



# NATIONAL FLOUR MILLS LIMITED

## ADMINISTRATIVE REPORT

FOR THE FISCAL YEAR ENDED 31<sup>ST</sup> DECEMBER 2019



Submitted to the Ministry of Trade and Industry

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**National Flour Mills Limited stands at the forefront of Trinidad and Tobago's flour milling and feed milling industries.**

### **VISION STATEMENT**

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

### **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.

### **STRATEGIC OBJECTIVES**

In 2019, the Company continued to pursue the strategies outlined in the Strategic Plan 2018-2022 namely **growth through expansion** and **a lean, cost-conscious, competency-based organizational model**, as the means by which NFM will assure the sustainability and profitability of its business over the short, medium and long terms.

Specifically, efforts were focused on pursuing diversification projects such as the Cocoa Project and the Dry Mix Project as well as making the operations more lean and efficient.

As part of the efforts to improve efficiency, in March 2019, the Company commenced a process of corporate restructuring with the delayering of the General Manager level. As part of this process, the following positions were made redundant:

- General Manager, Operations
- General Manager, Sales & Marketing
- General Manager, Finance
- General Manager, Business Support Services

The position of Chief Operating Officer was created to encourage functional collaboration across the operations of the Company. In addition, given the importance of the human resources function to the further restructuring of the Company, the position of Chief People and Organizational Development Officer was created.

## **ORGANIZATIONAL STRUCTURE**

### **a. Organizational Profile**

National Flour Mills Limited (NFM) has established itself as a leader in the food manufacturing sector in Trinidad and Tobago. This leadership status has been achieved through the blending of the traditional values and skills of the industry, with the investment in technology and training needed to create and sustain a large, modern and efficient organization.

NFM's products are supplied through a variety of channels to bakers, food manufacturers, retailers and farmers throughout the local and regional markets. By providing precisely the right product/service mix to each customer, NFM has been able to achieve a substantial share of the market.

The Company commenced trading activities in 1966 as Trinidad Flour Mills Limited and was engaged in the milling of wheat for the production of flour and wheat middling, the main by-product of the flour milling operations which is used as a raw material input for the production of livestock feeds.

National Flour Mills Limited was incorporated on September 30, 1972. Subsequent to its incorporation, the majority of the issued share capital was held by the Government of Trinidad and Tobago and minority shareholdings were held by two foreign investors - Inter Continental Grain Company and Maple Leaf Limited of Canada.

In 1980, the government acquired the shareholding of the two (2) foreign investors and NFM became a wholly owned State Enterprise. The Government's shareholding was subsequently divested to the public on the Stock Exchange in three (3) tranches. The public now owns 49% of the Company's shares. In 1999 the Government transferred its 51% shareholding to National Enterprises Limited, which itself is a publicly listed company.

The principal developments in NFM since 1980 have been as follows:

- In 1983, NFM acquired Trinidad Grain Terminal Limited and began the sale of bulk corn and soyabean meal to feed manufacturers.
- In 1984, NFM took over the management of the operations of National Feed Mill Limited and in 1987 this company became a wholly owned subsidiary of NFM. National Feed Mill Limited was engaged in the manufacture and sale of livestock, poultry and specialty feeds.
- In 1985, NFM leased the local rice milling operation at Carlsen Field from the Ministry of Agriculture. In 1990, ownership of the Rice Mill was transferred to NFM and in 1995, the land at Carlsen Field was granted to NFM.
- In 1987, NFM commissioned an integrated Soyabean Complex, which produced soybean meal and crude, refined and hydrogenated soyabean oils together with bottled oil.
- In 1992, the Company increased its on-site storage capacity by an additional 25,000 metric tonnes with the construction of additional concrete silos.
- In 1994, NFM commissioned a ship unloading/loading facility resulting in substantial cost savings in the handling of grain imports.
- In 1999, after a corporate reorganization, National Feed Mill became the Feed, Poultry and Livestock Division of NFM. This division operates a new state of the art Feed Mill which began commercial operations of its 30 metric tons per hour Plant in May 1999.
- In 2002, NFM acquired the dry-mix operations of Nabisco Royale Inc. The entire Lion Brand and Royal Brand product portfolio were acquired.
- In 2003, the distribution rights for the SAF Brand of instant yeast was acquired.

- In 2006, NFM ceased operation at its Edible Oil Complex following an explosion at this facility. This plant has been de-commissioned and various pieces of the equipment sold.
- In 2006, NFM commissioned its new state of the art 400MT capacity Flour Mill which replaced two flour mills that were over thirty five (35) years old.
- In 2007, NFM began a Food Importation and Distribution Initiative Programme which was aimed at bringing cheaper foods to the nation, in light of escalating inflation. The goods imported for distribution included Meats, cereal, sardines and milk. However, in 2008, the then Board took a decision to cease this programme and by the end of 2008 all food imported under this programme had been distributed.
- From 2008 to present NFM has refocused its efforts on redefining its business strategy focused on its core competences to capitalize on market opportunities.

Today, NFM produces Food and Feed products in its three manufacturing facilities and supplies Bulk corn, soya bean meal and wheat middlings to local and export customers.

**Food** – The Company mills flour in its state of the art factory and also manufactures complementary dry-mix food products.

**Flour** - Included in our wide range of flour products, one will find All Purpose, High Gluten, Bakers', Whole Wheat, Self-Rising and Breeding Flour. Our well-known consumer flour brands include Ibis®, Hibiscus®, Lotus®, and good N' natural®. NFM's commercial flour brand is National. NFM also supplies flour in bulk to commercial customers and it is the only Flour Mill with this loading capability in Trinidad.

**Cereals** – NFM produces several healthy high fibre cereals including bran, wheat germ and hot wheat cereal, all under the good N' natural® brand.

**Cooking & Baking Products** – To complement our flour products NFM also manufactures Lion Brand® Baking Powder, Pholourie Mix and Split Peas Powder, as well as the Lotus® brand of Custard Powder and Icing Sugar.

**Traded Items** – The Company also imports and/or distributes complementary products such as White Rice, Par Boiled Rice, Soya Bean Oil under the Lotus® brand; SAF Yeast; good N natural Coconut Milk and Ginger Tea.

**Feed** – NFM manufactures National® brand feeds for a wide range of poultry and livestock animals and is a leader in pet food manufacture both under its brand Command Performance® as well as through third party manufacturing arrangements to leading retail chains. NFM is a regional leader in the manufacture of extruded feeds including floating tilapia feed, rabbit feed and dog and puppy food.

**Pet Food** – NFM Manufactures Command Performance® Dog and Puppy food, third party manufacturing of pet food.

**Livestock Feed** – NFM's wide range of National® poultry and livestock feed as well as fish and horse feeds include:

- All purpose
- Poultry (broiler, layer, pullet, chick)
- Dairy
- Ruminant
- Pig (starter, grower, gestation, lactation)
- Duck
- Rabbit
- Horse (broodmare and racehorse)

- Fish (Floating Tilapia)

**Bulk sales of corn and soya bean meal** - NFM also imports and resells corn and soyabean meal in bulk at competitive prices and can supply both local and export customers on an FOB or CIF per kg basis.

