

Financial Statements of

NATIONAL FLOUR MILLS LIMITED

December 31, 2013

NATIONAL FLOUR MILLS LIMITED

Financial Statements

December 31, 2013

C O N T E N T S	Page
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 32



KPMG
Chartered Accountants
Trinre Building
69-71 Edward Street
P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

Telephone (868) 623 1081
Fax (868) 623 1084
e-Mail kpmg@kpmg.co.tt

**Independent Auditors' Report
To the Shareholders of National Flour Mills Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of National Flour Mills Limited ("the Company"), which comprise the statement of financial position as at December 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

~~Chartered Accountants~~

March 25, 2014
Port of Spain
Trinidad and Tobago

NATIONAL FLOUR MILLS LIMITED

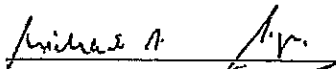
Statement of Financial Position

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

	Notes	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	7	14,994	33,037	12,162
Accounts receivable and prepayments	8	79,074	86,994	97,242
Inventories	9	87,348	77,243	69,146
		<u>181,416</u>	<u>197,274</u>	<u>178,550</u>
Non-Current Assets				
Investments		15	15	15
Retirement benefit asset	10	15,193	11,338	16,087
Property, plant and equipment	11	141,006	147,666	155,949
Trademarks	12	2,997	4,229	5,462
		<u>159,211</u>	<u>163,248</u>	<u>177,513</u>
Total assets		<u>340,627</u>	<u>360,522</u>	<u>356,063</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Bank overdraft	5	28,710	57,086	59,731
Accounts payable and accruals		23,637	36,405	39,091
Loans and borrowings	13	88,035	79,744	73,845
Current portion of finance lease liability	21	546	729	728
		<u>140,928</u>	<u>173,964</u>	<u>173,395</u>
Non-Current Liabilities				
Loans and borrowings	13	2,554	7,663	12,771
Non-current portion of finance lease liability	21	-	546	1,275
Deferred taxation	15	15,911	8,696	5,249
		<u>18,465</u>	<u>16,905</u>	<u>19,295</u>
Total liabilities		<u>159,393</u>	<u>190,869</u>	<u>192,690</u>
Shareholders' Equity				
Stated capital	16	120,200	120,200	120,200
Capital reserve		23,035	23,035	23,035
Retained earnings		37,999	26,418	20,138
		<u>181,234</u>	<u>169,653</u>	<u>163,373</u>
Total liabilities and shareholders' equity		<u>340,627</u>	<u>360,522</u>	<u>356,063</u>

The accompanying notes on pages 7 to 32 form an integral part of these financial statements.

 Director

 Director

NATIONAL FLOUR MILLS LIMITED

Statement of Comprehensive Income

Year ended December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

	Notes	2013 \$'000	Restated* 2012 \$'000
Revenue		457,897	446,263
Cost of sales		(371,848)	(356,039)
Gross profit		86,049	90,224
Selling and distribution expenses		(31,513)	(41,425)
Administration expenses		(29,155)	(26,051)
Other operating income		11,324	8,622
Operating profit		36,705	31,370
Finance cost		(10,032)	(13,425)
Profit before taxation	17	26,673	17,945
Taxation	18	(7,803)	(5,997)
Profit for the year		18,870	11,948
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurement of retirement benefit asset	10	3,102	(4,834)
Related tax	15	(775)	1,209
Other comprehensive income, net of tax		2,327	(3,625)
Total comprehensive income for the year		21,197	8,323
Earnings per share	19	16¢	10¢

* See Note 4

The accompanying notes on pages 7 to 32 form an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Statement of Changes in Equity

