



NUTRITION PRODUCTS LIMITED

...serving Jamaica's children since 1973.



ANNUAL REPORT (2011 - 2012)


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➤ *Supplement Financial Statements & notes to the Financial Statements*

Mission Statement

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



BOARD OF DIRECTORS



Ewart Gilzean

Board Chairman
Finance Committee – Chairman
Procurement & Contracts Committee - Chairman



Arthurine Webb

Deputy Chairman
Human Resource & Administrative Services Committee - Chairman
Audit & Assurance Committees– Chairman
Finance Committee
Procurement & Contracts Committee
Board of Trustees Committee



Alden Brown

Human Resource & Administrative Services Committee
Finance Committee
Board of Trustees Committee



Leslie Campbell

Procurement & Contracts Committee
Quality Control & Customer Services Committee

BOARD OF DIRECTORS (CONT'D)



Sharmaine Edwards

Operations Committee
Customer Service & Quality Control Committee

Daphne Hurge

Human Resource & Administrative Services Committee
Audit & Assurance Committee



Everton Jones

Operations Committee - Chairman
Finance Committee
Audit & Assurance Committee



C. Helen Robertson

Operations Committee
Procurement & Contracts Committee



Joyce Young

Customer Service & Quality Control Committee - Chairman
Human Resource & Administrative Services Committee
Board of Trustees – Chairman

Workers' Representative

Cleve McKenzie



EXECUTIVE MANAGEMENT



Orville Lewinson
General Manager



Phillip Hunter
Human Resource & Administrative Services Manager



Claude Riddell
Distribution, Warehouse & Security Manager



Sandra Robinson
Financial Controller



Josiah Williams
Operations Manager



Douglas Stewart
Customer Services & Quality Control Manager



Daryll Nelson
Procurement & Contracts Manager

SENIOR EXECUTIVE COMPENSATIONS 2011-2012

Position of Senior Executive	Year	Salary \$	Gratuity or Performance Incentive \$	Traveling Allowance or Value of Assigned Motor Vehicle \$	Pension or Other Retirement Benefits \$	Other Allowances \$	Non-Cash Benefits \$	Total \$
General Manager	11/12	3,459,806		1,950,000		78,865		5,488,671
Operations Manager	11/12	2,194,859		420,000				2,614,859
Customer Services Manager	11/12	1,631,717		420,000				2,051,717
Personnel & Support Services Manager	11/12	1,988,434		420,000				2,408,434
Financial Controller	11/12	2,363,623		420,000				2,783,623
Warehouse & Distribution Manager	11/12	1,714,322		420,000				2,134,322
Procurement & Contracts Manager	11/12	1,714,322		420,000				2,134,322

DIRECTORS COMPENSATION 2011-2012

Position of Director	Fees \$	Motor Vehicle Upkeep/Traveling or Value of Assigned Motor Vehicle \$ (Travel)	Honoraria \$	All Other Compensation including Non- Cash Benefits as applicable \$ (Meal Allowance)	Total \$
Chairman	586,500	143,400		47,800	777,700
Deputy Chairman	414,920	128,700		42,900	586,520
Director	267,500	90,900		30,300	388,700
Director	109,500	36,300		12,100	157,900
Director	187,500	74,100		24,700	286,300
Director	160,000	61,500		20,500	242,000
Committee Chairman	513,560	185,400		61,800	760,760
Director	128,700	51,600		17,200	197,500
Director	173,500	65,700		21,900	261,100
Committee Chairman	407,500	107,700		35,900	551,100

CHAIRMAN'S REPORT

Through a positive track record, Nutrition Products Limited (NPL) has made a significant contribution to the lives of many school children who otherwise may have had their progress stymied. If only for this reason, the school feeding programme must not be discontinued, as the value to many of the nation's children, past and present, cannot be over emphasized. There is no doubt that the service provided by NPL has brought less anxious moments and peace of mind to many parents and guardians throughout the length and breadth of the country.

The Board of Directors (Board) provides management with guidance and strategic direction with respect to managing and operating the company. This includes but is not limited to:

- the development of business plans,
- determining long term strategic goals and objectives,
- assessing and managing the key risks facing the company,
- the establishment of systems of internal controls and internal checks,
- the approval of published accounting reports and budgets.

The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

The Board is actively responsible for determining that NPL is managed in a manner which is consistent with the directives of the Ministry of Education, which includes maintaining and growing a successful business. The Board also has the responsibility to ensure that management is capable of executing its responsibilities. This is done through the Board's monitoring of the effective implementation of company policies, through the execution of management strategies and decisions.

The Board consists of nine directors and each month a scheduled meeting takes place. The Board reviews and approves key policies and decisions of the company in such areas as:

- corporate governance;
- strategy and operating plans;
- risk management;
- financial reporting and audit.

Special Board Meetings are convened if there are specific matters that require more time and focus than a regular Board Meeting would allow, or if there are time sensitive issues on which the Board needs to meet and make decisions.

To effectively discharge its responsibilities, the Board is assisted by six Board Committees –

- Audit,
- Finance,
- Operations,
- Procurement & Contracts,
- Human Resource & Administrative Services
- Customer Services and Quality Control.

The avenue is created to allow Committees to seek access to professional advice (within and outside of the company) in order for them to better able to perform their duties and advise the Board and the company on a whole.

I wish to take this opportunity to thank the management and staff as well as my fellow directors for the fantastic support over the last three and half years. I am particularly grateful for the manner in which the management team embraced the changes implemented by the Board. I have no doubt that critical to the Board's success was the support given by the team lead by the Chief Executive Officer.

Fellow Directors, there were many challenges to overcome, both in getting to know the company and to know each other. Additionally, we were operating in an atmosphere where the company was being divested which created untold uncertainties. Despite these challenges, it was a pleasure

working together to broaden the management structure and to lay the foundation for wider discourse.

It is hoped that NPL grows from strength to strength and that its true potential will be realized. I passionately believe that properly educating the nation's children is the only enduring and everlasting solution to the many challenges faced by our beloved country. Properly educated children become gainfully employed and positive adults. Gainfully employed and positive adults create a progressive nation. NPL over several decades has played its part in helping to achieve this objective. I am grateful to be a part of this tremendous effort. I am sure the company will remain steadfast in its progress of contributing to national development through the provision of nutritious meals to designated school children, island wide.

May the good Lord continue to bless and guide us all.



Ewart S. Gilzean
Chairman

GENERAL MANAGER'S REPORT


Nutrition Products Limited (NPL) has completed the year 2012 on a positive note; the budgeted targets for production and distribution were achieved. This was undoubtedly achieved due to the respective contribution, dedication and hard work of the Board of Directors, Management and Staff of NPL.

First and foremost, let me say a big thank you to our employees who are the heart of our business. They were integral to the delivery of the company's results and we acknowledge the contribution of each team member.

Also, I would like to convey thanks to our highly experienced Board of Directors who we are fortunate to have, to assist us in steering the company forward; we acknowledge the contribution of each member.

Learning is a process that never stops as long as there is life. It is this key concept of learning being continuous that will help to drive and motivate each employee to seek growth through new knowledge and information. NPL will therefore continue to provide/create the environment in which workers will continually learn new ways, techniques, skills and attitudes for personal and organizational gains. This is a process which is constantly being refined and refashioned, thus enabling NPL to be able to continue producing the highest quality products for the enjoyment of our beneficiaries – the needy children of Jamaica.

Thanks again to all stakeholders for your support, as we look forward to 2012/2013 with a strong and purposeful team.



Orville Lewinson
General Manager

DEPARTMENT PERFORMANCE

PRODUCTION

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

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

Annual production of solid and liquid, for the financial year ended March 31, 2012, was approximately 102% and 98% of planned production, respectively. (See Tables & Charts, pages 15-16).

BAKERY DEPARTMENT

The bakery achieved its budgeted target for the period April 2011 to March 2012. This laudable performance was again largely due to the sustained effort and cooperation of the different teams in the bakery throughout the three locations and the supporting departments – Accounts, Human Resource (HR) and Maintenance.

The department maintained its focus in looking at imaginative ways and means to improve efficiency, the overall quality of the products manufactured, the general presentation of the snacks produced for the children and waste reduction techniques.

The bakery again produced its usual fare of baked products: bullas, rock cakes, slice and spice buns, breads (cheese, corn and raisin) and spice cakes.

DAIRY DEPARTMENT

The Dairy Department failed to achieve its target by 2%. This achievement however was no less praiseworthy than that of the bakery, as the dairy where milk (and other liquids), with all its inherent sensitivities and requisite strict adherence and compliance to specifications is produced, is always the more challenging department.

The dairy team again – Management and staff – gave it their all throughout the entire year.

The department benefitted from the acquisition and commissioning of two (2) refurbished IS-6 pouch filling machines at the Kingston location through a special leasing agreement with Liqui-Box Canada Inc (Liqui-Box). Liqui-Box is a subsidiary of DuPont group and supplies quality liquid packaging materials (film) for these pouch filling machines, worldwide. The agreement includes NPL purchasing a minimum quantity of liquid packaging materials (film) from them. This has led to better operating efficiencies, much lower leakage rates and major cost savings based on the bulk purchasing of the packaging material.

The department added a melon/june plum fruit drink – using local fruit purees – to its fare of ‘liquids’ produced at the Kingston plant. This automatically achieved two major objectives with the improved nutrition to the children we feed and the use of more local agricultural resources in the programme.

The Company continues to operate with limited resources but, based on the critical nature of this department, will keep on searching for creative ways to continue to improve the department’s performance.

The department, however, still maintained its variety of plain milk, flavoured milk, flavoured drink and juice/drinks.

NUTRITION PRODUCTS LIMITED

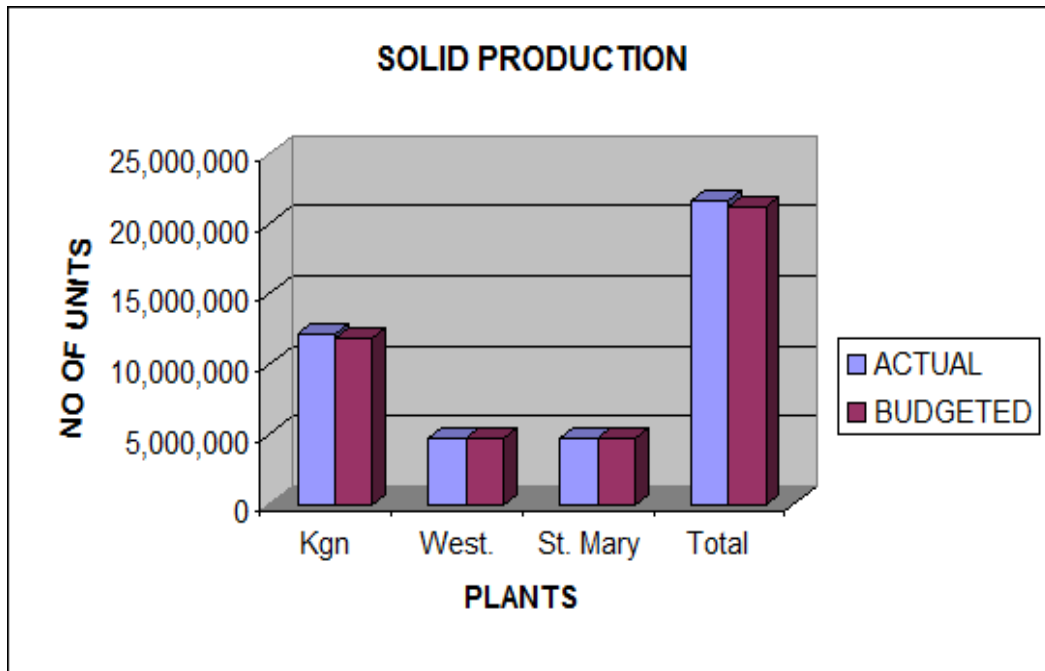
PRODUCTION OF SOLID

ACTUAL VERSUS BUDGETED

APRIL 2011 - MARCH 2012

CHART 1

Plant	Actual Production	Budgeted Production	Variance (Value)	Variance (%)
Kgn	12,195,960	11,827,500	368,460	3.12
West.	4,747,850	4,632,205	115,645	2.50
St. Mary	4,695,780	4,742,205	(46,425)	(0.98)
Total	21,639,590	21,201,910	437,680	2.06



