



NATIONAL FLOUR MILLS LIMITED

ADMINISTRATIVE REPORT

FOR THE FISCAL YEAR ENDED 31ST DECEMBER 2020



Submitted to the Ministry of Trade and Industry

Page 1 of 21

Contents

1. Vision, Mission, Philosophy and other Strategic Objectives
2. Organizational Structure
 - a. Organizational profile
 - b. Corporate Structure
 - c. Services, Products and Special Projects embarked upon
 - d. Delegated Levels of Authority
 - e. Legislative and Regulatory Framework
 - f. Reporting Functions
3. Policies and Development Initiatives
 - a. Short and Medium Term Plans
 - b. Performance Objectives and Accomplishments.
4. Financial Operations
 - a. Budget Formulation
 - b. Expenditure versus Income
 - c. Debt Policy
 - d. Investment Policy
 - e. Internal Audit Functions
5. Human Resource Development Plan
 - a. Organizational Establishment
 - b. Category of Employees
 - c. Career Path Systems
 - d. Performance Assessment/management strategies
 - e. Promotion – Selection procedures
 - f. Employee Support Services
6. Procurement procedures
 - a. Open Tender
 - b. Selected Tender
 - c. Sole Tender and the Criteria Used in selecting each system
7. Public and Community Relations
 - a. Client and Public Access to services/services delivery system
 - b. Community and stakeholder relations/outreach
 - c. Strategic Partnerships

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 2020, the Company's pursuit of its strategies as outlined in the Strategic Plan 2018-2022 namely **growth through expansion** and **a lean, cost-conscious, competency-based organizational model** was stymied by the Covid-19 pandemic. In Q1 2020, the virus was declared a pandemic and during the Q2, stay-at-home arrangements for non-essential services were implemented.

Notwithstanding, NFM continued to search for a site for the proposed cocoa project and continued to search for alternatives to its existing packaging equipment.

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. including its entire Lion Brand and Royal Brand product portfolios.
- In 2003, NFM acquired the distribution rights for the SAF Brand of instant yeast.
- In 2006, NFM ceased operation at its Edible Oil Complex following an explosion at this facility. This plant was 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, a buffer against escalating inflation. The goods imported for distribution included meats, cereal, sardines and milk. However, in 2008, the 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 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, and pet food for third parties.

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

- 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

NFM's corporate structure is 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. In 2020, the Board of Directors comprised the following persons:

- ✓ Nigel Romano – Chairman
- ✓ Sonja Voisin
- ✓ Aliyah Hamel-Smith
- ✓ Karen Shaw
- ✓ Shane Correia
- ✓ Ross Alexander
- ✓ Joanne Salazar

The 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
- Ms. Andra Emamdee-Balgobin – Head, Finance & Accounting
- Ms. Sati Jagmohan – Corporate Secretary
- Ms. Karen Nieves – Head, Quality
- Ms. Anesha Mohammed – Head, Procurement
- Mr. Shurland Sawh – Head, Warehouse & Distribution
- Ms. Yvette Eastman – Manager, Feed Milling & Packaging
- Ms. Kristal Langton – 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
- Mrs. Felicia Mohammed – Manager, HSSE
- Ms. Vaneeta Ticklal – Manager, Accounting

The Organizational Chart as at December 31st 2020 is attached as Appendix 1.

SERVICES/PRODUCTS PROVIDED AND SPECIAL PROJECTS EMBARKED UPON

A. Products

In 2020, NFM continued to develop products aligned to changing consumer tastes. The distribution of our fry-bake mix was expanded and the multi-grain 10kg size was launched. In addition, NFM continued to offer its traditional products as listed below:

Products	Brands
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 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 2020, specific projects undertaken were:

- Review of options for the purchase of a new Packer.
- Clean-up of Location 2 at the Wrightson Road Compound. This was the site of the Edible Oil Complex. At present, it is used to store large mechanical equipment and spares.

Delegated Levels of Authority

Execution of Contracts

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

Value of Contract	Authorized Signatory
Up to \$25,000.00	All Managers
>\$25,000.00 to \$50,000.00	Chief Operating Officer/Chief People & OD Officer
>\$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 - 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 addition, the Company has embarked on an ambitious training programme in emotional intelligence, supervisory training, and lean manufacturing techniques. The Competency Exercise was completed, and the information gathered will be used to prepare development plans for employees as part of the upskilling thrust in the organization.

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

- Solidify the organization's existing foundations and business; 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. The final audit should have taken place in 2020 was not scheduled due to the pandemic. It is anticipated that the audit will take place in 2022.
- Enhance plant and facilities capacity and capability focused on product quality and reliable output that meet customer needs.
- Implement a Sales & Operations Planning Process.
- Identify an alternative Enterprise Resource Planning (ERP) system since the current ERP system is a hindrance to improving productivity.
- Replace the 2kg and 10kg flour lines.
- Design, Develop and Implement an Enterprise-Wide Risk Management Framework; and
- Implement Maintenance and Facilities Initiatives including (i) Pest proofing of the Food Packaging area at the Wrightson Road location (ii) Replacement of the Gantry PLC (iii) Overhaul of the Vessel Loading System at the Grain Elevator and (iv) Upgrades to Buhler Flour Mill's Compressor.

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 new Flour Mill in Jamaica continues to negatively impact 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 an objective in the Strategic Plan 2019-2023.

Given that the company imports most of its raw materials, the need to source foreign exchange is critical to its ability 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.

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 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 suitable parcel of land has been made to the Ministry, Agriculture, Land & Fisheries, however, to date, a suitable site has not been identified for the project;
- Expansion of the Dry Mix Operations
- 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, a Performance Management system was implemented throughout the organization.

Notwithstanding the upward trend in revenue in 2020, given the volatility of NFM's competitive environment, NFM must review the way it does business. Grain prices have been steadily increasing and therefore NFM must critically review its cost structures to ensure that it continues to remain a profitable commercial entity.

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 Company's control.

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 31st of March every year.

**Expenditure v Income
Statement of Comprehensive Income**

	Audited 2020	Audited 2019
Turnover	417,906	412,476
Cost of Sales	(304,452)	(321,112)
Gross Profit	113,454	91,364
Selling and Distribution Expenses	(38,726)	(38,657)
Administrative Expense	(43,880)	(47,127)
Other Operating Income	9,108	9,214
Operating Profit	39,956	14,794
Financial Expense	(4,184)	(4,731)
Profit Before Taxation	35,772	10,063
Taxation	(12,316)	(3,930)
Profit for the Period	23,456	6,133

The Audited Financial Statements for the year ended December 31, 2020 is at Appendix II.

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 except for 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 since a decision was made to utilize surplus funds to reorganize working commitments to reduce finance costs.

Internal Audit Functions

In 2020, 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:

- Ross Alexander
- Aliyah Hamel-Smith
- Sonja Voisin
- Joanne Salazar

HUMAN RESOURCE DEVELOPMENT PLAN

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 except for specialized areas, internal recruitment is the first option for filling new positions.

Performance Assessment/Management Strategies

A Performance Management System was implemented. This system is used to identify and treat with areas for improvement and 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 candidates for the positions that are advertised.

Whenever vacancies arise, the Company will give first consideration to existing personnel before recruiting from outside. 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 2020, the Competency exercise was completed.

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 Tendering

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.

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, or 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 Tendering

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.