Year ended December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

	Stated Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance as at January 1, 2012, as previously reported	120,200	23,035	53,531	196,766
Impact of change in accounting policy (note 4)	-	-	(33,393)	(33,393)
Restated balance as at January 1, 2012	120,200	23,035	20,138	163,373
<i>Total comprehensive income (restated)</i>				
Profit for the year	-	-	11,948	11,948
Other comprehensive income	-	-	(3,625)	(3,625)
<i>Transactions with owners of the company</i>				
Dividends paid	-	-	(2,043)	(2,043)
Restated balance as at December 31, 2012	120,200	23,035	26,418	169,653
<i>Total comprehensive income</i>				
Profit for the year	-	-	18,870	18,870
Other comprehensive income	-	-	2,327	2,327
<i>Transactions with owners of the company</i>				
Dividends paid	-	-	(9,616)	(9,616)
Balance as at December 31, 2013	<u>120,200</u>	<u>23,035</u>	<u>37,999</u>	<u>181,234</u>

The accompanying notes on pages 7 to 32 form an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Statement of Cash Flows

Year ended December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

	2013	2012
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	26,673	17,945
Adjustments for:		
Depreciation	8,717	10,147
Amortization of trademarks	1,232	1,232
Interest expense	10,032	13,425
	46,654	42,749
Changes in working capital:		
Accounts receivable and prepayments	7,921	10,248
Retirement benefit	(753)	(85)
Inventories	(10,105)	(8,097)
Accounts payable and accruals	(14,564)	(4,188)
	29,153	40,627
Interest paid	(8,236)	(11,923)
Taxes paid	(1,365)	(1,340)
Net cash from operating activities	19,552	27,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,056)	(1,864)
Net cash used in investing activities	(2,056)	(1,864)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(5,109)	(5,110)
Finance lease liability payments	(729)	(728)
Dividends paid	(9,616)	(2,043)
Net cash used in financing activities	(15,454)	(7,881)
Net change in cash and cash equivalents	2,042	17,619
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	(98,685)	(116,304)
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 7)	(96,643)	(98,685)

The accompanying notes on pages 7 to 32 form an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

1. Incorporation and Principal Activities

National Flour Mills Limited ("the Company") is incorporated in the Republic of Trinidad and Tobago, and was continued under the provisions of the Companies Act, 1995 on April 14, 1998. Its principal activities are the production and distribution of food products and animal and poultry feeds.

2. Basis of Preparation

(a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and were authorised for issue by the Directors on March 25, 2014.

(b) *Change in accounting policy*

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

(i) *Fair value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

(ii) *Presentation of items of other comprehensive income (OCI)*

As a result of the amendments to IAS 1, the Company has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(iii) *Post-employment defined benefit plans*

As a result of IAS 19 (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to post-employment defined benefit plans (see Note 4 for further details).

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

2. Basis of Preparation (continued)

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- buildings – measured at historical cost or valuation less related accumulated depreciation
- retirement benefit asset – recognised as the plan assets less the present value of the defined benefit obligation.

(d) Functional and presentation currency

These financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional currency. All financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from these estimates.

Estimates and judgments 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.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in Note 5.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the change in accounting policy explained in Note 4.

a) *Property, plant and equipment*

Items of property, plant and equipment are stated at historical cost or valuation less accumulated depreciation. Depreciation is calculated on the straight-line basis at varying rates, which are estimated to be sufficient to write down the cost of the assets to residual value by the expiration of their useful lives.

The rates used are as follows:

	% per annum
Buildings	1.25 – 2.5
Plant and machinery	2.0 – 10.0
Forklifts, trucks and loaders	25.0
Office equipment and air conditioning	10.0
Computer equipment	20.0
Motor vehicles	25.0

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited through other comprehensive income to capital revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income to the extent of any credit balance existing in the capital revaluation reserve; all other decreases are recognised in profit or loss. When re-valued assets are sold, the amounts included in reserves are transferred to retained earnings.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss in the statement of comprehensive income.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

b) Leases

Leases of property, plant and equipment under which the Company 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 leasing commitments, net of finance charges, are included in liabilities. The interest element of the lease payments is charged to profit or loss over the lease 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 statement of comprehensive income on a straight line basis over the period of the lease.

c) Trademarks

Trademarks are stated at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful life of the trademarks, which range from 10 - 14 years.

d) Financial instruments

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

The Company's financial assets comprise of cash and cash equivalents, trade and other receivables and available-for-sale investments.

