NATIONAL FLOUR MILLS LIMITED

ANNUAL REPORT 2019

GLOBAL SOURCING - LOCAL VALUE

The profitability of NFM is dependent on our ability to optimize our food supply chain. In the production of our flour and feed products, NFM imports most of its raw materials from more developed countries and is a price taker for the most significant item of expenditure – the purchase of grains.

The purchase of grains represents a significant risk to the Company and over the years, we have employed various strategies to mitigate this risk and ensure that our operations remain profitable for the benefit of the Company, its shareholders and other stakeholders.

Changes in the environment continue to put additional pressure on the efficient management of the supply chain. However, we are committed to using our resources to create value for our customers. We will continue to grow, expand and diversify the business because we are so much more than flour.

nfm

NATIONAL FLOUR MILLS LIMITED

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Who We Are

National Flour Mills Limited (NFM) was incorporated in 1972 and over the years has since been recognised as the leader in flour milling, feed milling and dry mix operations throughout Trinidad and Tobago.

Our Vision Statement

To be the most trusted food and feed manufacturer in the region.

Our Mission Statement

We will feed the region by:

- Meeting and exceeding global food safety standards
- Value for money offerings
- Fairness and equity in treating with our employees

Guiding Principles and Core Values

- Results Oriented
- Accountability
- Fairness and Integrity
- Innovation
- Value for Money
- Customer Delight
- Building Teams and Talent

Business Standards

It is the policy of NFM to conduct its business practices in accordance with the highest ethical standards. Bribery and corruption will not be condoned. Every effort will be made to ensure that:

- our products are produced to specifications and in conformance with the customers' requirement;
- the quality of raw materials used are fit for the purpose intended;
- customer credit terms are fair; and that
- customer complaints are treated with in a timely and courteous manner.

Corporate Information

Directors
Mr. Nigel Romano - Chairman
Mr. Ross Alexander
Ms. Sonja Voisin
Ms. Karen Shaw
Mrs. Aliyah Hamel-Smith
Mr. Shane Correia
Ms. Joanne Salazar
Mr. Jean-Pierre Du Coudray

Chief Executive Officer
Mr. Kelvin Mahabir

Corporate Secretary
Ms. Sati Jagmohan

Registered Office
27-29 Wrightson Road
Port of Spain
Telephone: (868) 625-2416/7
Fax: (868) 625-4389
Email: nfm@nfm.co.tt

Website

Facebook

Registrar and Transfer Office
The Trinidad and Tobago Central
Depository Limited
10th Floor
Nicholas Towers
63-65 Independence Square
Port of Spain
Telephone: (868) 625-5107-9
Fax: (868) 623-0089
Email: ttstockx@stockex.co.tt

Auditors
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

Principal Bankers
Scotiabank Trinidad and Tobago Limited
Scotia Centre
Corner Park and Richmond Streets
Port of Spain

Citibank (Trinidad and Tobago) Limited
12 Queen's Park East
Port of Spain

Republic Bank Limited
Corporate Business Centre – North
Promenade Centre, Ist Floor
72 Independence Square
Port of Spain

Principal Attorneys
Ashmead Ali and Company
36 Edward Street
Port of Spain

J.D Sellier & Company
121-131 Abercromby Street
Port of Spain

Forty-Seventh Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual Meeting of the Shareholders of National Flour Mills Limited (NFM) will be held on Thursday, 25th June, 2020 at 10:00 a.m., Theatre 1, National Academy for the Performing Arts (NAPA), Keate Street, Port of Spain for the following purposes:

Ordinary Business

1. To receive and adopt the accounts for the financial year ended 31st December 2019 and the Reports of the Directors and Auditors thereon;
2. To re-elect/elect Directors;
3. To appoint Auditors and to authorise Directors to fix their remuneration;
4. To transact any other business as may properly come before the meeting or any adjournment thereof.

By Order of the Board

Sati Jagmohan
Corporate Secretary
30th April 2020

Notes

1. **Record Date** The Directors have fixed the 13th of May 2020 as the Record Date for determining shareholders who are entitled to receive Notice of the Meeting, and have given notice thereof by advertisement in accordance with the Companies Act. Shareholders listed on the Register of Members as at the close of business on that date will be notified of the meeting by mail. A list of those shareholders will be available for examination by shareholders at the Registered Office of the Trinidad and Tobago Central Depository, 10th Floor, Nicholas Tower, 63-65 Independence Square, Port of Spain during normal working hours and at the Annual Meeting.

2. **Proxies** A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. Such proxy need not also be a Member of the Company. In the event that a Member of the Company wishes to appoint a proxy to vote in his/her stead, such Member is required to complete and sign the appropriate Proxy Form.

   The signed Proxy Form should be deposited with the Secretary of the Company at the Company's Registered Office, 27-29 Wrightson Road, Port of Spain 48 hours in advance of the Meeting. Where a Proxy is appointed by a corporate Member, the form of Proxy should be executed under seal or signed by an Officer or Attorney duly authorized.

3. **Annual Report** The Annual Report can be accessed from the Company's website www.nfm.co.tt.

As we continue to work to increase shareholder value,

the Board will continue to focus its efforts on diversifying the business into food and agriculture related projects with high local content and strong foreign exchange potential as well on mitigating the risk profile of the Organization.

As a Board, we are fully cognizant

of the importance of supply chain management to NFM's efforts to create an agile, efficient organization while at the same time managing the cost of running the business.

Board of Directors

Mr. Jean-Pierre Du Coudray

Mrs. Aliyah Hamel-Smith

Ms. Sonja Voisin

Mr. Nigel Romano (Chairman)


Mr. Shane Correia
Mr. Ross Alexander
Ms. Karen Shaw
Ms. Joanne Salazar

Directors

Mr. Nigel L. Romano, BSc, MSc, MBA, CA

Mr. Nigel Romano is a Chartered Accountant and Banker with extensive global experience in banking, finance and public accounting. He is a Member of the Institute of Chartered Accountants of Trinidad and Tobago (ICATT) and is a graduate of the University of the West Indies at St. Augustine with degrees in Management Studies (BSc) and Accounting (MSc). He also earned an MBA from the Jack Welch Management Institute and is an AltMBA alumni.

Mr. Romano joined Moore Trinidad & Tobago, Chartered Accountants as Partner with responsibility for Business Coaching and Advisory Services in November 2019. Prior to this he was, until recently, the CEO and Managing Director of JMMB Bank (T&T) Limited, a subsidiary of the JMMB Group, a position he held from March 2015 to his retirement in July 2019.

He started his career with KPMG then joined Citibank, where he spent twenty-one years in five countries, starting as CFO in Trinidad & Tobago. He also worked with Citi's businesses in Indonesia, Hong Kong, Singapore and the Philippines. He has also held senior positions with EY (Tax and Corporate Finance Partner), the ANSA McAL Group (Financial Services Sector Head) and the Caribbean Development Bank (Director, Finance and Corporate Planning and Vice President, Operations).

Mr. Romano has served on several boards in both the private and public sectors, including Trinidad Cement Limited, the Port Authority of Trinidad & Tobago and the Patrons of Queens Hall. He is currently the chairman of National Flour Mills Limited, the Couva Medical and Multi-Training Facility Limited, the UWI Development and Endowment Fund and the Caribbean Corporate Governance Institute.

Mr. Romano is the Chairman of the Governance, Strategy and Finance Committee.

Ms. Sonja Voisin – BSc

Ms. Sonja Voisin currently holds the position of Director/Managing Director of Gulf Shipping Limited. She started off her career as a Product Manager at Johnson's and Johnsons Limited where she had responsibility for overall brand performance and then progressed to Gulf Shipping Limited where she held the position of Sales representative. Her career blossomed in the marine sector and included a stint as a Commissioner at the Port Authority of Trinidad and Tobago. Ms. Voisin has just completed two terms as President of the Shipping Association of Trinidad & Tobago.

Ms. Voisin holds a BSc in marketing and her areas of expertise include securing and maintaining new business in the Maritime sector and developing strong networks with stakeholders.

Ms. Voisin is a member of the Governance, Strategy and Finance Committee and a member of the Audit Committee.

Mrs. Aliyah Hamel-Smith – LLB, LEC, MBA

Mrs. Aliyah Hamel-Smith is an Attorney-at-Law with extensive corporate legal experience in both Trinidad and Tobago and the United Kingdom having been admitted to practice for over 18 years. In addition to her law degree, Mrs. Hamel-Smith also holds an MBA from Oxford-Brookes University. Her career started as an Attorney at M. Hamel-Smith & Co and she currently is the Chief Executive Officer – Global Financial Brokers Limited where she helps clients plan and invest for retirement as well as maximize their work sponsored employee benefits. Prior to that, Mrs. Hamel-Smith held the position of Vice-President – Business Process Outsourcing/Shared Services

Directors (continued)

Development at the Trinidad and Tobago International Financial Centre. Mrs. Hamel-Smith spent a significant portion of her career at RBC during which time she worked in various areas of the Company's operations including heading up the Trust Company. There she acquired expertise in dealing with loan financing instruments and local and international bond issues as well as in pension administration and estate planning, including Will preparations. She then went on to head up the Financial Planning arm of RBC for the Region.

Mrs. Hamel-Smith is a member of the Audit Committee.

Ms. Karen Shaw – BSc, MSc, EMBA

Ms. Shaw is the Tobago representative on the Board and brings to the Boardroom, her valuable experience in food manufacturing in both the private and public sectors. Ms. Shaw currently works as an Agro-Investment Specialist at the Division of Agriculture, Marine Affairs, Marketing and the Environment. She has had a long history in agriculture starting with the position of Food Technologist and then advancing to the position of Director of Marketing in the Marketing Department of the Division of Agriculture, Marine Affairs, Marketing and the Environment.

Over the years Ms. Shaw has actively promoted the development of agro-processing in Tobago including providing technical expertise and project management support to budding entrepreneurs as well as ensured that the required institutional support was available to enhance the survival rate for young businesses.

Ms. Shaw is the Chairman of the Human Resources Committee and a member of the Sales and Marketing Committee.

Mr. Shane Correia – BSc, MBA

Mr. Correia is a high technology executive with successful achievements in digital and web site development including web programming, database design, system management, strategic marketing and implementation, print media, video animation, operations management, new business development and R & D management.

Mr. Correia is the Chairman of the Sales & Marketing Committee.

Mr. Ross Alexander – Labour Representative

Mr. Alexander has served as a Director of NFM for many years. Mr. Alexander's heart is in the labour movement and over the years has served and continues to serve in several positions including Chairman of the Caribbean Bauxite and Miners Federation, Education Officer for the National Trade Union Centre, 3rd Vice President of the Trinidad and Tobago Labour Congress and several positions including Secretary of the Seaman and Waterfront Workers Trade Union. Mr. Alexander unique perspective of both the labour and commercial aspects of NFM's business has been invaluable over the years.

Mr. Alexander is the Chairman of the Audit Committee.

Directors (continued)

Mr. Jean-Pierre Du Coudray, BA

Until March 2020, Mr. Du Coudray (JP) was the Managing Director of the West Indian Tobacco Company Ltd (WITCO), a member of the British American Tobacco (BAT) group.

Mr. Du Coudray was employed with WITCO for 19 years in various positions including Area Manager and Trade Marketing & Distribution Manager. He was later promoted to Territory Manager for the English Caribbean Markets in British American Tobacco Caribbean (Carisma). In October 2006, Mr. Du Coudray was appointed to the post of Managing Director of WITCO, a position he held until March 2020.

Mr Du Coudray holds a Bachelor of Arts Degree in Economics from the University of Western Ontario, Canada.

Mr. Du Coudray is a member of the Human Resources and Sales and Marketing Committees.

Ms. Joanne Salazar - CPFA, Grad CG, Acc. Dir., MSc, MBA

Ms. Salazar is a Chartered Public Finance Accountant by profession and is currently the Director/Owner of QED Consulting Limited. Ms. Salazar has over twenty-five years executive management experience in finance, financial management, corporate strategy and business systems design and improvement.

Prior to starting her own business, Ms. Salazar held the positions of Vice President, Strategy and Corporate Services at Phoenix Park Gas Processors, Chief Executive Officer of the North-West Regional Health Authority and General Manager of the National Ambulance Service in Trinidad and Tobago and Executive Director of Finance of two Health Authorities in the United Kingdom.

Ms. Salazar also holds an M.Sc in Strategic Planning, a Masters in Business Administration, a Post Graduate Diploma Operations and Supply Chain Management and certification in Organizational Development, Process Management and Change Management in addition to accreditation as a Director from the Institute of Chartered Secretaries & Administrators (Canada). Ms. Salazar is also a graduate of the Governance Institute (UK) formerly the Institute of Chartered Secretaries & Administrators.

Ms. Salazar is a member of the Audit and Governance, Strategy and Finance Committees.

Ms. Sati Jagmohan – BSc, ACIS, MBA, LLB

Ms. Jagmohan currently holds the position of Corporate Secretary and is responsible for providing corporate secretarial services to the Board. Ms. Jagmohan is also responsible for legal services, compliance and Government Affairs.

Chairman's Review

Dear Shareholders

2019 was a watershed year—a time of challenge and transformation—for National Flour Mills Limited (NFM). The weak local economy and changing regional market dynamics, including the opening of Seprod's new mill in Jamaica, directly impacted revenue resulting in a $19.6M decline (4.6%) from the prior year. Despite the decline in revenues, cost of sales was significantly higher than expected and, as a result, gross profit declined by 23% year-on-year.

Given the significant and unexpected reduction in gross profits, PricewaterhouseCoopers was engaged to investigate and identify root causes. This exercise revealed significant manufacturing cost increases due to systemic deficiencies in the use of, and accounting for raw materials. Cost of sales was impacted by increases in the prices of raw materials and packaging ($5.1M); depreciation, spares, insurance and staff compensation ($6.0M); and raw material consumption ($2.8M). The bulk of these increases had to be absorbed given the decline in export sales and the freeze since 2008 on domestic price increases for our main flour products.