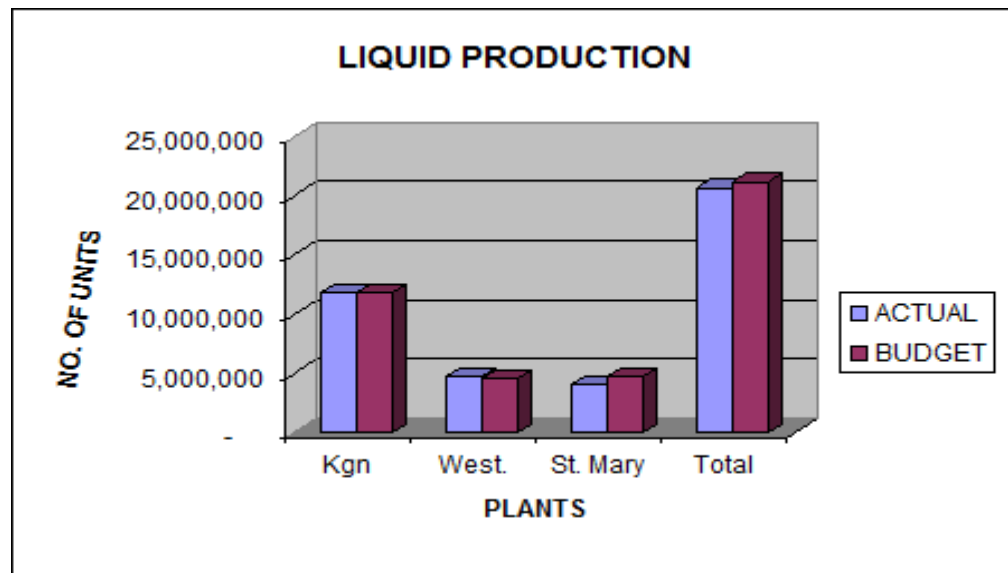
NUTRITION PRODUCTS LIMITED

PRODUCTION OF LIQUID

ACTUAL VERSUS BUDGETED

APRIL 2011 - MARCH 2012

Plant	TABLE 2			
	Actual Production	Budgeted Production	Variance (Value)	Variance (%)
Kgn	11,886,335	11,827,500	58,835	0.50
West.	4,693,335	4,632,205	61,130	1.32
St. Mary	4,109,710	4,742,205	(632,495)	-13.34
Total	20,689,380	21,201,910	(512,530)	-2.42



DEPARTMENT PERFORMANCE

DISTRIBUTION, WAREHOUSING & SECURITY

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

- raw materials purchased meet the stipulated quality standards;
- raw materials are properly warehoused and efficiently dispatched to production locations; and
- finished products are correctly stored and transported island-wide.

In addition the department also oversees and ensures the general security of employees, plant and machinery, by ensuring that suitable and qualified manpower along with the appropriate systems and standard procedures are in place to inspire confidence and prevent breaches.

The total actual delivery of solid and liquid, compared to planned delivery for the year was 97% and 92.0% respectively. The department, for the most part, achieved its target in the delivery of solid but missed out on its liquid target by 8%. This was mainly due to the shortfall in production (dairy) as a result of machinery breakdowns, severe weather systems, and an inadequate supply of water from the public water supply system at the St. Mary plant. (See Tables & Charts, pages 19-22 for distribution details.)

HIGHLIGHTS:

- Delivery contractors were issued with identification cards which should be presented to the schools whenever deliveries are being made. This has greatly assisted the process by improving aspects of its accountability and integrity and has facilitated increased trust between contractors and the school community.

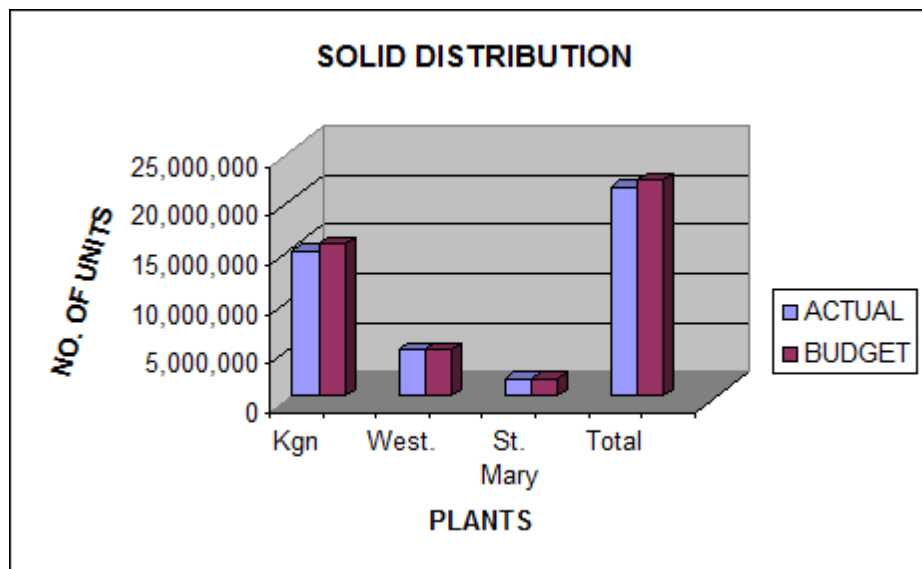
- Oxford shirts bearing NPL's logo were distributed to delivery contractors to be worn when making deliveries. This has not only assisted with identification but with uniformity, general deportment, hygiene and appearance.
- The ACCPAC inventory system is operating satisfactorily at all three (3) plants. This accounting software basically tracks the operational process from procurement, to warehousing (raw materials) and through the production and distribution processes. The system is also able to provide real-time responses.

NUTRITION PRODUCTS LIMITED

DISTRIBUTION OF SOLID ACTUAL VERSUS BUDGETED

APRIL 2011 - MARCH 2012

Plant	TABLE 2			
	Actual Distribution	Budgeted Distribution	Variance (Value)	Variance (%)
Kgn	14,737,710	15,408,666	-670,956	-4.35
West.	4,704,330	4,744,670	-40,340	-0.85
St. Mary	1,784,260	1,742,020	42,240	2.42
Total	21,226,300	21,895,356	-669,056	-3.06



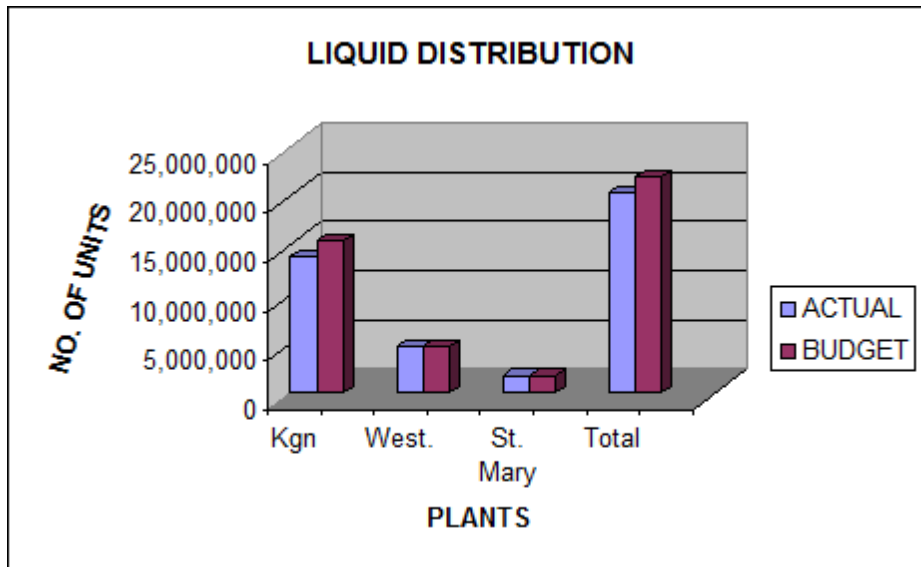
NUTRITION PRODUCTS LIMITED

DISTRIBUTION OF LIQUID

ACTUAL VERSUS BUDGETED

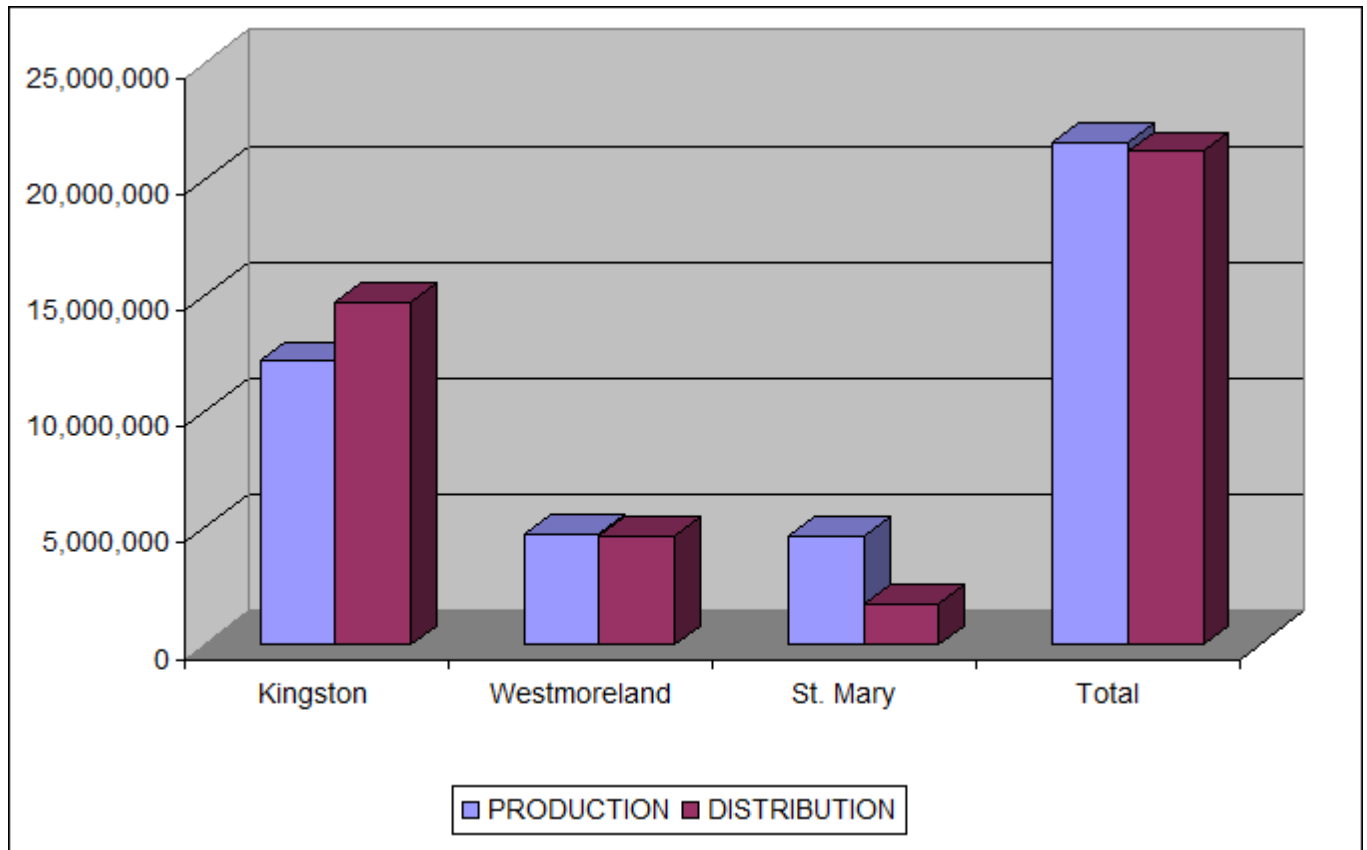
APRIL 2011 - MARCH 2012

Plant	Actual Distribution	Budgeted Distribution	Variance (Value)	Variance (%)
Kgn	13,853,530	15,408,666	-1,555,136	-10.09
West.	4,655,720	4,744,670	-88,950	-1.87
St. Mary	1,750,170	1,742,020	8,150	0.47
Total	20,259,420	21,895,356	-1,635,936	-7.47