#### **b. Corporate Structure**

As stated previously, in 2019, the Company commenced a process of organizational delayering. The organizational structure prior to 2019 was very bureaucratic which resulted in management practices that were not conducive to collaboration, innovation and productivity.

The new structure is attached at Appendix 1. The structure continued to be headed by a Board of Directors supported by a Corporate Secretary. The Chief Executive Officer who is accountable to the Board of Directors, leads an Executive Management Team. The Corporate Structure in 2019 comprising the following persons:

- Board of Directors
  - ✓ Nigel Romano – Chairman
  - ✓ Sonja Voisin
  - ✓ Aliyah Hamel-Smith
  - ✓ Karen Shaw
  - ✓ Shane Correia
  - ✓ Ross Alexander
  - ✓ Jean Pierre Du Coudray

During the course of 2019, Dr. Joseph Neville Jacob resigned as a Director and was subsequently appointed to the position of Chief People and Organizational Development Officer. Mr. Jean Pierre Du Coudray was appointed to fill the vacancy created by the resignation of Dr. Jacob.

In addition, Mr. Sharaz Ahamad passed in 2019. Mr. Ahamad was the nominee of the National Insurance Board of Trinidad and Tobago (NIBTT). In the latter part of 2019, Ms. Joanne Salazar was nominated by the NIBTT to fill the vacancy left by Mr. Ahamad.

The Executive Management Team comprised the following persons:

Mr. Kelvin Mahabir - Chief Executive Officer  
Mr. Jason Mohammed – Chief Operating Officer  
Dr. Joseph Jacob – Chief People and Organizational Development Officer.



In addition, the Company has a Senior Leadership Team comprising the following Managers:

- Ms. Andra Emamdee- Balgobin – Head, Finance & Accounting
- Ms. Karen Nieves – Head, Quality & HSE
- Ms. Anesha Mohammed – Head, Procurement
- Mr. Shurland Sawh – Head, Warehouse & Distribution
- Ms. Yvette Eastman – Manager, Feed Milling & Packaging
- Mr. Anthony Jones – Internal Auditor
- Mr. Terrance Massoom – Manager, Sales
- Ms. Gail Nobbee – Manager, Product Development
- Ms. Prudence Mohammed – Manager, Food Production
- Mr. Atiba Morris – Manager, ICT
- Mr. Jeremy Ramoutar – Manager, Maintenance

A copy of the Organizational Chart as at December 31<sup>st</sup> 2019 is attached as **Appendix 1**.

### **SERVICES/PRODUCTS PROVIDED AND SPECIAL PROJECTS EMBARKED UPON**

#### **A. Products**

In 2019, product development efforts focused on healthier offerings such as self-rising whole wheat flour and multi-grain flour for the retail trade. In addition, Pamela's coconut flour and cassava flour were added to the traded items.

To support today's hectic lifestyles, a fry-bake flour was developed. Just add water and fry.

In addition, NFM continued to offer its traditional products as listed below:

<b>Products</b>	<b>Brands</b>
All Purpose Flour	Lotus Ibis Hibiscus
Self-Rising Flour	Lion
Bakers Flour	Lotus
High Gluten Flour	National Bakers
Cake Flour	Lotus

Whole Wheat Flour/Cracked Wheat	Lotus Good N' Natural
Cookies	Palm
Cracker	Palm
Baking Powder	Lion
Pholourie Mix	Lion
Split peas Powder	Lion
Roti and Doubles Flour	Lion
Icing Sugar	Lotus
Coconut Milk Powder	good N' Natural
Ginger Tea (sweetened and unsweetened)	good N' Natural
Soya Bean Oil	Lotus
Parboiled Rice	Lotus
Wheat Bran	good N' Natural
Wheat Germ	good N' Natural
Wheat Cereal	good N' Natural
Yeast	Saf Instant Mauripan

## **B. Services**

In addition to products, NFM also provides technical support and after-sales service to key accounts in the Commercial Segment in the Company's Food Markets and to Farmers.

## **C. Special Projects Embarked Upon**

The Company continued to undertake capital works in relation to the creation of a safe work environment, promote employee well-being and to ensure that the Company could meet current and future market demands. During the course of 2019, specific projects undertaken were:

- Review of options for the purchase of a new Packer.
- Upgrade to the Food Transfer System.
- Purchase of a New Elevator
- Construction of a Concrete Slab for New Tank Farm

### **Delegated Levels of Authority**

#### **Execution of Contracts**

The authorization to sign contracts on behalf of the Company is as follows:

<b>Value of Contract</b>	<b>Authorized Signatory</b>
Up to \$25,000.00	All Managers
>\$25,000.00 to \$50,000.00	COO/CP&ODO
>\$50,000.00 to \$100,000.00	Chief Executive Officer
>\$100,000.00 to \$300,000.00	Chief Executive Officer and COO/CP&ODO
>\$300,000.00	Chief Executive Officer and the Corporate Secretary or a Board Director

#### **Cheque Signatories**

The authorization to sign cheques was as follows:

#### **CATEGORY A – TT\$1,000,000 and over**

The following: -

- Director (1)
- Chief Executive Officer

#### **CATEGORY B – Over TT\$100,000 to TT\$999,999.99**

The Chief Executive Officer and one of the following: -

- Chief Operations Officer
- Chief People and Organizational Development Officer
- Corporate Secretary
- Head, Finance & Accounting

### **CATEGORY C – Up to TT\$99,999.99**

Any two of the following, one of which must be a Group B Signatory. However, two signatories from the same Department cannot sign a cheque: -

- Chief Executive Officer
- Chief Operating Officer
- Chief People & Organizational Development Officer
- Corporate Secretary
- Head, Finance & Accounting
- Manager - Accounting
- Manager – Management Accounting
- Manager – Quality
- Manager – Local Sales

### **Legislative and Regulatory Framework**

As a corporate entity, NFM is governed by its Bye Laws and the Companies Act 1995. The Company is also subject to the guidance provided by the State Enterprises Performance Monitoring Manual and other corporate governance guidelines as well as policies and procedures approved by the Board of Directors.

As a Listed Company, NFM complies with the requirements of the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Securities and Exchange Commission.

### **Reporting Functions**

On a monthly basis, Unit Managers are required to submit reports to their respective Chiefs/Heads who are then required to submit comprehensive reports for their functional areas to the Chief Executive Officer to facilitate the preparation of his Report to the Board of Directors.

The Chairman of the Board reports to the Minister of Finance and the Minister of Trade and Industry in accordance with the directives outlined in the State Enterprises Performance Monitoring Manual.

NFM, as a listed company, also reports to the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Securities and Exchange Commission.

## **POLICIES AND DEVELOPMENT INITIATIVES**

### **Short, Medium and Long Term Plans**

In the short-term, the Company was guided by its annual Corporate Plan. In addition, in the short, medium and long-term, the Company continues to be guided by

Government Policy for the Sector. In keeping with the Board's continued thrust to provide the foundation for the creation of a culture of accountability, efforts continued to be focused on the development and roll-out of policies & procedures.

