



Chartered Accountants
& Business Advisors

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2014



Chartered Accountants
& Business Advisors

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

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National Schools Dietary Services Limited

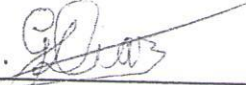
Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

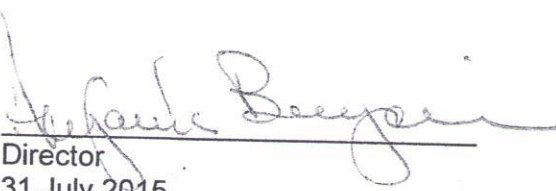
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

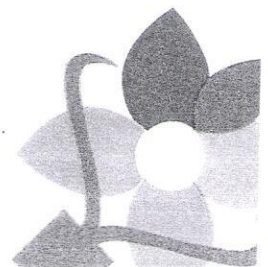
Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.



Director
31 July 2015



Director
31 July 2015





Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholders
National Schools Dietary Services Limited

We have audited the accompanying financial statements of the National Schools Dietary Services Limited, which comprise the statement of financial position as at 30 September 2014, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 these 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 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Schools Dietary Services Limited as of 30 September 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF
Port of Spain
31 July 2015

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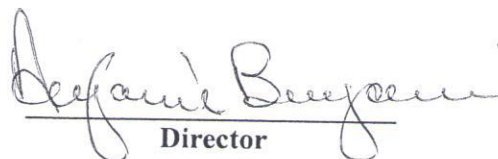
Directors Reneé-Lisa Philip | Mark K. Superville

NATIONAL SCHOOLS DIETARY SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION

| | <u>Notes</u> | 30 September | |
|--------------------------------------|--------------|-----------------------------|-----------------------------|
| | | <u>2014</u> | <u>2013</u> |
| ASSETS | | | |
| Current Assets: | | | |
| Cash resources | 5 | \$ 11,618,460 | \$ 15,536,752 |
| Available-for-sale investment | 6 | 522,888 | 518,296 |
| Accounts receivable and prepayments | 7 | 4,233,769 | 6,882,714 |
| Government subventions receivable | 8 | <u>6,321,799</u> | <u>5,568,648</u> |
| Total Current Assets | | 22,696,916 | 28,506,410 |
| Non-Current Assets: | | | |
| Fixed assets | 9 | <u>2,514,779</u> | <u>346,720</u> |
| Total Assets | | <u>\$ 25,211,695</u> | <u>\$ 28,853,130</u> |
| <u>LIABILITIES AND EQUITY</u> | | | |
| Current Liabilities: | | | |
| Accounts payable and accruals | 10 | \$ 24,741,434 | \$ 28,389,271 |
| Taxation payable | | <u>31,220</u> | <u>24,818</u> |
| Total Liabilities | | <u>24,772,654</u> | <u>28,414,089</u> |
| Equity: | | | |
| Stated capital | 11 | 2 | 2 |
| Capital grants | 12 | <u>439,039</u> | <u>439,039</u> |
| Total Equity | | <u>439,041</u> | <u>439,04</u> |
| Total Liabilities and Equity | | <u>\$ 25,211,695</u> | <u>\$ 28,853,130</u> |

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2015 and signed on their behalf by:


 Director


 Director

(The accompanying notes form part of these financial statements)

NATIONAL SCHOOLS DIETARY SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME

| | | For the year ended 30 September | |
|---|--------------|------------------------------------|---------------------|
| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
| Income: | | | |
| Revenue Grants from the Government of Trinidad and Tobago | | \$ 259,413,151 | \$ 251,624,286 |
| Less: Direct expenses | 16 | <u>244,372,562</u> | <u>235,805,299</u> |
| Gross profit | | 15,040,589 | 15,818,987 |
| Other income | 17 | 3,030,572 | 5,898,511 |
| Administrative expenses | 18 | <u>(18,006,324)</u> | <u>(21,636,589)</u> |
| Profit from operations | | 64,837 | 80,909 |
| Finance costs | 19 | <u>(25,087)</u> | <u>(28,165)</u> |
| Net profit before taxation | | 39,750 | 52,744 |
| Taxation | 20 | <u>(39,750)</u> | <u>(52,744)</u> |
| Net Comprehensive Income for the year | | <u>\$ -</u> | <u>\$ -</u> |