PRODUCTION vs DISTRIBUTION OF SOLID FOR Y/R 2011/2012

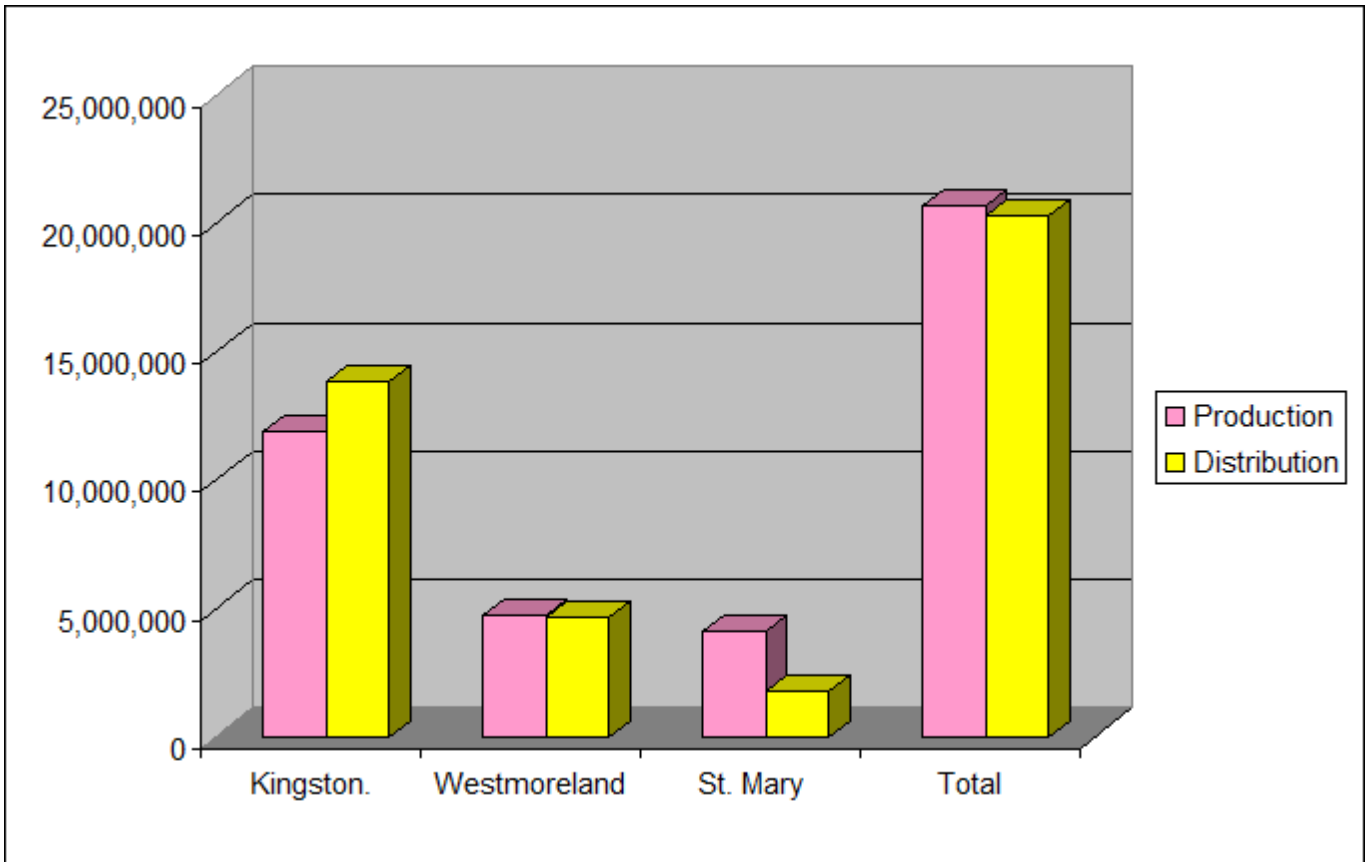
	Kingston	Westmoreland	St. Mary	Total
<i>PRODUCTION OF SOLIDS</i>	12,195,960	4,747,850	4,695,780	21,639,590
<i>DISTRIBUTION OF SOLIDS</i>	14,737,710	4,704,330	1,784,260	21,226,300



A quantity of the solid produced at the St. Mary plant is transferred to the Kingston plant for distribution.

PRODUCTION vs DISTRIBUTION OF LIQUID FOR Y/R 2011/2012

	Kingston.	Westmoreland	St. Mary	Total
<i>PRODUCTION OF LIQUIDS</i>	11,886,335	4,693,335	4,109,710	20,689,380
<i>DISTRIBUTION OF LIQUIDS</i>	13,853,530	4,655,720	1,750,170	20,259,420



A quantity of the liquid produced at the St. Mary Plant is transferred to the Kingston plant for distribution.

DISTRIBUTION STATISTICAL PROFILE

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

- a) Distribution of Solids by Plant (page 24)**

- b) Distribution of Liquids by Plant (page 25)**

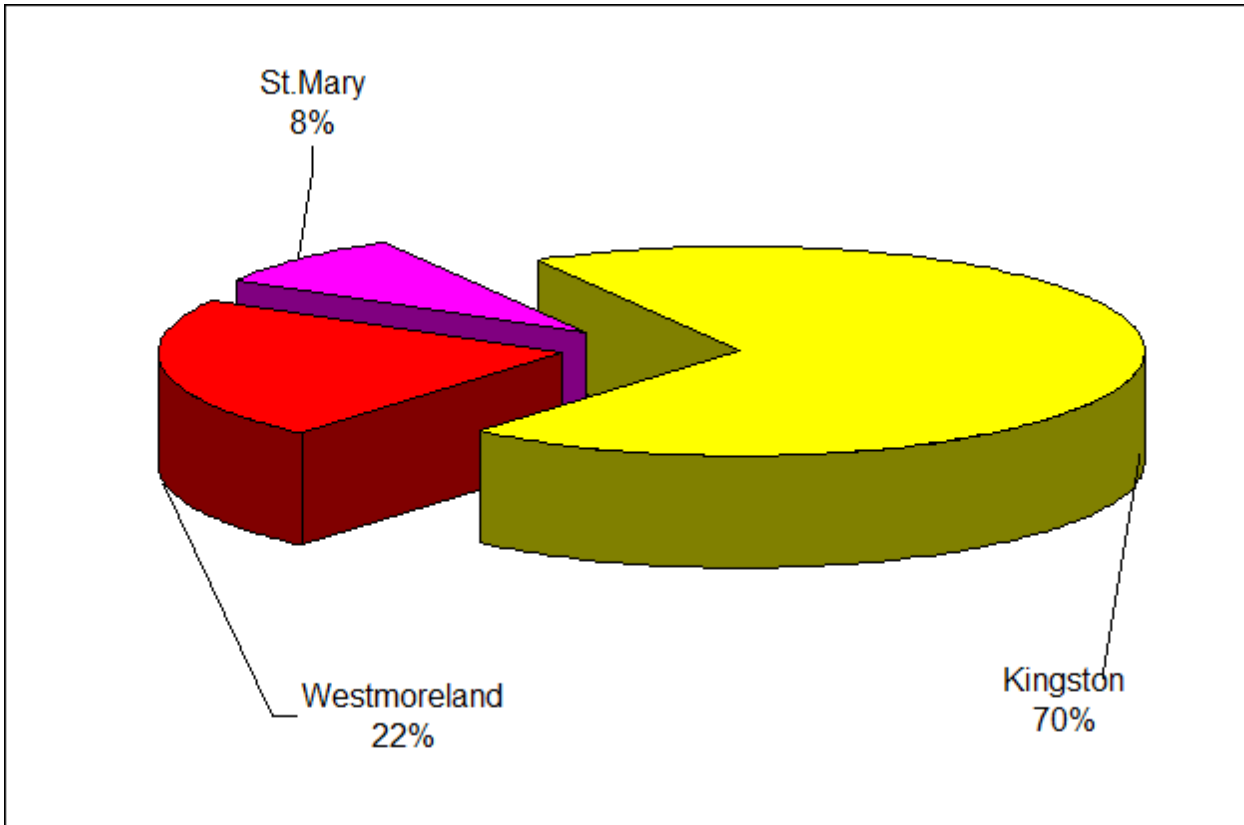
- c) Schools served by Westmoreland Plant (page 26)**

- d) Schools served by St. Mary Plant (page 27)**

- e) Schools served by Kingston Plant (page 28)**

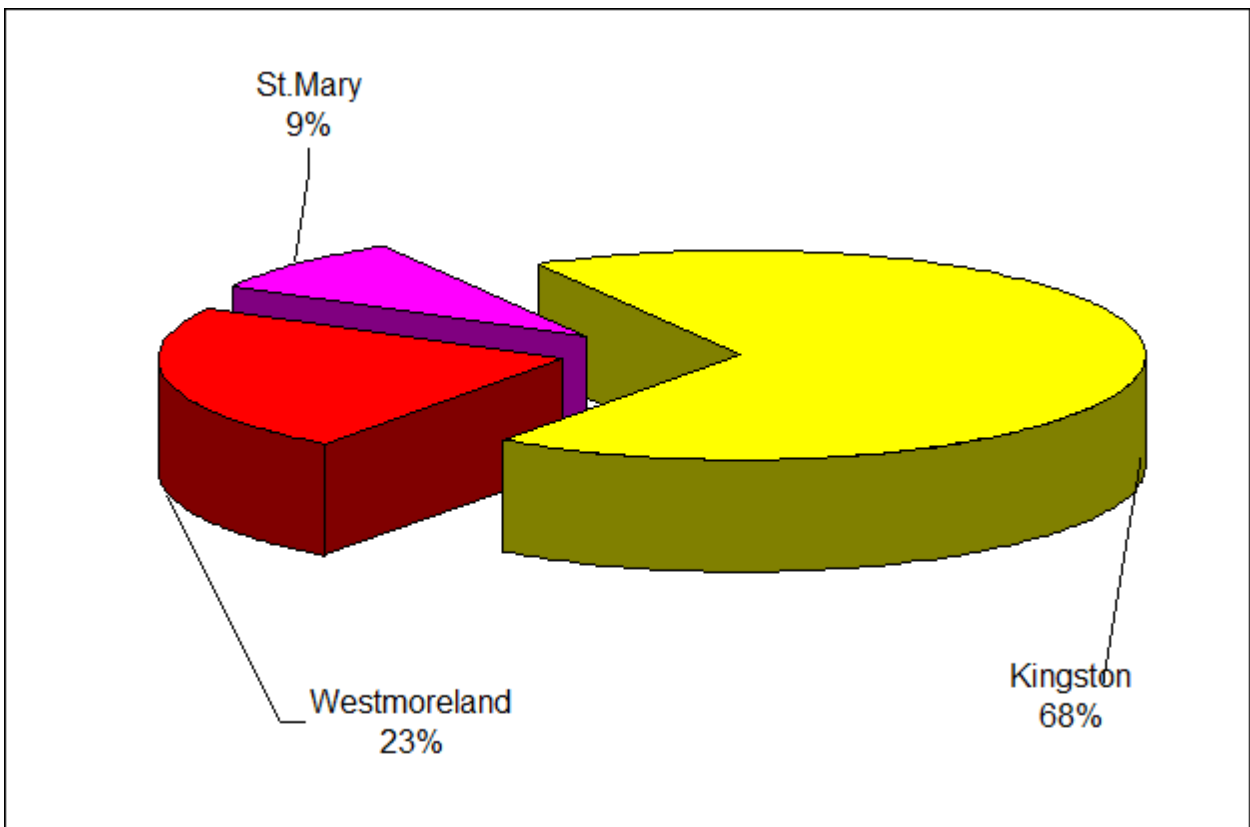
DISTRIBUTION OF SOLID BY PLANT FOR Y/R 2011/2012

