NUTRITION PRODUCTS LIMITED

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

NUTRITION PRODUCTS LIMITED

YEAR ENDED MARCH 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the members of

NUTRITION PRODUCTS LIMITED

Report on the financial statements

We have audited the financial statements of Nutrition Products Limited (the company), set out on pages 2 to 28, which comprise the statement of financial position as at March 31, 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 Companies Act, 2004 of Jamaica 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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Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of the company for the year ended March 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 4, 2013.

Report on additional requirements of the Companies Act, 2004 of Jamaica

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,
February 28, 2014

NUTRITION PRODUCTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	69,687	72,477
Current assets			
Inventories	6	19,938	13,794
Trade and other receivables	7	9,134	9,642
Income tax recoverable		8,448	8,512
Cash and bank balances	8	16,856	7,963
		54,376	39,911
Total assets		124,063	112,388
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	9	-	-
Capital reserve	10	10,327	10,327
Retained earnings		16,831	(18,672)
		27,158	(8,345)
Non-current liabilities			
Deferred income	11	17,532	21,101
Current liabilities			
Deferred income	11	3,569	3,569
Trade and other payables	12	75,804	96,063
		79,373	99,632
Total equity and liabilities		124,063	112,388

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 February 28, 2014 and are signed on its behalf by:

Director

Director

NUTRITION PRODUCTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2013

	Notes	2013 $'000	2012 $'000
Revenue and Government subvention and support	13	818,434	777,251
Factory cost of production		(567,514)	(616,726)
		250,920	160,525
Other income	14	4,902	3,426
Administrative expenses		(91,770)	(101,712)
Distribution costs		(128,465)	(145,215)
SURPLUS (DEFICIT) BEFORE TAXATION		35,587	(82,976)
Taxation	15	(84)	(30)
SURPLUS (DEFICIT) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16	35,503	(83,006)

The accompanying notes form an integral part of the Financial Statements.

NUTRITION PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2013

	Note	Share Capital(*) $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at April 1, 2011		-	10,327	64,334	74,661
Deficit and Total comprehensive income for the year		-	-	(83,006)	(83,006)
Balance at March 31, 2012		-	10,327	(18,672)	(8,345)
Surplus and Total comprehensive income for the year		-	-	35,503	35,503
Balance at March 31, 2013		-	10,327	16,831	27,158

(*) - denotes $200.

The accompanying notes form an integral part of the Financial Statements.

NUTRITION PRODUCTS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus (Deficit) for the year	35,503	(83,006)
Adjustments for:		
Depreciation of property, plant and equipment	11,860	11,387
Loss on disposal of property	36	125
Interest income	(429)	(491)
Deferred income	(3,569)	(2,965)
Impairment loss recognised on trade receivables	312	2,444
Bad debt recovered	-	(8)
Tax expense	84	30
	43,797	(72,484)
Movements in working capital		
Decrease in trade and other receivables	196	3,058
(Increase) Decrease in inventories	(6,144)	8,705
(Decrease) Increase in trade and other payables	(20,259)	29,123
Cash generated from (utilised in) operations	17,590	(31,598)
Taxes paid	(20)	(21)
Net cash provided by (used in) operating activities	17,570	(31,619)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	429	489
Acquisition of property, plant and equipment	(9,106)	(12,598)
Net cash used in investing activities	(8,677)	(12,109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital grant received	-	6,200
Net cash provided by financing activities	-	6,200
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,893	(37,528)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,963	45,491
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16,856	7,963

The accompanying notes form an integral part of the Financial Statements.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

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's 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**

Standards and Disclosures affecting presentation and disclosures in the current period (and/or prior periods)

There were no Standards and Interpretations that were applied in the year that affected the presentation and disclosures in these financial statements.

Standards and Interpretations affecting the reported financial performance and/or financial position

There were no Standards and Interpretations that were applied in the year that affected reported financial performance and/or financial position.

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 12	Income Taxes – limited scope amendment (recovery of underlying assets)	January 1, 2012
IAS 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards	
	- Replacement of fixed dates for certain exceptions with the date of transition to IFRS	July 1, 2011
	- Additional exemption for entities ceasing to suffer from severe hyperinflation	July 1, 2011
IFRS 7	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

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 not effective or early adopted for the financial period being reported on:

New and Revised Standards		Effective for annual periods beginning on or after
IAS 1, 16, 32, 34 and IFRS 1	Amendment arising from 2009 - 2011 Annual Improvements to IFRS	January 1, 2013
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
IAS 32	Financial Instruments: - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
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 enhancing disclosures about offsetting financial assets and financial liabilities	January 1, 2013
	- Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9	Financial Instruments: Classification and Measurement of financial assets	January 1, 2018
IFRS 10	Consolidated Financial Statements	January 1, 2013
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 10, 11, and 12	Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities - Transition guidance	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosures of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and interpretations in issue not yet effective (Cont'd)

		Effective for annual periods beginning on or after
New and Revised Interpretations		
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013
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:

- Annual Improvements to IFRS 2009 – 2011 Cycle issued in May 2012

  The Annual Improvements to IFRS 2009 – 2011 Cycle include a number of amendments to various IFRS. Amendments specifically to IAS 1 and 16 are not expected to have a significant effect on the company's financial statements on adoption at their effective date.