These reductions, and volatility of operating margins, were the catalyst driving our decision to flatten the organisation and upskill the workforce in our core operations to ensure alignment of structure, people and performance. In today's dynamic environment, organizational structures must enable innovation and speedy decision-making. Therefore, to increase agility and our ability to compete more effectively in the marketplace, we removed the General Manager layer and created the position of Chief Operating Officer with oversight over several functional areas. This is the first step in striving to create a culture of accountability,

Mr. Nigel Romano
(Chairman)

Chairman's Review (continued)

synergy and efficiency. Additionally, NFM has committed to embedding a growth mindset focused on continuous improvement—finding a better way each and every day. We will be upgrading our operating, information and accounting systems to improve analytics, and our ability to interrogate processes to identify and reduce waste, and increase efficiency. We will also continue to explore opportunities for revenue diversification into commercially viable agricultural based industries with strong export potential.

Despite the prudent management of overheads, which yielded a 3.9% decline in selling, distribution and administration expenses, lower revenues and increased cost of sales resulted in a 58% decrease in Operating Profit and a 70% decline in Profit after Tax compared to 2018. Due to the economic uncertainty associated with, and the unprecedented downturn triggered by the the COVID 19 Pandemic, your Directors believe that a cautious response is best and therefore we do not recommend payment of a final dividend for 2019.

While the future looks uncertain, exacerbated by the current pandemic, NFM will use this opportunity to build out a more robust infrastructure and develop a more agile and engaged work force to enable us to achieve reasonable returns for our shareholders while not placing additional burdens on our customers. Our local market has limited growth potential and NFM will be placing more emphasis on serving a regional clientele.

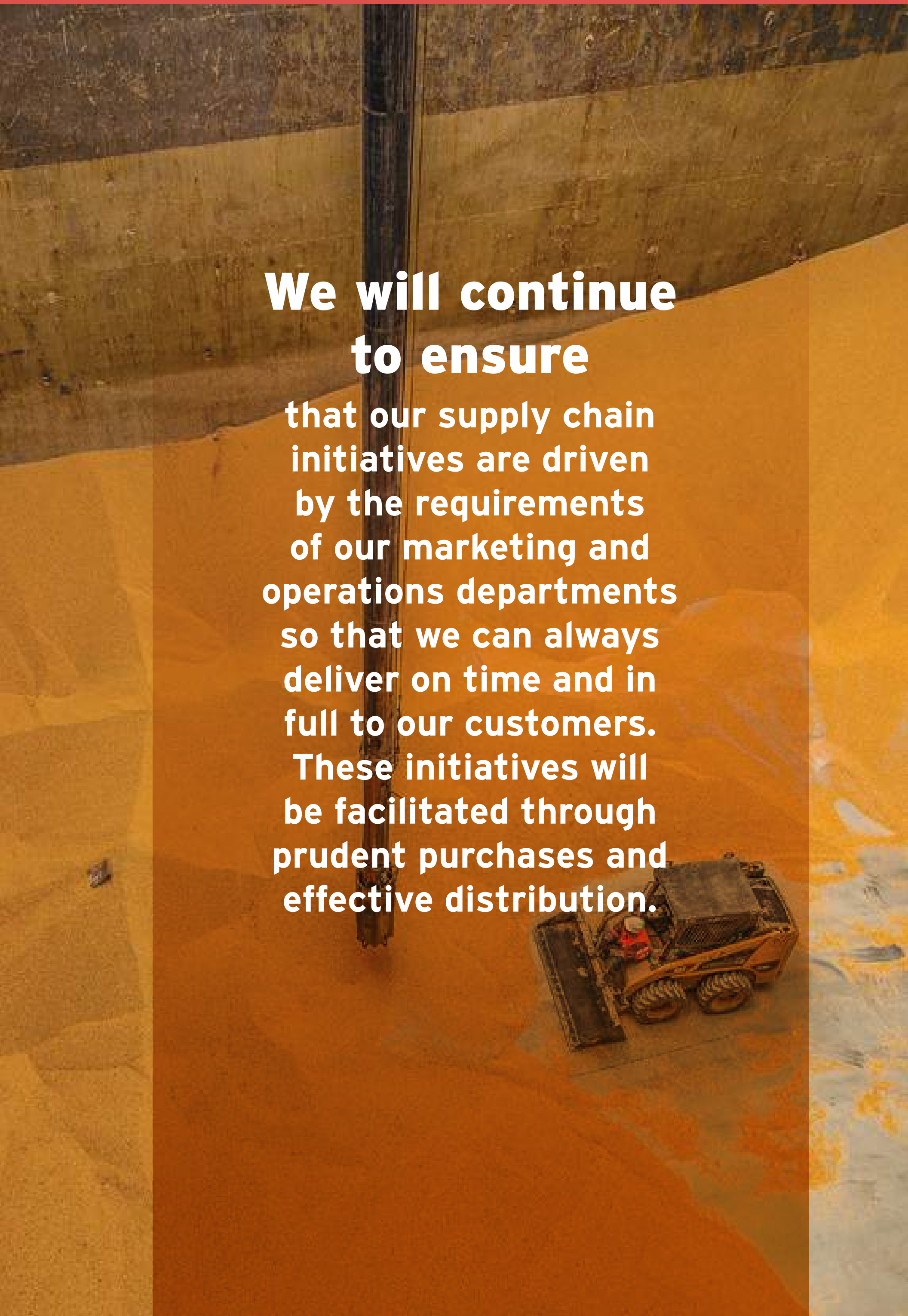
NFM can no longer rely on the sale of flour to make a profit and must now focus on diversifying our revenue base and developing forward and backward linkages. In addition, particular emphasis must be placed on innovating processes and incorporating technology to increase productivity and reconfigure the present day NFM into a modern, efficient manufacturing company.

In August 2019, we lost one of our board members, Mr. Sharaz Ahamad, the representative of the National Insurance Board of Trinidad and Tobago (NIBTT). His passing was a significant loss given his unique skills and competencies and his insightful contributions to the Board during his tenure. Ms. Joanne Salazar was nominated by the NIBTT to replace Sharaz. Ms. Salazar brings to the board extensive experience in Finance and Strategic Planning.

We also welcomed Mr. Jean Pierre Du Coudray in August 2019. As the Managing Director of an international manufacturing company, he brings a wealth of manufacturing and marketing expertise and experience to our board room deliberations.

In closing, I wish to thank my fellow directors for their unwavering support during a very turbulent year. There were many challenges during 2019 which tested the mettle of the Board and out of those challenges emerged a stronger team with a common vision for NFM. I would also like to thank our employees and their Trade Unions for their commitment to the company despite the significant changes, and our suppliers and customers for their continued business. The transformation continues in 2020 and I look forward to working with all stakeholders as we prepare NFM for sustainable success in a constantly changing world.

Nigel Romano
Chairman



We will continue to ensure

that our supply chain initiatives are driven by the requirements of our marketing and operations departments so that we can always deliver on time and in full to our customers. These initiatives will be facilitated through prudent purchases and effective distribution.

Senior Management Team

Mr. Kelvin Mahabir
Chief Executive Officer

Mrs. Andra Emamdee-Balgobin
Head, Finance & Accounting

Dr. Joseph Jacob
Chief People & OD Officer

Mr. Jason Mohammed
Chief Operating Officer

Ms. Anesha Mohammed
Head, Procurement

Mrs. Karen Nieves
Head, Quality

Mr. Shurland Sawh
Head, Warehouse & Distribution

Report of the Chief Executive Officer

Mr. Kelvin Mahabir
(Chief Executive Officer)

Fiscal 2019 has been a difficult period for NFM with lowered revenues and rising costs.

The downturn in the economy, which started in the last quarter of 2018, directly impacted revenue with a $19.6M shortfall year on year – a decline of 4.6%. This was exacerbated by the rising costs of raw materials and other significant inputs. Cost of sales rose significantly, resulting in a 23% decrease in the gross profit over 2018. Notwithstanding the prudent management of expenses, the reduced revenue and increased cost of sales resulted in a 58% decrease in Operating Profit and the resultant Net Profit after Tax was $6.1M, a decrease of 70% compared to 2018.

Given the significant and unexpected impact of the reduction in gross profits on the accounts, PricewaterhouseCoopers was engaged by NFM to undertake an investigation to identify the root causes of the variation. This exercise revealed significant cost increases and systemic deficiencies in the utilisation of and accounting for raw materials. Expenses for depreciation, spares, insurance and staff compensation rose by $6M compared to prior year. Raw material prices and packaging costs increased by $5.1M, while raw material consumption increased by $2.8M.

Report of the Chief Executive Officer (continued)

These increases had to be largely absorbed as prices for our key flour products remain unchanged since 2008. In reviewing the findings, the upgrading of our cost accounting unit and the elimination of systemic weaknesses identified by PwC were deemed to be high priority requiring immediate attention. During 2020, significant emphasis has been will continue to be placed on implementing the recommendations to thoroughly resolve and prevent the recurrence of these control issues.

The decline in local sales was compounded by the decline in regional sales due to the commissioning of the new flour mill in Jamaica. Not only did it negatively affect our sales of counter flour to Jamaica, but also the sale of flour in some of the other regional markets. The level of exports may also be impacted by the decision taken at the 74th Special Meeting of the CARICOM Council for Trade and Economic Development (COTED) to re-implement tariffs for the OECS markets until December 2028.

International competition has also had to be countered given the increase in competition from flour products from Turkey.

Organisational Transformation

The economic challenges and shrinking margins were addressed in our new strategic plan. Our marketing strategy had to be reworked to optimise existing resources while expanding our product offerings and market reach. To support the new marketing strategy, the design of the Organisation was re-examined to ensure greater connectivity in our value chain. A review of manufacturing companies around the world identified that the trend was for flatter organisational structures to facilitate seamless and timely work processes to meet the changing needs of customers. The position of Chief Operating Officer was created to allow for greater coordination and effectiveness of our operations.

Over the years, despite the mixed fortunes experienced by NFM particularly between 2006 and 2008 when the Company experienced losses due to volatile wheat prices, NFM maintained a very hierarchical structure. However, in the context of steadily increasing competition and operational costs and declining profitability, the Board of Directors of National Flour Mills Limited took the strategic decision that going forward, NFM will pursue an organisational strategy of "de-layering" at the top and "upskilling" from the bottom as the means to creating and sustaining a lean and more cost-effective organisation. The managerial model which is to be embraced going forward is that of the "Facilitator/Coach". Managing through empowerment, guidance and expertise would now replace the highly dysfunctional and more costly "Co-ordinator" model.

The direct impact of this decision was the separation of the General Managers in March 2019. However, on or around the same time, other managers exited the organisation. Although new talent was recruited to fill vacancies in the new structure, the gaps in service and the learning curve for the new personnel led to some decline in efficiency given our unique environment.

In keeping with the decision to "upskill" from the bottom, NFM started in 2019 the development of a competency framework with the objective being the enhancement of skills of the entire workforce. This exercise is still ongoing and will be key to NFM's strategy to significantly improve operating efficiencies. The other main thrust is the elimination of waste through the extension of our continuous improvement programs

Report of the Chief Executive Officer (continued)

utilising lean manufacturing tools. Additionally, starting in 2020 and continuing over the next three years older plant equipment will be upgraded to allow for greater automation, improved output and efficiency.

Culture Change

The future growth and development of NFM is dependent on a change in the work culture to create alignment with our strategy. The depressed state of the economy requires a more entrepreneurial approach to doing business. Employees are now being encouraged to find new ways of creating value for the customers and as well as new ways of performing their duties. Lean manufacturing techniques are now being actively disseminated throughout the entire workforce and this is supported by a vigorous programme of ongoing training and development designed to allow employees at all levels to make interventions to improve efficiencies. This will be further expanded as the competency assessment program delivers on individual developmental needs of our employees. The position of Chief People and Organisation Development Officer is spearheading the growth and development of the workforce and the culture alignment.

Productivity Improvements

NFM can be considered a fairly labour- intensive organisation. The Company currently employs approximately four hundred permanent and temporary workers. The ability to improve labour productivity and our cost of conversion are considered critical to the continued profitability of the Company.

The results of the job evaluation exercise led to the initiation of the competency exercise since the ability of employees to perform their jobs effectively and efficiently are directly related to the overall productivity of the company.

In addition, an exercise to review the composition of the workforce was initiated in the last quarter of 2020. The objective of the exercise was to ensure that the Company was utilising its human resources in an optimal manner. The implementation of this plan will continue in 2020.

Infrastructural Works

Infrastructural works were undertaken in 2019 in the pursuit of food safety at NFM. Specific infrastructural projects included repairs to the food transfer system to prevent raw material spills, wastage and other environmental hazards, the upgrading of the warehouses ,the establishment of a tank farm to ensure that there was an adequate supply of water throughout the year for use in the manufacturing processes and for cleaning, and the ongoing installation of radiant barriers to maintain temperatures in the warehouses to prevent infestation and wastage of products.

New Procurement Legislation

Like most state associated companies in Trinidad and Tobago, NFM has been preparing for the full proclamation of the legislation. Our procurement rules are being revised to ensure alignment with the legislation and a Head, Procurement has been recruited to spearhead the process.

Report of the Chief Executive Officer (continued)

The Supply Chain

The effective management of risk in the supply chain is critical to NFM's ability to compete effectively on cost. This includes ensuring that we produce safe food, achieve traceability in our production processes, manage waste levels, monitor international prices of our inputs, and negotiate the best terms with commercially viable suppliers. Given that most of our raw material come from the global markets, supply disruptions can have a significant negative impact on our ability to efficiently and cost effectively produce our products.

The purchase of grains is NFM's largest single item of expenditure. Grain prices continued to be volatile with wheat prices moving up on average by over 10% in the last quarter of 2019 as compared to the third quarter.

Risk-Management

The ability of NFM to achieve its strategic objectives is continually being threatened by environmental factors ranging from unexpected increases in the price of raw materials to the inability to deliver our products to our customers in a timely manner due to traffic congestion.

Dialogue was initiated at the managerial level on the importance of integrating risk-management into the culture of NFM and the next step in the process is the formalisation of a framework for embedding risk-management in all aspects of our operation in 2020.

New Product Development

Innovation is critical to the sustained development of NFM. The needs of our customers continue to trend towards healthier products as well as more user-friendly products given our busy lifestyles.

In response to the changing needs of our customers, we developed new products such as multi-grain flour, whole wheat self-rising flour and fry-bake mix. NFM also expanded its range of traded items with Pamela's coconut flour and cassava flour. The introduction of viable products to extend our reach into serviced markets will be accelerated in 2020.