The Company recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

d) *Financial instruments* (continued)

Financial assets (continued)

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

Trade and other receivables

Trade receivables are measured at cost. Subsequent to initial recognition such receivables are measured at estimated recoverable amount. An allowance for irrecoverable amounts is made, and charged to the statement of comprehensive income, whenever there is objective evidence that a receivable is impaired.

Available-for-sale investments

These investments are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. These are unquoted securities that are measured at cost.

Financial liabilities

The Company's financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

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

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

Bank loans

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

d) Financial instruments (continued)

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).

e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and short-term commodity import loans, which form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

f) Inventories

Inventories are measured at the lower of cost (on a first in first out basis) and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their present location and condition. Included in the cost of finished goods is an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income except to the extent that the tax relates to items recognised directly in equity or in other comprehensive income.

Current tax

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, 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.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

g) Taxation (continued)

Deferred tax (continued)

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.

h) Retirement benefit plan

The Company operates a defined benefit pension plan covering its permanent employees. The funds of the Plan are administered by Trustees.

The Company's net obligation in respect of the retirement benefit 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. The calculation of the defined benefit obligation is performed annually by a qualified independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, 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).

Remeasurement of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any), are recognised immediately in other comprehensive income.

Net interest expense (income) or the net defined benefit liability (asset) is determined using the discount rate. Net interest expense and other expenses related to the retirement benefit plan are recognised in profit or loss.

The actuary performs a full actuarial valuation every three years and any surpluses or deficits may be recognised by an adjustment of future contribution rates.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

i) Foreign currency

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 trading activities are recorded in profit or loss.

j) Provisions

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

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

k) Revenue recognition

Revenue from the sale of goods is measured at sale price, net of returns, trade discounts and volume rebates. Revenue is recognised upon delivery of goods to customers.

l) Earnings per share

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

m) Segment reporting

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

n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

n) *New standards and interpretations not yet adopted* (continued)

IFRS 9 Financial Instruments (2009 & 2010) – IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets, whilst IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB has been working on an active project to make limited amendments to IFRS 9 and add new requirements on impairment and hedge accounting. The final version of IFRS 9 is not expected to become effective for the Company before 2018, and the Company is assessing the impact the standard may have on its financial statements.

4. Prior Year Restatements

Statement of Financial Position

	As previously Reported	IAS 19	Exchange Loss	As Restated
	\$'000	\$'000	\$'000	\$'000
January 1, 2012				
Retirement benefit asset	60,611	(44,524)	-	16,087
Deferred taxation	(16,380)	11,131	-	(5,249)
Retained earnings	(53,531)	33,393	-	(20,138)
December 31, 2012				
Retirement benefit asset	59,884	(48,546)	-	11,338
Cash and cash equivalents	35,047	-	(2,010)	33,037
Deferred taxation	(20,834)	12,138	-	(8,696)
Retained earnings	(64,836)	36,206	2,010	(28,630)

Statement of Comprehensive Income

	As previously Reported	IAS 19	Exchange Loss	As Restated
	\$'000	\$'000	\$'000	\$'000
December 31, 2012				
Cost of sales	(356,851)	812	-	(356,039)
Administration expenses	(24,041)	-	(2,010)	(26,051)
Taxation	(5,795)	(202)	-	(5,997)
Profit for the year	13,348	610	(2,010)	11,948

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

4. Prior Year Restatements

Under its previous policy, as allowed under the earlier version of IAS 19, the Company had utilised the “corridor approach” to the recognition of periodic actuarial gains and losses. It now recognises all actuarial gains or losses through other comprehensive income. The net annual interest expense or income is now determined by applying the discount rate to the net retirement benefit obligation or asset and not through the use of an expected rate of return to the plan assets, as was allowed under the previous IAS 19. In accordance with IAS 8, this change of accounting policy in respect of the application of IAS 19 (2011) has been applied retrospectively through the restatement of retained earnings as at January 1, 2012, and the Statement of Comprehensive Income for 2012.

