



Chartered Accountants
& Business Advisors

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2018



Chartered Accountants
& Business Advisors

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

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Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of National Schools Dietary Services Limited, which comprise the statement of financial position as at 30 September 2018, the statements 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;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

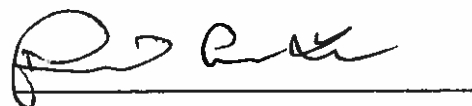
In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



29 November 2018



29 November 2018



NATIONAL SCHOOLS DIETARY SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	For the year ended 30 September	
		<u>2018</u> (\$)	<u>2017</u> (\$)
Income:			
Revenue Grants from the Government of Trinidad and Tobago		218,607,424	234,311,525
Direct expenses	15	<u>(205,613,381)</u>	<u>(221,088,886)</u>
Gross profit		12,994,043	13,222,639
Other income	16	307,990	98,969
Administrative expenses	17	<u>(13,259,223)</u>	<u>(13,306,425)</u>
Profit from operations		42,810	15,183
Finance costs	18	<u>(39,933)</u>	<u>(24,573)</u>
Net profit/(loss) before taxation		2,877	(9,390)
Taxation	19	<u>(2,877)</u>	<u>9,390</u>
Net Comprehensive Income for the year		<u><u>-</u></u>	<u><u>-</u></u>

(The accompanying notes form part of these financial statements)

NATIONAL SCHOOLS DIETARY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2018****2. Summary of Significant Accounting Policies (Cont'd):****(i) Financial instruments (Cont'd) -****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.

(k) Going concern -

These financial statements have been prepared on the going concern basis despite the excess of current liabilities over current assets, as it is the company's intention to ensure that this situation is reversed by using internally generated cash flows.

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2018

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:

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

	2018	
	<u>Carrying</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>
	(\$)	(\$)
Financial Assets		
Cash resources	43,362	43,362
Accounts receivable and prepayments	1,871,732	1,871,732
Government subventions receivable	72,097,094	72,097,094
Financial Liabilities		
Accounts payable and accruals	73,743,759	73,743,759
	2017	
	<u>Carrying</u>	<u>Fair</u>
	<u>Value</u>	<u>Value</u>
	(\$)	(\$)
Financial Assets		
Cash resources	200,701	200,701
Available-for-sale investment	1,757,167	1,757,167
Accounts receivable and prepayments	56,791,240	56,791,240
Government subventions receivable		
Financial Liabilities		
Accounts payable and accruals	58,983,978	58,983,978

NATIONAL SCHOOLS DIETARY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2018

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.

	Effective Rate (\$)	Up to 1 year (\$)	1 to 5 years (\$)	2018 Over 5 years (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets						
Cash resources	0.0%	-	-	-	43,362	43,362
Accounts receivable and prepayments	0.0%	-	-	-	1,871,732	1,871,732
Government subventions receivable	0.0%	-	-	-	<u>72,097,094</u>	<u>72,097,094</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>74,012,188</u>	<u>74,012,188</u>
Financial Liabilities						
Accounts payable and accruals	0.0%	-	-	-	<u>73,743,759</u>	<u>73,743,759</u>

	Effective Rate (\$)	Up to 1 year (\$)	1 to 5 years (\$)	2017 Over 5 years (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets						
Cash resources	0.0%	-	-	-	200,701	200,701
Accounts receivable and prepayments	0.0%	-	-	-	1,757,167	1,757,167
Government subventions receivable	0.0%	-	-	-	<u>56,791,240</u>	<u>56,791,240</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>58,749,108</u>	<u>58,749,108</u>
Financial Liabilities						
Accounts payable and accruals	0.0%	-	-	-	<u>58,983,978</u>	<u>58,983,978</u>

NATIONAL SCHOOLS DIETARY SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2018****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 2018

3. Financial Risk Management (Cont'd):

(c) Liquidity risk (cont'd) -

ii. Liquidity gap

	2018			<u>Total</u> (\$)
	<u>Up to</u> <u>1 year</u> (\$)	<u>1 to</u> <u>5 years</u> (\$)	<u>Over</u> <u>5 years</u> (\$)	
Financial Assets				
Cash resources	43,362	-	-	43,362
Accounts receivable and prepayments	1,871,732	-	-	1,871,732
Government subventions receivable	<u>72,097,094</u>	<u>-</u>	<u>-</u>	<u>72,097,094</u>
	<u>74,012,188</u>	<u>-</u>	<u>-</u>	<u>74,012,188</u>
Financial Liabilities				
Accounts payable and accruals	<u>73,743,759</u>	<u>-</u>	<u>-</u>	<u>73,743,759</u>

	2017			<u>Total</u> (\$)
	<u>Up to</u> <u>1 year</u> (\$)	<u>1 to</u> <u>5 years</u> (\$)	<u>Over</u> <u>5 years</u> (\$)	
Financial Assets				
Cash resources	200,701	-	-	200,701
Accounts receivable and prepayments	1,757,167	-	-	1,757,167
Government subventions receivable	<u>56,791,240</u>	<u>-</u>	<u>-</u>	<u>56,791,240</u>
	<u>58,749,108</u>	<u>-</u>	<u>-</u>	<u>58,749,108</u>
Financial Liabilities				
Accounts payable and accruals	<u>58,983,978</u>	<u>-</u>	<u>-</u>	<u>58,983,978</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 2018****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 requires management to make judgements, estimates and assumptions in the process of applying the company's accounting policies. See Note 2.

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****30 SEPTEMBER 2018****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 2018

5. Cash Resources:

	30 September	
	<u>2018</u> (\$)	<u>2017</u> (\$)
Cash in hand	5,000	5,000
Republic Bank Limited	<u>38,362</u>	<u>195,701</u>
	<u><u>43,362</u></u>	<u><u>200,701</u></u>

6. Accounts Receivable and Prepayments:

	30 September	
	<u>2018</u> (\$)	<u>2017</u> (\$)
Trade receivables	1,737,224	1,683,685
Prepayments	<u>134,508</u>	<u>73,482</u>
	<u><u>1,871,732</u></u>	<u><u>1,757,167</u></u>

7. Government Subventions Receivable:

	30 September	
	<u>2018</u> (\$)	<u>2017</u> (\$)
Balance at beginning of the year	56,791,240	22,479,715
Subventions received	(203,301,570)	(200,000,000)
Subventions utilised	<u>218,607,424</u>	<u>234,311,525</u>
	<u><u>72,097,094</u></u>	<u><u>56,791,240</u></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 2018, 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.