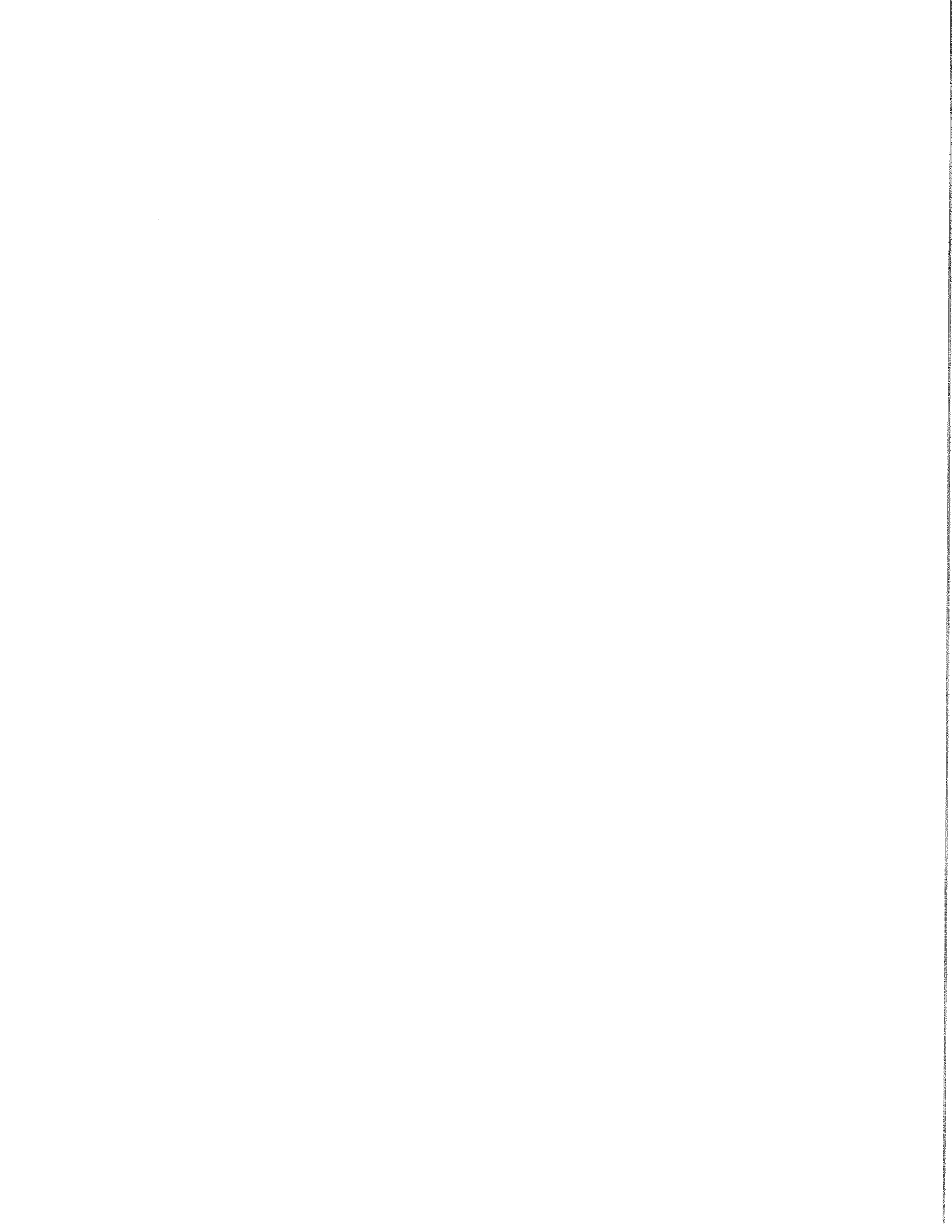
ORGANIZATIONAL ESTABLISHMENT



NATIONAL FLOUR MILLS LIMITED

ESTABLISHMENT BY HIERARCHY - DECEMBER 2020

	No. of Emp.	
NON-UNIONISED POSITION		
CEO/Divisional Managers	3	
Departmental Managers	13	
Technical/Professional (Officers)	34	
Para-Professionals	41	
Merchandizers	16	
UNIONISED POSITION		
Monthly Paid Employees		
Superintendents and Supervisors	26	
Technical	56	
Clerical	18	
Hourly Paid Employees	163	
TOTAL ESTABLISHMENT	371	





National Flour Mills Limited

Consolidated Financial Statements

December 31, 2020

(Presented in Thousands of Trinidad and Tobago Dollars)

National Flour Mills Limited
Consolidated Financial Statements
Table of Contents

	<i>Page</i>
Statement of Management's Responsibilities	1
Independent Auditor's Report	2 - 6
Consolidated Statement of Financial Position	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10 - 11
Notes to the Consolidated Financial Statements	12 - 57

National Flour Mills Limited

Statement of Management's Responsibilities

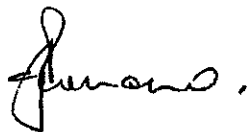
Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of National Flour Mills Limited, (the Group) which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement comprehensive income, consolidated statement of changes in equity and cash flows for the year then ended, and 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 control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited 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
March 26 2021



Director
March 26 2021



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, 2020, 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

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- 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 and other explanatory information.

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.

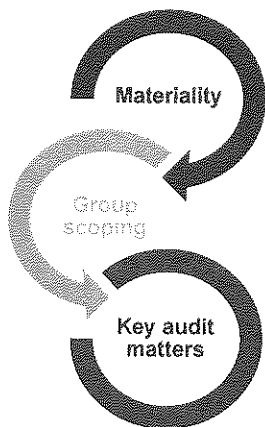
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall group materiality: TT\$1.8 million, which represents 5% of average profit before income tax over the last 5 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.
- Valuation of the retirement benefit asset and the medical and life insurance plan liability

Independent auditor's report (Continued)

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.

Overall Group materiality	TT\$1.8 million
How we determined it	5% of average profit before income tax over the last five (5) years
Rationale for the materiality benchmark applied	We chose profit before income 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 income tax over the last 5 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\$54,039, 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. The key audit matter was 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 this matter.

Independent auditor's report (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of the retirement benefit asset and the medical and life insurance plan liability</p> <p><i>Refer to notes 2(q), 3(a), 10 and 11 to the consolidated financial statements for disclosures of related accounting policies and balances.</i></p> <p>The Group sponsors a defined benefit pension plan and a medical and life insurance plan. As at December 31, 2020, the Group reported:</p> <ul style="list-style-type: none">• a net retirement benefit asset of TT\$19.2m, which comprised of plan assets valued at TT\$218.7m (of which TT\$108.6m is not based on observable market data), and a defined benefit obligation of TT\$199.5m.• a medical and life insurance plan liability of TT\$23.5m. <p>The net retirement benefit asset is comprised of the value of pension assets less the pension obligation. The medical and life insurance plan consists of an obligation only.</p> <p>The valuation of the net retirement benefit asset and the medical and life insurance plan liability was considered an area of focus as it requires significant judgement in relation to certain estimates as well as technical expertise in determining appropriate assumptions. Changes in the following key assumptions could have a material impact on the calculation of obligations:</p> <ul style="list-style-type: none">• discount rates;• mortality rates;• salary increases; and• medical inflation rates. <p>Management utilises an independent external actuary to perform certain calculations with respect to the estimated obligations.</p> <p>Management also utilises the work of the retirement benefit 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's assets is based on a model developed by the Trustee to value the unquoted investments. Significant judgement and assumptions are utilised due to the limited external evidence available to support the valuations.</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <p>Tested the key assumptions for the retirement benefit obligation and the medical and life insurance liability as follows:</p> <ul style="list-style-type: none">• Discount rates - the rates used by management were compared to the yield of a Government of Trinidad & Tobago bond of a similar tenor.• Mortality rates - the rates were compared to relevant publicly available statistics.• Salary increases - salary increases were compared to historical increases, taking into account the current economic climate as well as relevant terms specified in the existing trade union agreements.• Medical inflation rates:<ul style="list-style-type: none">○ evaluated the assumptions used by management's independent expert and assessed whether they were consistent with prior periods and publicly available data.○ tested the census data used in the actuarial calculation by comparing it to personnel files. <p>Assessed the independence and competence of management's actuary utilised to calculate both obligations.</p> <p>Tested the pension plan's 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 by performing an independent valuation of a sample of positions.</p> <p>Based on the procedures performed, management's valuation of the retirement benefit asset and the medical and life insurance plan liability was, in our view, not unreasonable.</p>