- IAS 1 *Presentation of Financial Statements*

  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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (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. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

- Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

  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 IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

  The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after January 1, 2014, with retrospective application required. The directors and management do not anticipate that the amendment will have a significant effect on the company's financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

- 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.

  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 IFRS 9 will be adopted in the company's financial statements for the annual period beginning April 1, 2018 and 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 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.

- IFRS 13 *Fair Value Measurement*

  IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

  IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

  The directors and management have not completed their assessment the impact of the IFRS on the company's financial statement on adoption at its effective date.

3. SIGNIFICANT ACCOUNTING POLICIES

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 Companies Act, 2004 of Jamaica.

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:

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.

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.

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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

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

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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.

Financial instruments

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

A financial asset of the company is any asset that is:

(a) cash
(b) an equity instrument of another entity
(c) a contractual right:

   (i) to receive cash or another financial asset from another entity; or
   (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the company.

A financial liability of the company is any liability that is a contractual obligation:

   (i) to deliver cash or another financial asset to another entity; or
   (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the company.

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.

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.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

a) *Loans and receivables (Cont'd)*

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.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

(b) *Impairment of financial assets (Cont'd)*

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.

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.

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 cost (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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Classification as debt or equity (Cont'd)
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, and only 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.

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.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Employees' benefits (Cont'd)

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.

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.

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.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Grants and subventions (Cont'd)

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.

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.

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.

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.

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.

Critical accounting judgements

Management believes there were no 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

Management does not consider that there are any 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.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Roadways	Plant and Machinery	Furniture, Fixtures and Office Equipment	Milk Crates	Pallets	Motor Vehicles	Forklifts	Computer Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost									
April 1, 2011	30,880	72,145	16,175	10,135	910	7,863	1,443	19,993	159,544
Additions	-	8,290	786	636	122	-	-	2,764	12,598
Disposal	-	-	(389)	-	(2)	-	-	(15)	(406)
March 31, 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
Disposal	-	-	(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
Depreciation									
April 1, 2011	8,396	41,241	9,892	8,609	680	4,970	1,274	13,091	88,153
Charge for the year	899	4,980	967	642	71	1,080	77	2,671	11,387
On disposals	-	-	(270)	-	-	-	-	(11)	(281)
March 31, 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
Net Book Value									
March 31, 2013	21,001	30,268	6,588	2,007	197	4,520	15	5,091	69,687
March 31, 2012	21,585	34,214	5,983	1,520	279	1,813	92	6,991	72,477

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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.

(ii) Manchester - The land has been donated by Alcan Jamaica Company to the company. No value has been recorded for the land.

(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:

	2013 $'000	2012 $'000
Raw materials	10,909	9,003
Packaging supplies	3,530	397
Consumable stores	5,536	4,566
Provision for obsolete stock	(37)	(172)
	19,938	13,794

The cost of inventories recognised as an expense during the year was $259.018 million (2012: $308.797 million).

	2013 $'000	2012 $'000
Movement in provision for inventories		
Balance at the beginning of the year	172	68
Provision (reversed) charged during the year	(135)	104
	37	172

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	2013	2012
	$'000	$'000
Amounts due from schools (Note 7(a))	10,252	10,002
Less: Provision for doubtful debts	4,926	4,614
	5,326	5,388
Other receivables	339	751
Prepayments	3,469	3,503
	9,134	9,642

(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 school recipients 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 $5.022 million (2012: $4.537 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 (2012: 31 days).

Ageing of past due but not impaired

	2013	2012
	$'000	$'000
31 – 60 days	4,493	4,083
61 – 90 days	529	454
	5,022	4,537

7. TRADE AND OTHER RECEIVABLES (Cont'd)

Movement in the allowance for doubtful debts

	2013 $'000	2012 $'000
Balance at beginning of the year	4,614	2,178
Impairment losses recognised on receivables	312	2,444
Bad debts recovered/written back	-	(8)
Balance at end of the year	4,926	4,614

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 allowance for doubtful debts.

Ageing of impaired trade receivables

	2013 $'000	2012 $'000
Over 90 days	4,926	4,614

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.