(The accompanying notes form part of these financial statements)

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

| | <u>Stated Capital</u> | <u>Capital Grants</u> | <u>Equity</u> |
|---------------------------------------|---------------------------|---------------------------|-------------------|
| Balance as at 1 October 2012 | \$ 2 | \$ 439,039 | \$ 439,041 |
| Net comprehensive income for the year | - | - | - |
| Balance as at 30 September 2013 | <u>\$ 2</u> | <u>\$ 439,039</u> | <u>\$ 439,041</u> |
| Balance as at 1 October 2013 | \$ 2 | \$ 439,039 | \$ 439,041 |
| Net comprehensive income for the year | - | - | - |
| Balance as at 30 September 2014 | <u>\$ 2</u> | <u>\$ 439,039</u> | <u>\$ 439,041</u> |

(The accompanying notes form part of these financial statements)

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

STATEMENT OF CASH FLOWS

| | For the year ended 30 September | |
|---|------------------------------------|-----------------------------|
| | <u>2014</u> | <u>2013</u> |
| OPERATING ACTIVITIES: | | |
| Net profit before taxation | \$ 39,750 | \$ 52,744 |
| Adjustments for: | | |
| Depreciation | <u>737,737</u> | <u>158,605</u> |
| Changes in operating assets and liabilities | 777,487 | 211,349 |
| Net change in accounts receivable and prepayments | 2,648,945 | 5,683,262 |
| Net change in accounts payable and accruals | (3,647,837) | (7,807,965) |
| Net change in Government subventions receivable | (753,151) | 1,230,714 |
| Taxation paid | <u>(33,348)</u> | <u>(27,926)</u> |
| Cash used in Operating Activities | <u>(1,007,904)</u> | <u>(710,566)</u> |
| INVESTING ACTIVITIES: | | |
| Fixed asset purchases | <u>(2,905,796)</u> | <u>(165,321)</u> |
| Cash used in Investing Activities | <u>(2,905,796)</u> | <u>(165,321)</u> |
| Net change in cash and cash equivalents | (3,913,700) | (875,887) |
| Cash and cash equivalents - at beginning of year | <u>16,055,048</u> | <u>16,930,935</u> |
| - at end of year | <u>\$ 12,141,348</u> | <u>\$ 16,055,048</u> |
| Represented by: | | |
| Cash resources | \$ 11,618,460 | \$ 15,536,752 |
| Available-for-sale investment | <u>522,888</u> | <u>518,296</u> |
| | <u>\$ 12,141,348</u> | <u>\$ 16,055,048</u> |

(The accompanying notes form part of these financial statements)

NATIONAL SCHOOLS DIETARY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2014****1. Incorporation and Principal Business Activity:**

The National Schools Dietary Services Limited is a limited liability company established by the Government of the Republic of Trinidad and Tobago by Cabinet Minute No. 943 dated 16 May 2002 and incorporated on 3 July 2002. It was set up to assume the following responsibilities:

1. The development of a strategic direction for the School Nutrition Programme and oversee its implementation.
2. The development of policy guidelines for the management and operation of the Programme in respect of the meals to be served, to ensure that the meals cater for the nutritional needs and dietary differences of students.
3. The establishment of criteria for the selection of caterers for the Programme.
4. The development of quality control mechanism aimed at ensuring that the highest standards are maintained and monitoring their enforcement.
5. Planning of new initiatives.

2. Summary of Significant Accounting Policies:**(a) Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in Trinidad and Tobago dollars. The financial statements have been prepared on the historical cost convention.

(b) Use of estimates -

The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of Significant Accounting Policies:c) **New Accounting Standards and Interpretations -**

- i) The Company has not applied the following standards and amendments that became effective during the current year, as they do apply to the activities of the Company:

IFRS 7 Financial Instruments: Disclosure – Amendment on the disclosure of offsetting financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2013).

IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).

- ii) The Company has not applied the following standards and amendments that became effective during the current year, as they do not apply to the activities of the Company:

IAS 16 Property, Plant and Equipment – Amendment re: classification of servicing equipment (effective for accounting periods beginning on or after 1 January 2013).

IAS 19 Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).

IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).

IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).

IAS 34 Interim Financial Reporting – Amendment on the clarification of interim financial reporting on segment information (effective for accounting periods beginning on or after 1 January 2013).

IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations -

- IFRS 10 Consolidated Financial Statements – Amendment to the transition guidance on consolidated financial statements, joint arrangements and disclosures of interest in other entities (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 12 Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013).

iii) The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment on borrowing costs relating to qualifying assets (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 2 Share-based payment – Amendment to the definition of vesting condition (effective for accounting periods beginning on or after 1 July 2014).
- IFRS 3 Business Combinations – Amendment re: accounting for a contingent consideration in a business combination (effective for accounting periods beginning on or after 1 July 2014).
- IFRS 3 Business Combinations – Amendment on the scope of exception for joint ventures (effective for accounting periods beginning on or after 1 July 2014).
- IFRS 8 Operating Segments – Amendment re: disclosure of the aggregation of operating segments and the reconciliation of assets (effective for accounting periods beginning on or after 1 July 2014).

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd):

c) New Accounting Standards and Interpretations (cont'd) -

- | | |
|---------|---|
| IFRS 9 | Financial Instruments (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 10 | Consolidated Financial Statements – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IFRS 11 | Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013). |
| IFRS 12 | Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013). |
| IFRS 13 | Fair Value Measurement – Amendment re: clarification of portfolio exception (effective for periods beginning on or after 1 July 2014). |
| IFRS 14 | Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 1 | Presentation of Financial Statements – Amendment re: clarification of the requirement for comparative information (effective for accounting periods beginning on or after 1 July 2013). |
| IAS 16 | Property, Plant and Equipment – Amendment re: proportionate restatement of accumulated depreciation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 24 | Related Party Disclosures – Amendment on disclosures for entities providing key management personnel services (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 27 | Separate Financial Statements – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 32 | Financial Instruments; Presentation – Amendment re: application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 36 | Impairment of Assets – Amendment re: disclosure of recoverable amount on non-financial assets (effective for accounting periods beginning on or after 1 January 2014). |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd):

c) New Accounting Standards and Interpretations (cont'd) -

IAS 38 Intangible Assets – Amendment re: the proportionate restatement of accumulated amortisation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014).

IAS 39 Financial Instruments: Recognition and Measurement – Amendment re: the novation of derivatives and continuation of hedge accounting (effective for accounting periods beginning on or after 1 January 2014).

IAS 40 Investment Property – Amendment re: clarification of specific transactions that are both business combinations and investment property (effective for accounting periods beginning on or after 1 July 2014).

IFRIC 21 Levies (effective for periods beginning on or after 1 January 2014).

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Company's classification and presentation of financial instruments.

(d) Comparative information -

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.

(e) Depreciation -

Depreciation is provided on a straight-line basis at annual rates designed to write-off the cost of the assets over their estimated useful economic lives as follows:-

| | | |
|---------------------------------|---|-------|
| Furniture and fixtures | - | 12.5% |
| Office equipment | - | 20% |
| Computer software and equipment | - | 20% |
| Motor vehicles | - | 25% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd):**(f) Investments -**

The company's has classified all investments as available-for-sale financial assets.

Available-for-sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

(g) Income recognition -**Investment Income**

Income from investments is accounted for on the accruals basis.

(h) Government grant -

Grants from the Government of the Republic of Trinidad and Tobago are recognised at their fair values, where there is a reasonable assurance that the grant will be received, and the company will comply with all conditions attached.

Grants relating to operating expenses are deferred and included in non-current liabilities. They are recognised in the Statement of Comprehensive Income over the period necessary to match them with net expenses they are intended to compensate.

(i) Financial instruments -

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2014****2. Summary of Significant Accounting Policies (Cont'd):****f) Financial instruments (cont'd) -**

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the company about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the company or national or economic conditions that correlate with defaults on assets in the company.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2014****2. Summary of Significant Accounting Policies (Cont'd):****(i) Financial instruments (Cont'd) -**

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

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 (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of Significant Accounting Policies (Cont'd):**(i) Financial instruments (Cont'd) -**Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of twelve months or less and are carried at cost, which approximates market value.