In keeping with its strategic direction to achieve sustainability and profitability over the short, medium and long terms, NFM conducted a comprehensive Job Evaluation and Organisational Review in 2018. This review revealed that the Company's structure comprised excessive and non-value adding organisational layers. In addition, the review also highlighted that such multi-tiered or stacked organizations are almost non-existent in the competitive local manufacturing sector. In light of the afore-mentioned, the Board of Directors of NFM took the strategic decision to pursue an organizational strategy of de-layering at the top level and upskilling from the bottom in an effort to create and sustain a lean and more cost-effective organization. During the first quarter of 2019, NFM sought to restructure its management level by making the positions of General Managers redundant. To date all termination benefits (severance pay-out and pension benefits) have been paid to the affected managers.

In addition, the Company has embarked on an ambitious training programme in emotional intelligence, supervisory training and lean manufacturing techniques among other programmes.

For the medium to long-term, strategic initiatives require NFM to:

- Solidify the organization's existing foundations and business as usual; and
- Transform future performance through the product and geographic diversification of the Company's operations across non-flour initiatives and products.

Specific planned/targeted activities outlined in the Strategic Plan to solidify the existing foundations and business as usual include:

- Achieve Food Safety Certification. In 2019 NFM passed the Desk Audit which meant that NFM's food safety policies & procedures are on par with that of the standard;
- Upgrade the software in the Flour Mill to achieve traceability which is an essential component of the Food Safety Initiative;
- Enhance plant and facilities capacity and capability focused on product quality and reliable output that meet customer needs such as:
  - Upgraded roofs and radiant barriers at Port of Spain and Carlsen Field warehouses;
  - Overhauled chutes to reduce product spillage, wastage and possible risk of water ingress into raw material holding silos. This initiative also supported pest prevention;
- Implement a Sales & Operations Planning Process;

- Design, Develop and Implement an Enterprise-Wide Risk Management Framework; and
- Implement Maintenance and Facilities Initiatives such as:
  - Improvements to Sig Packer, Sewing Machine and Buhler Fast Line (Flour and Feed) Spares combined with scheduled planned shutdowns, RSI, and preventative repairs.
  - Implementation of Magnetic Flux testing as required by customer's audit (Bermudez) for Flour Mill's processing system to monitor the integrity of the Mill's magnets and ensure that readings are trended to detect potential failures beforehand thus supporting the prevention of product contamination and customer complaints.

The focus going forward would be on increasing revenue through export sales. The Company has recognized the growth potential for the Food Service Consumer segment and will continue to focus on developing ready to eat products in the local market initially. The commissioning of the new Flour Mill in Jamaica has negatively impacted NFM's ability to service the Jamaican market as well as other regional markets.

On the Feed side of the business, increased emphasis was placed on growing the market share for Command Performance dog food and Perromax in both the local and export markets. Command Performance dog food is marketed as a premium product and is currently generating a significant amount of revenue for the Company while Perromax is geared towards the low- income market.

Extruded feeds have been identified as a growth pole for NFM and investment in a new Extrusion facility has been identified as a strategic objective in the Strategic Plan 2018-2022.

Given that the company imports most of its raw materials, the need to source foreign exchange is critical to the ability of the Company to remain a viable concern. This problem has been significantly alleviated by the priority treatment given to manufacturing companies by the Central Bank of Trinidad & Tobago. The export thrust will alleviate this problem to some extent provided that adequate margins are obtained. The thrust into certain international markets is to some extent dependent on our ability to attain Food Safety Certification. In turn, certification is dependent on our ability to execute the infrastructural works required to provide the requisite environmental, safety and security conditions.

The Company continued to pursue Continuous Improvement initiatives to reduce - cost, improve efficiency and contribute to the process of culture change within the organization.

The diversification of the business requires a focus on non-flour based activities. Areas being explored include:

- Supporting the agricultural sector in the areas of corn, hot peppers and cocoa production. To date, a pre-feasibility study has been completed for the Cocoa Project. The execution of the feasibility study requires the identification of a suitable location. A request for a parcel of land has been made to the Ministry of Agriculture, Land & Fisheries. To date, several sites have been explored one of which has the potential to satisfy NFM's requirements. Discussions will continue with officials at the Ministry of Agriculture, Land and Fisheries.
- Establishment of an Extrusion Facility and the expansion of feed products.

### **Performance Objectives and Accomplishments. Remedial Plans if any, as it concerns Performance Gaps**

The Budget is used to validate the achievement of performance targets in terms of actual versus budgeted. To measure the impact of these initiatives and identify gaps for training and development and other remedial or disciplinary procedures, the Performance Management system was implemented throughout the organization. The downward trend in revenue continued in 2019 forcing the organization to review the productivity, absenteeism and competency levels of its employees. The competency exercise will be completed in 2020 and when completed, will identify the competency gap and a personal development plan for each employee. This exercise will contribute to increased levels of productivity as well as facilitate the rationalization of manpower within the organization.

In addition, in 2019, a manpower planning exercise was initiated throughout the Company. The objective of this exercise was to determine whether employees were being optimally utilized and if not, what adjustments were required.

## **FINANCIAL OPERATIONS**

### **Budget Formulation**

In alignment with the Company's strategic objectives, Budgets (both capital and recurrent) are produced on an annual basis. A revenue target is determined and proposed expenditure is correlated to the revenue target. The actual expenditure including the payment of dividends is based on cash flows. NFM's biggest item of expenditure is related to the purchase of grains, the price of which is beyond the control of the Company.

In addition, NFM produces monthly financial statements which are submitted to the Board of Directors at their Board Meetings. The monthly statements generally include a Balance Sheet, Profit and Loss Statement and Cash Flow Statement and are used to ensure that the Company can meet its liabilities as they become due.

In accordance with the requirements of the regulatory bodies, financial statements are published after every quarter and audited annual statements are also published by the 31<sup>st</sup> of March every year.

**Expenditure v Income  
Statement of Comprehensive Income**

	<b>Audited 2019</b>	<b>Audited 2018</b>
Turnover	412,476	432,119
Cost of Sales	(321,112)	(314,122)
<b>Gross Profit</b>	<b>91,364</b>	<b>117,997</b>
Selling and Distribution Expenses	(38,657)	(40,226)
Administrative Expense	(47,127)	(49,587)
Other Operating Income	9,214	7,362
<b>Operating Profit</b>	<b>14,794</b>	<b>35,546</b>
Financial Expense	(4,731)	(3,810)
Profit Before Taxation	10,063	31,736
Taxation	(3,930)	(11,141)
<b>Profit for the Period</b>	<b>6,133</b>	<b>20,595</b>

**Debt Policy**

In support of the Company's strategic objectives, NFM's Debt Policy provides guidelines for the use of debt to ensure adequate funding for the execution of the Company's Annual Corporate Plan as well as providing prudent sources of funding as and when required.

The Debt Policy covers all forms of debt including short-term and long-term debt. The objectives of the Debt Policy are to insure that (i) the feasibility of acquiring additional debt is based on good business sense and (ii) competitive interests and other costs are obtained.



## **Investment Policy**

NFM's Investment Policy defines the parameters within which surplus funds are to be managed so that the process is transparent and in keeping with Management's fiduciary duty to the Company.