During the year, Management identified an error in misstatement in the statement of comprehensive income for 2012 that resulted from the omission of recording an exchange loss on a foreign currency bank account. In accordance with IAS 8, Management has decided to restate the statement of comprehensive income for 2012 in order to correct the omission. The decision was taken to restate the financial statements in the prior year.

5. Financial Risk Management

Financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk
- interest rate risk.

This note presents information about the Company’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 financial statements.

The Board of Directors has ultimate responsibility for the establishment and oversight of the Company’s risk management framework. The Audit Committee oversees compliance with the Company’s risk management framework and is assisted in its oversight role by the Internal Audit Department.

The Company’s main financial risks relate to the availability of funds to meet business needs, the risk of delayed or non-payment by the Company’s customers, and fluctuations in foreign exchange and interest rates. The risk management policies employed by the Company to manage these risks are discussed below:

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

5. Financial Risk Management (continued)

Financial risk factors (continued)

a) Credit risk

The Company is exposed to credit risk, which is the potential for loss due to a debtor's failure to pay amounts when due. The Company 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 Company only trades with credit worthy third parties who are subject to credit verification procedures, which take into account their financial position and past experience. Individual risk limits are set based on internal ratings.

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

b) Liquidity risk

Liquidity risk is the risk that the Company will face difficulty in meeting its obligations under financial liabilities as they fall due.

The Company manages its liquidity risk by monitoring its projected inflows and outflows from operations. Where possible the Company utilises surplus internal funds to finance its operations. The Company also utilises available credit facilities such as loans and overdrafts.

c) Currency risk

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

d) Interest rate risk

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

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

5. Financial Risk Management (continued)

Financial risk factors (continued)

d) Interest rate risk (continued)

With the exception of bank overdrafts, the Company has no significant variable rate interest bearing assets or liabilities. As a consequence, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Securities and Exchange Commission of Trinidad and Tobago, as well as by the monitoring controls applied by the Company. The Company has an Internal Audit Department which performs routine reviews on compliance.

Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company engages in public social endeavours to engender trust and minimise this risk.

6. Critical Accounting Estimates and Judgments

The critical accounting judgments and estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

Retirement benefit obligations

The Company has determined that, in accordance with the terms and conditions of the defined benefit plan, and in accordance with statutory requirements (such as minimum funding requirements) of the plan, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at December 31, 2013.

Principal actuarial assumptions are set out in Note 10.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

6. Critical Accounting Estimates and Judgments (continued)

Impairment of trade receivables

The Company establishes an allowance for impairment that represents its estimate of projected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The loss allowance is determined based on current data of payment statistics for specific circumstances relating to specific transactions.

Impairment of tangible and intangible assets and useful lives

At each reporting date, management reviews the carrying amounts of the Company's tangible and intangible assets to determine whether there is any indication of impairments. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is determined based on the value-in-use method, which is the present value of the estimated future cash flows over the estimated useful life of the asset discounted using market rates.

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

Deferred tax

The Company assesses the impact of estimated tax losses, which is subject to final approval by the Board of Inland Revenue, on deferred tax liability. Any final assessment done by the Board will be incorporated in the year that this assessment is completed and agreed by the Company.

	2013 \$'000	2012 \$'000
7. Cash and Cash Equivalents		
Cash in hand and at bank		
Short-term deposits	14,756	31,990
	<u>238</u>	<u>1,047</u>
Cash and cash equivalents in the statement of financial position	<u>14,994</u>	<u>33,037</u>
<i>Short-term cash management facilities:</i>		
Bank overdrafts	(28,711)	(57,086)
Revolving grain purchase loans	<u>(82,926)</u>	<u>(74,636)</u>
	<u>(111,637)</u>	<u>(131,722)</u>
Cash and cash equivalents in the statement of cash flows	<u>(96,643)</u>	<u>(98,685)</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

7. Cash and Cash Equivalents (continued)

Bank overdraft facilities are provided by Scotiabank Trinidad and Tobago Limited and Citibank (Trinidad & Tobago) Limited. These facilities are secured by a debenture and collateral mortgage, stamped to cover TT\$90 million each, comprising of a fixed charge over goodwill, land and buildings located at Wrightson road, Port-of-Spain and a floating charge over all other assets of the Company. This security ranks *pari passu* with the security for the loans from First Citizens Bank Limited (see Note 13). An assignment of industrial all risks insurance with coverage of US\$57.7 million has also been executed in favour of the banks.

