financial Instruments: Disclosures | |
| | - Amendments requiring disclosures about the initial application of IFRS 9 | January 1, 2015 (or otherwise when IFRS 9 is first applied) |
| | - Additional hedge accounting disclosures (and consequential amendments) | When IFRS 9 is applied |
| IFRS 9 | Financial Instruments: Classification and Measurement of financial assets | January 1, 2018 |
| IFRS 10, 12 and IAS 27 | Consolidated Financial Statements, Disclosure of Interests In Other Entities, and Separate Financial Statements | |
| | - Amendments for investment entities | January 1, 2014 |
| IFRS 14 | Regulatory Deferral Accounts | January 1, 2016 |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2017 |
| New and Revised Interpretations | | |
| IFRIC 21 | Levies | January 1, 2014 |

New and Revised Standards and Interpretations in issue not yet effective that are relevant

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the company and are likely to impact amounts reported in the company's financial statements:

- IFRS 9 *Financial Instruments*

  IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

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

### 2.3 *Standards and interpretations in issue not yet effective (Continued)*

- IFRS 9 *Financial Instruments*

  Key requirements of IFRS 9:

  - All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

  The directors and management anticipate that the application of IFRS 9 may impact the amounts reported in respect of the company's financial assets and liabilities. However, the directors and management have not yet completed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

- Annual Improvements to IFRS 2010 – 2012 Cycle issued in December 2013
- Annual Improvements to IFRS 2011 – 2013 Cycle issued in December 2013

  The Annual Improvements to IFRS Cycles include a number of amendments to various IFRS. The amendments are effective for annual periods beginning on or after July 1, 2014. Amendments to IFRS include:

  2010 – 2012 Cycle

  - Amendments to IFRS 13: Fair Value Measurement; and
  - Amendments to IAS 24 : Related Party Disclosures

Amendment to IFRS 13
The amendment clarifies that an entity is not required to discount short-term payables and receivables if the effect of the discounting is not material.

Amendment to IAS 24
The amendment widens the definition of key management personnel to include entities, or entities that are part of the same group, that provide key management personnel services to the reporting entity.

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

### 2.3 *Standards and interpretations in issue not yet effective (Continued)*

- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. The directors do not anticipate that the amendments will have a significant effect on the company's financial statements.

IFRS 15 – Revenue from contracts with customer
IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The directors have not yet assessed the impact of this IFRS on the financial statements on adoption at its effective date.

IFRIC 21 – Levies
IFRIC 21 provides guidance on recognition of a liability on levies imposed by a government. It identifies the obligating event for the recognition of the liability. The impact of implementation is not considered significant to the company's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Jamaican Companies Act, 2004.

### 3.2 Basis of preparation

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The company classifies all other liabilities as non-current.

### 3.4 Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 20.

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

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

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

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

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

There are no assets or liabilities for which fair value is measured in the financial statements currently.

### 3.5 Property, plant and equipment

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, plant and equipment (Continued)

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

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

### 3.6 Impairment of tangible assets

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

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

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

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

### 3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

### 3.8 Financial instruments

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.8 **Financial instruments (Continued)**

The fair values of financial instruments are discussed in Note 20.

Listed below are the company's financial assets and liabilities and the specific accounting policy related to each.

3.9 **Financial assets**

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

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

The financial assets of the company include cash and bank balances and trade and other receivables except prepayments.

a) *Loans and receivables*

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

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

Income is recognised on an effective interest basis for debt instruments.

b) *Impairment of financial assets*

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

Objective evidence of impairment could include:

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial assets (Continued)

b) *Impairment of financial assets (Continued)*

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

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

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

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

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

Derecognition of financial assets

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial assets (Continued)

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

### 3.10 Financial liabilities and equity instruments

Classification as debt or equity

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

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

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

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

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

Derecognition of financial liabilities

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Related party transactions and balances

A party is related to the company if:

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

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

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

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

### 3.12 Employees' benefits

*Pension obligations*

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

*Termination obligations*

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

*Leave entitlements*

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.13 **Revenue recognition**

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

*Sales to schools*

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

*Interest income*

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

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

3.14 **Grants and subventions**

Grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which the company recognises 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 revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

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

3.15 **Leases**

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Leases (Continued)

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

### 3.16 Foreign currencies

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

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency, are initially recorded at the rates of exchange prevailing on the dates of those transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in foreign currency are not retranslated.

All exchange gains and losses are credited to, or charged against, income for the period in which they arise.

### 3.17 Taxation

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

Income tax expense represents the current tax payable.