The policy governs all activities relating to the investment of all funds with the exception of funds held by Trustees or other statutory bodies.

The objectives of the Policy are to:

- Maximize investment earnings; and
- Ensure that sufficient liquidity is maintained to meet operating requirements.

At present, short-term investments are not being made due to the fact that a decision was made to utilize surplus funds to reorganize working commitments to reduce finance costs

## **Internal Audit Functions**

In 2019, the Internal Audit Unit was staffed by three persons – an Internal Auditor and two Audit Seniors. The work of the Internal Audit Unit continues to be guided by an Internal Audit Charter and the Internal Auditor reports functionally to the Chairman of the Audit Committee and the Chairman of the Board and administratively to the Chief Executive Officer.

The Audit Committee was established by the Board in accordance with the Company's Bye Laws and the Companies Act, 1995. The composition of the Committee is as follows:

- Sharaz Ahamad until August 2019 and Ross Alexander was subsequently appointed Chairman
- Aliyah Hamel-Smith
- Sonja Voisin

## **HUMAN RESOURCE DEVELOPMENT PLAN**

### **Organizational Establishment - Appendix 2**

#### **Categories of Employees**

The categories of employees engaged by NFM are permanent employees, contract employees and temporary employees.

### **Career Path Systems**

As far as is reasonably possible, NFM seeks to satisfy the growth and development needs of its employees. Significant emphasis is placed on the training and development needs of employees and with the exception of specialized areas, internal recruitment is the first option for filling new positions.

The Performance Management System is being used to identify and treat with areas for improvement.

### **Performance Assessment/Management Strategies**

A Performance Management System was implemented. This system is used as a basis for training and other interventions

### **Promotion/Selection**

National Flour Mills Limited is an equal opportunity employer and has a responsibility to procure the best available and most suitable candidate for the positions that are advertised.

Whenever vacancies arise, the Company will give first consideration to existing personnel within the Company before recruiting from outside the Company. All unionized positions must be advertised internally.

Deserving employees shall not be denied the opportunity to fill a vacant position in accordance with NFM's procedures.

When two (2) or more candidates in the Company's opinion have equal skill, competence, efficiency and merit, there will be an extended selection process. However, if these candidates are internal, then the candidate with seniority will be given preference in filling the vacancy.

In 2019, a Competency Exercise will be undertaken to assist with this process.

### **Employee Support Services**

An Employee Assistance Programme is in place. The provider is Families in Action.

## **PROCUREMENT PROCEDURES**

National Flour Mills Limited, is committed to ensuring an equitable, transparent and accountable process in the purchasing of goods and the provision of works and services and in the disposal of its assets. The Company aims to implement a system of strategic procurement to ensure that its method of service provision, including the

carrying out of works, purchasing goods and disposal of assets are cost effective and represent the best value for money.

The Company shall implement strategies to analyze costs, trends, price forecasts and gather market intelligence, which shall be administered by the Procurement & Logistics Department, for the purpose of identifying potential partnerships and alliances, market capability, performance measures, stakeholders, international organizational requirements, preliminary costs and risk management as well as building capabilities and adopting strategies to control cost.

### **Open Tender**

Open Tendering is a process where invitations are issued through advertisements or other forms of public notice. The Company shall use Open Tendering in the following instances:

- (1) When the Company's list of approved Vendors does not cater or adequately cater for particular types of Goods, Works and/or Services.
- (2) Where it is competitively more advantageous.
- (3) Where the terms and conditions of Company borrowings so require.

a. Open Tendering should also be considered where:

- There is a reasonable possibility that there may be other parties who are able to provide the good, work or service and who are unknown to the Company at the time of tendering.
- The in-house estimate is of a substantial sum so that it is considered the most transparent and equitable approach to be used.
- The nature of the good to be provided, the work or service to be undertaken is such that it is the most equitable option.
- The work, good or service is considered high risk.
- The work, good or service is considered complex.
- The nature of the contracting arrangement to be entered into favors this option.
- The principles of accountability, equality, transparency, value for money and so forth may best be achieved.

### **Selective Tendering:**

Selective Tendering is a process where Tenders are invited from the Company's list of approved Vendors and/or where justified, Vendors specifically approved by the Registration Committee responsible for the pre-qualification of Vendors. In choosing a Selective Tendering process, the Company shall:

- (1) Set a minimum of three (3) and a maximum of ten (10) invitees so as to allow adequate competition in the procurement process. The invitees selected shall be among the top-ranked Vendors registered to provide the particular Goods, Works and/or Services.
- (2) Continually evaluate Vendors on their performance, inclusive of responsiveness to tender invitations and overall compliance with contract terms and conditions.

### **Sole Tender**

The Company may without inviting Tenders make merit awards or contract directly for purchases of Goods or secure the performance of Works and/or Services under the following circumstances:

- (a) Where the materials are non-changeable spares or replacement parts for materials already in use.
- (b) When the Works and/or Services are to be carried out on a site where the employment of another Vendor may hinder the progress of work already being performed by an existing Vendor, taking due account of cost effectiveness of the approach adopted.
- (c) Where only one Vendor/Consultant is capable or available or identified as having the qualifications or special proficiency, experience and skill of exceptional worth, expertise and/or equipment to supply the required Goods, Works and/or Services or is the agent of the agent/representative for Goods, Works and/or Services.
- (d) Where the Goods, Works and/or Services are required due to an Emergency situation.
- (e) When significant cost savings can be achieved by using a Consultant who is familiar with the Company having worked on a similar project.

Prior approval shall be required for all merit awards in accordance with the relevant Financial Authority to Award Contracts.

A detailed description of the Goods to be purchased or Works and/or Services to be performed must be presented along with a certification of at least one of the merit circumstances listed above.

The Executing Unit shall prepare a Company Estimate, as well as relevant documentation, which may include the scope of work, specifications, form of bid, conditions of contract or form of agreement and any other necessary information.

The Company's Procurement Rules are being updated to ensure alignment with the new Procurement Legislation. In addition, in accordance with the legislation, a Head, Procurement was recruited to perform the duties of the Chief Procurement Officer.

### **PUBLIC AND COMMUNITY RELATIONS**

The Company makes contributions in the form of donations, sponsorship and scholarships to local community groups.

In-kind donations do not involve a direct cash contribution but instead might include providing promotional items such as T shirts, Aprons and other related items. Such donations would be made on the basis that there would be no expectation of increasing the material gain other than that related to the corporate recognition, credibility and reputation of NFM.