	Kingston	Westmoreland	St.Mary	Total
LIQUID	14,737,710	4,704,330	1,784,260	21,226,300



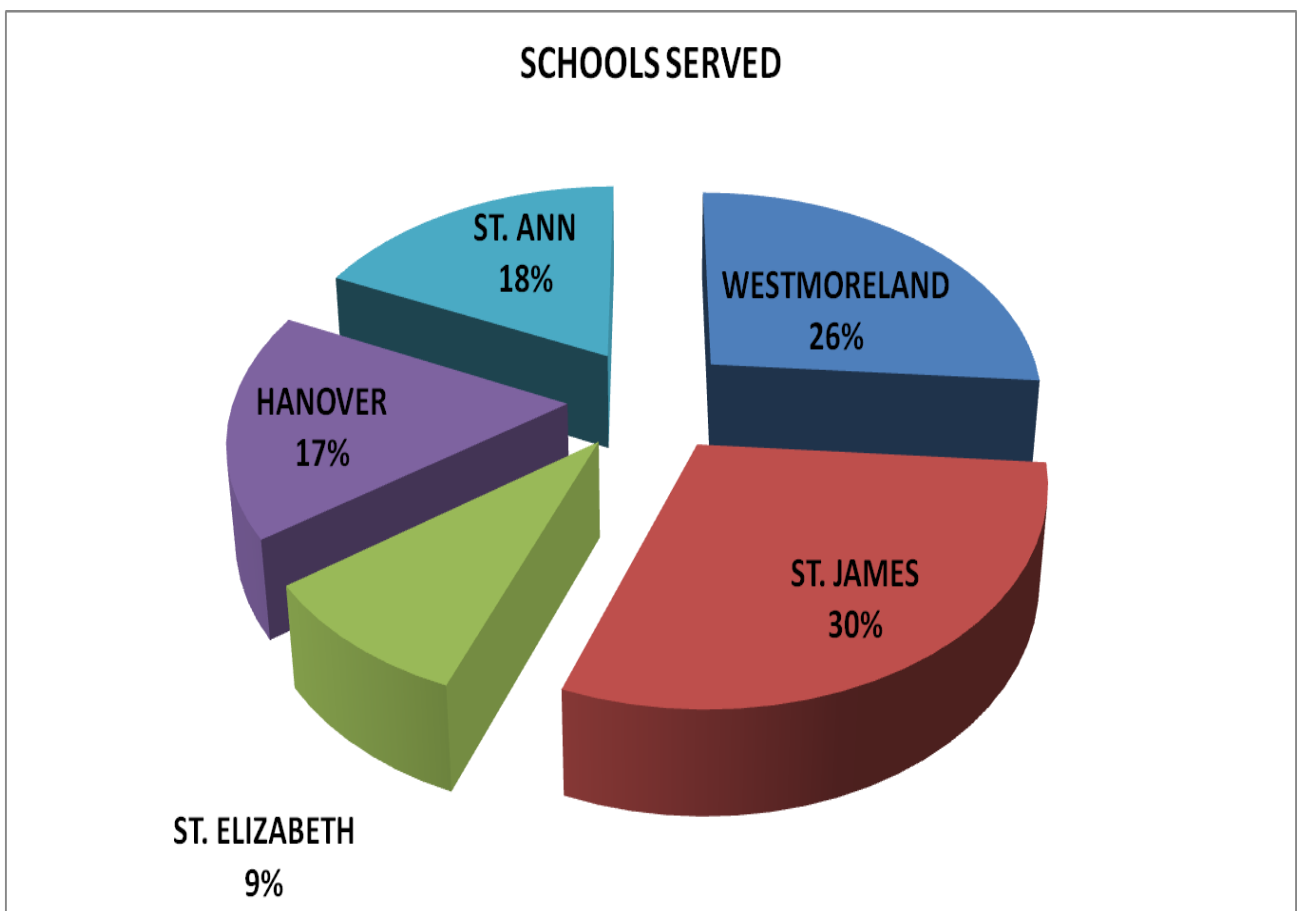
DISTRIBUTION OF LIQUID BY PLANT FOR Y/R 2011/2012

	Kingston	Westmoreland	St.Mary	Total
LIQUID	13,853,530	4,655,720	1,750,170	20,259,420



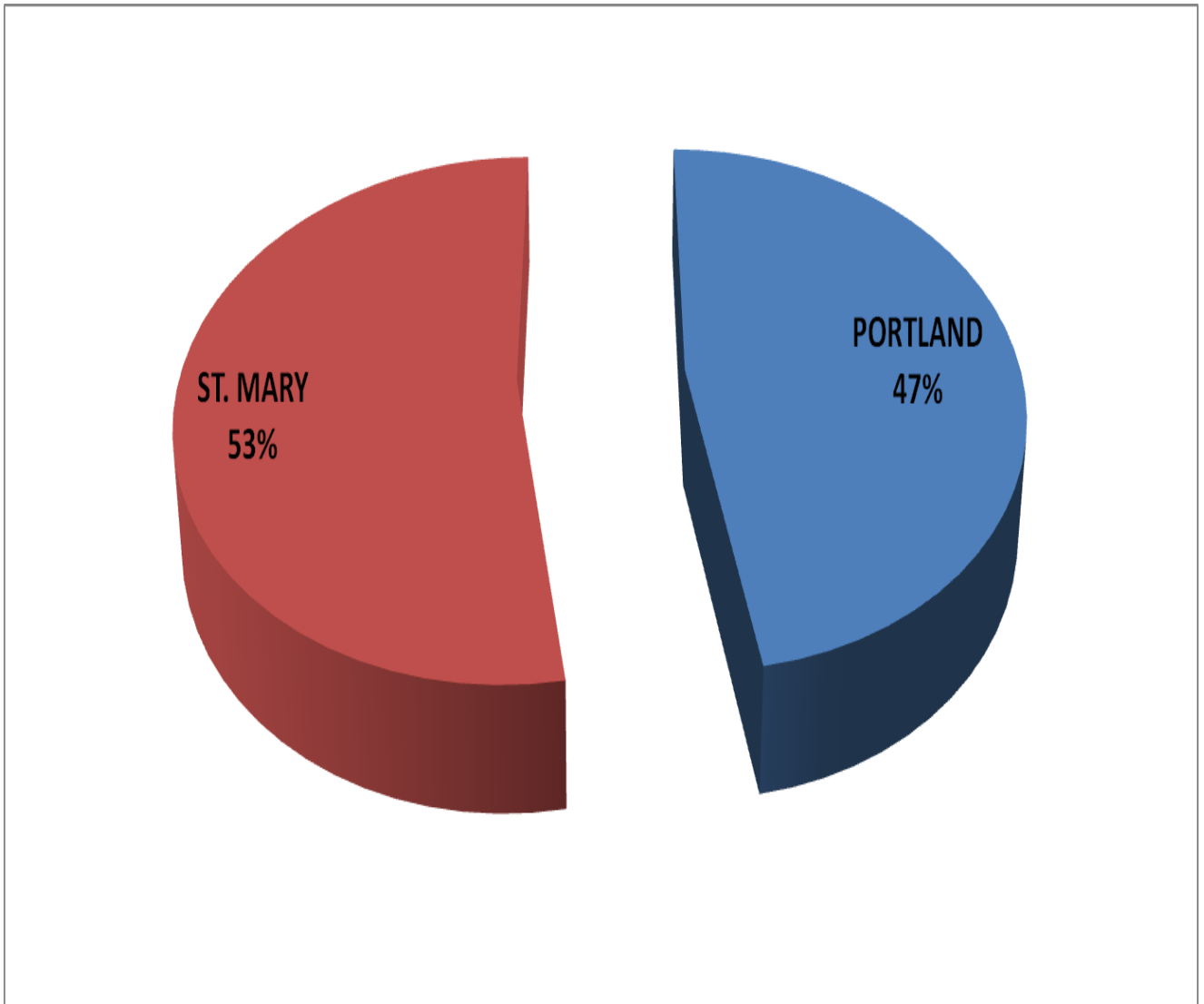
SCHOOLS SERVED BY THE WESTMORELAND PLANT 2011-2012

PARISH	WESTMORELAND	ST. JAMES	ST. ELIZABETH	HANOVER	ST. ANN	TOTAL
SCHOOLS SERVED	57	64	20	37	39	217



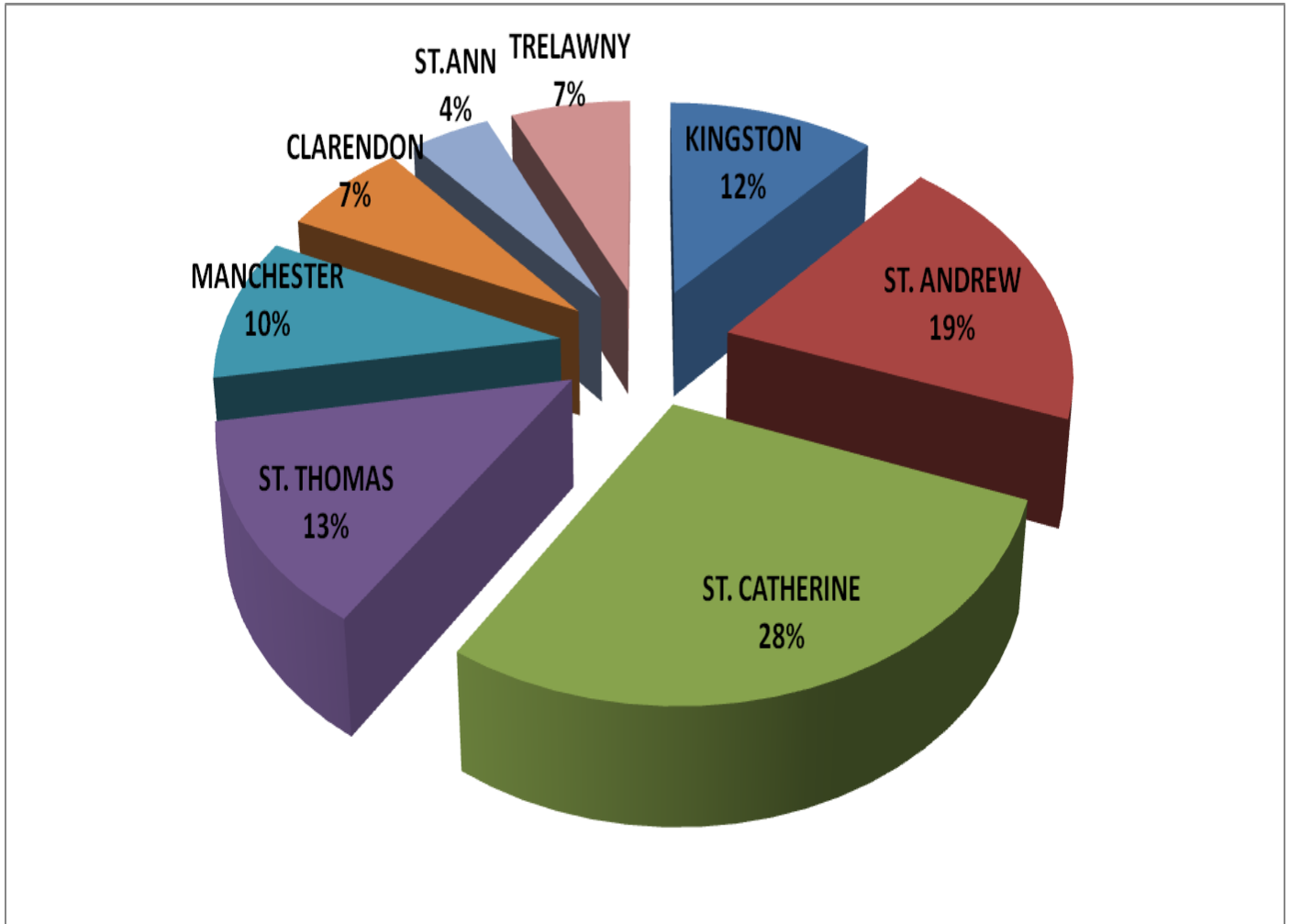
SCHOOLS SERVED BY ST MARY PLANT 2011-2012

PARISH	PORTLAND	ST. MARY
SCHOOLS SERVED	37	41



SCHOOLS SERVED BY THE KINGSTON PLANT 2011/2012

PARISH	KINGSTON	ST. ANDREW	ST. CATHERINE	ST. THOMAS	MANCHESTER	CLARENDON	ST.ANN	TRELAWY	TOTAL
SCHOOLS SERVED	62	104	152	72	52	37	24	36	539



DEPARTMENT PERFORMANCE

CUSTOMER SERVICES AND QUALITY CONTROL

DEPARTMENT'S MISSION:

To allow the Customer Service Department to focus on the collections from the schools served, thus reducing outstanding debts and improving the relationship between the schools, Nutrition Products Limited (NPL), Quality Control and the Ministry of Education.