Revolving grain purchase loans have been provided by the following to finance the importation of grain (See Note 13):

	2013	2012
	US\$'000	US\$'000
Export Import Bank of Trinidad & Tobago (Eximbank) Ltd	5,893	2,676
Gavilon LLC	3,284	2,986
Citibank (Trinidad and Tobago) Limited	<u>3,780</u>	<u>6,000</u>
	<u>12,957</u>	<u>11,662</u>
	\$'000	\$'000
TTD equivalent	<u>82,926</u>	<u>74,636</u>

8. Accounts Receivable and Prepayments

	2013	2012
	\$'000	\$'000
Trade receivables	67,386	65,838
Prepayments	2,663	7,137
Sundry receivables	<u>9,025</u>	<u>14,019</u>
	<u>79,074</u>	<u>86,944</u>

Included in accounts receivable and prepayments is \$3.6 million due from the Government of the Republic of Trinidad and Tobago (GORTT). This amount is as a result of the Company offering discounts to customers to pass on to the public on specific products in December 2013 at the request of the GORTT.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

8. Accounts Receivable and Prepayments (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit risk exposure for trade receivables at the reporting date by type of counterparty was:

	2013 \$'000	2012 \$'000
Wholesalers	14,070	16,041
Industrial	12,569	13,154
Export	3,989	4,520
Feed	12,181	11,819
Retailers	17,656	18,150
Other	6,921	2,154
	<u>67,386</u>	<u>65,838</u>

The aging analysis of trade receivables at the reporting date was:

	Gross 2013 \$'000	Impairment 2013 \$'000	Gross 2012 \$'000	Impairment 2012 \$'000
Not past due	38,616	-	34,408	-
Past due:				
1-2 months	16,977	-	16,711	-
2-3 months	5,261	-	5,276	-
3-6 months	2,955	-	3,554	-
over 6 months	24,706	21,129	26,241	20,352
	<u>88,515</u>	<u>21,129</u>	<u>86,190</u>	<u>20,352</u>

The movement in the impairment allowance during the year was as follows:

	2013 \$'000	2012 \$'000
Balance at January 1	20,352	14,920
Allowance charged to profit for the year	777	5,432
Balance at December 31	<u>21,129</u>	<u>20,352</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

9. Inventories

	2013 \$'000	2012 \$'000
Raw materials	61,919	55,505
Packaging materials	3,791	3,676
Finished products	8,788	8,268
Maintenance spares	12,850	9,794
	<u>87,348</u>	<u>77,243</u>

10. Retirement Benefit Asset

	2013 \$'000	Restated 2012 \$'000
Present value of defined benefit obligation	(150,182)	(139,207)
Fair value of Plan assets	<u>165,375</u>	<u>150,545</u>
Recognised asset for defined benefit obligation	<u>15,193</u>	<u>11,338</u>

a) Change in defined benefit obligations

Defined benefit obligation at start of year	(139,207)	(121,533)
Benefits paid	3,926	5,660
Current service cost	(5,065)	(4,447)
Interest cost	(6,863)	(6,531)
Members' contributions	(1,842)	(1,344)
Remeasurements:		
- experience adjustments	(1,131)	(797)
- actuarial losses from changes in financial assumptions	<u>-</u>	<u>(10,215)</u>
-		
Defined benefit obligation at end of year	<u>(150,182)</u>	<u>(139,207)</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

10. Retirement Benefit Asset (continued)

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

- Active	56%
- Deferred members	18%
- Pensioners	26%

The weighted average duration of the defined benefit obligation at the year end 15.8 years.