Independent auditor's report (Continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2020 (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 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent auditor's report (Continued)

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

- 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, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
March 26, 2021

National Flour Mills Limited

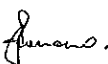
Consolidated Statement of Financial Position

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)


	Note	As at December 31	
		2020	2019
		\$	\$
Assets			
<i>Non-current Assets</i>			
Property, plant and equipment	5	165,065	173,714
Intangible assets	6	3,968	5,773
Right-of-use assets	7	7,266	6,920
VAT bonds	8	5,460	-
Investments at fair value through OCI	9	672	1,248
Retirement benefit asset	10	19,179	23,178
Deferred taxation assets	28	7,483	6,934
		<u>209,093</u>	<u>217,767</u>
<i>Current Assets</i>			
Accounts receivable and prepayments	12	60,851	74,149
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	13	18,530	18,274
Inventories	14	50,748	65,296
Taxation recoverable		4,481	9,001
Restricted deposit	15	1,584	16,542
Cash and cash equivalents	16	92,795	43,578
		<u>228,989</u>	<u>226,840</u>
Total Assets		<u>438,082</u>	<u>444,607</u>
Liabilities and equity			
<i>Non-current Liabilities</i>			
Deferred tax liabilities	28	44,601	47,486
Medical and life insurance plan	11	23,543	21,833
Lease liabilities	18	6,739	5,821
		<u>74,883</u>	<u>75,140</u>
<i>Current Liabilities</i>			
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	13	18,097	17,321
Borrowings	17	44,932	64,645
Lease liabilities	18	1,200	1,038
Accounts payable and accruals	19	30,222	32,545
		<u>94,451</u>	<u>115,549</u>
Total liabilities		<u>169,334</u>	<u>190,689</u>
<i>Shareholders' equity</i>			
Stated capital	20	120,200	120,200
Treasury shares	21	(4,815)	(3,125)
Retained earnings		153,451	138,165
Other reserves		(88)	(1,322)
Total equity		<u>268,748</u>	<u>253,918</u>
Total liabilities and equity		<u>438,082</u>	<u>444,607</u>

The notes on pages 12 to 57 are an integral part of these consolidated financial statements.

On March 26 2021, 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)

		Year Ended December 31	
	Note	2020 \$	2019 \$
Revenue	23	417,906	412,476
Cost of sales	24	(304,452)	(321,112)
Gross profit	32	113,454	91,364
Selling and distribution expenses	24	(38,726)	(38,657)
Administration expenses	24	(43,880)	(47,127)
Other operating income	25	9,108	9,214
Operating profit		39,956	14,794
Net finance cost	26(a)	(4,184)	(4,731)
Profit before income tax		35,772	10,063
Income tax expense	28	(12,316)	(3,930)
Profit for the year		23,456	6,133
Other comprehensive (loss) / gain:			
Items that would not be reclassified to profit or loss			
Re-measurement of retirement benefit asset	10	(5,144)	16,363
Re-measurement of medical and life insurance plan	11	(1,002)	(1,856)
Deferred tax	28	1,844	(4,352)
Loss on investment at fair value through OCI	9	(567)	(510)
Gain on revaluation of treasury shares	21	1,805	-
Other comprehensive (loss) / income net of tax		(3,064)	9,645
Total comprehensive income for the year		20,392	15,778
Earnings per share	30		
Basic earnings per share (in cents)		20	5
Diluted earnings per share (in cents)		20	5

The notes on pages 12 to 57 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)

	Stated Capital \$	Treasury Shares \$	Other Reserves \$	Retained Earnings \$	Total \$
Year ended December 31, 2019					
Balance at January 1, 2019	120,200	(3,175)	(812)	130,651	246,864
Profit for the year	-	-	-	6,133	6,133
Loss on investment at fair value through OCI	-	-	(510)	-	(510)
Re-measurement of retirement benefit asset and medical and life insurance plan, net of tax	-	-	-	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 at December 31, 2019	120,200	(3,125)	(1,322)	138,165	253,918
Year ended December 31, 2020					
Opening balance at January 1, 2020	120,200	(3,125)	(1,322)	138,165	253,918
Profit for the year	-	-	-	23,456	23,456
Gain on investment at fair value through OCI	-	-	1,238	-	1,238
Re-measurement of retirement benefit asset and medical and life insurance plan, net of tax	-	-	-	(4,302)	(4,302)
Other movements	-	68	(4)	(262)	(198)
Sale of treasury shares	-	47	-	-	47
Gain on revaluation of treasury shares	-	(1,805)	-	-	(1,805)
Transactions with owners of the Group: Dividends declared	-	-	-	(3,606)	(3,606)
Balance at December 31, 2020	120,200	(4,815)	(88)	153,451	268,748

The notes on pages 12 to 57 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)

	Note	Year Ended December 31	
		2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		35,772	10,063
Adjustments for:			
Depreciation	5	15,486	15,472
Amortization	6, 7	2,747	2,494
Interest and finance costs	26(a)	3,438	4,780
Lease interest expense	26(a)	455	291
Interest income	26(b)	(122)	(491)
Dividend income	25	(222)	(481)
Gain or loss on foreign exchange	26(a)	413	(322)
Retirement benefit expense	10	4,820	5,438
Medical plan expense	11	1,916	1,693
Retirement benefit asset contributions paid	10	(5,965)	(6,609)
Medical and life insurance plan contributions paid	11	(1,208)	(1,248)
Capitalised borrowings		-	658
Discounting of receivables		357	637
Increase in provision for doubtful accounts		3,991	2,798
		<u>61,878</u>	<u>35,173</u>
Changes in working capital:			
Decrease in inventories		14,548	11,303
Decrease / (increase) in accounts receivable and prepayments		3,847	(7,387)
Decrease in amounts due to / from GORTT		520	804
Increase / (decrease) in accounts payable and accruals		182	(2,670)
		<u>80,975</u>	<u>37,223</u>
Cash provided by operations		80,975	37,223
Interest paid		(4,461)	(4,838)
Taxes paid		(9,743)	(7,823)
		<u>(14,234)</u>	<u>(12,661)</u>
Net cash generated from operating activities		<u>66,771</u>	<u>24,562</u>

The notes on pages 12 to 57 are an integral part of these consolidated financial statements.

National Flour Mills Limited

Consolidated Statement of Cash Flows (Continued)

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

	Note	Year Ended December 31	
		2020 \$	2019 \$
Net cash generated from operating activities		<u>66,771</u>	<u>24,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in restricted deposits		14,958	15,439
Disposal of assets	5	83	85
Sale of investments		57	-
Acquisition of property, plant and equipment	5	(6,920)	(6,961)
Interest received on loans		122	491
Dividend income		222	481
Purchase of intangible assets	6	-	(1,369)
Net cash generated from investing activities		<u>8,522</u>	<u>8,166</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings drawn		68,715	-
Borrowings repaid		(88,428)	(24,513)
Dividends paid		(5,700)	(8,414)
Lease interest paid		(455)	(291)
Finance lease liability repaid		(208)	(217)
Net cash used in financing activities		<u>(26,076)</u>	<u>(33,435)</u>
Net increase / (decrease) in cash and cash equivalents		49,217	(707)
CASH AND CASH EQUIVALENTS AT START OF YEAR		<u>43,578</u>	<u>44,285</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>92,795</u>	<u>43,578</u>
Cash and cash equivalents represented by			
Cash and cash equivalents	16	<u>92,795</u>	<u>43,578</u>

The notes on pages 12 to 57 are an integral part of these consolidated financial statements.