	2013 $'000	2012 $'000
Cash at bank and in hand (Note 8(a))	14,727	6,163
Short-term deposits (at interest rates ranging from 3.25% to 3.55%) (2012: Interest rates ranging from 2% to 8.5%) maturing April 2013 (2012: April 2012)	2,129	1,800
Cash and cash equivalents	16,856	7,963

(a) Cash and bank includes interest bearing deposits account totalling $9.274 million (2012: $1.392 million) at an interest rate of 0.5% (2012: 0.5%).

9. SHARE CAPITAL

	2013 No. of shares	2012 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

	2013 $'000	2012 $'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:

	2013 $'000	2012 $'000
Balance at beginning of year	24,670	21,435
Additions	-	6,200
Amount transferred to income	(3,569)	(2,965)
Balance at end of year	21,101	24,670
Comprising:		
Current	3,569	3,569
Non-current	17,532	21,101
	21,101	24,670

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

12. TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000
Trade payables	37,682	58,992
Provision for retroactive salary payments	16,774	25,616
Statutory and payroll related deductions payable	6,016	152
Other payables and accruals	15,332	11,303
	75,804	96,063

13. REVENUE AND GOVERNMENT SUBVENTION AND SUPPORT

Gross revenue comprises:

	2013 $'000	2012 $'000
Sales to school	31,981	32,420
Subvention	786,453	744,831
	818,434	777,251

14. OTHER INCOME

	2013 $'000	2012 $'000
Interest income on deposits	429	491
Other	4,473	2,935
	4,902	3,426

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. 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% (2012: 33⅓%).

(b) Taxation for the year comprises:

	2013 $'000	2012 $'000
Income tax charge	84	30

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

	2013 $'000	2012 $'000
Surplus (Deficit) before tax	35,587	(82,976)
Tax at domestic income tax rate of 25% (2012: 33⅓%)	8,897	(27,659)
Tax effect of expenses not deductible for tax purposes	4,419	4,241
Tax effect of expenses deductible for tax purposes	(258)	(329)
Income not subject to tax	(196,613)	(248,277)
Tax effect of subvention utilised	184,265	263,148
Other	(626)	8,906
	84	30

16. SURPLUS (DEFICIT) FOR THE YEAR

Surplus (Deficit) for the year has been arrived at after charging:

	2013 $'000	2012 $'000
(a) Revenue (expenses) on financial assets at amortised cost		
Revenue		
Interest – bank deposits (at amortised cost)	429	491
Expenses		
Impairment losses recognised on trade receivables	(312)	(2,444)
(b) Other expenses		
Directors' remuneration		
Fees	2,224	4,429
Depreciation	11,860	11,387
Audit fees	990	939
Pension cost	7,230	7,632

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 $7.230 million (2012: $7.632 million).

18. OTHER DISCLOSURES - EMPLOYEES

Staff costs incurred during the year were:

	2013 $'000	2012 $'000
Salaries and wages	170,068	170,771
Statutory contributions	14,148	9,009
Pension costs	7,230	7,632
Retroactive salaries provision	-	4,109
	191,446	191,521

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2013 $'000	2012 $'000
Short-term benefits	24,728	24,302

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:

	2013 $'000	2012 $'000
Financial Assets		
Loans and receivables (at amortised cost)		
Cash and bank balances	16,856	7,963
Trade and other receivables	5,615	6,139
	22,471	14,102
Financial Liabilities (at amortised cost)		
Payables	55,685	65,140

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.

20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(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.

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, 2013		
Short-term deposits	3.25 - 3.55	2,129
Bank deposits	0.5	9,274
		11,403
March 31, 2012		
Short-term deposits	2 – 8.5	1,800
Bank deposits	0.5	1,392
		3,192

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 100 basis point increase and a 250 basis points decrease (2012: 100 basis points increase/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 100 basis points higher and 250 basis points lower (2012: 100 basis points higher/lower) and all other variables were held constant, the company's surplus for the year ended March 31, 2013 would increase by $0.114 million and decrease by $0.285 million respectively (2012: increase/decrease by $0.016 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 (Cont'd)

Financial risk management policies and objectives (Cont'd)

(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 $22.471 million (2012: $14.102 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 non-derivative financial liabilities and financial assets

	2013 Less than 1 Year $	2012 Less than 1 Year $
Financial assets		
Interest bearing	11,478	3,285
Non-interest bearing	11,068	10,904
	22,546	14,189
Financial liabilities		
Non-interest bearing	55,685	65,140

(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.

20. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(f) Fair value of financial assets and financial liabilities (Cont'd)

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 2012.