96% of the value of the benefits for active members is vested.

32% of the defined benefit obligation for active members is conditional on future salary increases.

	2013 \$'000	Restated 2012 \$'000
<i>c) Change in plan assets</i>		
Plan assets at start of year	150,545	137,620
Company contributions	5,430	3,843
Members' contributions	1,842	1,344
Benefits paid	(3,926)	(5,660)
Interest Income	7,601	7,547
Return on plan assets	4,233	6,178
Expense allowance	(350)	(327)
Plan assets at end of year	<u>165,375</u>	<u>150,545</u>
Actual return on Plan assets	<u>11,834</u>	<u>13,725</u>
<i>d) Asset allocation</i>		
Locally listed equities	42,865	29,940
Overseas equities	10,235	8,425
TT\$-denominated bonds	76,792	59,918
Non-TT\$-denominated bonds (mainly US\$)	14,330	14,589
Mutual funds (short-term securities)	1,679	6,884
Cash and cash equivalents	7,171	18,299
Other (immediate annuity policies)	12,303	12,490
Fair value of Plan assets at end of year	<u>165,375</u>	<u>150,545</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

10. Retirement Benefit Asset (continued)

d) Asset allocation (continued)

The Plan does not directly hold any assets of the Company.

	2013 \$'000	Restated 2012 \$'000
<i>e) Expense recognised in profit or loss</i>		
Current service costs	5,065	4,447
Interest on defined benefit obligation	(738)	(1,016)
Administration expenses	350	327
Net pension cost	<u>4,677</u>	<u>3,758</u>
<i>f) Re-measurements recognized in other comprehensive income</i>		
Experience (gains) losses	<u>(3,102)</u>	<u>4,834</u>
<i>g) Reconciliation of opening and closing statement of financial position entries</i>		
Opening defined benefit asset	11,338	16,087
Net pension cost	(4,677)	(3,758)
Re-measurements recognised in other comprehensive income	3,102	(4,834)
Company contributions paid	<u>5,430</u>	<u>3,843</u>
Closing defined benefit asset	<u>15,193</u>	<u>11,338</u>
<i>h) The Company expects to contribute \$4.503 million to its defined benefit pension plan in 2014.</i>		
<i>i) Summary of principal assumptions</i>		
	<u>2013</u>	<u>2012</u>
Discount rate at December 31	5.00%	5.00%
Future salary increases	4.75%	4.75%
Future pension increases	0.00%	0.00%

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

11. Property, Plant and Equipment

	Industrial and Office Buildings	Plant Machinery and Equipment	Office Furniture, Equipment and Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<i>Year ended December 31, 2013</i>				
Cost/Valuation				
At January 1, 2013	160,227	326,884	28,942	516,053
Additions	122	1,446	488	2,056
At December 31, 2013	160,349	328,330	29,430	518,109
Accumulated depreciation				
At January 1, 2013	48,469	292,524	27,394	368,387
Charge for the year	1,651	5,821	1,245	8,717
At December 31, 2013	50,119	298,345	28,639	377,104
<i>Year ended December 31, 2012</i>				
Cost/Valuation				
At January 1, 2012	159,678	326,440	28,071	514,189
Additions	549	444	871	1,864
At December 31, 2012	160,227	326,884	28,942	516,053
Accumulated depreciation				
At January 1, 2012	47,378	285,006	25,856	358,240
Charge for the year	1,091	7,518	1,538	10,147
At December 31, 2012	48,469	292,524	27,394	368,387
Net book value				
At December 31, 2013	110,230	29,985	791	141,006
At December 31, 2012	111,758	34,360	1,548	147,666

The property, plant and equipment are subject to a registered debenture to secure bank borrowings (see Note 12).