Divestment of the Rice Mill

During 2019, the process of divesting the rice mill continued to be pursued. However, negotiations with the preferred investor had to be terminated due to the inability of the investor to satisfy the pre-conditions of the divestment process. Negotiations were then initiated with the second bidder and the Company is awaiting approval to conclude this transaction.

In 2019, NFM introduced four new products to respond to specific demands in the market. Cassava Flour and Coconut Flour were presented in modern, upmarket, resealable packaging. Multigrain and Whole Wheat Self Rising Flour came in larger packaging.

Cassava Flour

Coconut Flour

Multigrain Flour

Whole Wheat Self Rising Flour

Report of the Chief Executive Officer (continued)

Future Initiatives

The year closed with the emergence of extreme global conditions arising out of the COVID 19 pandemic the likes of which has not been seen for at least a hundred years. This rapidly evolving situation is being evaluated for impacts on our business but this has not deterred our efforts to continue the transformation of our operations and the diversification of our revenue base.

The diversification of the revenue base is continuing with a thrust into agriculture based projects which allow for use of modern technology, significant foreign exchange earnings and have strong commercial geographic indications. Cocoa production and processing has been selected as one of our first potential ventures and work has commenced on the feasibility of a 300 acre pilot project.

The effective management of the supply chain is essential to providing excellent customer service and protecting our leading brands such as Lion and Ibis. We are working to ensure that our supply chain is resilient. It must be flexible so that when unexpected events occur such as the rapid spread of the corona virus, we can continue to source our materials to prevent business interruption. There continues to be real-time communication with our suppliers to facilitate traceability and our quality control systems have become more robust to safeguard the organization against predictable risks.

Our increased use of technology such as barcode scanners and radio frequency identification (RFID) and sensors which will limit manual intervention will go a long way in increasing the resilience of the supply chain.

NFM must keep up with global changes in the food and beverage industry including the ability to implement new methods of capturing data to facilitate analytics- based decision making. With the movement to the Internet of Things (IoT), the increased use of on-line services through connected devices must be pursued as NFM seek to improve our customer experiences. New ERP systems have the ability to view the entire supply chain and this is an area that needs to be improved at NFM, facilitating total connectivity and real-time data. Our current ERP is being supplemented by Microsoft BI as we continue to close this gap.

NFM will also continue to pursue operational excellence through our continuous improvement programmes as well as commercial excellence with increased emphasis on the customer experience as the market becomes more competitive.

The current Covid 19 pandemic will no doubt continue to influence business decisions in the foreseeable future.

Report of the Chief Executive Officer (continued)

Acknowledgements

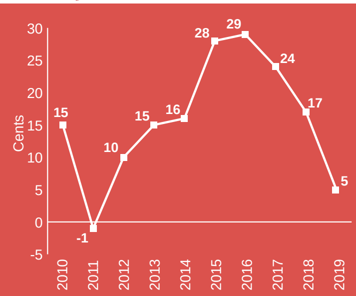
I would like to express my continued appreciation to the Board of Directors for their support over the years and in particular during 2019 when radical changes were implemented at NFM. I would also like to thank my fellow employees, the Unions and all the other stakeholders for their support in what has been a very difficult year. 2019 was a year of many challenges and out of those challenges, we are determining a new path for NFM. The management of the Company remains committed to the achievement of sustained profitability grounded in good governance.

Kelvin Mahabir
Chief Executive Officer

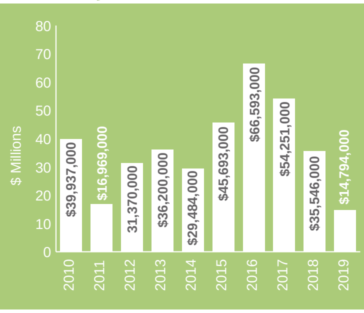
Financial Overview - Ten-Year Comparison

Revenue

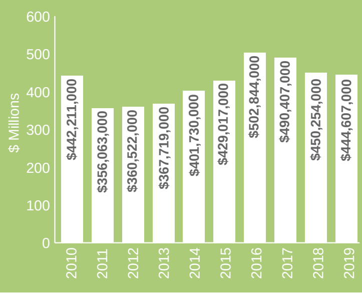
Earnings Per Share



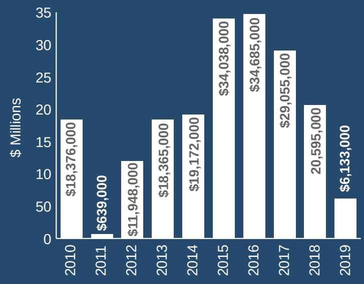
Operating Profit



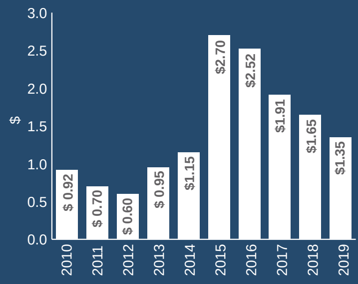
Total Assets



Net Profit for the Year



Share Price



Dividend Payment

Directors' Report

The Directors are pleased to present their report to the Shareholders for the year ended 31st December 2019.

Principal Activities

The principal activities of the Company are the production and sale of flour and feed products and the sale of traded items.

Financial Performance	$'000
Turnover	412,476
Profit Before Taxation	14,794
Taxation	(3,930)
Profit for the Year	6,133
Other Comprehensive Income	
Net of tax	9,645
Total Comprehensive Income for the year	15,778
Retained Earnings brought forward	130,651
Retained Earnings carried forward	138,165

Dividends

Based on the level of profitability the Board of Directors has elected not to pay a dividend for the year ended 31st December 2019.

Directors

In accordance with Article 75 of the Company's Articles of Association, all the Directors will retire from office at the Annual Meeting and being eligible, offer themselves for re-election.

Directors' Report (continued)

Directors and Substantial Interests

Directors' Beneficial Interests	Shareholding
Ross Alexander	20,017
Aliyah Hamel-Smith	1,000

Substantial Interests as defined by Section 181 (2) (a) of the Companies Act 1995

Name	Shareholdings	Percentage
National Enterprises Limited	61,301,998	51.00%
National Insurance Board	8,476,410	7.05%
MASA Investments Limited	6,597,854	5.49%
Colonial Life Insurance Company (Trinidad) Limited	4,521,379	3.76%
Olympic Manufacturing Limited	2,600,000	2.16%
RBC Trust (Trinidad & Tobago) Limited-T1154	2,294,982	1.88%
Olympic Rentals Limited	1,717,724	1.43%
Tatil Life Assurance Limited A/C C	1,008,811	0.84%
Tatil Life Assurance Limited	958,852	0.80%
ANSA McAL Foundation	800,000	0.67%

Auditors

The Auditors, PricewaterhouseCoopers, will retire at the end of the Annual Meeting.

By Order of the Board

Sati Jagmohan
Corporate Secretary

Registered Office

27-29 Wrightson Road
Port of Spain

Corporate Governance Report

The Board of Directors of National Flour Mills Limited is committed to the continued development of a successful commercial enterprise grounded in good governance. In this regard, NFM continued to align its operations to the principles outlined in the Trinidad and Tobago Corporate Governance Code 2013 as follows:

(a) Establish a Framework for Corporate Governance

The Board of Directors' key purpose is to ensure the Company's prosperity by collectively directing the affairs of the Company whilst meeting the interests of its shareholders and other stakeholders. In addition to dealing with corporate and financial issues, the Board is also responsible for dealing with issues relating to corporate governance, creating shared value and risk management.

The Chief Executive Officer is responsible for the operations of the Company and is accountable to the Board for the effective management of the operations of the Company. The Chief Executive Officer is supported by a Management Team.

The Board meets every other month for ordinary meetings. Should the attention of the Board be required for specific governance, risk or strategic matters, Extraordinary Meetings of the Board are scheduled as and when necessary.

All matters requiring the input of the Board must be submitted to the Board at least three working days prior to the meeting to allow Directors sufficient time to review the material so that matters could be thoroughly ventilated at the meetings.

(b) Strengthen the Composition and Performance of Board and Committees

To assist the Board in carrying out its mandate, various Board Committees have been established by the Board namely:

- Audit
- Sales & Marketing
- Human Resources
- Governance, Strategy & Finance

The Board Tenders Committee which was established to review the award of contracts over $500,000.00 was disbanded in preparation for the new Procurement Legislation.

The composition of the Committees are as follows:

Audit Committee

Mr. Ross Alexander – Chairman
Mrs. Aliyah Hamel-Smith
Ms. Sonja Voisin
Ms. Joanne Salazar

Sales & Marketing Committee

Mr. Shane Correia (Chairman)
Ms. Karen Shaw
Mr. Jean Pierre Du Coudray

Human Resources Committee

Ms. Karen Shaw – Chairman
Mr. Jean Pierre Du Coudray
Mr. Nigel Romano (Ex-Officio)

Corporate Governance Report (continued)

Governance, Strategy & Finance

Mr. Nigel Romano – Chairman
Ms. Sonja Voisin
Ms. Joanne Salazar

The work of each Committee is guided by respective Charters and all Charters include a provision for independent, professional advice.

Appointment of Directors

Directors are appointed annually by the Shareholders at the Annual General Meeting. According to the Company's By-Laws, all Directors must retire at the AGM but are eligible for re-election.

In May 2019, a vacancy was created by the resignation of Dr. Joseph Jacob as a Director. In August 2019, Mr. Jean Pierre Du Coudray was appointed to fill the vacancy until the next Annual General Meeting at which time he will be eligible for election.

In October 2019, Ms. Joanne Salazar was nominated by the National Insurance Board of Trinidad & Tobago as a Director to replace Mr. Sharaz Ahamad

(c) Reinforce Loyalty and Independence

The Directors of NFM are all non-executive Directors. Being non-executive directors, they offer an independent view to the deliberations of Management. In 2019, there were no instances where Directors had an interest in any of the matters deliberated on by the Board.

(d) Foster Accountability

Material matters affecting the Company are disclosed in a timely manner. All changes to the Board and the Senior Management Team are disclosed to the regulatory bodies and to the public in accordance with the legislative requirements. On a quarterly basis, interim unaudited financial statements are published as well as the audited financial statements on an annual basis.

All material matters and financial statements can also be accessed from the Company's website at www.nfm.co.tt.

At each Annual General Meeting, Directors and Management report on their performance during the year under review. The External Auditor also reports on key audit matters identified during the audit of the Financial Statements.

The Directors are confident that the audited financial statements as presented were prepared in accordance with the relevant Financial Accounting Standards and in particular IFRS 9 and IFRS 15 were adopted during the FY ended 2018. IFRS 16 was adopted in FY 2019.

(e) Strengthen Relationships with Shareholders

Attempts continued to build relationships with shareholders through the publication of accounts which are always accompanied by a statement from the Chairman as well as notice of material changes.

During the Annual General Meeting, all shareholders are provided with an opportunity to question the Board, Management and External Auditors on pertinent issues relating to the performance of the Company. The Annual Report which is circulated to shareholders prior to the meeting contains an overview of the financial performance of the Company.

2. Improved Transparency in the Company's Operations

As NFM continued to focus on improving the transparency of its operations and in particular of its supply chain, a pre-qualification exercise was initiated in August 2019. The objective of the exercise was not only to widen the supplier base for the provision of goods and services and ensure that the Company received value for money but also to ensure compliance with the new Procurement Legislation.

3. Director's Remuneration

National Flour Mills Limited is classified as a Group B Company. Directors are compensated according to the rates outlined in the State Enterprises Performance Monitoring Manual.

4. The Internal Auditor

The Internal Auditor provides an independent view of the Company's operations and systems of internal control. The Internal Auditor is supported by two Audit Seniors in the execution of the Annual Audit Plan approved by the Audit Committee of the Board.

Apart from conducting periodic audits of different aspects of the Company's operations, the Internal Auditor is also responsible for following up on issues raised by the External Auditor in the Annual Management Letter to ensure resolution of the matters raised.

5. The External Auditors

In fulfilling their obligations to the Company, the Company's External Auditors have direct access to the Chairman of the Audit Committee and Chairman of the Board. The External Auditors are periodically invited to attend the meetings of the Audit Committee during which time they provide their opinion on the status of outstanding matters.

6. The Corporate Secretary

The Board is supported by a Corporate Secretary. The Corporate Secretary performs the following functions:

i. Communicating and following up on the implementation of Board decisions;

ii. Acting as an Adviser to the Directors of the Company;

iii. Liaising with Auditors, Lawyers, bankers and shareholders;

iv. Coordinating all aspects of board meetings and general meetings;

v. Fulfilling compliance requirements

vi. Maintaining key corporate documents and records;

vii. Serving as a focal point for investor communication and engagement on corporate governance issues.

Corporate Governance Report (continued)

Creating Shared Value

Creating Shared Value continues to define the way we do business at NFM. As such, NFM continues to partner with schools, churches, entrepreneurs and communities to promote initiatives in the field of culture, education and new business initiatives.

During 2019, we continued our philanthropy initiatives throughout Trinidad and Tobago in the areas of community development, promoting sporting initiatives, education and cultural activities and the preservation of the environment.

Sustainability

The sustainable and optimal use of our resources such as water and energy continue to be the focus of our Operations Department.

External Audits

As a food and feed manufacturing company, external audits to validate standards of performance are a way of life. One of those audits was the EcoVadis Audit. EcoVadis is the world's most trusted provider of business sustainability ratings, intelligence and collaborative performance improvement tools for global supply chains.

This audit tested the quality of NFM's CSR Management System through its policies, actions and results on the environment, its human relations practices, ethics and sustainable procurement. NFM passed the audit demonstrating that the Company's systems are on par with international benchmarks.

Policies & Procedures

To promote transparency and accountability throughout the organization and promote shareholder confidence, policies and procedures are continually being developed to guide all aspects of the Company's operations.

NFM's Corporate Governance Framework

NFM's Corporate Governance Framework can therefore be described as:

In Month 2019, NFM's Command Performance brand sponsored the Trinidad and Tobago Kennel Club's annual dog show.