The functions of the Customer Services Department include collection of money from schools served by the company. In addition, through its interaction with those schools, the department collates feedback for NPL on issues such as quality of products and services received.

ACHIEVEMENTS:

- ✚ Increased number of visits to the Kingston Plant by schools who were given a guided tour of the plant. This as the department continues to improve the relationship between the schools and NPL and to allow the schools to have an understanding of the production process and a better appreciation of the products they receive.
- ✚ Increase in schools submitting FIUS Forms lodgment slips and Receipt & Distribution of Snacks attached. This has greatly improved the overall billing process and significantly reduced the discrepancies in this area.
- ✚ The number of unidentified School's Accounts has been reduced. This was done with the assistance of the holiday workers employed during the summer break.
- ✚ Reconciliation of delinquent schools' accounts was done by Customer Services Officers (CSOs) on visits to schools, which enabled amicable settlements.
- ✚ A new Collectors' Contract was put in place. This will now allow Nutrition Products Limited to better assess collectors performance as there is now a set performance criteria.
- ✚ The introduction of BNS Internet banking - Consolidated Cash Plan (CCP) services which not only provide tracking of and access to, all of the agents deposits, but also enable more comprehensive reporting – will assist in running a more effective organization.

It does this by allowing the company's agents, subsidiaries or corporate customers to make deposits at any branch of Nova Scotia Bank (BNS) and have the funds immediately credited to the company's account. It also speeds up reporting on the collections, so that the organization can quickly address potential problems.

Challenges:

- ✚ A number of unidentified school's account to be cleared.
- ✚ Inadequate storage facilities in some schools.
- ✚ Documents with information which capture free lunches given to needy students and helpers allowance are not being submitted in some instances to NPL, thus erroneously increasing the receivables.
- ✚ Schools in possession of lodgments books issued by NPL are reluctant to utilize same. This along with tardiness in some schools in paying for snacks delivered forced the need to send collectors, thus increasing the commission paid to collectors and hence reducing much needed income.

DEPARTMENT PERFORMANCE

HUMAN RESOURCES & ADMINISTRATIVE SERVICES DEPT.

The Human Resources & Administrative Services Department is a support department formed to provide a service to the employees of Nutrition Products Limited. Its function goes beyond administrative duties to providing for the employees welfare and comfort whilst employed and, to a lesser extent, after retirement. The department plays a most significant role in the selecting and hiring of suitable employees to carry out the functions necessary for achievement of the Company's goals and central mission and in monitoring and assessing employees' performance to ensure that performance meets Company standards.

Our performance is shaped by our vision, mission and values statement.

Vision

To be recognized and respected as a Human Resource Department that provides the highest quality service to the staff of Nutrition Products Limited.

Mission

We are committed to:

- Meeting all personnel related requests from staff and former staff members on a timely basis, working closely with external service providers, if necessary;
- Exhibiting courteous and respectful behavior, under all circumstances, to all individuals;
- Delivering quality service on the principles of accountability, consistency, transparency, impartiality and confidentiality;
- Developing programmes, processes and systems in the interest of employees and organizational objectives.

Values Statement

Our personnel practices will be built on high standards of conduct, work ethics and integrity. We are responsible to the staff and their families in the discharge of our duties and responsibilities which must be of a high standard. We are dedicated to assisting every employee in reaching their full potential in performance and team work.

Motto

'COMMITTED TO PROVIDING SERVICE OF A HIGH QUALITY'

Achievements

A recognition programme was established by a Recognition Steering Committee comprising production and administrative employees representing all three plants. This programme was subsequently approved by the HR and Administrative Services Committee and will take effect in January 2013.

A Steering Committee has been established to guide the activities of the Sports Club in the absence of nominated individuals to fill the official positions. This committee with members drawn from Administration and Production has begun the process of revitalizing the Club with a number of fund raising activities and a drive to increase membership.

With the assistance of the Broker, reviewed the recommended Health Premium for the contract year November 2011 to October 2012. Coordinated the distribution of Health Cards to all employees at the Kingston and Rural locations.

Approximately 188 fortnightly paid employees from all three locations were provided with uniforms, in keeping with a union agreement, for the contract period April 1, 2011 to March 31, 2012. The provision of these uniforms was put to tender and a company meeting the requirements was selected through the tender opening process and uniforms subsequently ordered, received and distributed.

Performance Appraisal Forms were distributed and collected for the review period January 2011 to December 2011. The forms were distributed to managers and supervisors.

DEPARTMENT PERFORMANCE

PROCUREMENT AND CONTRACTS

INTRODUCTION

The Procurement and Contracts Department has the sole responsibility for all purchasing and contractual activities of Nutrition Products Limited (NPL), ensuring that quality goods, services and works are acquired on a timely basis and at the most economical cost.

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

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

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

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

The department has a mandate to procure goods, services and works of the highest standard and in a cost effective manner. The department must at all times, maintain cordial relation with other department and existing suppliers and foster new relation with potential suppliers both locally and overseas.

Main highlights for the year 2011 / 2012:

- ❖ The collaborated effort between the Procurement & Contracts and the Management Information Systems Departments for the implementation of the Integrated Management Accounting Software (IMAS) across all three plants for the utilization of the Production and Warehouse & Distribution Departments.
- ❖ The consistent purchasing of over 150,000 lbs of Polyethylene Rolls (Cello Film) for the year, which has qualified NPL for a full rebate of approximately US\$24,631 on the lease of the two IS6 Filling Machines.
- ❖ The agreement with the Jamaica Cane Products Limited for the procurement of Brown Sugar on credit for fourteen (14) days.
- ❖ The agreement with the Petroleum Company of Jamaica Limited (Petcom) for the procurement of Automotive Diesel Oil (ADO) on credit for thirty (30) days.

For the year 2011-2012 the Procurement and Contracts Department continued to conform to the practices as stipulated by the Ministry of Finance through the Handbook of the Government of Jamaica Procurement Procedures.

This level of compliance was measured by the quarterly assessments done by the Office of the Contractor General, which reflects NPL once again achieving an average point of Ninety Seven Percent (97%) and maintaining a level one status at the end of the year.

DEPARTMENT PERFORMANCE

INTERNAL AUDIT

INTRODUCTION

Internal audit is an appraisal or monitoring activity established by the Directors and Management to review accounting and internal control systems. Internal audit functions by, among other things, examining, evaluating and reporting to Management and Directors on the adequacy and effectiveness of components of the accounting and internal control systems as a contribution to the proper, economic, efficient and effective use of resources.

Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The activity addresses all aspects of the Company's procedures that safeguard assets and promote the achievement of objectives, as compared with the emphasis on accounting controls and public reporting that is the primary domain of external auditors. The objectives of a system of internal control address the reliability of financial information, the efficiency and effectiveness of operations, and compliance with laws, regulations and policies.

Internal auditors monitor and evaluate the entire system of internal control while maintaining independence from responsibility for Management direction and control.

ACHIEVEMENTS

The internal audit department examined and reviewed a number of systems and policies during the financial year 2011/2012. Recommendations were made where weaknesses were found which resulted in the introduction and/or modification of systems and controls. These are listed below:

- Reinforcement of the policy that govern the recording of the company's fixed assets.
- Modification of load sheets to give better accountability and reduce high variances
- Introduction of a system for reconciling snacks given to members of staff
- Modification of the perpetual inventory system with the use of the ACCPAC software
- Modification of the internal guidelines that deal with employee lateness and attendance and the associated disciplinary code

DEPARTMENT PERFORMANCE

FINANCE & ACCOUNTING

FINANCIAL OVERVIEW

The financial year of 2012 had seen a consecutive downturn resulting in a deficit of \$83M following the previous year's deficit of \$123.96M.

Total Revenue decreased by 2.7% with Subvention the main contributor having been reduced by 1.7% over last year. Other Income comprising mainly of capital grant income and Income from Snacks Distribution saw 62% and 10% reductions respectively.

Revenue			
	2012	2011	% Change
	\$'000	\$'000	
Sale of Snacks	32,420	36,012	(10.0)
Government Subvention	744,831	757,551	(1.7)
Other Income	3,426	9,006	(62.0)
Total	780,677	802,569	2.7

MANUFACTURING COST

Manufacturing cost, the core expenditure of the agency, accounted for 71.4% (\$616.72M) of total expenditure, representing a 7.9% decrease over the prior year's cost of \$669.72M. Raw materials component was 50.1%, followed by Factory Overheads and Wages with 29.2% and 20.7% respectively. Raw materials consumed reduced by 13% over cost incurred for 2011 resulting from reductions in both solid and liquid production. Wages reduced by 6.3% to \$127.83M as the previous year's total included the provision of retroactive salaries and wages for 2009 through to 2011 as agreed between the Government and the respective Trade Unions.

Factory Overheads for the year totalled \$180.1M, an increase of 0.9% over last year's figure.

The increase in factory overheads resulted from expenses which were continuously affected by unavoidable price increases, namely electricity & water rates which went up by 11.6% and 29.8% respectively, coupled with significant increases in security rates and group health and life insurance.

<i>Manufacturing Cost</i>			
	<i>2012</i>	<i>2011</i>	<i>% Change</i>
	\$'000	\$'000	
Raw Materials	309,006	354,812	(13.0)
Wages	127,828	136,474	(6.3)
Factory Overhead	180,100	178,440	0.90
<i>Total</i>	<i>616,934</i>	<i>669,726</i>	<i>(7.9)</i>

DISTRIBUTION COST

A total of \$145.21M was incurred for the year, which is a 3% reduction over the year ended 2011.

Distribution cost accounted for 16.8% of the total agency cost.

ADMINISTRATIVE EXPENSES

Total cost for the year was \$101.71M, which decreased by 3.5% over the corresponding period.

Administrative expenses accounted for 11.8% of the total agency cost.

CAPITAL INVESTMENT

Fixed Assets purchased within the year totaled \$12.54M.