Accounts receivable

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(j) Provisions -

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

3. Financial Risk Management:

Financial risk factors

The company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the company to manage these risks are discussed below:

Financial Instruments

The following table summarizes the carrying amounts and fair values of the company's financial assets and liabilities:

| | 2014 | |
|-------------------------------------|---------------------------|-----------------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> |
| Financial Assets | | |
| Cash resources | \$ 11,618,460 | \$ 11,618,460 |
| Available-for-sale investment | 522,888 | 522,888 |
| Accounts receivable and prepayments | 4,233,769 | 4,233,769 |
| Government subventions receivable | 6,321,799 | 6,321,799 |
| Financial Liabilities | | |
| Accounts payable and accruals | 24,741,434 | 24,741,434 |
| | 2013 | |
| | <u>Carrying Value</u> | <u>Fair Value</u> |
| Financial Assets | | |
| Cash resources | \$ 15,536,752 | \$ 15,536,752 |
| Available-for-sale investment | 518,296 | 518,296 |
| Accounts receivable and prepayments | 6,882,714 | 6,882,714 |
| Government subventions receivable | 5,568,648 | 5,568,648 |
| Financial Liabilities | | |
| Accounts payable and accruals | 28,389,271 | 28,389,271 |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

3. Financial Risk Management (Cont'd):(a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in mutual funds and loans.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

| | <u>Effective Rate</u> | <u>Up to 1 year</u> | <u>1 to 5 years</u> | <u>2014 Over 5 years</u> | <u>Non-Interest Bearing</u> | <u>Total</u> |
|-------------------------------------|-----------------------|---------------------|---------------------|--------------------------|-----------------------------|----------------------|
| Financial Assets | | | | | | |
| Cash resources | 0.0% | \$ - | \$ - | \$ - | \$ 11,618,460 | \$ 11,618,460 |
| Available-for-sale investment | 1.3% | 522,888 | - | - | - | 522,888 |
| Accounts receivable and prepayments | 0.0% | - | - | - | 4,233,769 | 4,233,769 |
| Government subventions receivable | | - | - | - | 6,321,799 | 6,321,799 |
| | | <u>\$ 522,888</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,174,028</u> | <u>\$ 22,696,916</u> |
| Financial Liabilities | | | | | | |
| Accounts payable and accruals | 0.0% | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,741,434</u> | <u>\$ 24,741,434</u> |
| | | | | | | |
| | <u>Effective Rate</u> | <u>Up to 1 year</u> | <u>1 to 5 years</u> | <u>2013 Over 5 years</u> | <u>Non-Interest Bearing</u> | <u>Total</u> |
| Financial Assets | | | | | | |
| Cash resources | 0.0% | \$ - | \$ - | \$ - | \$ 15,536,752 | \$ 15,536,752 |
| Available-for-sale investment | 1.0% | 518,296 | - | - | - | 518,296 |
| Accounts receivable and prepayments | 0.0% | - | - | - | 6,882,714 | 6,882,714 |
| Government subventions receivable | | - | - | - | 5,568,648 | 5,568,648 |
| | | <u>\$ 518,296</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,988,114</u> | <u>\$ 28,506,410</u> |
| Financial Liabilities | | | | | | |
| Accounts payable and accruals | 0.0% | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,389,271</u> | <u>\$ 28,389,271</u> |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

3. Financial Risk Management (Cont'd):**(b) Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The company relies heavily on its written Policies and Procedures Manuals, which sets out in detail the current policies governing the granting of credit function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the company's credit philosophy; provide policy guidelines to team members; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

Cash balances are held with high credit quality financial institutions and the company has policies to limit the amount of exposure to any single financial institution.

The company also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

(c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets. The company is able to make daily calls on its available cash resources to settle financial and other liabilities.

i. Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the company. The company employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the company's assets as well as generating sufficient cash from government grants and loan repayments.

To manage and reduce liquidity risk the company's management actively seeks to match cash inflows with liability requirements.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

