

**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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**CONTENTS**

	Page
Independent Auditors' Report	1 – 2
 <b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 32

## 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.



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

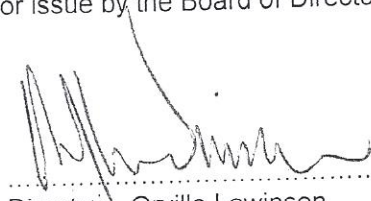
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	105,966	69,687
<b>Current assets</b>			
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
<b>Total assets</b>		<b>181,128</b>	<b>124,063</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	9	-	-
Capital reserve	10	10,327	10,327
Retained earnings		44,498	16,831
		54,825	27,158
<b>Non-current liability</b>			
Deferred income	11	36,510	17,532
<b>Current liabilities</b>			
Deferred income	11	5,704	3,569
Trade and other payables	12	84,089	75,804
		89,793	79,373
<b>Total equity and liabilities</b>		<b>181,128</b>	<b>124,063</b>

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		<u>(661,928)</u>	<u>(567,514)</u>
		208,968	250,920
Other income	14	7,041	4,902
Administrative expenses		(83,711)	(91,770)
Distribution costs		<u>(104,238)</u>	<u>(128,465)</u>
<b>SURPLUS BEFORE TAXATION</b>		28,060	35,587
Taxation	15	<u>(393)</u>	<u>(84)</u>
<b>SURPLUS BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	16	<u>27,667</u>	<u>35,503</u>

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**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
	<u>38,070</u>	<u>43,797</u>
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)
	<u>27,858</u>	<u>17,590</u>
Cash generated from operations	(308)	(20)
Taxes paid	<u>27,550</u>	<u>17,570</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,305	429
Acquisition of property, plant and equipment	(50,062)	(9,106)
	<u>(48,757)</u>	<u>(8,677)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital grant received	25,133	-
	<u>25,133</u>	<u>-</u>
Net cash provided by financing activities		
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,926	8,893
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>16,856</u>	<u>7,963</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><u>20,782</u></u>	<u><u>16,856</u></u>

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



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

**YEAR ENDED MARCH 31, 2014**

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**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.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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 <u>beginning on or after</u>
<u>Amendments to Standards</u>	
IAS 1, 32, 34 and IFRS 1	Amendment arising from 2009 - 2011 Annual Improvements to IFRS January 1, 2013
IAS 19	Employees 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
IFRS 7	Financial Instruments: Disclosures - 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 - 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 <u>beginning on or after</u>
<u>New and Revised Standards</u>	
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: - Amendments to application guidance on the offsetting of financial assets and financial liabilities January 1, 2014

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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

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

		<u>Effective for annual periods beginning on or after</u>
<u>New and Revised Standards (Continued)</u>		
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
<u>New and Revised Interpretations</u>		
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.

YEAR ENDED MARCH 31, 2014

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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.

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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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:

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

**YEAR ENDED MARCH 31, 2014**

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**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.

YEAR ENDED MARCH 31, 2014

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### 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.

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

**YEAR ENDED MARCH 31, 2014**

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**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 an 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.



YEAR ENDED MARCH 31, 2014

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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.

YEAR ENDED MARCH 31, 2014

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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.

YEAR ENDED MARCH 31, 2014

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.

YEAR ENDED MARCH 31, 2014

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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.

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

**YEAR ENDED MARCH 31, 2014**

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**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.

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

**YEAR ENDED MARCH 31, 2014**

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**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).