<i>Financial Ratios</i>		
	<i>2012</i>	<i>2011</i>
Operating Surplus/(deficit) to Revenue	(10.6%)	(15.5%)
Inventory Turnover	17 times	14 times
Day Sales Outstanding	47 days	78 days
Current Ratio	1:0.40	1:1.33
Quick Ratio	1:0.18	1:0.88

Finance and Accounting Statistical Profile

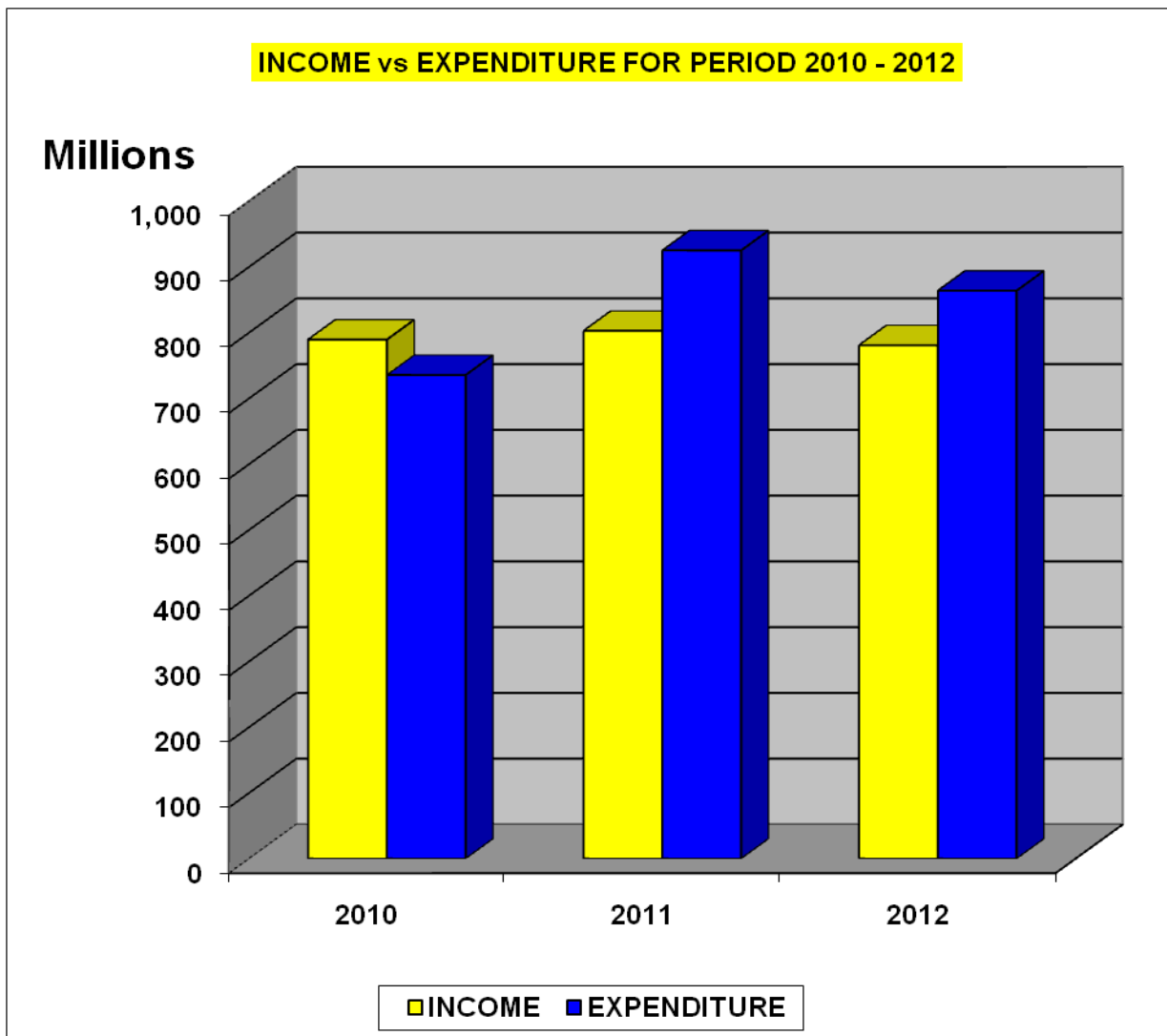
- a. Income vs. Expenditure 2010 – 2012 (See page 43)
- b. Operating Expenses for year ended March 2012 (See page 44)
- c. Factory Cost of Production for year ended March 2012 (See page 45)

INCOME vs EXPENDITURE FOR PERIOD 2010 - 2012

Table 1

	2010	2011	2012
	\$'000	\$'000	\$'000
INCOME	789,263	802,569	780,677
EXPENDITURE	735,356	924,836	863,653

Chart 1

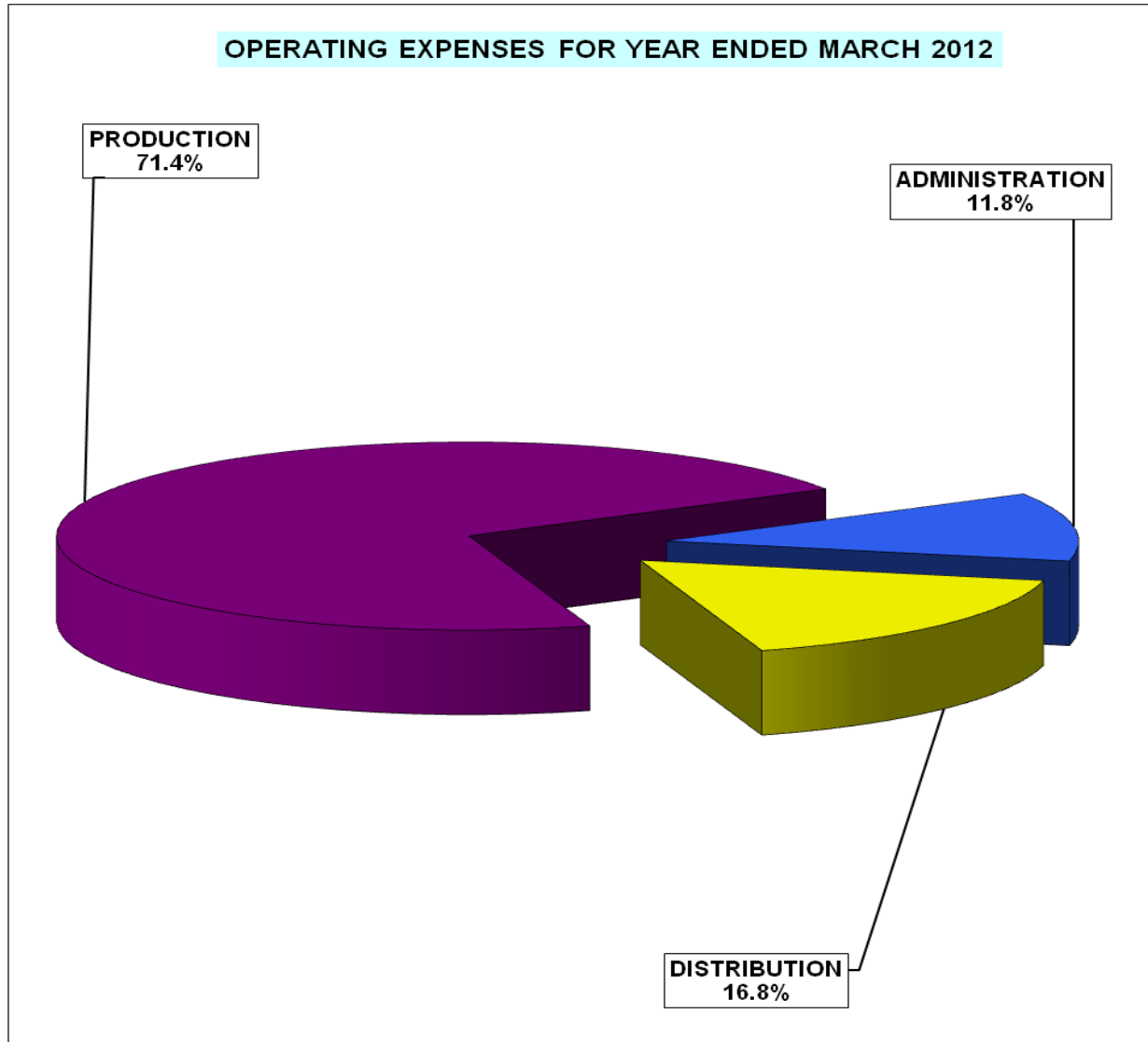


OPERATING EXPENSES FOR YEAR ENDED MARCH 2012

Table 2

	Administration	Distribution	Production	Total
	\$'000	\$'000	\$'000	\$'000
OPERATING EXPENSES	101,712	145,215	616,726	863,653

Chart 2

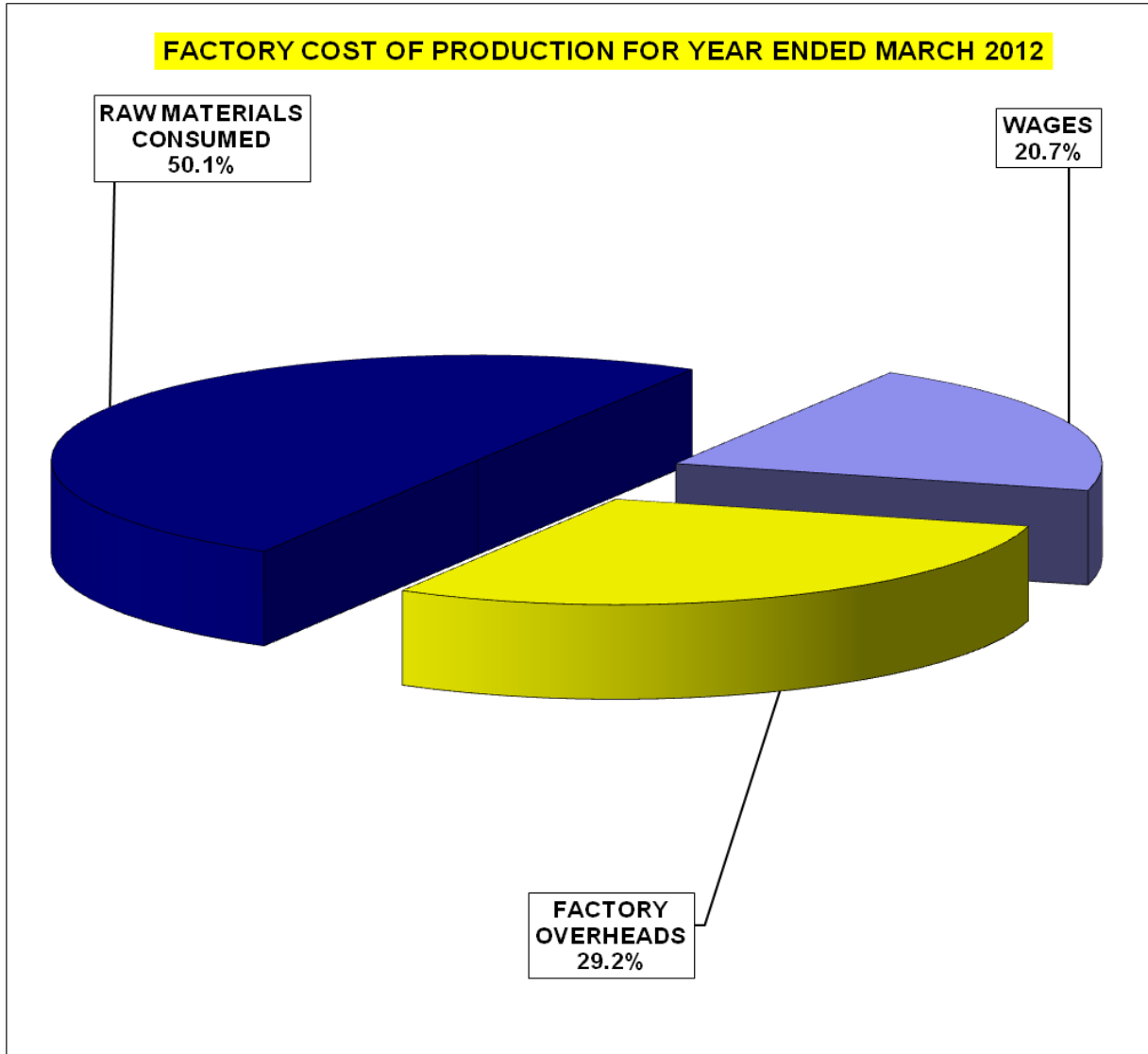


FACTORY COST OF PRODUCTION FOR YEAR ENDED MARCH 2012

Table 3

	Raw Materials Consumed	Wages	Factory Overheads	Total
	\$'000	\$'000	\$'000	\$'000
MANUFACTURING COST	308,797	127,828	180,101	616,726

Chart 3



NUTRITION PRODUCTS LIMITED

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2012

(With Additional Information)

NUTRITION PRODUCTS LIMITED

YEAR ENDED MARCH 31, 2012

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ADDITIONAL INFORMATION

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Factory Cost of Production and Factory Overheads	2
Expenses	3

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 27, which comprise the statement of financial position as at March 31, 2012, 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.