National Flour Mills Limited

Notes to the Consolidated Financial Statements

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

1. Incorporation and principal activities

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

2. 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 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 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(a) *Basis of preparation (continued)*

(iii) Changes in accounting policies and disclosures

There are no new accounting standards in effect that require a change in accounting policy.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group 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 consolidated financial statements for the year ended December 31, 2020 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 - The Company's sales continue to be robust and comparable to prior year, as citizens continue to purchase basic commodity items.
- (ii) Raw Material Supply - During 2020, the Company enjoyed on-time and in-full grain deliveries. This trend is expected to continue in 2021 as management has no reason to expect any significant issues in supply of raw material. 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 of its regular customers.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(c) Foreign currency translation

(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.

(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.

Buildings	up to 40 years
Plant and machinery including capital spares	5 - 25 years
Office furniture and 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(e) 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
- 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

(f) Leases

Lessee accounting

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

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

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(f) Leases (continued)

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable 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. The weighted average incremental borrowing cost applied to the lease liabilities was 6% for leases with a remaining term of 5 and 6 years and 7.4% on leases with a remaining term of 40 years.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing 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 Group 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(f) Leases (continued)

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

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 recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small items of office furniture.

(ii) Extension and termination options

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

Lessor accounting

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. 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)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(g) 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.

(h) 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 at fair value through other comprehensive income (OCI)

The classification depends on the Group'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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

(iii) Measurement (continued)

Debt instruments

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

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

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

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

For financial assets, 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.

(i) 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.

(j) 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)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(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) 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 statement of financial position 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.

(m) 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.

(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 the 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.

(o) 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(o) Provisions (continued)

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.

(p) Taxation

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

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(q) 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. This is calculated annually by independent qualified 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 as at 31st December 2020 and the report will be available in 2021) and any surpluses or deficits may be recognised by an adjustment of future contribution rates.

(ii) Medical and life insurance plan

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

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

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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(ii) Medical and life insurance plan (continued)

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.

(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 Shareholders' Equity as Treasury Shares and the cost of the investment in the parent company, National Enterprises Limited, is recognised under Investments at fair value through OCI 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)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(q) 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.

(r) Revenue recognition

The Company 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.

(s) 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(s) Other income (continued)

(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 from 2013 to 2018 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.

(t) 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 profit or loss in the year in which they are incurred. No amounts were capitalised to property, plant and equipment in the current year or prior year.

(u) 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).

(v) Earnings per share

(i) Basic earnings per share

Earnings per share is calculated by dividing the total comprehensive income for the year 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

(w) 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.

(x) 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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

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 10 and 11.

(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 34.

(c) Depreciation

Buildings are depreciated over 40 years on a straight line basis. These buildings are located on leasehold premises and the rate of depreciation exceeds the lease terms and is based on the assumption that the underlying leases will be renewed upon expiry. This assumption is considered reasonable based on past experience.

(d) Government receivables

The Ministry of Finance has agreed to set off Government receivables against Government payables subject to verification of a balance by a certain Ministry. Management is satisfied that the balances are accurate and no material adjustments will arise from the verification process. See Note 37.

National Flour Mills Limited

Notes to the Consolidated Financial Statements

December 31, 2020

(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
December 31, 2020

(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

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

The Group has financial assets that are subject to the expected credit loss model including trade and government receivables :

(i) Trade receivables for sales of inventory

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 were 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 months before 31 December 2020 or 31 December 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 was determined as follows for trade receivables:

General pool of trade receivables

	Current	30 to 60 Days	61 to 90 Days	Over 90 Days	Total
As at December 31, 2020					
Expected loss rate	2%	2%	6%	10%	
Gross carrying amount	24,249	9,249	2,408	5,766	41,672
Loss allowance	474	216	139	559	1,388
As at December 31, 2019					
Expected loss rate	2%	2%	6%	10%	
Gross carrying amount	32,578	13,482	3,770	792	50,622
Loss allowance	583	317	233	83	1,216

National Flour Mills Limited
Notes to the Consolidated Financial Statements
December 31, 2020

(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 the Group's two largest customers and receivables from government. A separate analysis was completed on them and they were assessed as having no risk of default, since all receivable balances relating to 2019 and 2020 are considered recoverable with no impairment.

These receivables amounted to \$7,905 (2019: \$24,700).

Included in receivables are amounts due from the Government of the Republic of Trinidad and Tobago ('GORTT') for goods and services provided to them. Some of the balances are from 2014. Subsequent to the year end, the Ministry of Finance has agreed to a set off of Government receivables and payables. No provisions have been made for these balances as there is no default risk. Refer Notes 13 and 37.

Government bonds were also considered for impairment and no amounts were recorded because the default risk is considered negligible.

	\$	\$
Allowance as at 1 January	11,060	36,200
Bad debt written off against the provision	-	(27,360)
Increase / (decrease) in loss allowance recognised in profit or loss	183	(482)
Bad debts collected	-	(578)
Specific receivables deemed as uncollectible	<u>3,808</u>	<u>3,280</u>
Closing loss allowance as at 31 December	<u>15,051</u>	<u>11,060</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 loan 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
December 31, 2020

(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
At 31 December 2019						
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
	<u>116,316</u>	<u>1,031</u>	<u>2,967</u>	<u>6,668</u>	<u>126,982</u>	<u>121,370</u>
At 31 December 2020						
Accounts payable	28,806	-	-	-	28,806	30,222
Lease liabilities	1,408	2,830	1,831	2,921	8,990	7,939
Borrowings	45,956	-	-	-	45,956	44,932
Amounts due to GORTT	18,097	-	-	-	18,097	18,097
	<u>94,267</u>	<u>2,830</u>	<u>1,831</u>	<u>2,921</u>	<u>101,849</u>	<u>101,190</u>

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 and lease liabilities include interest payments.

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

(iii) Market risk

(a) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar and the Euro. The Group's management monitors the exchange rate fluctuations on a continuous basis and employs appropriate strategies to mitigate any potential losses.

National Flour Mills Limited
Notes to the Consolidated Financial Statements
December 31, 2020

(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)

(a) Currency risk (continued)

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	
	<u>2020</u>	<u>2019</u>
	\$	\$
Cash	533	248
Accounts receivable	49	46
Accounts payable	(43)	(51)
Borrowings	(407)	(440)
	<u>132</u>	<u>(197)</u>

(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 income tax would be \$46 (2019: \$24).

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 on the Trinidad and Tobago Stock Exchange.