*Current tax*

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

### Critical accounting judgements

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

### Key sources of estimation uncertainty

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

*Property, plant and equipment*

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

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

Provision for impairment of trade receivables

The company periodically assesses the collectability of its trade receivables. Provisions are established or increased as described in Note 3. There is however no certainty that the company will collect the total remaining unimpaired balance, as some balances that are estimated to be collectible as at the end of the reporting period may subsequently become doubtful. Trade receivables amounted to $5.901 million at the end of the reporting period (2013: $5.326 million) net of a provision of $6.478 million (2013: $4.926 million). (See Note 7).

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Buildings and Roadways $'000 | Plant and Machinery $'000 | Furniture, Fixtures and Office Equipment $'000 | Milk Crates $'000 | Pallets $'000 | Motor Vehicles $'000 | Forklifts $'000 | Computer Equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| April 1, 2012 | 30,880 | 80,435 | 16,572 | 10,771 | 1,030 | 7,863 | 1,443 | 22,742 | 171,736 |
| Additions | 320 | 1,374 | 1,609 | 1,202 | - | 3,974 | - | 627 | 9,106 |
| Disposals | - | - | (80) | (68) | - | - | - | (269) | (417) |
| March 31, 2013 | 31,200 | 81,809 | 18,101 | 11,905 | 1,030 | 11,837 | 1,443 | 23,100 | 180,425 |
| Additions | 13,515 | 20,584 | 11,475 | 843 | 2,662 | - | - | 983 | 50,062 |
| Disposals | - | (46) | (678) | (24) | - | (953) | - | (643) | (2,344) |
| March 31, 2014 | 44,715 | 102,347 | 28,898 | 12,724 | 3,692 | 10,884 | 1,443 | 23,440 | 228,143 |
| **Depreciation** | | | | | | | | | |
| April 1, 2012 | 9,295 | 46,221 | 10,589 | 9,251 | 751 | 6,050 | 1,351 | 15,751 | 99,259 |
| Charge for the year | 904 | 5,320 | 985 | 715 | 82 | 1,267 | 77 | 2,510 | 11,860 |
| On disposals | - | - | (61) | (68) | - | - | - | (252) | (381) |
| March 31, 2013 | 10,199 | 51,541 | 11,513 | 9,898 | 833 | 7,317 | 1,428 | 18,009 | 110,738 |
| Charge for the year | 882 | 5,549 | 1,565 | 874 | 330 | 1,932 | 15 | 2,214 | 13,361 |
| On disposals | - | (20) | (504) | (25) | - | (953) | - | (420) | (1,922) |
| March 31, 2014 | 11,081 | 57,070 | 12,574 | 10,747 | 1,163 | 8,296 | 1,443 | 19,803 | 122,177 |
| **Net Book Value** | | | | | | | | | |
| March 31, 2014 | 33,634 | 45,277 | 16,324 | 1,977 | 2,529 | 2,588 | - | 3,637 | 105,966 |
| March 31, 2013 | 21,001 | 30,268 | 6,588 | 2,007 | 197 | 4,520 | 15 | 5,091 | 69,687 |

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

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

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

## 6. INVENTORIES

Inventories consist of the following:

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Raw materials | 20,205 | 10,909 |
| Packaging supplies | 14,296 | 3,530 |
| Consumable stores | 4,070 | 5,536 |
| | 38,571 | 19,975 |
| Provision for obsolete stock | (37) | (37) |
| | 38,534 | 19,938 |

The cost of inventories recognised as an expense during the year was $311.590 million (2013: $259.284 million).

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Movement in provision for inventories | | |
| Balance at the beginning of the year | 37 | 172 |
| Provision reversed during the year | - | (135) |
| | 37 | 37 |

## 7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Amounts due from schools (Note 7(a)) | 12,379 | 10,252 |
| Less: Provision for doubtful debts | (6,478) | ( 4,926) |
| | 5,901 | 5,326 |
| Other receivables | 1,192 | 339 |
| Prepayments | 390 | 3,469 |
| | 7,483 | 9,134 |

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

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

Included in the company's trade receivable balance are debtors with a carrying amount of $5.949 million (2013: $5.022 million) which is past due at the reporting date for which the company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The company does not hold any collateral over these balances. The average age of the receivables is 31 days (2013: 31 days).