21. OPERATING LEASE ARRANGEMENTS

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

	2013 $'000	2012 $'000
Minimum lease payments under operating leases recognised as an expense in the year	2,394	2,965

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

	2013 $'000	2012 $'000
Within 1 year	2,977	2,977
Longer than 1 year and not longer than 5 years	3,900	6,877
	6,877	9,854

NUTRITION PRODUCTS LIMITED

FACTORY COST OF PRODUCTION AND FACTORY OVERHEADS

YEAR ENDED MARCH 31, 2013

	2013 $'000	2012 $'000
FACTORY COST OF PRODUCTION		
Raw materials consumed	259,284	308,797
Wages, pension and statutory contributions	127,404	127,828
Factory overheads (See below)	180,826	180,101
	567,514	616,726
FACTORY OVERHEADS		
Machinery lease	2,477	1,630
Stationery and printing expenses	173	177
Electricity	29,508	30,213
Water rates	14,162	13,149
Insurance	1,700	1,300
Sanitation	11,807	11,203
Fuel oil	26,897	26,280
Factory expenses	1,367	1,642
Charitable donations - snacks	3,678	4,506
Repairs and maintenance		
- Plant and machinery	11,899	10,128
- Building and roadways	6,278	3,700
- Furniture and fixtures	16,541	15,743
Telephone	450	391
Travelling and subsistence	3,985	4,277
Depreciation	7,021	6,594
Staff welfare	15,266	15,489
Factory rental	2,394	2,965
Stock spoilage	484	5,205
Transportation	4,153	5,162
Security	14,949	14,398
Group health and life insurance	5,772	5,845
Obsolete stock	(135)	104
	180,826	180,101

NUTRITION PRODUCTS LIMITED

EXPENSES

YEAR ENDED MARCH 31, 2013

	2013 $'000	2012 $'000
ADMINISTRATIVE EXPENSES		
Sanitation expense	860	365
Salaries, wages, allowances,		
N.I.S. and pension contributions	45,567	48,952
Group health and life insurance	863	957
Stationery and office expenses	1,424	1,212
Computer service	2,121	2,904
Motor vehicle expenses	1,556	1,942
Audit and accountancy	1,569	1,500
Depreciation	3,496	3,637
Insurance	945	522
Security	1,031	1,041
Legal and professional fees		
Professional and technical services	2,101	4,346
Legal fees	50	-
Directors' fees/expenses	2,224	4,429
Travel and subsistence	10,070	11,385
Commissions	1,744	2,106
Public relations	535	121
Meeting and office expenses	1,457	1,329
Utilities	7,658	7,419
Repairs and maintenance: Furniture and fixtures	680	656
: Buildings	56	66
Staff welfare	3,148	2,206
Subscription and donations	1,374	1,335
Bank charges	929	838
Bad debt	312	2,444
	91,770	101,712

NUTRITION PRODUCTS LIMITED

EXPENSES

YEAR ENDED MARCH 31, 2013

	2013 $'000	2012 $'000
DISTRIBUTION COSTS		
Sanitation expense	656	378
Group health and life insurance	693	812
Utilities	1,614	1,605
Motor vehicles expenses	4,538	4,636
Contract deliveries	86,879	99,898
Depreciation	1,343	1,157
Security	4,508	4,525
Stationery and printing expenses	123	693
Warehouse and distribution expenses	998	2,137
Travel and subsistence	1,393	1,402
Salaries, wages, allowances and statutory contributions	18,475	14,741
Insurance	1,134	839
Transportation and haulage	3,559	9,661
Staff welfare	1,578	1,628
Staff transportation	974	1,104
	128,465	145,215
TOTAL EXPENSES	220,235	246,927

NUTRITION PRODUCTS LIMITED

INCOME TAX COMPUTATION

YEAR OF ASSESSMENT 2013

		Sales to Schools	Interest	Other Income	Total
	$'000	$'000	$'000	$'000	$'000
Income		31,981	429	4,473	36,883
Factory cost of production		(567,514)			
Non-taxable		-		(3,533)	
		(535,533)			
Distribution cost		(128,465)			
Administrative expense		(91,770)			
		(755,768)			
Less:					
Depreciation	11,860				
Subscription and donations	1,374				
PAYE - Penalties and interest	4,440				
Audit fees	990		(386)	(604)	
Management expense (*)	43	18,707	(43)	-	
		(737,061)			
Subvention utilised		737,061	-	-	
		-	-		
Taxable income				336	336
Tax thereon					84
Provided in financial statements					84
Withheld tax					21

Subvention Account

Unutilised subvention b/f	-
Subvention received	786,453
	786,453
Less: Subvention utilised	737,061
Unutilised subvention c/f	49,392

(*) limited to 10% of interest income