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

National Flour Mills Limited
Notes to the Consolidated Financial Statements
December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

4. Financial risk management (continued)

a. Financial risk factors (continued)

(c) Price risk (continued)

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 2020 \$	Impact on other comprehensive income 2019 \$	Impact on other components of equity 2020 \$	Impact on other components of equity 2019 \$
Trinidad and Tobago Stock Exchange increase by 10% in 2020 (2019: 10%)	57	48	48	48
Trinidad and Tobago Stock Exchange decrease by 5% in 2020 (2019: 5%)	48	(24)	(24)	(24)

(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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

5. Property, Plant and Equipment

	Buildings \$	Plant machinery and equipment \$	Office furniture and equipment \$	Motor vehicles \$	Work in progress \$	Total \$
Year Ended December 31, 2020						
Opening net value	110,689	51,074	9,074	1,003	1,874	173,714
Additions	473	3,044	1,102	156	2,145	6,920
Disposals	-	-	-	-	(83)	(83)
WIP Commissioned	1,812	609	78	-	(2,499)	-
Depreciation	(5,117)	(7,590)	(2,305)	(474)	-	(15,486)
Closing net book value	107,857	47,137	7,949	685	1,437	165,065
At December 31, 2020						
Cost	170,601	120,031	13,537	1,782	1,437	307,388
Accumulated depreciation	(62,744)	(72,894)	(5,588)	(1,097)	-	(142,323)
Net book value	107,857	47,137	7,949	685	1,437	165,065
Year Ended December 31, 2019						
Opening net book value	113,561	55,924	10,004	1,410	1,885	182,784
Adjustment for change in accounting policy - transfer to right-of- use asset	(474)	-	-	-	-	(474)
Opening net amount - restated	113,087	55,924	10,004	1,410	1,885	182,310
Additions	925	2,219	1,534	178	2,105	6,961
Disposals	-	-	-	(85)	-	(85)
WIP Commissioned	1,728	388	-	-	(2,116)	-
Depreciation	(5,051)	(7,457)	(2,464)	(500)	-	(15,472)
Closing net book value	110,689	51,074	9,074	1,003	1,874	173,714
At December 31, 2019						
Cost	178,915	320,063	20,252	8,242	1,874	529,346
Accumulated depreciation	(68,226)	(268,989)	(11,178)	(7,239)	-	(355,632)
Net book value	110,689	51,074	9,074	1,003	1,874	173,714

(i) Non-current assets pledged as security

The Group's Commercial loan agreement with Republic Bank Limited calls for the assignment of a debenture to be stamped to cover TT\$90 million comprising of a fixed charge over leasehold 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 amortization of \$12,276 (2019: \$12,048) was recognised in cost of sales with \$5,015 (2019: \$5,918) recognised in expenses.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

6. Intangible assets

	Software \$
Year Ended December 31, 2020	
Opening net book value	5,773
Depreciation	<u>(1,805)</u>
Closing net book value	<u><u>3,968</u></u>
At December 31, 2020	
Cost	7,460
Accumulated depreciation	<u>(3,492)</u>
Net book value	<u><u>3,968</u></u>
Year Ended December 31, 2019	
Opening net book value	6,137
Additions	1,369
Depreciation	<u>(1,733)</u>
Closing net book value	<u><u>5,773</u></u>
At December 31, 2019	
Cost	8,593
Accumulated depreciation	<u>(2,820)</u>
Net book value	<u><u>5,773</u></u>

Included in software are costs expended on integration of the Company'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)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

7. Right-of-use assets

	2020	2019
	\$	\$
Opening net book value	6,920	-
Recognition on adoption of IFRS 16	-	7,076
Transfer from Property, Plant and Equipment	-	474
Additions	1,288	132
Amortization charge	<u>(942)</u>	<u>(762)</u>
Closing net book value	<u>7,266</u>	<u>6,920</u>
Cost	8,935	7,682
Accumulated amortization	<u>(1,669)</u>	<u>(762)</u>
Net book value	<u>7,266</u>	<u>6,920</u>

8. VAT Bonds

These fixed rate bonds carry interest of 3.3% per annum and mature on May 15, 2023. They are secured by a Trust Deed dated May 15 2020 between the Republic of Trinidad and Tobago and the Trinidad and Tobago Unit Trust Corporation as trustee for the bondholders.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

9. Investments at Fair Value through OCI

(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 December 31 2020</i>	Level 1	Total
	\$	\$
<i>Financial assets</i>		
Investments listed on Trinidad and Tobago Stock Exchange- NEL Shares	672	672

Recurring fair value measurements at December 31 2019

<i>Financial assets</i>		
Investments listed on Trinidad and Tobago Stock Exchange- NEL Shares	1,248	1,248

	Listed Securities	
	2020	2019
	\$	\$
Opening balance 1 January	1,248	1,758
Depreciation in value of shares refer note 21	(566)	(510)
Sale of shares	(10)	-
Closing balance 31 December	<u>672</u>	<u>1,248</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.

The listed security represents investment in NEL shares. Refer note 21.

(ii) Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

10. Retirement Benefit Asset

	2020 \$	2019 \$
Present value of defined benefit obligation	(199,542)	(191,644)
Fair value of the assets in the Plan	<u>218,721</u>	<u>214,822</u>
Recognised asset for the Plan	<u><u>19,179</u></u>	<u><u>23,178</u></u>
<i>a. Change in defined benefit obligation</i>		
Defined benefit obligation at start of year	(191,644)	(183,947)
Benefits paid	7,725	7,922
Current service cost	(5,823)	(5,036)
Interest cost	(10,331)	(9,902)
Members' contribution	(2,199)	(2,445)
Past Service Cost	-	(492)
Re-measurements:		
-Experience adjustments	(3,584)	3,794
-Actuarial gain from changes in demographic assumptions	-	(1,538)
-Actuarial gain from changes in financial assumptions	<u>6,314</u>	<u>-</u>
Defined benefit obligation at end of year	<u><u>(199,542)</u></u>	<u><u>(191,644)</u></u>
<i>b. The defined benefit obligation was allocated among the Plan's members as follows:</i>		
- Active members	58%	58%
- Deferred members	13%	13%
- Pensioners	29%	29%
The weighted average duration of the defined benefit obligation was 13.7 years (2019: 13.7 years).		
- 98% (2019: 98%) of the benefits for active members were vested.		
- 17% (2019: 17%) of the defined benefit obligation for active members was conditional on future salary increases.		
<i>c. Change in plan assets</i>		
Plan assets at start of year	214,822	189,591
Interest income	11,814	10,446
Return on plan assets, excluding interest income	(7,874)	14,107
Company's contributions	5,965	6,609
Members' contributions	2,199	2,445
Benefits paid	(7,725)	(7,922)
Administrative expenses	<u>(480)</u>	<u>(454)</u>
Plan assets at end of year	<u><u>218,721</u></u>	<u><u>214,822</u></u>
Actual return on Plan assets	<u><u>3,940</u></u>	<u><u>24,553</u></u>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

10. Retirement Benefit Asset (continued)

	2020 \$	2019 \$
<i>d. Asset allocation</i>		
Locally listed equities	66,420	67,104
Foreign equities	23,122	19,650
TT\$ denominated bonds	88,242	91,932
Non TT\$ denominated bonds (mainly US\$)	20,352	16,622
Mutual funds	2,291	3,388
Cash and cash equivalents	11,775	8,797
Other (immediate annuity policies)	6,519	7,329
	<u>218,721</u>	<u>214,822</u>
<i>e. Expense recognised in profit or loss</i>		
Current service cost	5,823	5,036
Net interest on defined benefit obligation	(1,483)	(544)
Past service cost	-	492
Administrative expenses	480	454
Total amount recognised	<u>4,820</u>	<u>5,438</u>
<i>f. Re-measurements recognised in other comprehensive income</i>		
Experience (loss) / gain	<u>(5,144)</u>	<u>16,363</u>
<i>g. Reconciliation of opening and closing statement of financial position entries:</i>		
Opening defined benefit asset	23,178	5,644
Net pension cost	(4,820)	(5,438)
Re-measurements recognised in other comprehensive income	(5,144)	16,363
Company contributions paid	5,965	6,609
Closing defined benefit asset	<u>19,179</u>	<u>23,178</u>
<i>h. The Company expects to contribute \$6.5 million to its defined benefit pension plan in 2021.</i>		
<i>i. Summary of principal assumptions</i>		
Discount rate at 31 December	5.75%	5.50%
Salary increases	3.25%	3.50%
Future pension increases	0.00%	0.00%

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

10. Retirement Benefit Asset (continued)

i. Summary of principal assumptions (continued)

The assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation are as follows:

	2020	2019
Life expectancy at age 60 for current pensioners (in years)		
- Male	21.7	21.7
- Female	26	26
Life expectancy at age 60 for current members age 40 (in years)		
- Male	22.6	22.6
- Female	26.9	26.9

j. Sensitivity

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 higher \$' 000	1% pa lower \$' 000
December 31 2020		
Discount rate	(23,354)	28,883
Future salary increases	8,007	(7,065)
December 31 2019		
Discount rate	(21,528)	28,628
Future salary increases	7,381	(6,513)

An increase of one year in the assumed life expectancy would increase the defined benefit obligation at 31 December, 2020 by \$3.421 million (2019: \$3.286 million). 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.