3. Financial Risk Management (Cont'd):(c) Liquidity risk (cont'd) -ii. Liquidity gap

| | 2014 | | | <u>Total</u> |
|--|-------------------------|-------------------------|-------------------------|----------------------|
| | <u>Up to 1 year</u> | <u>1 to 5 years</u> | <u>Over 5 years</u> | |
| Financial Assets | | | | |
| Cash resources | \$ 11,618,460 | \$ - | \$ - | \$ 11,618,460 |
| Available-for-sale investment | 522,888 | - | - | 522,888 |
| Accounts receivable and prepayments | 4,233,769 | - | - | 4,233,769 |
| Government subventions receivable | <u>6,321,799</u> | <u>-</u> | <u>-</u> | <u>6,321,799</u> |
| | <u>\$ 22,696,916</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,696,916</u> |
| Financial Liabilities | | | | |
| Accounts payable and accruals | <u>\$ 24,741,434</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,741,434</u> |

| | 2013 | | | <u>Total</u> |
|--|-------------------------|-------------------------|-------------------------|----------------------|
| | <u>Up to 1 year</u> | <u>1 to 5 years</u> | <u>Over 5 years</u> | |
| Financial Assets | | | | |
| Cash resources | \$ 15,536,752 | \$ - | \$ - | \$ 15,536,752 |
| Available-for-sale investment | 518,296 | - | - | 518,296 |
| Accounts receivable and prepayments | 6,882,714 | - | - | 6,882,714 |
| Government subventions receivables | <u>5,568,648</u> | <u>-</u> | <u>-</u> | <u>5,568,648</u> |
| | <u>\$ 28,506,410</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,506,410</u> |
| Financial Liabilities | | | | |
| Accounts payable and accruals | <u>\$ 28,389,271</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,389,271</u> |

(d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the company's measurement currency. The company is exposed to minimal foreign exchange risk. The company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

3. Financial Risk Management (Cont'd):**(e) Operational risk -**

Operational risk is the risk derived from deficiencies relating to the company's information technology and control systems, as well as the risk of human error and natural disasters. The company's systems are evaluated, maintained and upgraded continuously.

(f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the monitoring controls applied by the company.

(g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the company. The company applies procedures to minimize this risk.

4. Critical Accounting Estimates and Judgements:

The preparation of financial statements in accordance with the International Financial Reporting Standards require management to make judgements, estimates and assumptions in the process of applying the company's accounting policies. See Note 2 (b).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. Critical Accounting Estimates and Judgements (Cont'd):

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Which depreciation method for fixed assets is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

- ii) Fixed assets

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

5. Cash Resources:

| | 30 September | |
|-----------------------|----------------------|----------------------|
| | <u>2014</u> | <u>2013</u> |
| Cash in hand | \$ 5,000 | \$ 1,910 |
| Republic Bank Limited | <u>11,613,460</u> | <u>15,534,842</u> |
| | <u>\$ 11,618,460</u> | <u>\$ 15,536,752</u> |

6. Available-for-Sale Investment:

This investment represents a Money Market Fund account held at Republic Bank Limited

7. Accounts Receivable and Prepayments:

| | 30 September | |
|--|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Trade receivables | \$ 4,117,811 | \$ 6,515,360 |
| Prepayments | 115,958 | 7,839 |
| International Development Research Council of Canada (IDRC Project) | <u>-</u> | <u>359,515</u> |
| | <u>\$ 4,233,769</u> | <u>\$ 6,882,714</u> |

8. Government Subventions Receivable:

| | 30 September | |
|----------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Balance at beginning of the year | \$ 5,568,648 | \$ 6,799,362 |
| Subventions received | (258,660,000) | (252,855,000) |
| Subventions utilised | <u>259,413,151</u> | <u>251,624,286</u> |
| | <u>\$ 6,321,799</u> | <u>\$ 5,568,648</u> |

Deferred income relates to the portion of government subventions received from the Ministry of Education, for which the related expenditure has not yet been incurred. The portion of subventions utilised during the year is recognised in the Statement of Comprehensive Income.

In 2011, the company expended more than the subventions received. The additional expenditure has been treated as subventions receivable from the Government of the Republic Trinidad and Tobago.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