Creating Shared Value

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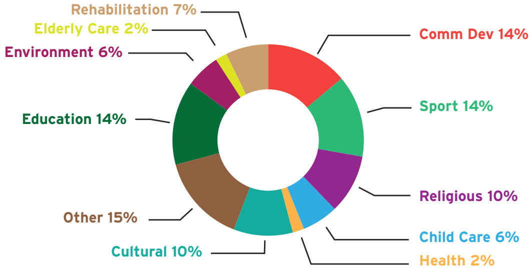


Distribution of 2019 donations

The Tobago House of Assembly hosted their annual cookout in Tobago. Contestants take a photo with 2019 Miss World contestant for Trinidad and Tobago.

Ms. Waheeda Apping (left) and Ms. Michelle Smith represent the NFM brand by displaying the company's ginger tea at Massy's 5k event.


IBIS
IBIS

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of National Flour Mills Limited, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records.
- Selecting appropriate accounting policies and applying them in a consistent manner.
- Implementing, monitoring and evaluating the system of internal controls that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies.
- Ensuring that the system of internal controls 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 consolidated 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 Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

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

Director
30 April, 2020

Director
30 April, 2020

Independent Auditor's Report

To the Shareholders of National Flour Mills Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Flour Mills Limited (the Company) and its subsidiary (together 'the Group') as at December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

National Flour Mills Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

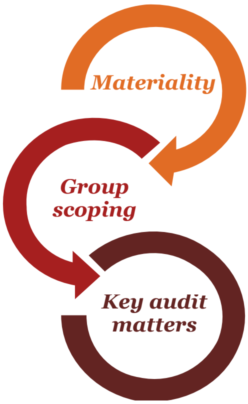
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent Auditor's Report (continued)

Our audit approach

Overview



- Overall group materiality: TT$1.53 million, which represents 5% of average profit before tax over the last three (3) years.

- The Group audit included the full scope audit of the Company and the audit of certain material balances of the Employee Share Ownership Plan. There are no other subsidiaries.

- Impairment assessment of the Group
- •Valuation of the retirement benefit asset and the medical and life insurance plan liability

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Company has no interests in other entities, other than the Employee Share Ownership Plan, where audit procedures were performed on certain account balances included in the consolidated financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Independent Auditor's Report (continued)

Materiality (continued)

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	TT$1.53 million
How we determined it	5% of average profit before tax over the last three (3) years
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds and used average profit before tax for the last 3 years due to the historic volatility of earnings.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT$46,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the Group *Refer to notes 2(n), 3(b) and 28 to the consolidated financial statements for disclosures of related accounting policies and balances.* The carrying value of the net assets of the Group as at 31 December 2019 is TT$253m. The market capitalisation of the Group is TT$162m at the reporting date. Under IAS 36: 'Impairment of non- financial assets', this is an indicator of potential impairment. Accordingly, management prepared an impairment assessment for the entity.	We considered the method used by management to perform the impairment assessment for the entity and found it to be appropriate based on the requirements of the accounting standards. We tested management's assumptions used in their impairment testing model, including the future cash flow projections, discount rate and growth rates applied. The following procedures were performed: · we obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and obtained an understanding of the process used by management to determine the recoverable amount of the business; · we agreed and tested the mathematical accuracy, including verifying spreadsheet formulae, of the DCF model; · we agreed the 31 December 2019 base year financial information to the current year results;

Independent Auditor's Report (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
No impairment loss is recognised if the recoverable amount exceeds the carrying value of the net assets. In performing the impairment assessment, management determined the recoverable amount using discounted cash flows to estimate the value- in-use, being the present value of future expected cash flows. This involves subjective judgements in relation to forecasting future cash flows and is sensitive to growth rates and discount rates applied to the future cash flows with the key assumptions being:
· Revenue growth rates
· EBITDA
· Weighted average cost of capital ("WACC")
During the year, management developed a number of planned strategies, reflected in the key assumptions, which will continue to be implemented in 2020. These initiatives include:
- Changes in key management and revamped sales strategies employed to achieve the Group's strategy and targets;
- Expansion of the Group's product portfolio utilising existing plant capacity;
- Sustained use of promotions, together with increased marketing of the Group's products, through education of the public of its products and associated health benefits;
- Leveraging of brand loyalty for long- standing product offerings and reducing the levels of historical discounts provided to customers.
We focused our attention in particular on management's forecasts for revenue growth over the next 5 years, as well as its plans for operational efficiencies, in light of the inherent subjectivity in forecasting the impact of the implementation of the planned strategies and initiatives on future financial performance.
</td><td>
· we verified management's key assumptions as follows:
Revenue growth rates - we evaluated management's assumptions for the next 5 years, whilst considering any contrary evidence, including assessing management's planned strategies and the reasonableness of management's forecasted revenue. We also assessed the economic outlook for Trinidad and Tobago, as well as the projected growth, to determine whether management's growth rates were reasonable in the circumstances existing at the balance sheet date.
EBITDA - we compared gross margins to historical results and assessed management's plans for achieving operational efficiencies and evaluated the projected gross margins in conjunction with our assessment of revenue growth rates outlined above. We further reviewed the global outlook on commodity prices supporting the future price per unit assumptions over raw materials to determine whether they were reasonable in the circumstances existing at the reporting date.
WACC & Terminal Value - with the assistance of our internal valuation specialists, we assessed certain key inputs within the WACC calculation, including the cost of equity and terminal value. We developed a range of parameters using available market inputs and performed sensitivity analyses using these parameters to determine the reasonableness of management's estimate.
Further, we:
· considered subsequent events and any associated impact on the entity's cash flows and forecast estimated based on conditions existing at the balance sheet date.
· performed further sensitivity analysis by looking at the impact of changes in management's revenue growth rates and EBITDA margins in addition to that performed over the WACC described above.
Based on the procedures performed above, we found the assumptions to be consistent and in line with our expectations and no impairment provision was identified.
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Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of the retirement benefit asset and the medical and life insurance plan liability *Refer to notes 2(o), 3(a), 9 and 10 to the consolidated financial statements for disclosures of related accounting policies and balances.* The Group sponsors a defined benefit pension plan and a medical and life insurance plan. As at 31 December 2019, the Group reported: · a net retirement benefit asset of TT$23.2m, which represents 5% of total assets, comprised of plan assets valued at TT$214m (of which TT$108m is not based on observable market data), and a defined benefit obligation of TT$191m. · a medical and life insurance plan liability of TT$21.8m which represents 11% of total liabilities. The valuation of the retirement benefit asset and the medical and life insurance plan liability is considered an area of focus as it requires significant levels of judgement and technical expertise in determining appropriate assumptions. Changes in a number of key assumptions could have a material impact on the calculation of the asset/ liability including; · discount rates; · mortality rates; · salary increases; and · medical inflation rates Management utilises an independent external actuary to perform certain calculations with respect to the estimated obligations. The actuary focuses in particular on the medical inflation rates which are actuarial assumptions determined based on their experience with this, as well as other similar plans. Management utilises the work of the plan's institutional Trustee to perform the valuation of the plan's assets that are not traded on active markets. The fair value of the plan assets are based on a model developed by the Trustee to value these unquoted investments. Significant judgement and assumptions are utilised due to the limited external evidence available to support the valuations.	We tested the key assumptions, including the discount rates, mortality rates and salary increase assumptions for the pension asset and medical and life insurance liability by performing the following: · Discount rates - the rates used by management were compared to the yield of a Government of Trinidad & Tobago bond of a similar period to determine if the rate used was reasonable. · Mortality rates - the rates were compared to relevant publicly available statistics for Trinidad & Tobago. · Salary increases - salary increases were compared to historical increases, taking into account the current economic climate as well as terms specified in the existing trade union agreements as applicable in determining their reasonableness. We performed the following procedures over the assumptions used in the medical inflation rates calculation: · assessed the independence and competence of the actuary used by management to calculate the pension obligation and medical and life insurance liability to determine whether they were qualified and whether there was any affiliation to the Group. · evaluated the methodology used by management's independent expert and assessed whether it was consistent with prior periods and in compliance with the relevant reporting standard. · tested the census data used in the actuarial calculation by comparing it to personnel files. We further performed testing of the pension plan assets, focusing on the valuation of those assets. For more judgemental valuations, which may depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by management to determine whether they were within a reasonable range of outcomes in the context of the inherent valuation uncertainties disclosed in the consolidated financial statements. There were no material exceptions noted in our testing of the valuation of the pension assets, the defined benefit obligation and the medical and life insurance plan liability.

Independent Auditor's Report (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Haseeb Mohammed.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
4 May, 2020

Consolidated Statement of Financial Position

(Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

		As at 31 December	
	Notes	2019 $ Consolidated	2018 $ Restated
Assets			
Non-current assets			
Property, plant and equipment	11	173,714	182,784
Intangible assets	12	5,773	6,137
Right-of-use asset	24	6,920	--
Investments at fair value through OCI	31	1,248	1,758
Retirement benefit asset	9	23,178	5,644
Deferred taxation	15	6,934	6,369
		217,767	202,692
Current assets			
Accounts receivable and prepayments	7	74,149	69,987
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	21	18,274	17,935
Inventories	8	65,296	76,599
Restricted deposit	6	16,542	31,981
Tax recoverable		9,001	6,775
Cash and cash equivalents	5	43,578	44,285
		226,840	247,562
Total assets		444,607	450,254
Liabilities and equity			
Non-current liabilities			
Deferred taxation	15	47,486	44,234
Medical and life insurance plan	10	21,833	19,532
Lease liability	24	5,821	--
Borrowings	14	--	15,826
		75,140	79,592
Current liabilities			
Accounts payable and accruals	13	32,545	35,048
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	21	17,321	15,968
Lease liability	24	1,038	--
Borrowings	14	64,645	72,782
		115,549	123,798
Total liabilities		190,689	203,390
Shareholders' equity			
Stated capital	16	120,200	120,200
Treasury shares	27	(3,125)	(3,175)
Retained earnings		138,165	130,651
Other reserves		(1,322)	(812)
		253,918	246,864
Total liabilities and equity		444,607	450,254

The notes on pages 47 to 94 are an integral part of these consolidated financial statements.

On 30 April, 2020, the Board of Directors of National Flour Mills Limited authorised these consolidated financial statements for issue.

Director Director

Consolidated Statement of Comprehensive Income

(Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

	Notes	Year Ended 31 December 2019 $	2018 $ Restated
Revenue	26,29	412,476	432,119
Cost of sales	18	(321,112)	(314,122)
Gross profit	26	91,364	117,997
Expenses			
Selling and distribution expenses	18	(38,657)	(40,226)
Administration expenses	18	(47,127)	(49,587)
Other operating income	22	9,214	7,362
Operating profit		14,794	35,546
Net finance cost	17	(4,731)	(3,810)
Profit before taxation		10,063	31,736
Taxation charge	15	(3,930)	(11,141)
Profit for the year		6,133	20,595
Other comprehensive income			
Items that would not be reclassified to profit or loss			
Re-measurement of retirement benefit asset	9	16,363	(15,856)
Re-measurement of medical and life insurance plan	10	(1,856)	(613)
Deferred tax	15	(4,352)	4,572
Loss on investment at fair value through OCI	31	(510)	(409)
Other comprehensive income/(loss) net of tax		9,645	(12,306)
Total comprehensive income/(loss) for the year		15,778	8,289
Earnings per share			
Basic earnings per share		5¢	17¢
Diluted earnings per share		5¢	17¢

The notes on pages 47 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

	Notes	Stated capital $	Treasury shares $	Other reserves $	Retained earnings $	Total $
Balance as at 1 January 2018		120,200	(2,633)	(403)	135,568	252,732
Adjustment to opening retained earnings for adoption of IFRS 9		--	--	--	(1,595)	(1,595)
		120,200	(2,633)	(403)	133,973	251,137
Total comprehensive income:						
Restated profit for the year	2(y)	--	--	--	20,595	20,595
Loss on investment	31	--	--	(409)	--	(409)
Actuarial loss for the retirement benefit asset and medical and life insurance plan		--	--	--	(11,897)	(11,897)
Increase in treasury shares		--	(542)	--	--	(542)
Transactions with owners of the Company:						
Dividends declared		--	--	--	(12,020)	(12,020)
Balance as at 31 December 2018 - restated		120,200	(3,175)	(812)	130,651	246,864
Year ended 31 December 2019						
Balance as at 31 December 2018 - restated		120,200	(3,175)	(812)	130,651	246,864
Total comprehensive income						
Profit for the year		--	--	--	6,133	6,133
Loss on investment	31	--	--	(510)	--	(510)
Actuarial gain for the retirement benefit asset and medical and life insurance plan		--	--	--	10,155	10,155
Other movements		--	--	--	(360)	(360)
Movement in treasury shares		--	50	--	--	50
Transactions with owners of the Group:						
Dividends declared		--	--	--	(8,414)	(8,414)
Balance as at 31 December 2019		120,200	(3,125)	(1,322)	138,165	253,918

The notes on pages 47 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

	Notes	Year ended 31 December 2019 $	2018 $ Restated
Profit before taxation		10,063	31,736
Adjustments for:			
Depreciation	11	15,472	14,516
Amortisation	12, 24	2,494	601
Interest expense		4,780	5,273
Retirement benefit and medical plan expense	9,10	7,131	6,359
Gain on disposal of lease liability		--	(411)
Lease interest expense		291	--
Interest income		(491)	(732)
Capitalised borrowings		658	578
Remeasurement of treasury shares		--	(542)
Dividend income		(481)	(678)
Discounting of receivables		637	--
Gain or loss on foreign exchange		(322)	(53)
Increase in provision for doubtful accounts		2,798	3,706
Operating profit before working capital changes		43,030	60,353
Changes in working capital:			
Increase in accounts receivable and prepayments and restricted deposit		(7,387)	(3,351)
Decrease/(increase) in inventories		11,303	(14,974)
Decrease in accounts payable and accruals		(2,670)	(9,080)
Increase in amounts due to/from GORTT		804	722
Cash generated from operating activities		45,080	33,670
Interest paid		(4,838)	(6,278)
Taxes paid		(7,823)	(11,911)
Net cash generated from operating activities		32,419	15,481

Consolidated Statement of Cash Flows (continued)

(Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

	Notes	Year ended 31 December 2019 $	2018 $ Restated
Cash flows from investing activities			
Restricted deposit		15,439	44,620
Disposal of asset		85	--
Purchase of property, plant and equipment	11	(6,961)	(18,823)
Dividend income	22	481	678
Retirement benefit asset contributions paid	9	(6,609)	(5,367)
Interest received on loans	17	491	732
Medical and Life Insurance Plan contributions paid	10	(1,248)	(779)
Purchase of intangible assets	12	(1,369)	(2,373)
Net cash generated from investing activities		309	18,688
Cash flows from financing activities			
Borrowings drawn		--	37,455
Borrowings repayment		(24,513)	(68,440)
Dividends paid		(8,414)	(13,879)
Lease interest paid		(217)	--
Finance lease liability repaid		(291)	(472)
Net cash used in financing activities		(33,435)	(45,336)
Net decrease in cash and cash equivalents		(707)	(11,167)
Cash and cash equivalents at the beginning of the year		44,285	55,452
Cash and cash equivalents at the end of the year	5	43,578	44,285

The notes on pages 47 to 94 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

1 Incorporation and principal activities

National Flour Mills Limited ("the Company") is incorporated in the Republic of Trinidad and Tobago, and was continued under the provisions of the Companies Act, 1995 on 14 April 1998.