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

11. Property, Plant and Equipment (continued)

If buildings and plant and machinery were stated at historical cost, the carrying amounts would be as follows:

	2013 \$'000	2012 \$'000
Industrial and office buildings	100,343	106,659
Plant and machinery	<u>29,977</u>	<u>34,361</u>
	<u>130,320</u>	<u>141,020</u>

12. Trademarks

Cost

End of year	<u>17,312</u>	<u>17,312</u>
-------------	---------------	---------------

Accumulated amortisation

Beginning of year	13,083	11,851
Charge for the year	<u>1,232</u>	<u>1,232</u>
End of year	<u>14,315</u>	<u>13,083</u>

Net book value	<u>2,997</u>	<u>4,229</u>
----------------	--------------	--------------

13. Loans and Borrowings

	Interest Rate	Maturity Date	2013 \$'000	2012 \$'000
<i>First Citizens Bank Limited</i>				
Tranche B	6.18%	January 2015	7,663	12,771
Other secured advances (see Note 7)			<u>82,926</u>	<u>74,636</u>
Total loans and borrowings			90,589	87,407
Less current portion			<u>(88,035)</u>	<u>(79,744)</u>
Non-current portion			<u>2,554</u>	<u>7,663</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

13. Loans and Borrowings (continued)

The First Citizens Bank Limited loan is secured by a debenture and collateral mortgage, stamped to cover \$90 million ranking *pari passu* with the security for the bank overdraft facilities (see Note 7). It is repayable in semi-annual instalments ending in January 2015.

14. Maturity of Financial Liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount \$'000	Contractual Cash Flows \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
December 31, 2013						
Secured bank loans	7,663	8,138	2,793	2,711	2,634	-
Other secured advances	82,927	83,685	83,685	-	-	-
Finance lease liability	546	597	400	197	-	-
Trade and other payables	23,887	23,887	23,887	-	-	-
Bank overdraft	28,710	28,710	28,710	-	-	-
		<u>145,017</u>	<u>139,475</u>	<u>2,908</u>	<u>2,634</u>	<u>-</u>
December 31, 2012						
Secured bank loans	12,771	13,957	2,952	2,867	8,138	-
Other secured advances	74,636	75,268	75,268	-	-	-
Finance lease liability	1,275	1,405	400	400	605	-
Trade and other payables	36,655	36,655	36,655	-	-	-
Bank overdraft	57,086	57,086	57,086	-	-	-
		<u>184,371</u>	<u>172,361</u>	<u>3,267</u>	<u>8,743</u>	<u>-</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

	2013 \$'000	2012 \$'000
15. Deferred Taxation		
Movement in deferred income tax liability:		
Balance at beginning of year	8,696	5,249
Charge to the income statement	6,440	4,656
Recognition in other comprehensive income	<u>775</u>	<u>(1,209)</u>
Balance at end of year	<u>15,911</u>	<u>8,696</u>
Deferred taxation is attributable to the following items:		
Tax losses carried forward	(17,890)	(24,705)
Excess of net book value of property, plant and equipment over tax written-down value	30,001	30,631
General provision for bad debts	-	(63)
Remeasurement of retirement benefit asset	775	(1,209)
Retirement benefit asset	<u>3,025</u>	<u>4,042</u>
	<u>15,911</u>	<u>8,696</u>
16. Stated Capital		
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 Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

	2013 \$'000	2012 \$'000
17. Profit before Taxation		
Profit before taxation is arrived at after charging:		
Salaries and wages	57,932	60,549
Bank interest and charges	10,013	11,743
Depreciation – current year	8,717	10,147
Amortization of trademarks	1,232	1,232
Operating lease rentals	1,005	1,150
Directors' fees	707	558
	<u>707</u>	<u>558</u>

The average number of persons employed by the Company during the year was 355 (2012: 356).