NUTRITION PRODUCTS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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

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

**YEAR ENDED MARCH 31, 2014**

**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:

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

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

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



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

**YEAR ENDED MARCH 31, 2014**

**7. TRADE AND OTHER RECEIVABLES**

Trade and other receivables consist of the following:

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

- (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**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
31 – 60 days	5,668	4,493
61 – 90 days	<u>281</u>	<u>529</u>
	<u><u>5,949</u></u>	<u><u>5,022</u></u>

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

**YEAR ENDED MARCH 31, 2014**

**7. TRADE AND OTHER RECEIVABLES (CONTINUED)**

**Movement in the provision for doubtful debts**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of the year	4,926	4,614
Impairment losses recognised on receivables	<u>1,552</u>	<u>312</u>
Balance at end of the year	<u><u>6,478</u></u>	<u><u>4,926</u></u>

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**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Over 90 days	<u><u>6,478</u></u>	<u><u>4,926</u></u>

**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.

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
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)	<u>2,268</u>	<u>2,129</u>
Cash and cash equivalents	<u><u>20,782</u></u>	<u><u>16,856</u></u>

(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%).

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

**YEAR ENDED MARCH 31, 2014**

**9. SHARE CAPITAL**

	<b>2014</b>	<b>2013</b>
	<b>No. of</b>	<b>No. of</b>
	<b>shares</b>	<b>shares</b>
Authorised, issued and fully paid:		
Ordinary shares at the beginning and end of the year	<u>100</u>	<u>100</u>
	<b>\$</b>	<b>\$</b>
Stated capital at the beginning and at end of the year	<u>200</u>	<u>200</u>

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

**10. CAPITAL RESERVE**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
This comprises:		
Unrealised surplus on valuation of property, plant and equipment	9,539	9,539
Surplus on acquisition of assets of Nutrition Products Centre	<u>788</u>	<u>788</u>
	<u>10,327</u>	<u>10,327</u>

**11. DEFERRED INCOME**

Deferred income arising on government grant:

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

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

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.

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

**YEAR ENDED MARCH 31, 2014**

**12. TRADE AND OTHER PAYABLES**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
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	<u>30,210</u>	<u>15,332</u>
	<u><u>84,089</u></u>	<u><u>75,804</u></u>

**13. REVENUE AND GOVERNMENT SUBVENTION AND SUPPORT**

Gross revenue comprises:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Sales to schools	35,776	31,981
Subvention	<u>835,120</u>	<u>786,453</u>
	<u><u>870,896</u></u>	<u><u>818,434</u></u>

**14. OTHER INCOME**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income on deposits	1,305	429
Other	<u>5,736</u>	<u>4,473</u>
	<u><u>7,041</u></u>	<u><u>4,902</u></u>

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 Gazette Supplement dated December 31, 2012, effective January 1, 2013, the corporate tax rate was reduced from 33% 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:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Income tax charge	<u>393</u>	<u>84</u>

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

**YEAR ENDED MARCH 31, 2014**

**15. TAXATION**

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

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
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)
	<u>393</u>	<u>84</u>

**16. SURPLUS FOR THE YEAR**

Surplus for the year has been arrived at after charging:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
(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).

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

**YEAR ENDED MARCH 31, 2014**

**18. OTHER DISCLOSURES - EMPLOYEES**

Staff costs incurred during the year were:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	183,157	185,028
Statutory contributions	8,028	14,148
Pension costs	6,871	7,230
	<u>198,056</u>	<u>206,406</u>

**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:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
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:

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

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

**YEAR ENDED MARCH 31, 2014**

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**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.

NUTRITION PRODUCTS LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2014

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.

	<u>Jamaican Dollar Instruments</u>	
	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
		<u>2,501</u>
March 31, 2013		
Short-term deposits	3.25 - 3.55	2,129
Bank deposits	0.5	9,274
		<u>11,403</u>

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.



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

**YEAR ENDED MARCH 31, 2014**

**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

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

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

**YEAR ENDED MARCH 31, 2014**

**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.

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Minimum lease payments under operating leases recognised as an expense in the year	<u>3,285</u>	<u>2,394</u>

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

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	3,109	2,893
Longer than 1 year and not longer than 4 years	<u>6,516</u>	<u>9,625</u>
	<u>9,625</u>	<u>12,518</u>