**Ageing of past due but not impaired**

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| 31 – 60 days | 5,668 | 4,493 |
| 61 – 90 days | 281 | 529 |
| | 5,949 | 5,022 |

## 7. TRADE AND OTHER RECEIVABLES (CONTINUED)

**Movement in the provision for doubtful debts**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Balance at beginning of the year | 4,926 | 4,614 |
| Impairment losses recognised on receivables | 1,552 | 312 |
| Balance at end of the year | 6,478 | 4,926 |

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

**Ageing of impaired trade receivables**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Over 90 days | 6,478 | 4,926 |

## 8. CASH AND BANK BALANCES

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Cash at bank and in hand (Note 8(a)) | 18,514 | 14,727 |
| Short-term deposits (at interest rates ranging from 4.5% to 5.0%) (2013: Interest rates ranging from 3.25% to 3.55%) maturing April 2014 (2013: April 2013) | 2,268 | 2,129 |
| Cash and cash equivalents | 20,782 | 16,856 |

(a) Cash and bank includes interest bearing deposits totalling $0.233 million (2013: $9.274 million) at interest rates ranging from 1% to 4% (2013: at an interest rate of 0.5%).

## 9. SHARE CAPITAL

| | 2014 No. of shares | 2013 No. of shares |
|---|---|---|
| Authorised, issued and fully paid: | | |
| Ordinary shares at the beginning and end of the year | 100 | 100 |
| | $ | $ |
| Stated capital at the beginning and at end of the year | 200 | 200 |

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

## 10. CAPITAL RESERVE

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| This comprises: | | |
| Unrealised surplus on valuation of property, plant and equipment | 9,539 | 9,539 |
| Surplus on acquisition of assets of Nutrition Products Centre | 788 | 788 |
| | 10,327 | 10,327 |

## 11. DEFERRED INCOME

Deferred income arising on government grant:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Balance at beginning of year | 21,101 | 24,670 |
| Additions | 25,133 | - |
| Amount transferred to income (included in other income Note 14) | (4,020) | (3,569) |
| Balance at end of year | 42,214 | 21,101 |
| Comprising: | | |
| Current | 5,704 | 3,569 |
| Non-current | 36,510 | 17,532 |
| | 42,214 | 21,101 |

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.

Further, during the year a new breakfast feeding program commenced to supplement the school feeding program. A portion of grant funding received from the government at commencement and used to acquire plant and equipment specific to the program was deferred for amortization over the useful lives of the assets acquired.

## 12. TRADE AND OTHER PAYABLES

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Trade payables | 43,403 | 37,682 |
| Provision for retroactive salary payments | 9,233 | 16,774 |
| Statutory and payroll related deductions payable | 1,243 | 6,016 |
| Other payables and accruals | 30,210 | 15,332 |
| | 84,089 | 75,804 |

## 13. REVENUE AND GOVERNMENT SUBVENTION AND SUPPORT

Gross revenue comprises:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Sales to schools | 35,776 | 31,981 |
| Subvention | 835,120 | 786,453 |
| | 870,896 | 818,434 |

## 14. OTHER INCOME

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Interest income on deposits | 1,305 | 429 |
| Other | 5,736 | 4,473 |
| | 7,041 | 4,902 |

Other income includes deferred income amortised during the year amounting to $4.020 million (2013: $3.569 million) (See Note 11).

## 15. TAXATION

(a) The company's income mainly comprises subventions from the Government, 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. By Jamaica Gazzette Supplement dated December 31, 2012, effective January 1, 2013, the corporate tax rate was reduced from 33⅓% to 25% for unregulated entities. Consequently, current tax has been calculated using the tax rate of 25% (2013: 25%).

(b) Taxation for the year comprises:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Income tax charge | 393 | 84 |

## 15. TAXATION

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Surplus before tax | 28,060 | 35,587 |
| Tax at domestic income tax rate of 25% (2013: 25%) | 7,015 | 8,897 |
| Tax effect of expenses (income) not deductible (chargeable) for tax purposes | (889) | 4,419 |
| Tax effect of expenses deductible for tax purposes | (478) | (258) |
| Income not subject to tax | (217,724) | (196,613) |
| Tax effect of subvention utilised | 212,469 | 184,265 |
| Other | - | (626) |
| | 393 | 84 |

## 16. SURPLUS FOR THE YEAR

Surplus for the year has been arrived at after charging:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| (a) Revenue (Expenses) on financial assets at amortised cost | | |
| Revenue | | |
| Interest – bank deposits (at amortised cost) | 1,305 | 429 |
| Expenses | | |
| Impairment losses recognised on trade receivables | (1,552) | (312) |
| (b) Other expenses | | |
| Directors' remuneration | | |
| Fees | 2,901 | 2,224 |
| Depreciation | 13,361 | 11,860 |
| Audit fees | 1,200 | 990 |
| Pension cost | 6,871 | 7,230 |

## 17. 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 10%) 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 totalled $6.871 million (2013: $7.230 million).