11. Medical and life insurance plan

	2020 \$	2019 \$
Recognised liability for the Medical and Life Insurance Plan	<u>23,543</u>	<u>21,833</u>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

11. Medical and life insurance plan (continued)

	2020	2019
	\$	\$
<i>a. Change in the obligations</i>		
Obligation at start of year	(21,833)	(19,532)
Benefits paid	1,208	1,248
Current service cost	(748)	(653)
Interest cost	(1,168)	(1,040)
Re-measurements:		
-Experience adjustments	(1,886)	(1,494)
-Actuarial (loss) from changes in demographic assumptions	-	(362)
-Actuarial loss from changes in financial assumptions	884	-
Obligation at end of year	<u>(23,543)</u>	<u>(21,833)</u>

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

	2020	2019
Active members	42%	42%
Pensioners	58%	58%

The weighted average duration of the defined benefit obligation was 14.6 years (2019: 14.6 years).
0% of the benefits for active members were vested.

c. The amount recognised in the loss for the year for medical benefits obligations is as follows:

	2020	2019
	\$	\$
Current service cost	748	653
Interest on defined benefit obligations	1,168	1,040
Net benefit cost	<u>1,916</u>	<u>1,693</u>

d. Re-measurements recognised in other comprehensive income

Experience loss	<u>(1,002)</u>	<u>(1,856)</u>
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e. Reconciliation of opening and closing statement of financial position entries:

Opening defined benefit obligations	21,833	19,532
Net benefit cost	1,916	1,693
Re-measurements recognised in other comprehensive income	1,002	1,856
Benefits paid by the Company	<u>(1,208)</u>	<u>(1,248)</u>
Closing defined benefit obligations	<u>23,543</u>	<u>21,833</u>

f. The Group expects to pay \$0.9 million in benefits in 2021.

g. Summary of principal assumptions

Discount rate at 31 December	5.75%	5.50%
Future medical cost increases	4.50%	4.50%
Future salary increases	3.25%	3.25%

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

11. Medical and life insurance plan (continued)

h. Sensitivity

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

	1% pa higher \$	1% pa lower \$
December 31 2020		
Discount rate	<u>(3,190)</u>	<u>4,055</u>
Medical cost increases	<u>3,188</u>	<u>(2,535)</u>
December 31 2019		
Discount rate	<u>(2,882)</u>	<u>3,651</u>
Medical cost increases	<u>2,819</u>	<u>(2,250)</u>

An increase of one year in the assumed life expectancies would increase the defined benefit obligation as at 31 December, 2020 by \$0.352 million (2019: \$0.31 million).

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

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

- (ii) *Changes in bond yields*

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

- (iii) *Inflation risks*

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

- (iv) *Life expectancy*

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

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

12. Accounts receivable and prepayments

	2020 \$	2019 \$
Trade receivables	61,351	62,337
Less provision for bad debts	<u>(15,051)</u>	<u>(11,060)</u>
	46,300	51,277
Prepayments	4,726	4,650
Other receivables	9,825	18,222
Less provision for bad debts	<u>60,851</u>	<u>74,149</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 \$6,382 (2019: \$15,900).

The movement in the provision for impaired trade receivables consists of increases for additional provisions offset by receivables written off and unused provisions 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.

	<u>2020</u>		<u>2019</u>	
	Performing \$	Non Performing \$	Performing \$	Non Performing \$
Current	37,744	-	40,960	-
Over 45 days	2,351	-	5,295	-
Over 60 days	2,408	-	3,770	-
Over 90 days	5,196	13,652	2,468	9,844
Less provision for impairment Loss allowance (IFRS 9)	<u>(1,399)</u>	<u>(13,652)</u>	<u>(1,216)</u>	<u>(9,844)</u>
	<u>46,300</u>	<u>-</u>	<u>51,277</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.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

13. Amounts due to / from the Government of the Republic of Trinidad and Tobago (GORTT)

Amounts due from the Government of the Republic of Trinidad and Tobago (GORTT) arise during the normal course of business. This includes transactions with the Ministry of Agriculture, Lands and Fisheries for the processing of rice paddies as well as amounts due from GORTT for the offering of discounts to customers to pass on to the public. Amounts due from the GORTT amounted to \$18,530 (2019: \$18,274) and amounts payable to the GORTT amounted to \$18,097 (2019: \$17,321). Amounts due to the government are unsecured, interest free and have no fixed terms of repayment.

Subsequent to the year end the Ministry of Finance has agreed to a set off of Government receivables and payables. No provisions have been made for these balances. Refer note 37.

14. Inventories

	2020	2019
	\$	\$
Raw materials	26,945	40,183
Packaging materials	3,731	4,358
Finished goods and work in progress	10,220	10,572
Spares	9,852	10,183
	<u>50,748</u>	<u>65,296</u>

Inventories are stated after a provision for impairment of \$1,704 (2019: \$1,006). The amount recognised as an expense in the year in respect of the write down of inventories is \$22,217 (2019: \$32,163).

The cost of inventories recognised as an expense and included in cost of sales is \$217,665 (2019: \$238,202) (Note 24).

15. Restricted deposit

At 31 December 2020, the Group held a deposit of \$1,584 (2019: \$16,542).

Restricted deposits comprise of:

- \$0 (2019: \$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%.

16. Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	92,534	43,317
Short-term bank deposits	261	261
	<u>92,795</u>	<u>43,578</u>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

17. Borrowings

	2020	2019
	\$	\$
Total borrowings	44,932	64,645
Current portion	<u>(44,932)</u>	<u>(64,645)</u>
Non-current portion	<u>-</u>	<u>-</u>

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

	2020	2019
	US\$	US\$
Export Import Bank of Trinidad and Tobago Limited	5,982	5,513
NCB Global Finance Limited	<u>-</u>	<u>1,000</u>
	<u>5,982</u>	<u>6,513</u>
TTD equivalent of USD denominated loans	40,675	43,945
TTD denominated loan - Republic Bank Limited	<u>4,257</u>	<u>20,700</u>
Total borrowings	<u>44,932</u>	<u>64,645</u>

Export Import Bank of Trinidad and Tobago Limited

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

- (i) The loan shall be repaid to the lender 30-180 days from the drawdown date of 1st December 2020.
- (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

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

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 15).
- (iii) This loan facility was repaid during the year.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

17. Borrowings (continued)

Republic Bank Limited

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.

Breach of loan covenants

The Company was in breach of certain covenants attached to the RBL and NCB facilities in 2019. This 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 Company should maintain a loan to value ratio of 60:1, however at the end of the year the ratio was 49:1. With regard to the loan from NCB, the Company should have maintained a Debt Service Coverage Ratio of 1.3: 1, however, at the end of the year the Company's Debt Service Coverage Ratio was 0.49:1. The breach was remedied in 2020.