The Company and its subsidiary (together, the Group) principal activities are the production and distribution of food products and animal and poultry feeds. The Group's major shareholder is National Enterprises Limited owning 51% of the issued share capital. The Group's registered office is 27-29 Wrightson Road, Port of Spain. The ultimate shareholder is the Government of the Republic of Trinidad and Tobago.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

(i) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis, except for investments at fair value through other comprehensive income and defined benefit plans where plan assets are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group'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 consolidated financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(ii) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied new standards and amendments issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for their accounting period commencing 1 January 2019.

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

Other than IFRS 16, the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The impact of IFRS 16 is further described below.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2 (e).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6% for leases with a remaining term of 5 and 6 years and 7.4% on leases with a remaining term of 40 years.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) Measurement of lease liabilities

	2019 $
Operating lease commitments disclosed as at 31 December 2018	12,967
Discounted using the lessee's incremental borrowing rate of at the date of initial application	7,316
(Less): low-value leases not recognised as a liability	(240)
Lease liability recognised as at 1 January 2019	7,076
Of which are:	
Current lease liabilities	1,038
Non-current lease liabilities	6,038

(iii) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv)Adjustments recognised in the balance sheet as at 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

Statement of Financial Position Extract

Non-current asset	**Increase/ (Decrease)**
Property, plant and equipment	(474)
Right-of-use asset	7,682
Current liabilities	
Finance lease liabilities	1,038
Non-current liabilities	
Finance lease liabilities	6,038

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases (see note 24) as a result of the adoption of IFRS 16.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

b. *Going concern*

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Group and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of the date of management's approval of the financial statements, management was not aware of any significant adverse effects on the financial statements for the year ended December 31, 2019 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Group.

The Group continues to prepare its financial statements on a going concern basis as it believes that this pandemic will not have a significant impact on the operations and the ability of the entity to continue as a going concern. Management has concluded this based on the following considerations:

i) Sales - As a result of this post balance sheet event The Group has recorded higher than average sales as citizens continue to purchase basic commodity items.

ii) Raw Material Supply - The Group has contractual arrangements with grain suppliers and international shippers to continue to supply until July 2020. At this time, management does not expect any significant issues in supply of raw materials after July 2020. The production and transport of grain is not labour intensive. The transhipment requires a crew of approximately twenty persons. The Group is considered to be providing an essential commodity to the people of Trinidad and Tobago and the government has signalled its intention to continue allowing shipments of grain into the port.

iii) Production - The flour mill is highly automated and can be run remotely without much human intervention. Some labour is required in the packaging area and this requirement can be fulfilled whilst maintaining social distancing guidelines.

iv) Distribution - The government of Trinidad and Tobago has deemed food manufacturing companies as essential services. This therefore indicates that the Group will have the ability to distribute its products to all interested parties.

c. *(i) Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional currency.

(ii) Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the reporting date. All revenue and expenditure transactions denominated in foreign currencies are translated at the exchange rates ruling at the date of the transactions. The resulting profits and losses on exchange from these activities are recorded in the profit or loss within finance costs, expenses or other income.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

d. Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Plant and machinery assets in the course of construction are not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows.

	Years
Buildings	up to 40 years
Plant and machinery including capital spares	5 - 25 years
Office equipment	4 - 10 years
Motor vehicles shorter of the lease term and useful life	4 - 5 years

Residual values and useful lives are reviewed, and adjusted as appropriate, at each financial year-end. 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 included in profit or loss for the year.

e. Leases

Lessee accounting

(i) The Group's leasing activities and how these are accounted for:

1.The Group leases various parcels of land on which its offices and plant operations are located and warehouses, typically made for fixed periods of 6 months to 99 years but may have extension options as described in (v) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see below for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

2 Summary of significant accounting policies (continued)

e. *Leases (continued)*

(i) The Group's leasing activities and how these are accounted for: (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

e. Leases (continued)

(i) The Group's leasing activities and how these are accounted for: (continued)

Payments associated with all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small items of office furniture.

(ii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The extension option relating to the Port lease is exercisable by the Group.

As explained above, the Group has changed its accounting policy for leases where the Group is the lessee.

The new policy is described above and the impact of the change in note 2 (a) (iii)(a).

Lessor accounting

Under IFRS 16, the previous accounting policy for lessor accounting under IAS 17 did not change and is described below.

Up until 31 December 2018

Leases of property, plant and equipment under which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments, at the date of inception of the lease. The corresponding rental obligations, net of finance charges, are shown as finance lease liability, on the consolidated statement of financial position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation on assets held under finance leases is charged to profit or loss over the shorter of the lease term and their estimated useful lives.

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases are charged to appropriate expense headings in the profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 Summary of significant accounting policies (continued)

f. *Intangible assets*

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to purchase and customise the software and use it
- there is an ability to use software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include consultancy fees from the software provider and project management fees for the development and implementation and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised using the straight-line basis over their estimated useful lives as follows, from the point at which the asset is ready for use.

Software	4 years

g. *Financial instruments*

(i) *Classification*

The Group classifies its financial assets in the following categories

(1) those to be measured at amortised cost, and

(2) those to be measured subsequently at fair value through OCI.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in OCI. This is because the investments in the equity instruments held are not held for trading.

The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

g. Financial instruments (continued)

(ii) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Statement of Profit or Loss.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group 's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iv) Impairment

Assets carried at amortised cost

Impairment testing of trade receivables under IFRS 9 is described in note 4 (a) (i).

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4 (a) (i) for further details.

h. Borrowings

Borrowings including overdrafts are classified as other liabilities and are recognised initially at fair value net of direct issue costs and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2 Summary of significant accounting policies (continued)

h. Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

i. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

j. Share capital

Ordinary shares are classified as equity and stated at the amounts subscribed by shareholders, less any incremental costs directly attributable to the issue of the shares (net of tax).

k. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash at bank and in hand, money market deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

l. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition using weighted average cost for grain inventory. Otherwise inventories related to raw materials, finished goods and packaging are valued using the first-in first-out method.

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and costs to be incurred in selling and distribution.

m. Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

m. Taxation (continued)

Current tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

n. Impairment of non-financial assets

Non-financial assets are reviewed for impairment where there are any events or changes in circumstances that would indicate potential impairment. In addition, at each reporting date, the Group assesses whether there is any indication that assets may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

2 Summary of significant accounting policies (continued)

o. *Employee benefits*

(i) Retirement benefit plan

The Group operates certain post-employment schemes, one being the defined benefit pension plan.

The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The Group's net obligation in respect of the defined benefit plan (the Plan) is calculated by estimating the amount of future benefit and that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the Plan assets. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds of the Plan or reductions in future contributions to the Plan (after considering any minimum funding requirements).

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the consolidated statement of financial position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The actuary performs a full actuarial valuation every three years (next valuation is due in 2020) and any surpluses or deficits may be recognised by an adjustment of future contribution rates.

(ii) Medical and life insurance plan

The Group operates a medical and life insurance plan (the Medical Plan) covering employees who retire either directly from the Group at age 60 or as a result of ill health. The Medical Plan is self-administered.

The Group's obligation in respect of the medical plan is calculated using approximate actuarial valuations of the Group's liabilities and the projected unit actuarial method as required by IAS 19.

Notes to the Consolidated Financial Statements (continued)

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2 Summary of significant accounting policies (continued)

o. *Employee benefits (continued)*

(ii) Medical and life insurance plan (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

In Trinidad and Tobago, as there is no deep market in such bonds, the market rates on government bonds are used.

Re-measurement of the net medical plan, which comprise actuarial gains and losses, (excluding interest) are recognised immediately in other comprehensive loss.

Net interest expense (income) or the net defined liability is determined using the discount rate. Net interest expense and other expenses related to the medical and life insurance are recognised in profit or loss.

(iii)Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented in the consolidated statement of financial position within accounts payable and accruals. See note 27 for details on the employee share ownership plan.

(iv)Employee Share Ownership Plan (ESOP)

The Group operates an Employee Share Ownership Plan (ESOP) to give effect to a contractual obligation to pay profit sharing bonuses to employees via shares of the Group based on a set formula. All permanent employees of the Group are eligible to participate in the Plan that is directed by a Management Committee comprising management of the Group and representatives of the general membership.

Independent Trustees are engaged to hold in trust all shares in the Plan as well as to carry out the necessary administrative functions. Shares acquired by the ESOP are funded by Group contributions and cash advances by the Group to the ESOP. The cost of NFM shares have been recognised in Other Equity as Treasury Shares and the cost of the investment in the parent company, National Enterprises Limited, is recognised under Investments on the consolidated statement of financial position.

The Group has determined it has control over the Trust as:

- the Group has power over the relevant activities of the employee share trust.
- the Group has exposure, or rights, to variable returns from its involvement with the employee share trust; and
- the Group has the ability to use its power over the employee share trust to affect the amount of the Group's returns.

Accordingly, the ESOP has been consolidated in accordance with note 2(a) (ii).

2 Summary of significant accounting policies (continued)

o. Employee benefits (continued)

(v) Bonus

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

p. Provisions

Provisions are recognised when the Group 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 can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The amount recognised as a provision is the best estimate of the expenditure 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.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

q. Revenue recognition

NFM manufactures and sells a range of food and animal feed products in both the wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped or transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. It is the Group's

Notes to the Consolidated Financial Statements (continued)

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2 Summary of significant accounting policies (continued)

q. *Revenue recognition (continued)*

policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (included in trade and other payables if material) and a right to the returned goods (included in other current assets if material) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a product level. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

r. *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred. No amounts were capitalised to property, plant and equipment in the current year and prior year.

s. *Earnings per share*

(i) *Basic earnings per share*

Earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

t. *Dividends*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 Summary of significant accounting policies (continued)

u. *Segment reporting*

IFRS 8 requires operating segments to be identified on the basis of internal financial information about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ('CODM') to allocate resources to the segments and to assess their performance. The CODM has been identified as the Executive Management team. The CODM considers the business from a product/services perspective. Operating segments have been identified as Food, Animal Feed and Other.

Segment reporting is prepared based on the different categories of products sold by the Group.

v. *Offsetting financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

w. *Investments*

All financial assets are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group elected to make a onetime election to have all fair value gains and losses in investments to be included in Other Comprehensive Income. Financial assets at fair value through Other Comprehensive Income are securities which are either acquired for generating a profit from short-term fluctuations in price, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

x. *Other income*

(i) *Dividend income*

Dividends are received from financial assets measured at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

(ii) *Management fees*

The Group has an agreement with the Ministry of Agriculture, Land and Fisheries whereby the Group is paid a management fee of $400 per month for the operation of the Rice Mill at Carlsen Field. This income is recognised as other income in profit or loss.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

x. Other income (continued)

(iii) *Sub-lease income*

The Group has a sub-lease agreement with Trinidad and Tobago Electricity Commission (T&TEC) for five (5) years for an annual amount of $700 of which 25 % is payable to Port Authority of Trinidad and Tobago (PATT). This income is recognised as other income in profit or loss. This sub lease expired in 2018 and is currently in the process of being renewed.

y. Prior year restatements

Comparative information has been adjusted to take into account a restatement to inventory balances, whereby inventory quantities and costing recorded in the sub ledger and consequently in the general ledger and financial statements were inaccurately recorded.

	As previously reported $	Restatements $	As restated $
31 December 2018			
Consolidated statement of financial position extract			
Assets			
Current assets			
Inventories	79,593	(2,994)	76,599
Taxation recoverable	5,877	898	6,775
Retained earnings	132,747	(2,096)	130,651
Consolidated statement of comprehensive income extract			
Cost of sales	(311,128)	(2,994)	(314,122)
Profit before tax	34,730	(2,994)	(31,736)
Taxation charge	(12,039)	898	(11,141)
Profit for the year	22,691	(2,096)	20,595
Earnings per share			
Basic earnings per share	19 cents	(2 cents)	17 cents
Dilutive earnings per share	19 cents	(2 cents)	17 cents
Consolidated statement of cash flows extract			
Profit before taxation	34,730	(2,994)	31,736
Inventory	17,968	(2,994)	14,974

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised, and any future periods affected.

The Group makes estimates and assumptions concerning the future. 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 outlined below.

Estimates

(a) Valuation of retirement benefit asset and medical and life insurance plan

The present values of the pension and medical plan obligations depend on a number of factors that are determined on the actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for the pensions and medical plan include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows, expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality bonds that are denominated in the currency in which the benefits will be paid, and that have the terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Sensitivity analysis for the key assumptions are discussed in Notes 9 and 10.

(b) Impairment

The Group tests annually whether any non-financial assets/ cash generating units have suffered impairment in accordance with the accounting policy stated in Note 2 n.

For the purposes of the impairment test, the cash-generating unit was determined to be at the Company level.

The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. The significant assumptions and sensitivity analysis are disclosed in Note 28.

Notes to the Consolidated Financial Statements (continued)

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4 Financial risk management

a. Financial risk factors

The Group's activities expose it to a variety of financial risks. The Board reviews and agrees policies for managing its financial risk. These policies have remained unchanged throughout the year. The Group has exposure to the following risks from its use of financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk which includes:

(a) Currency risk

(b) Interest rate risk and

(c) Price risk

This note presents information about the Group's exposure to each of the above risks, and its framework for managing these risks. Further quantitative disclosures are included in relevant notes throughout these consolidated financial statements.