	2013 \$'000	2012 \$'000
18. Taxation		
Deferred tax (see Note 15)	6,438	4,656
Business levy	910	894
Green Fund levy	455	447
	<u>7,803</u>	<u>5,997</u>

The Company's effective tax rate of 33% (2012: 30%) differs from the statutory tax rate of 25% as follows:

Profit before taxation	26,673	17,945
Tax calculated at 25%	6,668	4,486
Non-taxable income	(187)	(187)
Green Fund levy	455	447
Business levy	910	894
Expenses not deductible for tax purposes	167	669
Deferred tax prior year over provision	(210)	(312)
	<u>7,803</u>	<u>5,997</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

18. Taxation (continued)

The Company was audited by the Board of Inland Revenue for 2005 Corporation Tax. Based on the assessment it was indicated that an adjustment to reduce the tax losses by \$16 million was required. The Company has filed an appeal against this assessment. According to the Company's tax computation, the Company has tax losses of approximately \$72 thousand available to carry forward against future taxable profits.

19. Earnings per Share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of \$18,870 thousand (2012: \$11,948 thousand) by the weighted average number of ordinary shares outstanding of 120,200,000 (2012: 120,200,000).

Only basic earnings per share are presented as there are no potentially dilutive share options in issue.

20. Related Party Transactions

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

a) Balances and transaction with key management personnel during the year were as follows:

	2013	2012
	\$'000	\$'000
Key management compensation		
Short-term benefits	4,067	3,934
Post employment benefits	467	448
	<u>4,534</u>	<u>4,382</u>

b) National Flour Mills Limited (NFM) has an agreement with the Ministry of Food Production, Land and Marine Resources which allows for NFM to purchase all rice paddy from local rice farmers. The amount paid is reimbursable by the Ministry to NFM. This amount as well as the proceeds for the sale of the processed rice (which is reimbursable by NFM to the Ministry) is recorded in a Consolidated Account.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013.

(Expressed in Trinidad and Tobago Dollars)

20. Related Party Transactions (continued)

The following amounts are included in sundry receivables and accounts payable:

	Balance outstanding As at 31 December	
	2013	2012
	\$'000	\$'000
Amount due to NFM	10,434	4,332
Balance on Consolidated fund	<u>9,404</u>	<u>9,250</u>

21. Finance and Operating Lease Commitments

During 2010, the Company entered into a finance lease agreement to acquire an automatic silo scale with a lease term of four years. The Company has the option to purchase the equipment for a nominal amount at the conclusion of the lease agreement.

Finance leases liabilities are payable as follows:

	Future Minimum Lease Payments		Interest		Present Value Future Minimum Lease Payments	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Less than one year	597	801	51	72	546	729
Between one and five years	-	<u>597</u>	-	<u>51</u>	-	<u>546</u>
	<u>597</u>	<u>1,398</u>	<u>51</u>	<u>123</u>	<u>546</u>	<u>1,275</u>

Minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
	\$'000	\$'000
Less than one year	1,064	362
Between one and five years	<u>1,660</u>	<u>450</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2013

(Expressed in Trinidad and Tobago Dollars)

22. Contingent Liabilities

As at December 31, 2013, the Company had contingent liabilities in respect of pending litigation.

Based on legal advice, the Directors believe that the Company will be successful in these actions. However, if defence against the action(s) is unsuccessful, the potential liability for damages and costs amounts to approximately \$330 thousand (2012: \$NIL).

23. Operating Segments

The Company has two reportable segments, as described below, which are the Company'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 Company's Chief Executive Officer (CEO) reviews internal management reports monthly. The following summary describes the operations in each of the Company's reportable segments:

- Foodstuff. 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 Company'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 Company's CEO.

	Food stuff		Animal Feeds		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	<u>312,224</u>	<u>312,423</u>	<u>118,178</u>	<u>103,068</u>	<u>27,496</u>	<u>30,772</u>	<u>457,897</u>	<u>446,263</u>
Depreciation and amortisation	<u>7,310</u>	<u>7,261</u>	<u>2,086</u>	<u>3,305</u>	<u>552</u>	<u>813</u>	<u>9,949</u>	<u>11,379</u>
Gross profit	<u>59,496</u>	<u>66,268</u>	<u>26,056</u>	<u>18,368</u>	<u>497</u>	<u>5,588</u>	<u>86,049</u>	<u>90,224</u>