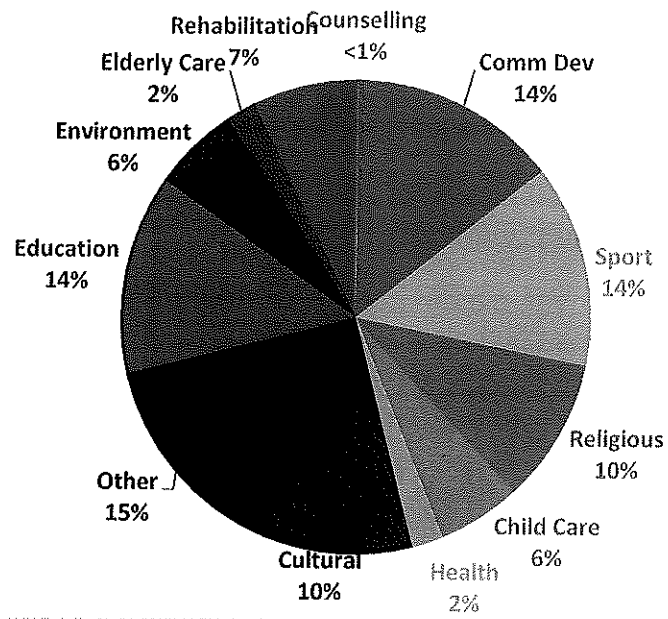
Scholarships – From time to time, NFM may award scholarships to recognize academic excellence.

Sponsorships relate to opportunities that will in most cases offer a long-term association with a particular entity, event or programme. In most cases, sponsorships will allow NFM to develop a working relationship with the other party and to proactively participate to ensure maximum branding on investment is achieved.

Preference is given to groups and organizations that:

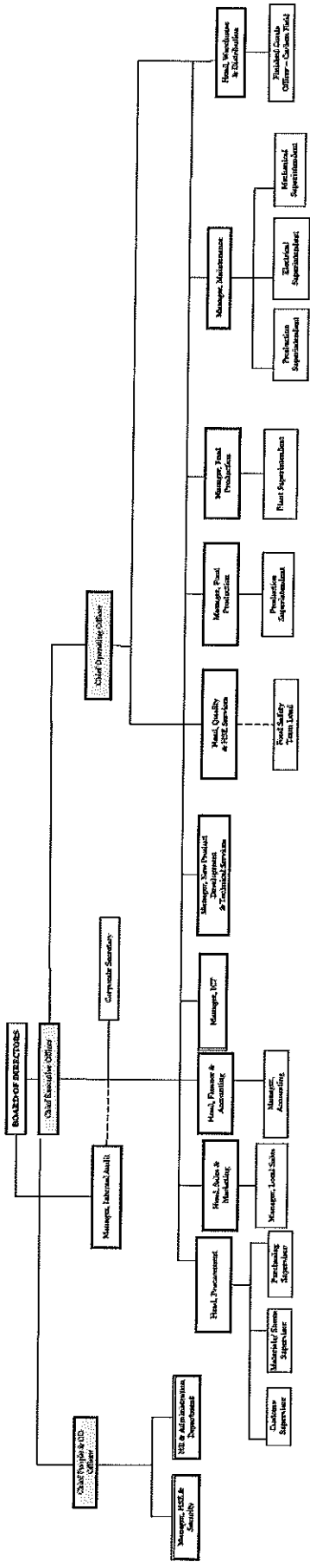
- Are non-profit and can demonstrate community support and involvement.
- Are working for the benefit of a wide variety of stakeholders, in particular the youth of the community.
- Can demonstrate how the money or in-kind donation will be spent and the expected outcome of the event.
- Agrees to acknowledge the Company's contribution through the placement of various promotional banners, brochures, posters and the corporation's logo in promotional material.
- Commit to providing the Company's logo on promotional materials.
- Commit to providing the Company with a letter following the holding of the event that summarizes the outcomes and benefits.

## DISTRIBUTION OF 2019 DONATIONS



Appendix 1

**ORGANISATIONAL STRUCTURE  
as at Dec. 31, 2019**



1 4 5 0 4 0 0 1 4 7 4

**APPENDIX 2 – ORGANIZATIONAL ESTABLISHMENT**



**NATIONAL FLOUR MILLS LIMITED**

**ESTABLISHMENT BY HIERARCHY - DECEMBER 2019**

	No. of Emp.
<b>NON-UNIONISED POSITION</b>	
CEO/Divisional Managers	3
Departmental Managers	14
Technical/Professional (Officers)	39
Para-Professionals	36
Merchandizers	17
<b>UNIONISED POSITION</b>	
<b>Monthly Paid Employees</b>	
Superintendents and Supervisors	24
Technical	54
Clerical	17
<b>Hourly Paid Employees</b>	146
<b>TOTAL ESTABLISHMENT</b>	<b>350</b>



# **National Flour Mills Limited**

## Consolidated Financial Statements

31 December 2019

*(Presented in Thousands of Trinidad and Tobago Dollars)*

# **National Flour Mills Limited**

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# National Flour Mills Limited

## Statement of Management's Responsibilities

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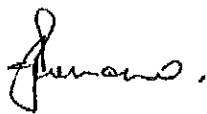
Management is responsible for the following:

- 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.

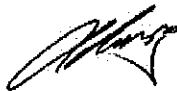
Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

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.

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#### *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.

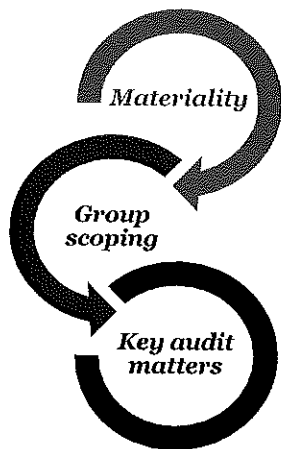
## Independent auditor's report (continued)

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### Our audit approach

#### Overview

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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.

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.

## Independent auditor's report (continued)

<b>Overall group materiality</b>	TT\$1.53 million
<b>How we determined it</b>	5% of average profit before tax over the last three (3) years
<b>Rationale for the materiality benchmark applied</b>	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
<p><b>Impairment assessment of the Group</b></p> <p><i>Refer to notes 2(n), 3(b) and 28 to the consolidated financial statements for disclosures of related accounting policies and balances.</i></p> <p>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.</p> <p>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:</p>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• we agreed and tested the mathematical accuracy, including verifying spreadsheet formulae, of the DCF model;</li> <li>• we agreed the 31 December 2019 base year financial information to the current year results;</li> <li>• we verified management's key assumptions as follows:</li> </ul>

## Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> <li>· Revenue growth rates</li> <li>· EBITDA</li> <li>· Weighted average cost of capital ("WACC")</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>- Changes in key management and revamped sales strategies employed to achieve the Group's strategy and targets;</li> <li>- Expansion of the Group's product portfolio utilising existing plant capacity;</li> <li>- 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;</li> <li>- Leveraging of brand loyalty for long-standing product offerings and reducing the levels of historical discounts provided to customers.</li> </ul> <p>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.</p>	<p><b>Revenue growth rates</b> - 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.</p> <p><b>EBITDA</b> - 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.</p> <p><b>WACC &amp; Terminal Value</b> - 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.</p> <p>Further, we:</p> <ul style="list-style-type: none"> <li>· 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.</li> <li>· 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.</li> </ul>
	<p>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.</p>

## *Independent auditor's report (continued)*

### **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)*

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### *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.

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### *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.

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### *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.

## *Independent auditor's report (continued)*

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

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 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.