The Board of Directors has ultimate responsibility for the establishment and oversight of the Group's risk management framework. The Audit Committee oversees compliance with the Group's risk management framework and is assisted in its oversight role by the Internal Audit Department. There has been no change in the management of these risks from the prior year.

The risk management policies employed by the Group to manage exposure to financial risks are discussed below:

(i) Credit risk

Credit risk arises from cash and cash equivalents, amounts due from GORTT and credit exposures relating to outstanding receivable balances.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

The Group is exposed to credit risk, which is the potential for loss due to a debtor's failure to pay amounts when due. The Group manages this by regular analysis of the ability of debtors to settle their outstanding balances. Impairment provisions are established for losses or potential losses that have been incurred at the reporting date.

The Group trades with third parties who are subject to credit verification procedures, which take into account their consolidated financial position and past experience. Individual risk limits are set based on internal analysis.

Credit risk on cash and cash equivalents held by the Group are minimised as all cash deposits are held with banks which have acceptable credit ratings.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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4 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

Impairment of financial assets

The Group has one type of financial asset that are subject to the expected credit loss model:

(i) Trade receivables for sales of inventory

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables was grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

General pool of trade receivables

	Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
At 31 December 2019					
Expected loss rate	2%	2 %	6%	10%	
Gross carrying amount (Trade receivables)	32,578	13,482	3,770	792	50,622
Loss allowance	583	317	233	83	1,216
At 31 December 2018					
Expected loss rate	2%	2%	5%	8%	
Gross carrying amount (Trade receivables)	17,265	17,488	3,347	10,607	48,707
Loss allowance	278	392	186	842	1,698

The above analysis includes all customers except our 2 largest customers and receivables from government. A separate analysis was completed on them and they were assessed as having no risk of default, since we collected all receivable balances relating to 2018 and 2019.

These receivables amounted to $24.7M (2018: $25M).

Notes to the Consolidated Financial Statements (continued)

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4 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

Impairment of financial assets (continued)

(i) Trade receivables for sales of inventory (continued)

The closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019 $	2018 $
Allowance as at 1 January	36,200	31,984
Amounts restated through opening retained earnings (on adoption of IFRS 9 -2018 only)	--	2,279
Opening loss allowance as at 1 January	36,200	34,263
Bad debts written off against the provision	(27,360)	--
Decrease in loss allowance recognised in profit or loss during the year	(482)	(580)
Bad debts collected	(578)	(1,769)
Specific receivables deemed as uncollectible	3,280	4,286
Closing loss allowance as at 31 December	11,060	36,200

(ii) Liquidity risk

The Group's policy throughout the year has been to maintain a mix of short- and medium-term borrowings. Short-term flexibility is achieved by bank overdraft and revolving grain facilities. In addition it is the Group's policy to maintain committed undrawn facilities in order to provide flexibility in the management of the Group's liquidity. The tables below analyse the Group's financial liabilities which will be settled based on its relevant maturity groupings using the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant consolidated statement of financial position date.

Contractual Maturities of financial liabilities	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total Cash flow $	Carrying Value $
At 31 December 2018						
Liabilities						
Accounts Payable	32,203	--	--	--	32,203	35,048
Borrowings	76,438	15,114	2,028	--	93,580	88,608
Amounts Due to GORTT	15,968	--	--	--	15,968	15,968
	124,609	15,114	2,028	--	141,751	139,624

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4 Financial risk management (continued)

a. Financial risk factors (continued)

(ii) Liquidity risk (continued)

Contractual Maturities of financial liabilities	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total Cash flow $	Carrying Value $
At 31 December 2019						
Liabilities						
Accounts Payable	30,354	--	--	--	30,354	32,545
Lease Liabilities	1,614	1,031	2,967	6,668	12,280	6,859
Borrowings	67,027	--	--	--	67,027	64,645
Amounts Due to GORTT	17,321	--	--	--	17,321	17,321
	116,316	1,031	2,967	6,668	126,982	121,370

Accounts payable cash flows included in the tables above exclude statutory liabilities which do not meet the definition of financial liabilities under IFRS 7, while borrowings include interest payments.

The Group monitors cash balances and net debt on a daily basis to ensure adequate headroom exists on banking facilities and that it is compliant with banking terms.

(iii) Market risk

(a) 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 Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States and European Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and employs appropriate strategies to mitigate any potential losses.

A 1% increase in the exchange rate as at the year-end will have the following impact on profit or loss for the period. Management believes that a 1%increase in the foreign exchange rate is considered a reasonable and possible shift.

	Impact on profit or loss	
	2019 $	2018 $
Cash	248	106
Accounts receivable	46	107
Accounts payable	(51)	(51)
Borrowings	(440)	(579)
	(197)	(417)

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

4 Financial risk management (continued)

a. Financial risk factors (continued)

(iii) Market risk (continued)

(b) Interest rate risk

The Group finances its operations through a mixture of retained earnings and borrowings. The Group borrows in the desired currencies at fixed and floating rates of interest.

Cash flow interest rate risk is the risk that the Group's cash flows will change due to changes in interest rates. Fair value interest rate risk is the risk that the fair value of recognised financial assets and liabilities may change due to changes in interest rates.

Sensitivity analysis

In relation to cash flow interest rate risk the Directors consider that a 1% movement in interest rates represents reasonable possible changes. The impact on profit after taxation would be $24K (2018: $53K).

This sensitivity analysis is not an indication of actual results, which may materially differ. For the purposes of this sensitivity analysis all other variables have been held constant.

The Group's financial assets and liabilities are carried on the financial statements at amortised cost. Thus the Group is not exposed to fair value interest rate risk.

(c) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position as fair value through other comprehensive income.

All of the Group's equity investments are publicly traded and are included in the Trinidad and Tobago Stock Exchange.

There were no changes to policies and procedures from prior year.

Market risk

Sensitivity analysis

The table below summarises the impact of increases/decreases on the Group's other comprehensive income for the period. The analysis is based on the assumption that the equity index increased by 10% or decreased by 5% with all other variables held constant.

	Impact on other comprehensive income		Impact on other components of equity	
	2019	2018	2019	2018
	$	$	$	$
Trinidad and Tobago Stock Exchange increase by 10% in 2019 (10% in 2018)	48	19	48	19
Trinidad and Tobago Stock Exchange decrease by 5% in 2019 (5% in 2018)	(24)	(9)	(24)	(9)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

4 Financial risk management (continued)

a. *Financial risk factors (continued)*

(iii) Market risk (continued)

(d) Fair value estimation

The fair value of Group financial assets and liabilities are a close approximation to the carrying value of the financial asset and liabilities due to the short-term nature of these items.

All the Group's financial assets and liabilities, except for Investments are carried at amortised cost. Investments are carried at its the fair value at the reporting date, with all changes being recognised in other comprehensive income.

b. *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. Capital is defined as stated capital, retained earnings and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and return capital to shareholders. The policy and procedures for managing capital risk remains unchanged from the prior year.

5 a. Cash and cash equivalents

	2019 $	2018 $
Cash in hand and at bank	43,317	44,028
Short-term deposits	261	257
Cash and cash equivalents	43,578	44,285

6 Restricted deposit

At 31 December 2019, the Group held deposits of $16,542 (2018: $31,981). Restricted deposits comprise of:

- $14,958 earns interest of 3% and is held with NCB Global Finance Ltd to secure a foreign currency denominated working capital facility and these mature within twelve months of the consolidated statement of financial position date; and
- $1,584 is with a financial institution and is used to secure the Group's lease facility. The funds are held in a deposit and earn interest of 0.15%.

Notes to the Consolidated Financial Statements (continued)

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7 Accounts receivable and prepayments

	2019 $	2018 $
Trade receivables	62,337	87,662
Less provision for doubtful amounts	(11,060)	(36,200)
	51,277	51,462
Prepayments	4,650	1,501
Other receivables	18,222	17,024
	74,149	69,987

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Included within other receivables are Value Added Tax receivables of $15,900 (2018: $14,383).

The movement in the provision for impaired trade receivables consists of increases for additional provisions offset by receivables written off and unused provision released to the profit or loss account. The provision is utilised when there is no expectation of recovering additional cash.

The other classes of receivables are not considered to be impaired.

	2019		2018	
	Performing $	Impaired $	Performing $	Impaired $
Current	40,960	--	34,477	--
Over 45 days	5,295	--	7,861	--
Over 60 days	3,770	--	3,572	--
Over 90 days	2,468	9,844	7,520	34,502
Less provision for impairment	--	--	--	--
Loss allowance (IFRS 9)	(1,216)	(9,844)	(1,698)	(34,502)
	51,277	--	51,462	--

The credit quality of customers is assessed at the Company level, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors. It is the Groups policy that overdue accounts are reviewed monthly at sales and marketing management meetings to mitigate exposure to credit risk and provided for where appropriate.

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

8 Inventories

	2019 $	2018 $ Restated
Raw materials	40,183	50,283
Packaging materials	4,358	4,245
Finished goods and work in progress	20,755	22,071
	65,296	76,599

Inventories are stated after a provision for impairment of $1,006 (2018: nil). The amount recognised as an expense in the year in respect of the write down of inventories is $32,163 (2018: $21,230).

The cost of inventories recognised as an expense and included in cost of sales is $238,202(2018: $232,689) (Note 18).

9 Retirement benefit asset

	2019 $	2018 $
Present value of defined benefit obligation	(191,644)	(183,947)
Fair value of the assets in the Plan	214,822	189,591
Recognised asset for the Plan	23,178	5,644
a. Change in defined benefit obligations		
Defined benefit obligation at start of year	(183,947)	(167,626)
Benefits paid	7,922	7,010
Current service cost	(5,036)	(5,134)
Interest cost	(9,902)	(9,029)
Members' contributions	(2,445)	(2,090)
Past service cost	(492)	(550)
Remeasurements:		
- experience adjustments	3,794	(6,528)
- actuarial losses from changes in demographic assumptions	(1,538)	--
Defined benefit obligation at end of year	(191,644)	(183,947)

b. The defined benefit obligation is allocated between the Plan's members as follows:

	2019	2018
- Active	58%	58%
- Deferred members	13%	13%
- Pensioners	29%	29%

The weighted average duration of the defined benefit obligation at the year-end is 13.7 years (2018: 13.7 years).

- 98% (2018: 98%) of the value of the benefits for active members is vested.
- 17% (2018: 17%) of the defined benefit obligation for active members is conditional on future salary increases.

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

9 Retirement benefit asset (continued)

	2019 $	2018 $
c. Change in Plan assets		
Plan assets at start of year	189,591	188,540
Company contributions	6,609	5,367
Members' contributions	2,445	2,090
Benefits paid	(7,922)	(7,010)
Interest income	10,446	10,370
Return on Plan assets, excluding interest income	14,107	(9,325)
Expense allowance	(454)	(441)
Plan assets at end of year	214,822	189,591
Actual return on Plan assets	24,553	1,045
d. Asset allocation		
Locally listed equities	67,104	57,400
Foreign equities	19,650	15,570
TT$-denominated bonds	91,932	85,053
Non-TT$-denominated bonds (mainly US$)	16,622	18,213
Mutual funds (short-term securities)	3,388	314
Cash and cash equivalents	8,797	5,055
Other (immediate annuity policies)	7,329	7,986
Fair value of Plan assets at end of year	214,822	189,591
The Plan does not directly hold any assets and/or shares of the Group.		
e. Expense recognised in profit or loss		
Current service cost	5,036	5,134
Interest on defined benefit obligation	(544)	(1,341)
Administration expenses	454	438
Past service cost	492	550
Net pensions cost	5,438	4,781
f. Re-measurements recognised in other comprehensive loss		
Experience gains/(losses)	16,363	(15,856)
g. Reconciliation of opening and closing consolidated statement of financial position entries		
Opening defined benefit asset	5,644	20,914
Net pension cost	(5,438)	(4,781)
Re-measurements recognised in other comprehensive loss	16,363	(15,856)
Company contributions paid	6,609	5,367
Closing defined benefit asset	23,178	5,644

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9 Retirement benefit asset (continued)

	2019 $	2018 $
h. The Group expects to contribute $5.6 million to its defined benefit pension plan in 2020.		
i. Summary of principal assumptions		
Discount rate at 31 December	5.50%	5.50%
Future salary increases	3.25%	3.25%
Future pension increases	0.00%	0.00%

The calculation of the defined obligation is sensitive to the assumptions used. The following table summarises how the defined obligation would have changed as a result of a change in the assumptions used.

	1%pa decrease	1%pa increase
31 December 2019		
Discount rate	27,740	(22,429)
Future salary increase	(6,785)	7,690
31 December 2018		
Discount rate	28,628	(21,528)
Future salary increase	(6,513)	7,381

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligation at 31 December 2019 by $ 3,264(2018: $3,154). These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions as adjusted for the sensitivities.

The most recent actuarial assessment of the Pension Plan was at 31 December 2017.

10 Medical and life insurance plan

	2019 $	2018 $
Recognised liability for the Medical and Life Insurance Plan	21,833	19,532
a. Change in the obligations		
Obligation at start of year	(19,532)	(18,120)
Benefits paid	1,248	779
Current service cost	(653)	(603)
Interest cost	(1,040)	(975)
Re-measurements:		
- experience adjustments	(1,494)	(613)
- actuarial gains/losses from changes in demographic assumptions	(362)	--
Obligation at end of year	(21,833)	(19,532)

Notes to the Consolidated Financial Statements (continued)

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10 Medical and life insurance plan (continued)

b. The obligation is allocated between the members as follows:

	2019	2018
- Active	42%	42%
- Pensioners	58%	58%

The weighted average duration of the obligation at the year-end was 14.6 years (2018: 14.6 years) at the end of the year. 0% of the benefits for active members are vested.