The total sum repayable as at 31 December 2020 for the RBL Loan Facility was \$4,257 and the total sum repayable as at 31 December 2020 for NCB's Loan Facility was Nil.

As a result of this breach the Group reclassified \$15,826 from noncurrent liabilities to current liabilities in 2019.

18. Lease liabilities

	2020	2019
	\$	\$
Balance at January 1	6,859	-
Recognition on adoption of IFRS 16	-	7,076
New leases	1,288	-
Principal repayments	<u>(208)</u>	<u>(217)</u>
Balance at December 31	7,939	6,859
Current portion	<u>(1,200)</u>	<u>(1,038)</u>
Non-current portion	<u><u>6,739</u></u>	<u><u>5,821</u></u>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

18. Lease liabilities (continued)

(ii) Amounts recognised in the statement of comprehensive income

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

	2020	2019
	\$	
Depreciation charge	942	762
Interest expense (included in finance cost)	455	291
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	331	260
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	120	120

The total cash outflow for leases in 2020 was \$1,114 (2019: \$888).

Lessor

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

	2020	2019
	\$	\$
Rental income from operating leases	700	700
Direct operating expenses from property that generated rental income	236	354

19. Accounts payable and accruals

	2020	2019
	\$	\$
Trade payables	12,708	14,236
Payroll related liabilities	6,781	6,376
Accrued expenses	10,733	11,933
	<u>30,222</u>	<u>32,545</u>

Included within payroll related liabilities is the amount payable to employees of \$985 (2019: \$2,756) under the Employee Share Ownership Plan (note 21).

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

20. Stated capital

	2020	2019
	\$	\$
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>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

21. Treasury shares

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 2020 was 2,239,521 (2019: 2,264,480). During the year, the gain on treasury shares amounted to \$1,805.

In addition to the Company 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. Refer to Note 9.

The number of NEL shares held by the plan as at year end was 214,647 (2019: 216,733) with a fair value of \$672 (2019: \$1,248). 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)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

22. Financial instruments by category

	2020 \$	2019 \$
<i>Loans and receivables at amortised cost</i>		
<i>Financial assets</i>		
Accounts receivable	60,851	74,149
Amounts due from the GORTT	18,530	18,274
Cash and cash equivalents	92,795	43,578
Investments at fair value through OCI	672	1,248
Restricted deposit	1,584	16,542
	<u>174,432</u>	<u>153,791</u>
<i>Financial liabilities</i>		
Accounts payable and accruals	30,222	32,545
Lease liability	7,939	6,859
Amounts due to the GORTT	18,097	17,321
Borrowings	44,932	64,645
	<u>101,190</u>	<u>121,370</u>

23. Revenue from contracts with customers

National Flour Mills Limited 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 \$
Year ended December 31 2019				
Segment revenue	300,329	94,446	17,831	412,606
Less: Intersegment revenue	-	-	(130)	(130)
Revenue from external customers	<u>300,329</u>	<u>94,446</u>	<u>17,701</u>	<u>412,476</u>
<i>Timing of revenue recognition</i>				
At a point in time	300,329	94,446	17,701	412,476
Over time	-	-	-	-
Revenue from external customers	<u>300,329</u>	<u>94,446</u>	<u>17,701</u>	<u>412,476</u>
Year ended December 31 2020				
Segment revenue	299,315	102,336	16,503	418,154
Less: Intersegment revenue	-	-	(248)	(248)
Revenue from external customers	<u>299,315</u>	<u>102,336</u>	<u>16,255</u>	<u>417,906</u>
<i>Timing of revenue recognition</i>				
At a point in time	299,315	102,336	16,255	417,906
Over time	-	-	-	-
Revenue from external customers	<u>299,315</u>	<u>102,336</u>	<u>16,255</u>	<u>417,906</u>

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

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

24. Expenses by nature

	2020	2019
	\$	\$
Direct materials	217,665	238,202
Salaries and wages	86,520	90,427
ESOP Allocation to employees	674	312
Rents, rates and taxes	2,521	32
Transportation, security, electricity, communication and handling charges	19,633	20,976
Repairs and maintenance	7,276	7,206
Depreciation and amortisation	18,233	17,966
Insurance	5,115	4,746
Professional and legal fees	5,109	4,303
Provision for doubtful accounts	3,991	2,222
Advertising and promotion	1,673	1,949
Other	18,648	18,555
Total cost of sales, selling and distribution and administrative expenses	<u>387,058</u>	<u>406,896</u>

25. 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	222	481
Other amounts	3,386	3,233
	<u>9,108</u>	<u>9,214</u>

26(a) Net finance cost

Interest and bank charges	3,438	5,268
Lease interest	455	291
Foreign exchange loss / (gain)	413	(337)
	<u>4,306</u>	<u>5,222</u>

26(b) Net finance income

Interest income	<u>(122)</u>	<u>(491)</u>
	<u>(122)</u>	<u>(491)</u>

27 Foreign exchange gains/(losses)

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

Net foreign exchange gain included in other income	-	1,287
Exchange (loss) / gain on foreign currency borrowings included in net finance cost (Note 26)	(413)	337
Total net foreign exchange gains / (losses) recognised in profit before tax for the period	<u>(413)</u>	<u>1,624</u>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

28. Current and deferred taxation	2020	2019
	\$	\$
<i>Current taxation expense</i>		
Deferred tax credit	(1,590)	(1,665)
Current tax charge	13,906	5,595
	<u>12,316</u>	<u>3,930</u>
The Group's effective tax rate of 34% (2019: 39%) differs from the statutory tax rate of 30% as follows:		
Profit before taxation	35,772	10,063
Tax calculated at 30%	10,732	3,019
Tax impact of expenses not deductible for tax purposes	920	1,263
Tax impact of income not subject to tax	58	(732)
Other differences	606	380
	<u>12,316</u>	<u>3,930</u>
<i>Deferred taxation</i>		
Deferred income tax asset	7,483	6,934
Deferred income tax liabilities	(44,601)	(47,486)
Net deferred income tax liability	<u>(37,118)</u>	<u>(40,552)</u>

	IFRS 9 General Provision \$	Retirement Benefit Asset \$	Medical Plan \$	Property Plant and Equipment & Intangible Assets \$	IFRS 16 \$	Total \$
Year Ended December 31, 2019						
At 1 January 2019	510	(1,693)	5,859	(42,541)	-	(37,865)
Amount restated to						
Retained Earnings	-	-	-	-	-	-
(Charge) / credit to:						
- profit or loss	(145)	(351)	135	2,008	18	1,665
- other comprehensive loss	-	(4,909)	557	-	-	(4,352)
At 31 December 2019	<u>365</u>	<u>(6,953)</u>	<u>6,551</u>	<u>(40,533)</u>	<u>18</u>	<u>(40,552)</u>
Year Ended December 31, 2020						
At 1 January 2020	365	(6,953)	6,551	(40,533)	18	(40,552)
Amount restated to						
Retained Earnings	-	-	-	-	-	-
(Charge) / credit to:						
- profit or loss	54	(344)	212	1,686	(18)	1,590
- other comprehensive loss	-	1,543	301	-	-	1,844
At 31 December 2020	<u>419</u>	<u>(5,754)</u>	<u>7,064</u>	<u>(38,847)</u>	<u>-</u>	<u>(37,118)</u>

In 2016 the Group was audited by the Board of Inland Revenue (BIR) in relation to the financial year 2010, resulting in an assessment for additional taxes. Management has since filed an objection against the BIR assessment. Based on advice obtained, management is of the view that the assessment for additional taxes 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)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

29. Related party transactions

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

	2020	2019
	\$	\$
<i>Key management compensation</i>		
All managers and executive salaries and key compensation	10,632	8,893
Post-employment benefits	728	730
Director's fees	539	548
Termination benefits	-	2,141
Salary advance	-	27
	<u>11,899</u>	<u>12,339</u>

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

Amounts due to / from the Government of the Republic of Trinidad and Tobago (GORTT)

Refer to Note 13

	2020	2019
	\$	\$
<i>Sales and purchases of goods and services</i>		
Sales from the rendering of services to related parties	4,915	4,879
Purchases of goods from related parties	776	1,354

30. Earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of \$23,456 (2019: \$6,133) by the weighted average number of ordinary shares outstanding of 120,200 (2019: 120,200) less treasury shares of 2,240 (2019: 2,264).