| 9. <u>Fixed Assets:</u> | <u>Cost</u> | <u>Lease Improvement</u> | <u>Furniture and Fixtures</u> | <u>Office Equipment</u> | <u>Computer Software and Equipment</u> | <u>Motor Vehicles</u> | <u>Storage Equipment</u> | <u>Total</u> |
|---------------------------------|---------------------|------------------------------|---------------------------------------|-----------------------------|--|---------------------------|------------------------------|--------------|
| Balance as at 30 September 2013 | \$ - | \$ 812,406 | \$ 355,731 | \$ 474,198 | \$ 910,000 | \$ 44,691 | \$ 2,597,026 | |
| Additions | <u>2,170,255</u> | <u>207,151</u> | <u>143,390</u> | <u>-</u> | <u>385,000</u> | <u>-</u> | <u>2,905,796</u> | |
| Balance as at 30 September 2014 | <u>2,170,255</u> | <u>1,019,557</u> | <u>499,121</u> | <u>474,198</u> | <u>1,295,000</u> | <u>44,691</u> | <u>5,502,822</u> | |
| Accumulated Depreciation | | | | | | | | |
| Balance as at 30 September 2013 | \$ - | 611,079 | 329,917 | 381,433 | 910,000 | 17,877 | 2,250,306 | |
| Charge for the year | <u>434,051</u> | <u>117,694</u> | <u>53,231</u> | <u>27,573</u> | <u>96,250</u> | <u>8,938</u> | <u>737,737</u> | |
| Balance as at 30 September 2014 | <u>434,051</u> | <u>728,773</u> | <u>383,148</u> | <u>409,006</u> | <u>1,006,250</u> | <u>26,815</u> | <u>2,988,043</u> | |
| Net Book Value | | | | | | | | |
| Balance as at 30 September 2014 | <u>\$ 1,736,204</u> | <u>\$ 290,784</u> | <u>\$ 115,973</u> | <u>\$ 65,192</u> | <u>\$ 288,750</u> | <u>\$ 17,876</u> | <u>\$ 2,514,779</u> | |
| Balance as at 30 September 2013 | <u>\$ -</u> | <u>\$ 201,327</u> | <u>\$ 25,814</u> | <u>\$ 92,765</u> | <u>\$ -</u> | <u>\$ 26,814</u> | <u>\$ 346,720</u> | |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. Fixed Assets (Cont'd):

| | <u>Furniture and Fixtures</u> | <u>Office Equipment</u> | <u>Computer Software and Equipment</u> | <u>Motor Vehicles</u> | <u>Storage Equipment</u> | <u>Total</u> |
|---------------------------------|---------------------------------------|-----------------------------|--|---------------------------|------------------------------|-------------------|
| Cost | | | | | | |
| Balance as at 1 October 2012 | \$ 750,312 | \$ 354,759 | \$ 371,943 | \$ 910,000 | \$ 44,691 | \$ 2,431,705 |
| Additions | <u>62,094</u> | <u>972</u> | <u>102,255</u> | - | - | <u>165,321</u> |
| Balance as at 30 September 2013 | <u>812,406</u> | <u>355,731</u> | <u>474,198</u> | <u>910,000</u> | <u>44,691</u> | <u>2,597,026</u> |
| Accumulated Depreciation | | | | | | |
| Balance as at 1 October 2012 | 518,428 | 304,428 | 349,907 | 910,000 | 8,938 | 2,091,701 |
| Charge | <u>92,651</u> | <u>25,489</u> | <u>31,526</u> | - | <u>8,939</u> | <u>158,605</u> |
| Balance as at 30 September 2013 | <u>611,079</u> | <u>329,917</u> | <u>381,433</u> | <u>910,000</u> | <u>17,877</u> | <u>2,250,306</u> |
| Net Book Value | | | | | | |
| Balance as at 30 September 2013 | <u>\$ 201,327</u> | <u>\$ 25,814</u> | <u>\$ 92,765</u> | <u>\$ -</u> | <u>\$ 26,814</u> | <u>\$ 346,720</u> |
| Balance as at 30 September 2012 | <u>\$ 231,884</u> | <u>\$ 50,331</u> | <u>\$ 22,036</u> | <u>\$ -</u> | <u>\$ 35,753</u> | <u>\$ 340,004</u> |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

10. Accounts Payables and Accruals:

| | 30 September | |
|--|----------------------|----------------------|
| | <u>2014</u> | <u>2013</u> |
| Audit fees | \$ 305,325 | \$ 232,300 |
| Accounting fees | 60,000 | 45,000 |
| Trade payable | 22,761,068 | 26,825,102 |
| Accruals | 1,441,972 | 1,206,957 |
| PAYE payable | - | 19,711 |
| VAT payable | 71,614 | 60,201 |
| International Development Research Council of Canada (IDRC) Project | <u>101,455</u> | <u>-</u> |
| | <u>\$ 24,741,434</u> | <u>\$ 28,389,271</u> |