	2019 $	2018 $
c. Expense recognised in profit or loss		
Current service costs	653	603
Interest on obligation	1,040	975
Net medical cost	1,693	1,578
d. Re-measurements recognised in other comprehensive loss		
Experience losses	(1,856)	(613)
e. Reconciliation of opening and closing consolidated statement of financial position entries		
Opening medical plan liabilities	19,532	18,120
Net medical plan costs	1,693	1,578
Re-measurements recognised in other comprehensive loss	1,856	613
Benefits paid	(1,248)	(779)
Closing medical and life insurance plan liability	21,833	19,532

f. The Group expects to pay $0.8 million in benefits in 2020.

g. Summary of principal assumptions

	2019	2018
Discount rate at 31 December	5.50%	5.50%
Future medical cost increases	4.50%	4.50%
Future salary increases	3.25%	3.25%

The calculation of the Medical Plan obligation is sensitive to the assumptions used. The following summarises how the Medical Plan obligation would have changed as a result of a change in the assumptions used.

	2019 $ 1%pa Decrease	2018 $ 1%pa Increase
31 December 2019		
Discount rate	3,651	(2,882)
Medical cost increases	(2,250)	2,819
31 December 2018		
Discount rate	3,141	(2,491)
Medical cost increases	(1,892)	2,359

10 Medical and life insurance plan (continued)

g. *Summary of principal assumptions (continued)*

An increase of 1 year in the assumed life expectancies would increase the Medical Plan obligation at 31 December 2019 by $0.310 million. These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

Risk exposure - Retirement Benefit Asset (the Plan) and Medical and Life Insurance Plan (Medical Plan)

Through its defined benefit pension plans and medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

(i) *Asset volatility*

The Retirement Benefit Asset Plan and the Medical Plan liabilities are calculated using a discount rate set with reference to government bond yields; if plan assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of equities, government bonds and corporate bonds, which all provide volatility and risk. As the Plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

The Group believes that due to the long-term nature of the Plan liabilities, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to efficiently manage the Plan.

(ii) *Changes in bond yields*

A decrease in government bond yields will increase the Plan's liabilities, although this will be partially offset by an increase in the value of the Plan's bond holdings.

(iii) *Inflation risks*

Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The majority of the Plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

(iv) *Life expectancy*

The majority of the Pension Plan and Medical Plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plans' liabilities.

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11 Property, plant and equipment

	Industrial and office building $	Plant, machinery and equipment $	Office furniture and equipment $	Motor vehicles $	Work in progress $	Total $
Year ended 31 December 2019						
Opening net book value	113,561	55,924	10,004	1,410	1,885	182,784
Adjustment for change in accounting policy - transfer to right-of-use asset	(474)	--	--	--	--	(474)
Restated opening net book amount	113,087	55,924	10,004	1,410	1,885	182,310
Additions	925	2,219	1,534	178	2,105	6,961
Disposal	--	--	--	(85)	--	(85)
Depreciation	(5,051)	(7,457)	(2,464)	(500)	--	(15,472)
WIP commissioned	1,728	388	--	--	(2,116)	--
Closing net book value	110,689	51,074	9,074	1,003	1,874	173,714
At 31 December 2019						
Cost	178,915	320,063	20,252	8,242	1,874	529,346
Accumulated depreciation	(68,226)	(268,989)	(11,178)	(7,239)	--	(355,632)
Net book value	110,689	51,074	9,074	1,003	1,874	173,714
At 1 January 2018						
Cost	166,332	310,033	15,318	7,407	5,032	504,122
Accumulated depreciation	(58,724)	(254,216)	(6,476)	(6,229)	--	(325,645)
Net book value	107,608	55,817	8,842	1,178	5,032	178,477
Year ended 31 December 2018						
Opening net book value	107,608	55,817	8,842	1,178	5,032	178,477
Additions	789	4,309	3,311	742	9,672	18,823
Depreciation	(4,452)	(7,316)	(2,238)	(510)	--	(14,516)
WIP commissioned	9,616	3,114	89	--	(12,819)	--
Closing net book value	113,561	55,924	10,004	1,410	1,885	182,784
At 31 December 2018						
Cost	176,737	317,456	18,718	8,148	1,885	522,944
Accumulated depreciation	(63,176)	(261,532)	(8,714)	(6,738)	--	(340,160)
Net book value	113,561	55,924	10,004	1,410	1,885	182,784

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11 Property, plant and equipment (continued)

(i) Non-current assets pledged as security

The Group Commercial loan agreement with Republic Bank Limited calls for the assignment of Debenture to be stamped to cover Trinidad and Tobago $90 million comprising of a fixed charged over land and buildings situated at Wrightson Road, Port of Spain and a floating charge over all assets ranking pari-passu with debentures in favour of Citibank Limited and First Citizen's Bank Limited supported by:

- First Demand legal mortgage over leasehold property comprising 4 acres, 3 roods and 13 perches at #27-29 Wrightson Road, Port of Spain to be stamped collateral to the debenture; and
- Assignment of All Risk insurance policies over the assets of the borrower for the insurable and replacement values.

Depreciation/Amortisation of $12,048 (2018: $9,693) was recognised in cost of sales with $5,918 (2018: $5,424) recognised in expenses.

12 Intangible assets

Software

	Software $	Work in progress $	Total $
Year ended 31 December 2019			
Opening net book value	6,137	--	6,137
Additions	1,369	--	1,369
Depreciation	(1,733)	--	(1,733)
Closing net book value	5,773	--	5,773
At 31 December 2019			
Cost	8,593	--	8,593
Accumulated depreciation	(2,820)	--	(2,820)
Net book value	5,773	--	5,773
At 1 January 2018			
Cost	2,499	2,352	4,851
Accumulated depreciation	(486)	--	(486)
Net book value	2,013	2,352	4,365
Year ended 31 December 2018			
Opening net book value	2,013	2,352	4,365
Additions	621	1,752	2,373
Depreciation	(601)	--	(601)
WIP commissioned	4,104	(4,104)	--
Closing net book value	6,137	--	6,137
At 31 December 2018			
Cost	7,224	--	7,224
Accumulated depreciation	(1,087)	--	(1,087)
Net book value	6,137	--	6,137

Notes to the Consolidated Financial Statements (continued)

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12 Intangible assets (continued)

Software (continued)

Included in software are costs expended on integration of NFM's ERP and other licenses. The remaining useful economic life of intangible assets is estimated to be 2-4 years. Amortisation is included under administration expenses on the statement of comprehensive income.

13 Accounts payable and accruals

	2019 $	2018 $
Trade payables	14,236	14,758
Payroll related liabilities	6,376	9,805
Accrued expenses	11,933	10,485
	32,545	35,048

Included within payroll related liabilities is the amount payable to employees of $1,938 (2018: $3,874) under the Employee Share Ownership Plan (note 27).

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

14 Borrowings

	2019 $	2018 $
Total borrowings	64,645	88,608
Less current portion	(64,645)	(72,782)
Non-current portion	--	15,826

Revolving grain purchase loans have been provided by the following institutions to finance the importation of grain:

	2019 US$	2018 US$
Export Import Bank of Trinidad and Tobago (Exim bank) Limited	5,513	5,504
NCB Global Finance Limited	1,000	2,915
	6,513	8,419
TTD equivalent of USD denominated loans	43,945	57,238
Republic Bank Limited	20,700	31,370
Total borrowings	64,645	88,608

14 Borrowings (continued)

Export Import Bank of Trinidad and Tobago

The terms and conditions with the Export Import Bank of Trinidad and Tobago Limited (Eximbank or the Lender) are as follows:

(i) The loan shall be repaid to the lender 30-180 days from the drawdown dates of 19 August 2019 and 28 November 2019 respectively.

(ii) Interest on the Facility granted by the Lender is payable by the Group at the interest rate determined in the first tiered interest rate; this interest rate will be subject to revision and change at any time based on prevailing market conditions without any prior notice to the Borrower.

First Tiered Interest Rate - the rate of interest that the Lender applies to the facility will be 5.90% per annum.

(iii) Promissory notes are signed and stamped for amounts advanced prior to disbursement of funds.

Republic Bank Limited

The terms and conditions with Republic Bank Limited are as follows:

(i) A 5-year amortised facility for TT$40M to cover working capital and operating costs at a fixed interest rate of 6.75%.

(ii) This facility is secured by a debenture on all fixed and floating assets of the Group as well as a collateral mortgage over all real property, stamped to cover $90M ranking Pari passu with a similar debenture held by Citibank (Trinidad and Tobago) Limited and First Citizen's Bank Limited.

(iii) This loan is repayable on 28 February 2021.

NCB Global Finance Limited

The terms and conditions with NCB Global Finance Limited are as follows:

(i) A 5-year amortised facility for $10M USD to cover trade finance related activities, relation to the purchase of grain and other associated costs as permitted by the Lender at a fixed interest rate of 5.90%.

(ii) This facility is secured by a fixed deposit of $15M TTD held by NCB Global Finance Limited bearing interest of 3% (Note 6).

Breach of loan covenants

The Group was in breach of certain covenants attached to the RBL and NCB facilities. This has caused the Group to classify non-current balances of $15,826 from non current to current liabilities. The breach for RBL involved a covenant which states that the Group should maintain a loan to value ratio of 60:1, however at the end of the year NFM was at 49:1 as result of reduced profitability at year end. For the loan from NCB, NFM should have maintained a Debt Service Coverage Ratio of 1.3: 1, however, at the end of the year the Group had a Debt Service Coverage Ratio of 0.49:1.

The total sum repayable as at 31 December 2019 for the RBL Loan Facility was $20,807 and the total sum repayable as at 31 December 2019 for NCB's Loan Facility was $USD1M.

As a result of this breach NFM reclassified $15,826 from noncurrent liabilities to current liabilities.

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenant.

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14 Borrowings (continued)

NCB Global Finance Limited (continued)

Breach of loan covenants (continued)

The breaches have not been remedied to date, however, management expects that the Group will be able to meet all contractual obligations from borrowings on a timely basis going forward.

15 Current and deferred taxation

	2019 $	2018 $ Restated
Current taxation expense		
Deferred tax (credit)/charge	(1,665)	720
Current tax charge	5,595	10,421
	3,930	11,141
The Group's effective tax rate of 39% (2018: 35%) differs from the statutory tax rate of 30% as follows:		
Profit before taxation	10,063	31,736
Tax calculated at 30%	3,019	9,522
Tax impact of expenses not deductible for tax purposes	1,263	701
Tax impact of income not subject to tax	(732)	(394)
Tax impact on adoption of IFRS 9		(684)
Tax impact on restatements	--	1,927
Other differences	380	69
	3,930	11,141
Deferred taxation		
Deferred income tax asset	6,934	6,369
Deferred income tax liabilities	(47,486)	(44,234)
Net deferred income tax liability	(40,552	(37,865)

	IFRS 9 General Provision $	Retirement benefit asset $	Medical plan $	Property plant and equipment $	IFRS 16 $	Total $
At 1 January 2018	--	(6,275)	5,436	(41,562)	--	(42,401)
Amounts restated to retained earnings	684	--	--	--	--	684
(Charge)/credit to:						
- profit or loss	(174)	(174)	607	(979)	--	(720)
- other comprehensive loss	--	4,756	(184)	--	--	4,572
As at 31 December 2018	510	(1,693)	5,859	(42,541)	--	(37,865)

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15 Current and deferred taxation (continued)

	IFRS 9 General Provision $	Retirement benefit asset $	Medical plan $	Property plant and equipment $	IFRS 16 $	Total $
At 1 January 2019	510	(1,693)	5,859	(42,541)	--	(37,865)
(Charge)/credit to:						
- profit or loss	(145)	(351)	135	2,008	18	1,665
- other comprehensive loss	--	(4,909)	557	--	--	(4,352)
As at 31 December 2019	365	(6,953)	6,551	(40,533)	18	(40,552)

In 2016 the Group was audited by the Board of Inland Revenue (BIR) in relation to the financial year 2010. The BIR assessment for the 2010 financial year indicated that certain expenses claimed by the Group were not allowable. Management has since filed an objection against the BIR assessment. Based on advice obtained, management is of the view that the disallowance of the expenses by the BIR is without merit and as a result no adjustment has been made to the consolidated financial statements in relation to this matter.

16 Stated capital

	2019 $	2018 $
Authorised		
Unlimited number of ordinary shares of no-par value		
Issued and fully paid		
120,200,000 ordinary shares of no-par value	120,200	120,200

17 Net finance cost

	2019 $	2018 $
Interest and bank charges	5,268	5,273
Interest income	(491)	(732)
Lease interest	291	--
Foreign exchange loss	(337)	(731)
	4,731	3,810

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18 Expenses by nature

	2019 $	2018 $ Restated
Direct materials	238,202	232,689
Salaries and wages	90,427	87,481
ESOP allocation to employees	312	695
Rents, rates and taxes	32	2,591
Transportation, security, electricity, communication and handling charges	20,976	21,624
Repairs and maintenance	7,206	8,740
Depreciation and amortisation	17,966	15,117
Insurance	4,746	3,934
Professional and legal fees	4,303	6,513
Provision for doubtful accounts	2,222	1,412
Advertising and promotion	1,949	1,307
Other	18,555	21,832
Total cost of sales, selling and distribution and administrative expenses	406,896	403,935

19 Earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of $6,133 (2018: $20,595) by the weighted average number of ordinary shares outstanding of 120,200 (2018: 120,200) less treasury shares of 2,264 (2018: 2,295).

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of $6,133 (2018: $20,595) by the weighted average number of ordinary shares outstanding of 120,200 (2018: 120,200) less unallocated treasury shares 748 (2018: 744).

20 Dividends

Final equity dividends to the shareholders of the Group are recognised in the year that they are approved by the shareholders. Interim equity dividends are recognised in the year that they are declared. Dividends for the year ended 2018 of 7 cents per share or $8,414 was declared in the 2019 financial year (2018: 10 cents per share or $12,020).

Dividends payable as at year end amounted to $2,094 (2018: $1,880).

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21 Related party transactions

Balances and transactions with key management personnel during the year were as follows:

	2019 $	2018 $
Key management compensation		
All managers and executive salaries	8,871	11,538
Post-employment benefits	730	865
Director's fees	548	579
Termination benefits	2,141	--
Transaction with director – services rendered	--	75
Salary advance	27	--
Amount	12,317	13,057

The GORTT has provided a guarantee over one of the Group's borrowing facilities for up to US$15M.