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of \$23,456 (2019: \$6,133) by the weighted average number of ordinary shares outstanding of 120,200 (2019: 120,200) less unallocated treasury shares of 624 (2019: 748).

31. Dividends

Final dividends to the shareholders of the Group are recognised in the year that they are approved by the directors. Interim dividends are recognised in the year that they are declared. Dividends in respect of the year ended December 31, 2019 of 3 cents per share or \$3,606 was declared in the 2020 financial year (2019: 7 cents per share or \$8,414).

Dividends payable as at year end amounted to \$0 (2019: \$2,094).

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

32. 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	299,315	300,329	102,336	94,446	16,255	17,701	417,906	412,476
Gross profit	80,552	65,782	27,229	21,014	5,673	4,568	113,454	91,364
Depreciation and amortization	17,139	16,708	912	1,078	182	180	18,233	17,966
Net finance cost	3,556	4,068	377	426	251	237	4,184	4,731
Other operating income	8,745	5,160	182	737	182	3,317	9,109	9,214
Profit before tax	25,398	7,246	8,943	2,314	1,431	503	35,772	10,063
Property, plant and equipment	155,161	163,291	8,253	8,686	1,651	1,737	165,065	173,714
Intangible assets	3,730	5,427	198	289	40	57	3,968	5,773
Borrowings	-	-	-	-	-	-	44,932	64,645
Accounts payable and accruals	-	-	-	-	-	-	30,222	32,545

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

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

32. 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:

	2020	2019
	\$	\$
Revenue		
Flour	261,007	266,977
Feed mill	102,336	94,446
Parboiled rice	6,173	6,518
Corn	6,315	4,560
Dry mixes	23,458	20,145
Trading	8,677	6,689
Oil	6,510	8,006
Other	(770)	(32)
Soya	4,200	5,167
	<u>417,906</u>	<u>412,476</u>

Revenue from external customers

Export sales	26,696	19,244
Local sales	<u>391,210</u>	<u>393,232</u>
	<u>417,906</u>	<u>412,476</u>

Major customers

The Group has one third party customer whose revenue exceeds 10% of total sales. In 2020 sales with this customer was 13% of total sales (2019: 14 %).

33. Net debt reconciliation

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

	2020	2019
	\$	\$
Net debt		
Cash and cash equivalents	92,795	43,578
Lease liabilities	(7,939)	(6,859)
Borrowings payable within one year	<u>(44,932)</u>	<u>(64,645)</u>
	<u>39,924</u>	<u>(27,926)</u>
Cash and cash equivalents	92,795	43,578
Gross debt - fixed interest rates	<u>(52,871)</u>	<u>(71,504)</u>
	<u>39,924</u>	<u>(27,926)</u>

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

33. Net debt reconciliation (continued)

	Cash \$	Finance leases \$	Borrowings due within one year \$	Borrowings due after one year \$	Total \$
Net debt as at 1 January 2019	44,285	-	(72,782)	(15,826)	(44,323)
Recognition on adoption of IFRS 16	-	(7,076)	-	-	(7,076)
Cash flows	(707)	508	24,513	-	24,314
Foreign exchange adjustments	-	-	(236)	-	(236)
Reclassification	-	-	(15,826)	15,826	-
Other changes	-	(291)	(314)	-	(605)
Net debt as at 31 December 2019	43,578	(6,859)	(64,645)	-	(27,926)
Net debt as at 1 January 2020	43,578	(6,859)	(64,645)	-	(27,926)
Cash flows	49,217	(1,080)	19,713	-	67,850
Net debt as at 31 December 2020	92,795	(7,939)	(44,932)	-	39,924

(i) Other changes in finance leases of \$0 relates to the interest cost on the lease obligation.

(ii) Other changes in borrowings within one year of \$0 relates to the amortisation of interest cost.

34. Impairment test for carrying value of net assets

For the year ended 31 December 2020, the carrying value of the Group's net assets was \$268,748 while the market capitalisation was \$258,430. 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 2020 was based on a value in use calculation.

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

3. Impairment test for carrying value of net assets (continued)

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

	2020	2019
	%	%
Revenue growth rate	1%	2%
Terminal growth rate	1%	1%
Pre-tax discount rate	16.1%	19.9%
EBITDA as a % of sales	9%	7%

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
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 as a % of sales	Based on past performance and management's expectations for the

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

	2020			
	Rate changes		Movement in headroom	
	From	To	From	To
	%	%	\$	\$
Revenue growth rate - 50 bps decline	1.2	0.7	98,861	(276)
Terminal growth rate - 882 bps decline	1.0	(8)	98,861	(25)
Discount rate - 318 bps increase	16.1	19.3	98,861	(303)
EBITDA rate - 550 bps decline	(8.2)	(13.4)	98,861	(109)

	2019			
	Rate changes		Movement in headroom	
	From	To	From	To
	%	%	\$	\$
Revenue growth rate - 200 bps decline	2	-	77,091	(5,908)
Terminal growth rate - 400 bps decline	1	(3)	77,091	(450)
Discount rate - 250 bps increase	20	24	77,091	(1,778)
EBITDA rate - 1650 bps decline	(7)	(24)	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:

	2020		2019	
	Rate changes		Rate changes	
	From	To	From	To
	%	%	%	%
Revenue growth rate	1	0.7	2	1.8
Terminal growth rate	1	(7.8)	1	(2.9)
Pre-tax discount rate	16.1	19.3	19.9	24.3
EBITDA as a % of sales	(8.2)	(13.4)	(6.8)	(23.0)

National Flour Mills Limited

Notes to the Consolidated Financial Statements (continued)

December 31, 2020

(Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

35. Commitments

Capital commitments

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

36. Contingent liabilities

a. Legal 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 \$0.8M in relation to legal claims.

b. Customs Bonds

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>	04-Mar-21
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	<u>1,500,000</u>	04-Mar-21
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	<u>10,000</u>	02-Jul-21
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-21
TTD	The State of Trinidad and Tobago	<u>10,000</u>	23-Mar-23

c. Property Taxes

The Property Tax Act of 2009 (PTA) was enacted into law by the Government of the Republic of Trinidad and Tobago (GORTT), effective from January 1 2010. There were challenges with its implementation and GORTT implemented waivers of the tax, the last of which expired on September 30 2017. As of present date there have been no further changes to the legislation or extension of the waivers previously granted by the GORTT. The PTA has not yet been enforced primarily due to non-completion of property valuations by the statutory authority and assessments not being sent to taxpayers. While a present obligation exists, taxpayers are unable to reliably estimate the liability as the basis for fair value at this time has not been clarified.

37. Subsequent events

Subsequent to the year end, the Ministry of Finance has authorised the set off of balances to and due from Government as at 31 December 2020 subject to the verification of balances by a certain Ministry. This verification is in progress and management is satisfied that no material adjustment will arise from this process. Refer Note 13.