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, 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 23 in the financial statements which indicates that at March 31, 2012, the company's total liabilities exceed its total assets by approximately \$8.345 million. Additionally, at March 31, 2012, current liabilities exceeded current assets by approximately \$59.721 million and the company incurred a loss of \$83.006 million during the year ended March 31, 2012. This condition, along with other matters as set forth in Note 23, indicates the existence of an uncertainty which may cast doubt about the company's ability to continue as a going concern. As such, the support of the Ministry of Education through the Ministry of Finance and Planning and future profitable operations are necessary to ensure the company's continued operations.

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.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
April 4, 2013

NUTRITION PRODUCTS LIMITED

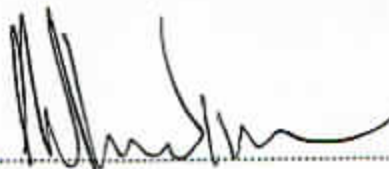
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	<u>72,477</u>	<u>71,391</u>
Current assets			
Inventories	6	13,794	22,499
Income tax recoverable		8,512	8,521
Trade and other receivables	7	9,642	15,134
Cash and bank balances	8	<u>7,963</u>	<u>45,491</u>
		<u>39,911</u>	<u>91,645</u>
Total assets		<u>112,388</u>	<u>163,036</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	9	-	-
Capital reserve	10	10,327	10,327
Retained earnings		<u>(18,672)</u>	<u>64,334</u>
		<u>(8,345)</u>	<u>74,661</u>
Non-current liabilities			
Deferred income	11	<u>21,101</u>	<u>19,248</u>
Current liabilities			
Deferred income	11	3,569	2,187
Trade and other payables	12	<u>96,063</u>	<u>66,940</u>
		<u>99,632</u>	<u>69,127</u>
Total equity and liabilities		<u>112,388</u>	<u>163,036</u>

The Notes on Pages 6 to 27 form an integral part of the Financial Statements.

The financial statements on Pages 2 to 27 were approved and authorised for issue by the Board of Directors on 4-4-13 and are signed on its behalf by:


.....
Director


.....
Director

NUTRITION PRODUCTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2012

	<u>Notes</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
Revenue	13	777,251	793,563
Cost of production		<u>(616,726)</u>	<u>(669,726)</u>
		160,525	123,837
Other income	14	3,426	9,006
Administrative expenses		(101,712)	(105,427)
Distribution costs		<u>(145,215)</u>	<u>(149,683)</u>
DEFICIT FOR THE YEAR BEFORE TAXATION		(82,976)	(122,267)
Taxation	15	<u>(30)</u>	<u>(1,700)</u>
DEFICIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME	16	<u>(83,006)</u>	<u>(123,967)</u>

The Notes on Pages 6 to 27 form an integral part of the Financial Statements.

NUTRITION PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2012

	<u>Note</u>	<u>Share Capital(*) \$'000</u>	<u>Capital Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
Balance at April 1, 2010		-	10,327	188,301	198,628
Deficit for the year and Total comprehensive income		<u>-</u>	<u>-</u>	<u>(123,967)</u>	<u>(123,967)</u>
Balance at March 31, 2011		-	10,327	64,334	74,661
Deficit for the year and Total comprehensive income		<u>-</u>	<u>-</u>	<u>(83,006)</u>	<u>(83,006)</u>
Balance at March 31, 2012		<u>-</u>	<u>10,327</u>	<u>(18,672)</u>	<u>(8,345)</u>

(*) - denotes \$200.

The Notes on Pages 6 to 27 form an integral part of the Financial Statements.

NUTRITION PRODUCTS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

	<u>2012</u> \$'000	<u>2011</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficit for the year	(83,006)	(123,967)
Adjustments for:		
Depreciation of property, plant and equipment	11,387	12,539
Loss on disposal of property	125	364
Interest income	(491)	(6,917)
Deferred income	(2,965)	(1,036)
Impairment loss recognised on trade receivables	2,444	142
Bad debt recovered	(8)	-
Tax expense	<u>30</u>	<u>1,700</u>
	(72,484)	(117,175)
Movements in working capital		
Decrease in trade and other receivables	3,058	47,141
Decrease in inventories	8,705	5,293
Increase in trade and other payables	<u>29,123</u>	<u>35,397</u>
Cash utilised in operations	(31,598)	(29,344)
Taxes paid	<u>(21)</u>	<u>(1,458)</u>
Net cash used in operating activities	<u>(31,619)</u>	<u>(30,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	489	6,874
Acquisition of property, plant and equipment	<u>(12,598)</u>	<u>(18,346)</u>
Net cash used in investing activities	<u>(12,109)</u>	<u>(11,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital grant received	<u>6,200</u>	<u>7,674</u>
Net cash provided by financing activities	<u>6,200</u>	<u>7,674</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(37,528)	(34,600)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>45,491</u>	<u>80,091</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>7,963</u>	<u>45,491</u>

The Notes on Pages 6 to 27 form an integral part of the Financial Statements.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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 applicable 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 also 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, 34, IFRS 1 and 7	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IAS 24	Related party disclosures – revised definition of related parties	January 1, 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards	
	- Limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010
<u>New and Revised Interpretations</u>		
IFRIC 13	Customer loyalty programme	
	- Amendment arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IFRIC 14: IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction: November 2009 amendment with respect to voluntary prepaid contributions	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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 for the financial period being reported on:

	<u>Effective for annual periods beginning on or after</u>
<u>New Standards</u>	
IFRS 9	Financial Instruments
	- Classification and Measurement of financial assets
	- Accounting for financial liabilities and derecognition
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair Value Measurement
<u>Amendments to Standards</u>	
IAS 1, 16, 32, 34 and IFRS 1	Amendments arising from 2009 – 2011 Annual Improvements to IFRS
IAS 1	Presentation of Financial Statements
	- Amendments to revise the way other comprehensive income is presented
IAS 12	Income Taxes – limited scope amendment (recovery of underlying assets)
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects
IAS 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS
IAS 27	Consolidated and Separate Financial Statements
	- Reissued as IAS 27 Separate Financial Statements
IAS 28	Investments in Associates
	- Reissued as IAS 28 Investments in Associates and Joint Ventures
IAS 32	Financial Instruments:
	- Amendments to application guidance on the offsetting of financial assets and financial liabilities
IFRS 1	First-time Adoption of International Financial Reporting Standards
	- Replacement of fixed dates for certain exceptions with the date of transition to IFRS
	- Additional exemption for entities ceasing to suffer from severe hyperinflation
	- Amendment for government loan with a below-market rate of interest when transitioning to IFRS

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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

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

		<u>Effective for annual periods beginning on or after</u>
<u>Amendments to Standards (Cont'd)</u>		
IFRS 7	Financial Instruments: Disclosures	
	- Amendments enhancing disclosures about offsetting financial assets and financial liabilities	January 1, 2013
	- Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
	- Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
IFRS 10, 11, and 12	Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities	
	- Transition guidance	January 1, 2013
IFRS 10, 12 and IAS 27	Consolidation – Investment entities: To develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.	January 1, 2014
<u>New and Revised Interpretations</u>		
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	January 1, 2013

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:

- 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.

- IAS 12 (Revised) Income Taxes requires an entity to measure deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment provides a practical solution to recovery through use or through sale when the asset is measured using the fair value model, by introducing a presumption that the recovery of the carrying value amount will normally be through sale. On adoption at its effective date, the standard is not expected to have any impact on the company's financial statements.
- The amendments to IAS 19 Employee Benefits (as amended in 2011) require recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements. It also introduces enhanced disclosures about defined benefit plans as well as modifies the accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits as well as clarifies miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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

*Standards and interpretations in issue not yet effective (Cont'd)*New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

Management has not yet assessed the impact of this amended standard on the company's financial statements on adoption at its effective date.

- Amendment to IFRS 7 – Enhanced Derecognition Disclosure Requirements* – The IASB introduced enhanced disclosure requirements to IFRS 7 as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Disclosures are not required for comparative periods before the date of initial application of the amendments. The application of the amendment will result in enhanced disclosures in the financial statements to the extent applicable.
- The amendments to *IFRS 7 Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The company does not anticipate that these amendments to IFRS 7 will have any effect on the disclosures in the financial statements.
- Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7) amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosure to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. On adoption at its effective date, the standard is not expected to have a significant impact on the company's financial statements.
- IFRS 9 Financial Instruments* – The Standard introduces new requirements for the classification and measurement of financial assets and liabilities and for derecognition. IFRS 9 requires all recognised financial assets that are within scope IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. A debt instrument (e.g. loan receivable) that (1) is held within a business model whose objective is to collect the contractual cash flows and (2) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding generally must be measured at amortised cost. All other debt instruments must be measured at fair value through profit or loss (FVTPL).

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk in other comprehensive income, unless the recognition of the effects of changes 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.

Management anticipates that IFRS 9 will be adopted in the company's financial statements for the annual period beginning April 1, 2015 and that the application of IFRS 9 may impact the amounts reported in respect of the company's financial assets and liabilities. However, management has not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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

*Standards and interpretations in issue not yet effective (Cont'd)*New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

- 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 IFRSs 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. Management has not yet assessed the impact of this IFRS on the financial statements 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 de-recognised 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). 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.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible assets (Cont'd)

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.

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 as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 21. Listed below are the company's financial assets and liabilities and the specific accounting policy related to each.

Financial assets

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.

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.

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

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

*Financial assets (Cont'd)*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.

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.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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.

De-recognition of financial assets

The company de-recognises 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 de-recognition 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 de-recognition 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 instrumentsClassification 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.

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.

NUTRITION PRODUCTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2012****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)*****Financial liabilities and equity instruments (Cont'd)***

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

De-recognition of financial liabilities

The company de-recognises 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.

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.

NUTRITION PRODUCTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2012****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Revenue recognition (Cont'd)***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.

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.

NUTRITION PRODUCTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED MARCH 31, 2012****3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****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.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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, 2010	30,732	59,425	14,342	10,135	693	9,703	1,443	16,945	143,418
Additions	148	12,720	1,833	-	217	-	-	3,428	18,346
Disposal -	-	-	-	-	-	(1,840)	-	(380)	(2,220)
March 31, 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	<u>30,880</u>	<u>80,435</u>	<u>16,572</u>	<u>10,771</u>	<u>1,030</u>	<u>7,863</u>	<u>1,443</u>	<u>22,742</u>	<u>171,736</u>
Depreciation									
April 1, 2010	7,499	37,238	8,926	8,029	624	5,389	1,197	8,568	77,470
Charge for the year	897	4,003	966	580	56	1,278	77	4,682	12,539
Adjustment on disposals	-	-	-	-	-	(1,697)	-	(159)	(1,856)
March 31, 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
Adjustment on disposals	-	-	(270)	-	-	-	-	(11)	(281)
March 31, 2012	<u>9,295</u>	<u>46,221</u>	<u>10,589</u>	<u>9,251</u>	<u>751</u>	<u>6,050</u>	<u>1,351</u>	<u>15,751</u>	<u>99,259</u>
Net Book Value									
March 31, 2012	<u>21,585</u>	<u>34,214</u>	<u>5,983</u>	<u>1,520</u>	<u>279</u>	<u>1,813</u>	<u>92</u>	<u>6,991</u>	<u>72,477</u>
March 31, 2011	<u>22,484</u>	<u>30,904</u>	<u>6,283</u>	<u>1,526</u>	<u>230</u>	<u>2,893</u>	<u>169</u>	<u>6,902</u>	<u>71,391</u>

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Raw materials	9,003	18,404
Packaging supplies	397	60
Consumable stores	4,566	4,103
Provision for obsolete stock	<u>(172)</u>	<u>(68)</u>
	<u>13,794</u>	<u>22,499</u>

The cost of inventories recognised as an expense during the year was \$308.797 million (2011: \$354.812 million).