## 18. OTHER DISCLOSURES - EMPLOYEES

Staff costs incurred during the year were:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Salaries and wages | 183,157 | 185,028 |
| Statutory contributions | 8,028 | 14,148 |
| Pension costs | 6,871 | 7,230 |
| | 198,056 | 206,406 |

## 19. RELATED PARTY TRANSACTIONS

**Compensation of directors and key management personnel**

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Directors fees | 2,901 | 2,224 |
| Short-term benefits | 28,591 | 24,728 |

## 20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

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

***Categories of financial instruments***

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Financial Assets** | | |
| Loans and receivables (at amortised cost) | | |
| Cash and bank balances | 20,782 | 16,856 |
| Trade and other receivables | 7,093 | 5,615 |
| | 27,875 | 22,471 |
| **Financial Liabilities (at amortised cost)** | | |
| Payables | 69,005 | 55,685 |

## 20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

***Financial risk management policies and objectives***

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

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

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

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

The company does not hold or issue derivative financial instruments.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Except in respect of foreign exchange, as disclosed in Note 20(b) below and interest rates, as disclosed in Note 20 (c) below, the company has no exposure to market risk.

(b) Foreign exchange risk management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. During the year the company has not undertaken any transactions denominated in currencies other than the Jamaican dollar resulting in any exposures to exchange rate fluctuations.

(c) Interest rate risk management

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

## 20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

***Financial risk management policies and objectives (Continued)***

(c) Interest rate risk management (Continued)

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

| | **Jamaican Dollar Instruments** | |
|---|---|---|
| | **Effective Interest Rate %** | **1 - 12 Months $'000** |
| March 31, 2014 | | |
| Short-term deposits | 4.50 - 5.00 | 2,268 |
| Bank deposits | 1.00 - 4.00 | 233 |
| | | 2,501 |
| March 31, 2013 | | |
| Short-term deposits | 3.25 - 3.55 | 2,129 |
| Bank deposits | 0.5 | 9,274 |
| | | 11,403 |

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

*Interest rate sensitivity*
The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. A 250 basis point increase and a 100 basis points decrease (2013: 250 basis points increase and a 100 basis points decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 250 basis points higher and 100 basis points lower (2013: 250 basis points higher and 100 basis points lower) and all other variables were held constant, the company's surplus for the year ended March 31, 2014 would increase by $0.063 million and decrease by $0.025 million respectively (2013: increase by $0.285 million and decrease by $0.114 million). This is mainly attributable to the company's exposure to interest rate risk on its bank and short-term deposits.

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

## 20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

***Financial risk management policies and objectives (Continued)***

(d) Credit risk management

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

Financial assets that potentially subject the company to concentration of credit risk consist principally of cash, cash equivalents and trade and other receivables. The maximum exposure to credit risk is the amount of approximately $27.875 million (2013: $22.471 million) disclosed under 'categories of financial instruments' above and the company holds no collateral in this regard. The directors believe that the credit risks associated with these financial instruments are minimal.

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

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

(e) Liquidity risk management

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

Liquidity risk analyses in respect of financial liabilities and financial assets

| | 2014 Less than 1 Year $'000 | 2013 Less than 1 Year $'000 |
|---|---|---|
| Financial assets | | |
| Interest bearing | 2,529 | 11,478 |
| Non-interest bearing | 25,374 | 11,068 |
| | 27,903 | 22,546 |
| Financial liabilities | | |
| Non-interest bearing | 69,005 | 55,685 |

## 20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

***Financial risk management policies and objectives (Continued)***

(f) Fair value of financial assets and financial liabilities

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

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

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

Fair value measurements recognised in the Statement of Financial Position:
There were no financial instruments that were measured subsequent to initial recognition at fair value.

***Capital risk management policies and objectives***

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

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

The company's overall strategy as directed by the Directors remains unchanged from year ended 2013.

## 21. OPERATING LEASE ARRANGEMENTS

Operating leases relate to rental of factory equipment. Leases are negotiated for an average of five years.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | 3,285 | 2,394 |

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Within 1 year | 3,109 | 2,893 |
| Longer than 1 year and not longer than 4 years | 6,516 | 9,625 |
| | 9,625 | 12,518 |

Contact: 6 Marcus Garvey Drive, Kingston 15
Telephone: 922-4227 / 922-4388 / Email: N.P.L@Cwjamaica.com