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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

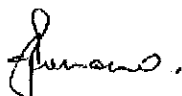
**National Flour Mills Limited**  
**Consolidated Statement of Financial Position**

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


	Notes	As at 31 December 2019 \$	2018 \$ Restated
<b>Assets</b>			
<i>Non-current assets</i>			
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
		<u>217,767</u>	<u>202,692</u>
<i>Current assets</i>			
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
		<u>226,840</u>	<u>247,562</u>
<b>Total assets</b>		<u>444,607</u>	<u>450,254</u>
<b>Liabilities and equity</b>			
<i>Non-current liabilities</i>			
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
		<u>75,140</u>	<u>79,592</u>
<i>Current liabilities</i>			
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
		<u>115,549</u>	<u>123,798</u>
<b>Total liabilities</b>		<u>190,689</u>	<u>203,390</u>
<i>Shareholders' equity</i>			
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)
		<u>253,918</u>	<u>246,864</u>
<b>Total liabilities and equity</b>		<u>444,607</u>	<u>450,254</u>

The notes on pages 13 to 59 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

# National Flour Mills Limited

## 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	<u>(321,112)</u>	<u>(314,122)</u>
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	<u>9,214</u>	<u>7,362</u>
<b>Operating profit</b>		14,794	35,546
Net finance cost	17	<u>(4,731)</u>	<u>(3,810)</u>
Profit before taxation		10,063	31,736
Taxation charge	15	<u>(3,930)</u>	<u>(11,141)</u>
Profit for the year		6,133	20,595
<b>Other comprehensive income</b>			
Items that would be reclassified in profit and 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	<u>(510)</u>	<u>(409)</u>
Other comprehensive income/(loss) net of tax		<u>9,645</u>	<u>(12,306)</u>
Total comprehensive income for the year		<u>15,778</u>	<u>8,289</u>
<b>Earnings per share</b>			
Basic earnings per share		<u>5¢</u>	<u>17¢</u>
Diluted earnings per share		<u>5¢</u>	<u>17¢</u>

The notes on pages 13 to 59 are an integral part of these consolidated financial statements.

# National Flour Mills Limited

## 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)
		<u>120,200</u>	<u>(2,633)</u>	<u>(403)</u>	<u>133,973</u>	<u>251,137</u>
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		<u>120,200</u>	<u>(3,175)</u>	<u>(812)</u>	<u>130,651</u>	<u>246,864</u>
<b>Year ended 31 December 2019</b>						
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		<u>120,200</u>	<u>(3,125)</u>	<u>(1,322)</u>	<u>138,165</u>	<u>253,918</u>

The notes on pages 13 to 59 are an integral part of these consolidated financial statements.

**National Flour Mills Limited**  
**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		<u>2,798</u>	<u>3,706</u>
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		<u>804</u>	<u>722</u>
Cash generated from operating activities		45,080	33,670
Interest paid		(4,838)	(6,278)
Taxes paid		<u>(7,823)</u>	<u>(11,911)</u>
<b>Net cash generated from operating activities</b>		<u>32,419</u>	<u>15,481</u>
<b>Cash flows from investing activities</b>			
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	<u>(1,369)</u>	<u>(2,373)</u>
<b>Net cash generated from investing activities</b>		<u>309</u>	<u>18,688</u>
<b>Cash flows from financing activities</b>			
Borrowings drawn		--	37,455
Borrowings repayment		(24,513)	(68,440)
Dividends paid		(8,414)	(13,879)
Lease interest paid		(217)	--
Finance lease liability repaid		<u>(291)</u>	<u>(472)</u>
<b>Net cash used in financing activities</b>		<u>(33,435)</u>	<u>(45,336)</u>
<b>Net decrease in cash and cash equivalents</b>		(707)	(11,167)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>44,285</u>	<u>55,452</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>43,578</u>	<u>44,285</u>

The notes on pages 13 to 59 are an integral part of these consolidated financial statements.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements

31 December 2019

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

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### 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.

##### (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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

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### 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)

- 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% for 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.



# National Flour Mills Limited

## 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 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	
Non-current lease liabilities	1,038
	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

<i>Non current asset</i>	Increase/(decrease)
Property, plant and equipment	(474)
Right of use asset	7,682
 <i>Current liabilities</i>	
Finance lease liabilities	1,038
 <i>Non current liabilities</i>	
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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies (continued)

#### a. Basis of preparation (continued)

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

##### (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.

#### 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 the supply until July 2020. At this time, management does not expect any significant issues in supply of raw material after July 2020. The production and transport of grain is not labour intensive. The transshipment 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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies

#### 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*

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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies

#### e. Leases (continued)

##### (i) The group's leasing activities and how these are accounted (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, e.g. 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.

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

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies

#### e. Leases (continued)

##### (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 recognized 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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies

#### 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
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# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

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### 2 Summary of significant accounting policies

#### 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.

##### (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 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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies (continued)

#### 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.

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.



# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies (continued)

#### 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.

##### *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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies (continued)

#### *o. Employee benefits (continued)*

##### *(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.

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).

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 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 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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

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### 2 Summary of significant accounting policies (continued)

#### 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.

#### 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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 2 Summary of significant accounting policies (continued)

#### 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.

##### (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.

# National Flour Mills Limited

## 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)

#### y. Prior year restatements (continued)

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

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

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### 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.



# National Flour Mills Limited

## 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

#### 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.

# National Flour Mills Limited

## 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)

##### (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

##### General pool of trade receivables

	Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
<b>At 31 December 2019</b>					
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

##### General pool of trade receivables

	Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
<b>At 31 December 2018</b>					
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

# National Flour Mills Limited

## 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)

##### (i) Credit risk (continued)

##### *Impairment of financial assets (continued)*

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

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).

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)	<u>    --</u>	<u>  2,279</u>
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	<u>  3,280</u>	<u>  4,286</u>
Closing loss allowance as at 31 December	<u>  11,060</u>	<u>  36,200</u>

##### (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.

# National Flour Mills Limited

## 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)

#### (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 Cashflow	Carrying Value
<b>At 31 December 2018</b>						
<b>Liabilities</b>						
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
<b>At 31 December 2019</b>						
<b>Liabilities</b>						
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.

# National Flour Mills Limited

## 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

##### (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	<u>(440)</u>	<u>(579)</u>
	<u>(197)</u>	<u>(417)</u>

# National Flour Mills Limited

## 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 2019 \$	Impact on other comprehensive income 2018 \$	Impact on other components of equity 2019 \$	Impact on other components of equity 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)

# National Flour Mills Limited

## 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)

##### (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 Cash and cash equivalents

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

### 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%.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

7	Accounts receivable and prepayments	2019 \$	2018 \$
	Trade receivables	62,337	87,662
	Less provision for doubtful amounts	<u>(11,060)</u>	<u>(36,200)</u>
		51,277	51,462
	Prepayments	4,650	1,501
	Other receivables	<u>18,222</u>	<u>17,024</u>
		<u>74,149</u>	<u>69,987</u>

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	7,250	34,502
Less provision for Impairment	--	--	--	--
Loss allowance (IFRS 9)	<u>(1,216)</u>	<u>(9,844)</u>	<u>(1,698)</u>	<u>(34,502)</u>
	<u>51,277</u>	<u>--</u>	<u>51,462</u>	<u>--</u>

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.

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

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).