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Movement in provision for inventories		
Balance at the beginning of the year	68	-
Provision made during the year	<u>104</u>	<u>68</u>
	<u>172</u>	<u>68</u>

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Amounts due from schools (Note 7(a))	10,002	12,095
Less: Provision for doubtful debts	<u>4,614</u>	<u>2,178</u>
	5,388	9,917
Other receivables	751	502
Prepayments	<u>3,503</u>	<u>4,715</u>
	<u>9,642</u>	<u>15,134</u>

- (a) The average credit period on sale of goods is thirty days. The company has provided fully for all balances over 90 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 \$4.537 million (2011: \$5.657 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 66 days (2011: 78 days).

Ageing of past due but not impaired

	<u>2012</u> \$'000	<u>2011</u> \$'000
31 – 60 days	4,083	5,173
61 – 90 days	<u>454</u>	<u>484</u>
	<u>4,537</u>	<u>5,657</u>

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

7. TRADE AND OTHER RECEIVABLES (Cont'd)

Movement in the allowance for doubtful debts

	<u>2012</u> \$'000	<u>2011</u> \$'000
Balance at beginning of the year	2,178	2,036
Impairment losses recognised on receivables	2,444	142
Bad debts recovered/written back	(8)	-
Balance at end of the year	<u>4,614</u>	<u>2,178</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 allowance for doubtful debts.

Ageing of impaired trade receivables

	<u>2012</u> \$'000	<u>2011</u> \$'000
Over 90 days	<u>4,614</u>	<u>2,178</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.

	<u>2012</u> \$'000	<u>2011</u> \$'000
Cash at bank and in hand (Note 8(a))	6,163	43,724
Short-term deposits (at interest rates ranging from 1% to 6%) (2011: Interest rates ranging from 2% to 8.5%) maturing April 2012 (2011: April 2011)	<u>1,800</u>	<u>1,767</u>
Cash and cash equivalents	<u>7,963</u>	<u>45,491</u>

(a) Cash and bank includes interest bearing deposits account totalling \$1.392 million (2011: \$40.892 million) at an interest rate of 0.50% (2011: 0.15%).

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

9. SHARE CAPITAL

	<u>2012</u>	<u>2011</u>
	No. of shares	No. of shares
Authorised, issued and fully paid:		
Ordinary shares at the beginning and end of the year	<u>100</u>	<u>100</u>
Stated capital at the beginning and at end of the year was \$200 (2011: \$200)		

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

10. CAPITAL RESERVE

	<u>2012</u>	<u>2011</u>
	\$'000	\$'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	<u>788</u>	<u>788</u>
	<u>10,327</u>	<u>10,327</u>

11. DEFERRED INCOME

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Deferred income arising on government grant:		
Balance at beginning of year	21,435	14,797
Additions	6,200	7,674
Amount transferred to income	<u>(2,965)</u>	<u>(1,036)</u>
Balance at end of year	<u>24,670</u>	<u>21,435</u>
Comprising:		
Current	3,569	2,187
Non-current	<u>21,101</u>	<u>19,248</u>
	<u>24,670</u>	<u>21,435</u>

The deferred income arises as a result of the capital grant received from government. The grant is used to purchase property, plant and equipment and is amortised over the useful lives of these assets acquired ranging from 5-40 years.

12. TRADE AND OTHER PAYABLES

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Trade payables	58,992	34,197
Provision for retroactive salary payments	25,616	26,132
Statutory and payroll related deductions payable	152	441
Other payables and accruals	<u>11,303</u>	<u>6,170</u>
	<u>96,063</u>	<u>66,940</u>

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

13. REVENUE

Revenue comprises:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Sales to schools	32,420	36,012
Government subventions and support	<u>744,831</u>	<u>757,551</u>
	<u>777,251</u>	<u>793,563</u>

14. OTHER INCOME

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Interest income on deposits	491	6,917
Other	<u>2,935</u>	<u>2,089</u>
	<u>3,426</u>	<u>9,006</u>

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.

(b) Taxation for the year comprises:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Income tax charge	<u>30</u>	<u>1,700</u>

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

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Deficit before tax	<u>(82,976)</u>	<u>(122,267)</u>
Tax at domestic income tax rate of 33½%	(27,659)	(40,755)
Tax effect of expenses not deductible for tax purposes	4,241	4,651
Tax effect of expenses deductible for tax purposes	(329)	(557)
Income not subject to tax	<u>(248,277)</u>	<u>(252,517)</u>
Tax effect of subvention utilised	263,148	291,049
Other	<u>8,906</u>	<u>(171)</u>
	<u>30</u>	<u>1,700</u>

(d) Due to the nature of the operation, subventions received are not subject to taxation and there were no items with temporary timing differences that would give rise to deferred taxation.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

16. DEFICIT FOR THE YEAR

Deficit for the year has been arrived at after charging:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
(a) Revenue (expenses) on financial assets at amortised cost		
Revenue		
Interest – bank deposits (at amortised cost)	491	6,917
Expenses		
Impairment losses recognised on trade receivables	(2,444)	(142)
(b) Other expenses		
Directors' remuneration		
Fees	4,429	4,427
Depreciation	11,387	12,539
Audit fees	939	800
Pension cost	7,632	6,354

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 \$7.632 million (2011: \$6.354 million).

18. OTHER DISCLOSURES - EMPLOYEES

Staff costs incurred during the year were:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Salaries and wages	170,771	165,407
Statutory contributions	9,009	8,447
Pension costs	7,632	6,354
Retroactive salaries provision	<u>4,109</u>	<u>23,181</u>
	<u>191,521</u>	<u>203,389</u>

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:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Short-term benefits	<u>24,302</u>	<u>19,648</u>

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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:

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Financial Assets		
Loans and receivables (at amortised cost)		
Cash and bank balances	7,963	45,491
Trade and other receivables	<u>6,139</u>	<u>10,419</u>
	<u>14,102</u>	<u>55,910</u>
Financial Liabilities (at amortised cost)		
Payables	<u>65,140</u>	<u>36,418</u>

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, 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. Consequently it has no exposure to exchange rate fluctuations.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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.

	<u>Jamaican Dollar Instruments</u>	
	<u>Effective Interest Rate</u> %	<u>1 - 12 Months</u> \$'000
March 31, 2012		
Short-term deposits	1 - 6	1,800
Bank deposits	0.50	<u>1,392</u>
		<u>3,192</u>
March 31, 2011		
Short-term deposits	2 - 8.5	1,767
Bank deposits	0.15	<u>40,892</u>
		<u>42,659</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 50 basis point increase and 100 basis point decrease (2011: 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 50 basis points higher and 100 basis points lower (2011: 100 basis points higher/lower) and all other variables were held constant, the company's deficit for the year ended March 31, 2012 would decrease/increase by \$0.016 million and \$0.032 million respectively (2011: increase/decrease by \$0.427 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 decreased during the current period mainly due to the cash constraints faced by the company resulting in lower holdings of interest bearing bank and short-term deposits.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

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 \$14.098 million (2011: \$55.910 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

	<u>2012</u>	<u>2011</u>
	Less than	Less than
	<u>1 Year</u>	<u>1 Year</u>
	\$	\$
<u>Financial assets</u>		
Interest bearing	3,285	43,355
Non-interest bearing	<u>10,904</u>	<u>13,109</u>
	<u>14,189</u>	<u>56,464</u>
<u>Financial liabilities</u>		
Non-interest bearing	<u>65,140</u>	<u>36,418</u>

(f) Capital risk management

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 2011.

NUTRITION PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

21. 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.

Where market prices are not available for the financial assets and liabilities, fair values are determined using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

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.

22. OPERATING LEASE ARRANGEMENTS

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

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>2,965</u>	<u>2,867</u>

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

	<u>2012</u>	<u>2011</u>
	\$'000	\$'000
Within 1 year	2,977	2,686
Longer than 1 year and not longer than 5 years	<u>6,877</u>	<u>-</u>
	<u>9,854</u>	<u>2,686</u>

23. OPERATIONS

The company has incurred losses of approximately \$83.006 million in the current year and approximately \$123.967 million in the previous year. As of March 31, 2012, the company's current liabilities exceeded current assets by approximately \$59.721 million and total liabilities exceeded total assets by approximately \$8.345 million. The continuation of the company as a going concern is dependent on the continued support of the Ministry of Education through the Ministry of Finance and Planning and on future sustained profitable operations.

24. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, Tax Administration Jamaica advised in a release dated December 30, 2012 that effective January 1, 2013 there will be a decrease in the corporate tax rate from 33% to 25% for unregulated companies. Further there is an additional surtax of 5% where revenue of these entities exceeds J\$500 million.

ADDITIONAL INFORMATION

**REPORT TO THE DIRECTORS OF
NUTRITION PRODUCTS LIMITED
ON
ADDITIONAL INFORMATION**

Our examination of the financial statements of the company for the year ended March 31, 2012 was intended primarily for the purpose of formulating an opinion on those financial statements taken as a whole. The additional information presented in pages 2 and 3 has been taken from the accounting and other records of the company and is not necessary to give a true and fair view of its financial position at March 31, 2012 or of its financial performance or cash flows for the year then ended. Such information has not been subjected to tests and other auditing procedures to enable us to express an opinion as to the fairness of all the details included therein and accordingly we do not express an opinion on the additional information.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica,
April 4, 2013

NUTRITION PRODUCTS LIMITED

FACTORY COST OF PRODUCTION AND FACTORY OVERHEADS

YEAR ENDED MARCH 31, 2012

	<u>2012</u> \$'000	<u>2011</u> \$'000
FACTORY COST OF PRODUCTION		
Raw materials consumed	308,797	354,812
Wages, pension and statutory contributions	127,828	136,474
Factory overheads (See below)	<u>180,101</u>	<u>178,440</u>
	<u>616,726</u>	<u>669,726</u>
FACTORY OVERHEADS		
Machinery lease	1,630	1,730
Stationery and printing expenses	177	665
Electricity	30,213	27,062
Water rates	13,149	10,133
Insurance	1,300	1,296
Sanitation	11,203	12,708
Fuel oil	26,280	26,613
Factory expenses	1,642	1,851
Charitable donations - snacks	4,506	6,790
Repairs and maintenance		
- Plant and machinery	10,128	14,986
- Building and roadways	3,700	6,310
- Furniture and fixtures	15,743	14,058
Telephone	391	218
Travelling and subsistence	4,277	4,026
Depreciation	6,594	5,536
Staff welfare	15,489	15,244
Factory rental	2,965	2,867
Stock spoilage	5,205	2,708
Transportation	5,162	5,625
Security	14,398	13,211
Group health and life insurance	5,845	4,724
Obsolete stock	<u>104</u>	<u>79</u>
	<u>180,101</u>	<u>178,440</u>

NUTRITION PRODUCTS LIMITED

EXPENSES

YEAR ENDED MARCH 31, 2012

	<u>2012</u> \$'000	<u>2011</u> \$'000
DISTRIBUTION COSTS		
Sanitation expense	378	653
Group health and life insurance	812	682
Utilities	1,605	1,494
Motor vehicles expenses	4,636	3,600
Contract deliveries	99,898	105,946
Depreciation	1,157	1,179
Security	4,525	4,353
Stationery and printing expenses	692	694
Warehouse and distribution expenses	2,137	3,684
Travel and subsistence	1,402	1,027
Salaries, wages, allowances and statutory contributions	14,741	15,678
Insurance	839	864
Transportation and haulage	9,661	7,859
Staff welfare	1,628	1,252
Staff transportation	<u>1,104</u>	<u>718</u>
	<u>145,215</u>	<u>149,683</u>
TOTAL EXPENSES	<u>246,927</u>	<u>255,110</u>