Amounts due to/from GORTT

Amounts due to/ from the GORTT arise in the normal course of business. This includes transactions with the Ministry of Agriculture, Land and Fisheries for processing of rice paddy as well as amounts due from GORTT for the offering of discounts to customers to pass onto the public. Amounts due from the GORTT amounted to $18.2M (2018: $17.9M) and amounts payable to the GORTT amounted to $17.3M (2018: $15.9M).

	2019 $	2018 $
Sales and purchases of goods and services		
Sales from the rendering of services to related parties	4,879	4,891
Purchases of goods from related parties	1,354	1,519

22 Other operating income

The following amounts are included within other operating income in the profit or loss:

	2019 $	2018 $
Management fee	4,800	4,800
Rental income – sublease	700	700
Dividend income	481	678
Other amounts	3,233	1,184
	9,214	7,362

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23 Financial instruments by category

	2019 $	2018 $
Loans and receivables at amortised cost		
Financial assets		
Accounts receivable	74,149	68,487
Amounts due from the GORTT	18,274	17,935
Cash and cash equivalents	43,578	44,285
Investments at fair value through OCI	1,248	1,758
Restricted deposit	16,542	31,981
	153,791	164,446
Financial liabilities		
Accounts payable and accruals	32,545	32,203
Lease liability	6,859	--
Amounts due to the GORTT	17,321	15,968
Borrowings	64,645	88,608
	121,370	136,779

24 Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see below.

(i) Amounts recognised in the balance sheet

	2019 $
Right-of-use assets	
Land	6,920
Lease liabilities	
Current	1,038
Non-current	5,821

	31 Dec 2019 $
Right-of-use asset	
Opening net book value	7,682
Additions	--
Amortisation charge	(761)
Closing net book value	6,920

	31 Dec 2019 $
Right-of-use asset	
Cost	7,682
Accumulated amortisation	(761)
Closing net book value	6,920

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24 Leases (continued)

(i) Amounts recognised in the statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	2019 $
Depreciation charge	761
Interest expense (included in finance cost)	291
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	260
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	120

The total cash outflow for leases in 2019 was 508.

Lessor

Amounts recognised in profit or loss for operating leases from which sub-lease income is derived

	2019	2018
Rental income from operating leases	700	700
Direct operating expenses from property that generated rental income	354	354

25 Contingent liabilities

In the normal course of operations, the Group is party to various legal proceedings. Management has assessed the Group's likely liability for all claims in the consolidated financial statements. The actual liability could differ from these estimates.

The Group has contingent liabilities in the amount of $1.5M in relation to legal claims.

The following are the contingent liabilities being held with Scotiabank Trinidad and Tobago Limited.

Currency	In favour of	Balance	Expiry date
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	50,000	4-Mar-20
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	1,500,000	4-Mar-20
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	10,000	2-Jul-20
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	500,000	20-Jan-21
TTD	Comptroller of Accounts	11,000	28-Sep-20
TTD	The State of Trinidad and Tobago	10,000	23-Mar-20

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26 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's Chief Executive Officer (CEO) reviews internal management reports monthly. The following summary describes the operations in each of the Group's reportable segments:

- Food includes manufacturing and distributing flour, flour by-products and rice.
- Animal feed includes manufacturing and distribution of feed products for animals.

Other operations include the purchase and sale of imported dry goods and grain.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Financial information regarding assets and liabilities by operating segment is not reported on a regular basis to the Group's CEO.

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26 Operating segments (continued)

	Food		Animal feed		Other		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Segment revenue	300,329	317,795	94,446	95,007	17,701	19,317	412,476	432,119
Gross profit	65,782	90,268	21,014	24,980	4,568	2,749	91,364	117,997
Depreciation and amortisation	16,708	14,361	1,078	605	180	151	17,966	15,117
Net finance cost	4,068	3,277	426	343	237	190	4,731	3,810
Other operating income	5,160	4,933	737	442	3,317	1,988	9,214	7,362
Profit before tax	7,246	24,278	2,314	6,719	503	739	10,063	31,736
Property, plant equipment	163,291	173,645	8,686	7,311	1,737	1,828	173,714	182,784
Intangible assets	5,427	5,830	289	245	57	62	5,773	6,137
Borrowings	--	--	--	--	--	--	64,645	88,608
Accounts payable and accruals	--	--	--	--	--	--	32,545	35,048

Assets (except for property, plant and equipment and intangible assets) segment are not reviewed by the CODM and therefore not included in the allocation above.

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26 Operating segments (continued)

Entity wide disclosures

Revenues from external customers are derived from the sale of products by individual business segment.

The breakdown of revenue by business:

	2019 $	2018 $
Revenue		
Flour	266,977	283,713
Feed mill	94,446	95,007
Parboiled rice	6,518	5,613
Corn	4,560	4,087
Dry mixes	20,145	21,938
Trading	6,689	6,531
Oil	8,006	9,167
Other	(32)	526
Soya	5,167	5,537
	412,476	432,119
Revenues from external customers		
Export sales	19,244	31,138
Local sales	393,232	400,981
	412,476	432,119

Major customers

The Group has one customer whose revenue exceeds 10% of total sales. In 2019 sales with this customer was 14% of total sales (2018: 14 %).

27 Other equity

The Group provides for employee participation in the capital ownership structure of the Group by providing access to shares in the Group through its Employee Share Ownership Plan (ESOP). The plan which took effect from 5 May 1995, allowed for an initial injection of $700 into the Trust with annual amounts not exceeding 3% of after-tax profits for distribution to all permanent members of staff each year. The plan is classified as a cash settled share-based payment whose allocation vest immediately.

The amount paid to each employee is pro-rated based on that employee's basic salary as a factor of total basic salaries of permanent employees in the particular year of distribution. The ESOP requires that a minimum of 40% of each employee's entitlement be taken in the form of a share-based payment. The Trust is managed by a Financial Institution in the name of the Group on behalf of the employees. The Group's liability relating to this arrangement is included within Accounts Payables.

Treasury shares are shares in National Flour Mills Limited that are held by the National Flour Mills Limited Employee Share Trust for the purpose of issuing shares under the National Flour Mills Limited Employee Share Ownership Plan. The number of Company shares held by the plan as at 31 December 2019 was 2,264 (2018: 2,294).

In addition to the NFM shares above, as part of the employees' compensation package and in accordance with the Trust Deed and rules, employees are awarded shares in the parent company, National Enterprises Limited (NEL). As these shares are held by the ESOP on behalf of the employees, these shares are accounted for as an investment on the consolidated statement of financial position.

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27 Other equity (continued)

The number of NEL shares held by the plan as at year end was 216,733 (2018: 219,764) with a fair value of $1,248 (2018: $1,758). The fair value was derived from the Trinidad and Tobago Stock Exchange at the consolidated statement of financial position date.

28 Impairment test for carrying value of net assets of NFM

For the year ended 31 December 2019, the carrying value of the Group's net assets was $253,918 while the market capitalisation was $162,270. This was a trigger for an impairment test to be carried out.

The recoverable amount of this business unit is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. Cash flows for the five-year period were extrapolated using the estimated growth rates stated below. The recoverable amount of this business unit for the financial year ended 31 December 2019 was based on a value in use calculation.

The key assumptions for the value-in-use calculations are as follows:

	2019	2018
Revenue growth rate	2%	2%
Terminal growth rate	1%	1%
Pre-tax discount rate	19.9%	26%
EBITDA	(7)%	13%

Assumption	Approach used to determining values
Revenue growth rate	Average annual growth rate over the five-year forecast period. This was based on past performance and management's expectations of market development.
Terminal growth rate	This is the growth rate used to extrapolate cash flows beyond the budget period. The rate was based on management's expectation of the Group's long-term growth rate.
Pre-tax discount rate	Reflects specific risks of the Group.
EBITDA	Based on past performance and management's expectations for the future.

Holding all other factors constant, if each of the principal assumptions changed the headroom would change as follows:

	2019			
	Rate Changes		Movement in headroom	
	From	To	From	To
	%	%	$	$
Revenue growth rate - 200 bps decline	2	0	77,091	(5,908)
Terminal growth rate - 400 bps decline	1	(3)	77,091	(450)
Discount rate - 250 bps increase	19.9	24.4	77,091	(1,778)
EBITDA rate – 1650 bps decline	(6.8)	(23.5)	77,091	(1,262)

The recoverable amount of this CGU would equal its carrying amount if any of the following key assumptions were to change as follows:

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

28 Impairment test for carrying value of net assets of NFM (continued)

	2019 Rate From %	2019 Changes To %
Revenue growth rate	2	1.8
Terminal growth rate	1	(2.9)
Discount rate	19.9	24.3
EBITDA rate	(6.8)	(23.0)

29 Revenue from contracts with customers

National Flour Mills Ltd derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2018	**Food**	**Feed**	**Other**	**Total**
Segment revenue	311,092	93,003	28,460	432,555
Less: Intersegment revenue	--	--	(436)	(436)
Revenue from external customers	311,092	93,003	28,024	432,119
Timing of revenue recognition				
At a point in time	311,092	93,003	28,024	432,119
Over time	--	--	--	--
Revenue from external customers	311,092	93,003	28,024	432,119

2019	**Food**	**Feed**	**Other**	**Total**
Segment revenue	288,011	87,750	36,845	412,606
Less: Intersegment revenue	--	--	(130)	(130)
Revenue from external customers	288,011	87,750	36,715	412,476
Timing of revenue recognition				
At a point in time	288,011	87,750	36,715	412,476
Over time	--	--	--	--
Revenue from external customers	288,011	87,750	36,715	412,476

Revenue from external customers come from the food products, animal feed products and transportation on a wholesale and retail basis.

30 Net debt reconciliation

This section sets out an analysis of net debt and movements in the net debt for each of the periods presented:

	2019 $	2018 $
Net debt		
Cash and cash equivalents	43,578	44,285
Leases liabilities	(6,859)	--
Borrowings payable within one year	(64,645)	(72,782)
Borrowings-repayable after one year	--	(15,826)
Net debt	(27,926)	44,323
Cash and cash equivalents	43,578	44,285
Gross debt-fixed interest rates	(71,504)	(88,608)
Net debt	(27,926)	(44,323)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

30 Net debt reconciliation (continued)

	Other assets		Liabilities from financing activities				
	Cash/ bank overdraft	Liquid Investments	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2018	55,452	--	(885)	--	(83,221)	(37,293)	(65,947)
Cash flows	(11,167)	--	885	--	10,156	20,829	20,703
Acquisitions – finance leases and lease incentives	--	--	--	--	--	--	--
Foreign exchange adjustments	--	--	--	--	43	10	53
Other changes	--	--	--	--	240	628	868
Net debt as at 31 December 2018	44,285	--	--	--	(72,782)	(15,826)	(44,323)

	Other assets		Liabilities from financing activities			
	Cash/bank overdraft	Liquid investments	Finance leases	Borrowing due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2019	44,285	--	--	(72,782)	(15,826)	(44,323)
Recognition on adoption of IFRS 16	--	--	(7,076)	--	--	(7,076)
Cash flows	(707)	--	(508)	24,513	--	24,314
Foreign exchange adjustments	--	--	--	(236)	--	(236)
Other changes	--	--	291 (i)	(16,140) (ii)	15,826 (iii)	(605)
Net debt as at 31 December 2019	43,578	--	(6,859)	(64,645)	--	(27,926)

(i) Other changes in finance leases of $291 relates to the interest cost on the lease obligation.

(ii) Other changes in borrowings within 1 year relate to:

(a)The amortisation of transactions costs of $314;

(b) Reclassification of non-current borrowings to current borrowings as a result of the breach of loan covenants (Note 14).

Notes to the Consolidated Financial Statements (continued)

31 December 2019 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

31 Investments

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. The Group has classified its financial instruments into Level 1 as prescribed under the accounting standards.

	Level 1 $	Total $
Recurring fair value measurements at 31 December 2019		
Financial assets		
Investments listed on Trinidad and Tobago Stock Exchange	1,248	1,248
Recurring fair value measurements at 31 December 2018		
Financial assets		
Investments listed on Trinidad and Tobago Stock Exchange	1,758	1,758

The following table presents the changes in level 1 items for the periods ended 31 December 2019 and 31 December 2018:

	Listed Securities 2019	Listed Securities 2018
Opening balance 1 January	1,758	2,169
Depreciation	(510)	(409)
Sale of investments	--	(2)
Closing balance 31 December	1,248	1,758

Recognised fair value measurements

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- During the year 2019 no disposals (2018:1).

32 Foreign exchange gains/losses

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	2019 $	2018 $
Net foreign exchange gain/(loss) included in other income	1,287	229
Exchange losses on foreign currency borrowing included in finance costs	337	(731)
Total net foreign exchange (losses) recognised in profit before income tax for the period	1,624	(502)

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33 Commitments

Capital Commitments

There was no capital expenditure contracted for at the end of the reporting period but not recognised as liabilities.

Non-cancellable operating leases

The Group leases various properties under operating leases expiring within six months to 99 years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see note 24 for further information.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable

	2019 $	2018 $
Within one year	--	1,152
Later than one year but not later than five years	--	4,242
Later than five years	--	7,573
Total	--	12,967

Management Proxy Circular

Republic of Trinidad and Tobago

The Companies Act, 1995

(Section 144)

1. **Name of Company**

   NATIONAL FLOUR MILLS LIMITED: Company No. N-763 (95)(A)

2. **Particulars of Meeting** – Forty-Seventh Annual Meeting of the Shareholders of the Company to be held in Theatre 1, National Academy for the Performing Arts (NAPA), Keate Street, Port of Spain on Thursday 25th June 2020 at 10.00 a.m.

3. **Solicitation** – It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form.

4. **Any Director's statement submitted pursuant to Section 76(2)** – No statement has been received from any Director pursuant to Section 76(2) of the Company's Act, 1995.

5. **Any Auditor's statement submitted pursuant to Section 171(1)** – No statement has been received from the Auditors of the Company pursuant to section 171 (1) of the Company's Act 1995.

6. **Any Shareholder's proposal and/or statement submitted pursuant to Sections 116(1) and 117(2)** – No Proposal has been received from any Shareholder pursuant to Sections 116(a) and 117(2) of the Companies Act, 1995.

Date	Name and Title	Signature
30th April 2020	Sati Jagmohan Secretary	Sjagmohan

Notes

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