# National Flour Mills Limited

## 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	2019 \$	2018 \$
Present value of defined benefit obligation	(191,644)	(183,947)
Fair value of the assets in the Plan	<u>214,822</u>	<u>189,591</u>
Recognised asset for the Plan	<u>23,178</u>	<u>5,644</u>
<b>a. Change in defined benefit obligations</b>		
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	<u>(1,538)</u>	<u>---</u>
Defined benefit obligation at end of year	<u>(191,644)</u>	<u>(183,947)</u>
<b>b. The defined benefit obligation is allocated between the Plan's members as follows:</b>		
- 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.		
<b>c. Change in Plan assets</b>		
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	<u>(454)</u>	<u>(441)</u>
Plan assets at end of year	<u>214,822</u>	<u>189,591</u>
Actual return on Plan assets	<u>24,553</u>	<u>1,045</u>

# National Flour Mills Limited

## 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 \$
d. <i>Asset allocation</i>		
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)	<u>7,329</u>	<u>7,986</u>
Fair value of Plan assets at end of year	<u>214,822</u>	<u>189,591</u>
The Plan does not directly hold any assets and/or shares of the Group.		
e. <i>Expense recognised in profit or loss</i>		
Current service cost	5,036	5,134
Interest on defined benefit obligation	(544)	(1,341)
Administration expenses	454	438
Past service cost	<u>492</u>	<u>550</u>
Net pensions cost	<u>5,438</u>	<u>4,781</u>
f. <i>Re-measurements recognised in other comprehensive loss</i>		
Experience gains/(losses)	<u>16,363</u>	<u>(15,856)</u>
g. <i>Reconciliation of opening and closing consolidated statement of financial position entries</i>		
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	<u>6,609</u>	<u>5,367</u>
Closing defined benefit asset	<u>23,178</u>	<u>5,644</u>
h. The Group expects to contribute \$5.6 million to its defined benefit pension plan in 2020.		
i. <i>Summary of principal assumptions</i>		
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	<u>27,740</u>	<u>(22,429)</u>
Future salary increase	<u>(6,785)</u>	<u>7,690</u>
31 December 2018		
Discount rate	<u>28,628</u>	<u>(21,528)</u>
Future salary increase	<u>(6,513)</u>	<u>7,381</u>

# National Flour Mills Limited

## 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)

#### i. Summary of principal assumptions (continued)

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	<u>21,833</u>	<u>19,532</u>
a. <i>Change in the obligations</i>		
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	<u>(362)</u>	<u>--</u>
Obligation at end of year	<u>(21,833)</u>	<u>(19,532)</u>
b. <i>The obligation is allocated between the members as follows:</i>		
- Active	42%	42%
- Pensioners	58%	58%
<p>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.</p>		
c. <i>Expense recognised in profit or loss</i>		
Current service costs	653	603
Interest on obligation	<u>1,040</u>	<u>975</u>
Net medical cost	<u>1,693</u>	<u>1,578</u>
d. <i>Re-measurements recognised in other comprehensive loss</i>		
Experience losses	<u>(1,856)</u>	<u>(613)</u>
e. <i>Reconciliation of opening and closing consolidated statement of financial position entries</i>		
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	<u>(1,248)</u>	<u>(779)</u>
Closing medical and life insurance plan liability	<u>21,833</u>	<u>19,532</u>

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

10 Medical and life insurance plan (continued)	2019	2018
f. The Group expects to pay \$0.8 million in benefits in 2020.		
g. <i>Summary of principal assumptions</i>		
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 \$	2018 \$
<b>31 December 2019</b>		
	<b>1%pa Decrease</b>	<b>1%pa Increase</b>
Discount rate	<u>3,651</u>	<u>(2,882)</u>
Medical cost increases	<u>(2,250)</u>	<u>2,819</u>
<b>31 December 2018</b>		
Discount rate	<u>3,141</u>	<u>(2,491)</u>
Medical cost increases	<u>(1,892)</u>	<u>2,359</u>

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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

### 10 Medical and life insurance plan (continued)

#### g. Summary of principal assumptions (continued)

##### (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.

### 11 Property, plant and equipment

	Industrial and office building \$	Plant machinery and equipment \$	Office furniture and equipment \$	Motor Vehicles \$	Work in progress \$	Total \$
<b>Year ended 31 December 2019</b>						
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)
<b>Restated opening net book amount</b>	<b>113,087</b>	<b>55,924</b>	<b>10,004</b>	<b>1,410</b>	<b>1,885</b>	<b>182,310</b>
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	<u>110,689</u>	<u>51,074</u>	<u>9,074</u>	<u>1,003</u>	<u>1,874</u>	<u>173,714</u>
<b>At 31 December 2019</b>						
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	<u>110,689</u>	<u>51,074</u>	<u>9,074</u>	<u>1,003</u>	<u>1,874</u>	<u>173,714</u>

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

### 11 Property, plant and equipment (continued)

	Industrial and office building	Plant machinery and equipment	Office furniture and equipment	Motor Vehicles	Work in progress	Total
	\$	\$	\$	\$	\$	\$
<b>At 1 January 2018</b>						
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
<b>Year ended 31 December 2018</b>						
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
<b>At 31 December 2018</b>						
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

(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.

- (ii) Depreciation and amortisation of 12,048 (2018: \$9,693) was recognised in cost of sales with \$5,918 (2018: \$5,424) recognised in expenses.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

### 12 Intangible assets

#### Software

	Software \$	Work in progress \$	Total \$
<b>Year ended 31 December 2019</b>			
Opening net book value	6,137	--	6,137
Additions	1,369	--	1,369
Depreciation	(1,733)	--	(1,733)
Closing net book value	<u>5,773</u>	<u>--</u>	<u>5,773</u>
<b>At 31 December 2019</b>			
Cost	<u>8,593</u>	<u>--</u>	<u>8,593</u>
Accumulated depreciation	<u>(2,820)</u>	<u>--</u>	<u>(2,820)</u>
Net book value	<u>5,773</u>	<u>--</u>	<u>5,773</u>
<b>At 1 January 2018</b>			
Cost	2,499	2,352	4,851
Accumulated depreciation	(486)	--	(486)
Net book value	<u>2,013</u>	<u>2,352</u>	<u>4,365</u>
<b>Year ended 31 December 2018</b>			
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	<u>6,137</u>	<u>--</u>	<u>6,137</u>
<b>At 31 December 2018</b>			
Cost	7,224	--	7,224
Accumulated depreciation	(1,087)	--	(1,087)
Net book value	<u>6,137</u>	<u>--</u>	<u>6,137</u>

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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

13	Accounts payable and accruals	2019	2018
		\$	\$
	Trade payables	14,236	14,758
	Payroll related liabilities	6,376	9,805
	Accrued expenses	<u>11,933</u>	<u>10,485</u>
		<u>32,545</u>	<u>35,048</u>

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	<u>(64,645)</u>	<u>(72,782)</u>
	Non-current portion	<u>---</u>	<u>15,826</u>

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

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

### *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.



# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

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### 14 Borrowings

#### *Republic Bank Limited (RBL)*

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

- (i) A 5 year amortised facility for TTD\$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 (NCB)*

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.