11. Stated Capital:

| | 30 September | |
|---|--------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| Authorised: | | |
| An unlimited number of ordinary shares of no par value | | |
| Issued and fully paid: | | |
| 2 ordinary shares of no par value | <u>\$ 2</u> | <u>\$ 2</u> |

12. Capital Grants:

Capital grants comprise the capitalised value of fixed assets transferred by the Government of the Republic of Trinidad and Tobago to the company.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

13. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

| | 30 September | |
|------------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Key management compensation | | |
| Short-term benefits | <u>\$ 2,616,581</u> | <u>\$ 2,202,123</u> |

14. Fair Values:

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. The existence of published price quotation in an active market is the best evidence of fair value. See **Note 2 (b)**. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis. The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

(a) Current assets and liabilities -

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

(b) Investments -

The fair values of investments are determined on the basis of quoted market prices available at 30 September 2014.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

15. 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 its shareholders, whilst providing value to the clients. The company's overall strategy remains unchanged from previous years.

The capital structure of the company consists of equity attributable to its shareholders, and comprises capital grants.

16. Direct Expenses:

| | 30 September | |
|---------------------|-----------------------|-----------------------|
| | <u>2014</u> | <u>2013</u> |
| Catering services | \$ 225,380,906 | \$ 217,814,288 |
| Disposable supplies | 18,889,517 | 17,774,946 |
| Samples testing | 100,968 | 18,429 |
| Uniforms | <u>1,171</u> | <u>197,636</u> |
| | <u>\$ 244,372,562</u> | <u>\$ 235,805,299</u> |

17. Other Income:

| | 30 September | |
|---------------------------------------|---------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Investment income – Money Market Fund | \$ 4,592 | \$ 5,110 |
| Income from miscellaneous functions | <u>3,025,980</u> | <u>5,893,401</u> |
| | <u>\$ 3,030,572</u> | <u>\$ 5,898,511</u> |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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18. Administrative Expenses:

| | 30 September | |
|---|----------------------|----------------------|
| | <u>2014</u> | <u>2013</u> |
| Accounting fees | \$ 15,000 | \$ (158,709) |
| Audit fees | 73,025 | 73,025 |
| Consulting | 424,521 | 515,195 |
| Depreciation | 737,737 | 158,605 |
| Directors fees | 585,486 | 698,965 |
| Donations | - | 806,195 |
| Entertainment | - | 11,826 |
| Gratuity | 419,011 | 571,941 |
| Insurance | 23,038 | 18,511 |
| National Insurance – Employer’s contributions | 512,207 | 393,427 |
| Office supplies and stationery | 284,179 | 455,605 |
| Rentals | 465,524 | 105,712 |
| Repairs and Maintenance – Equipment | 17,760 | 25,040 |
| Repairs and Maintenance – Building | 229,579 | 390,142 |
| Repairs and Maintenance – Vehicles | 58,833 | 69,745 |
| Salaries | 9,048,046 | 7,307,468 |
| Security | 259,720 | 145,082 |
| Staff welfare | 779,572 | 538,133 |
| Special events | 511,715 | 1,318,722 |
| Special projects | 2,856,663 | 7,494,209 |
| Subscriptions | 67,284 | 71,250 |
| Training | 79,572 | 79,919 |
| Travel | 3,000 | 4,800 |
| Utilities | 554,852 | 541,781 |
| | <u>\$ 18,006,324</u> | <u>\$ 21,636,589</u> |

19. Finance Costs:

| | 30 September | |
|---------------------------|------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| Bank charges and interest | \$ <u>25,087</u> | \$ <u>28,165</u> |

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

20. Taxation:

| | 30 September | |
|-----------------|------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| Business Levy | \$ 26,499 | \$ 35,163 |
| Green Fund Levy | <u>13,251</u> | <u>17,581</u> |
| | <u>\$ 39,750</u> | <u>\$ 52,744</u> |

21. Subsequent Event:

During October 2014 the Board of Directors committed to establishing a pension plan for the company's employees. The company will make retroactive payments into the plan on behalf of the employees for the period 2006 to 2011. The amount of the retroactive payment for this period is estimated to be **\$3,288,893**. No provision for this amount was made in the financial statements in accordance with IAS 37, as no liability existed as at 30 September 2014.