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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

15 Current and deferred taxation	2019 \$	2018 \$ Restated
<i>Current taxation expense</i>		
Deferred tax (credit)/charge	(1,665)	720
Current tax charge	<u>5,595</u>	<u>10,421</u>
	<u>3,930</u>	<u>11,141</u>
The Group's effective tax rate of 39% (2018: 35%) differs from the statutory tax rate of 30% as follows:		
Profit before taxation	<u>10,063</u>	<u>31,736</u>
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	<u>380</u>	<u>69</u>
	<u>3,930</u>	<u>11,141</u>
<i>Deferred taxation</i>		
Deferred income tax asset	6,934	6,369
Deferred income tax liabilities	<u>(47,486)</u>	<u>(44,234)</u>
Net deferred income tax liability	<u>(40,552)</u>	<u>(37,865)</u>

	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	<u>510</u>	<u>(1,693)</u>	<u>5,859</u>	<u>(42,541)</u>	--	<u>(37,865)</u>
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	<u>365</u>	<u>(6,953)</u>	<u>6,551</u>	<u>(40,533)</u>	18	<u>(40,552)</u>

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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

16	<b>Stated capital</b>	<b>2019</b>	<b>2018</b>
		\$	\$
	Authorised		
	Unlimited number of ordinary shares of no par value		
	Issued and fully paid		
	120,200,000 ordinary shares of no par value	<u>120,200</u>	<u>120,200</u>
17	<b>Net finance cost</b>		
	Interest and bank charges	5,268	5,273
	Interest income	(491)	(732)
	Lease interest	291	--
	Foreign exchange loss	<u>(337)</u>	<u>(731)</u>
		<u>4,731</u>	<u>3,810</u>
18	<b>Expenses by nature</b>	<b>2019</b>	<b>2018</b>
		\$	\$
			<b>Restated</b>
	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	<u>18,555</u>	<u>21,832</u>
	Total cost of sales, selling and distribution and administrative expenses	<u>406,896</u>	<u>403,935</u>

## 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).

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

### 21 Related party transactions

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

	2019	2018
	\$	\$
<i>Key management compensation</i>		
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	<u>12,317</u>	<u>13,057</u>

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).

### *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:

Management fee	4,800	4,800
Rental income – sublease	700	700
Dividend income	481	678
Other amounts	<u>3,233</u>	<u>1,184</u>
	<u>9,214</u>	<u>7,362</u>

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

### 23 Financial instruments by category

	2019	2018
	\$	\$
<i>Loans and receivables at amortised cost</i>		
<i>Financial assets</i>		
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	<u>16,542</u>	<u>31,981</u>
	<u>153,791</u>	<u>164,446</u>
<i>Financial liabilities</i>		
Accounts payable and accruals	32,545	32,203
Lease liability	6,859	--
Amounts due to the GORTT	17,321	15,968
Borrowings	<u>64,645</u>	<u>88,608</u>
	<u>121,370</u>	<u>136,779</u>

### 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

	<b>2019</b>
	<b>\$</b>
<i>Right-of-use assets</i>	
Land	6,920
<i>Lease liabilities</i>	
Current	1,038
Non-current	5,821
	<b>31 Dec 2019</b>
<i>Right of use asset</i>	<b>\$</b>
Opening net book value	7,682
Additions	--
Amortisation charge	(761)
Closing net book value	<u>6,920</u>
	<b>31 Dec 2019</b>
<i>Right of use asset</i>	<b>\$</b>
Cost	7,682
Accumulated amortisation	(761)
Closing net book value	<u>6,920</u>

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

### 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 and Republic Bank Limited.

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

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

### 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.

	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.

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

### 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
	\$	\$
<b>Revenue</b>		
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
	<u>412,476</u>	<u>432,119</u>
<i>Revenues from external customers</i>		
Export sales	19,244	31,138
Local sales	<u>393,232</u>	<u>400,981</u>
	<u>412,476</u>	<u>432,119</u>

#### 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.

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.



# National Flour Mills Limited

## 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

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		Movement in headroom	
	Rate From %	Changes 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:

	2019	
	Rate From %	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)

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued) 31 December 2019

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

### 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:

	Food \$	Feed \$	Other \$	Total \$
<b>2018</b>				
Segment revenue	311,092	93,003	28,460	432,555
Less: Intersegment revenue	--	--	(436)	(436)
Revenue from external customers	<u>311,092</u>	<u>93,003</u>	<u>28,024</u>	<u>432,119</u>
<i>Timing of revenue recognition</i>				
At a point in time	311,092	93,003	28,024	432,119
Over time	--	--	--	--
Revenue from external customers	<u>311,092</u>	<u>93,003</u>	<u>28,024</u>	<u>432,119</u>
<b>2019</b>				
Segment revenue	288,011	87,750	36,845	412,606
Less: Intersegment revenue	--	--	(130)	(130)
Revenue from external customers	<u>288,011</u>	<u>87,750</u>	<u>36,715</u>	<u>412,476</u>
<i>Timing of revenue recognition</i>				
At a point in time	288,011	87,750	36,715	412,476
Over time	--	--	--	--
Revenue from external customers	<u>288,011</u>	<u>87,750</u>	<u>36,715</u>	<u>412,476</u>

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 \$
<b>Net debt</b>		
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)
<b>Net debt</b>	<u>(27,926)</u>	<u>(44,323)</u>
Cash and cash equivalents	43,578	44,285
Gross debt-fixed interest rates	(71,504)	(88,608)
<b>Net debt</b>	<u>(27,926)</u>	<u>(44,323)</u>

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

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				Total
	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	
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
<b>Net debt as at 31 December 2018</b>	<b>44,285</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(72,782)</b>	<b>(15,826)</b>	<b>(44,323)</b>

	Other assets		Liabilities from financing activities			Total
	Cash/Bank overdraft	Liquid Investments	Finance leases	Borrowings due within 1 year	Borrowings due after 1 year	
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)
<b>Net debt as at 31 December 2019</b>	<b>43,578</b>	<b>--</b>	<b>(6,859)</b>	<b>(64,645)</b>	<b>--</b>	<b>(27,926)</b>

(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).

# National Flour Mills Limited

## 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.

<i>Recurring fair value measurements at 31 December 2019</i>	<b>Level 1</b>	<b>Total</b>
	\$	\$
<i>Financial assets</i>		
Investments listed on Trinidad and Tobago Stock Exchange	1,248	1,248
<i>Recurring fair value measurements at 31 December 2018</i>	<b>Level 1</b>	<b>Total</b>
	\$	\$
<i>Financial assets</i>		
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:

	<b>Listed Securities</b>	<b>Listed Securities</b>
	<b>2019</b>	<b>2018</b>
	\$	\$
Opening balance 1 January	1,758	2,169
Depreciation	(510)	(409)
Sale of investments	--	(2)
Closing balance 31 December	<u>1,248</u>	<u>1,758</u>

#### *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).

# National Flour Mills Limited

## Notes to the Consolidated Financial Statements (continued)

31 December 2019

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

### 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)

### 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	<u>    </u>	<u>12,967</u>

