Financial Statements of

NATIONAL FLOUR MILLS LIMITED

December 31, 2014

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Financial Statements

December 31, 2014

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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, 2014, 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 control 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 control. 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.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

March 31, 2015
Port of Spain
Trinidad and Tobago

NATIONAL FLOUR MILLS LIMITED

Statement of Financial Position

December 31, 2014
(Expressed in Trinidad and Tobago Dollars)

	Notes	2014	Restated 2013	Restated 2012
		$'000	$'000	$'000
ASSETS				
Current Assets				
Cash and cash equivalents	7	42,922	14,994	33,037
Accounts receivable and prepayments	8	71,018	79,074	86,994
Inventories	9	103,807	87,348	77,243
		217,747	181,416	197,274
Non-Current Assets				
Investments		15	15	15
Retirement benefit asset	10	10,588	15,193	11,338
Property, plant and equipment	11	152,187	141,006	147,666
Trademarks	12	1,765	2,997	4,229
		164,555	159,211	163,248
Total assets		382,302	340,627	360,522
LIABILITIES AND EQUITY				
Current Liabilities				
Bank overdraft	7	-	28,710	57,086
Accounts payable and accruals		41,249	25,492	37,755
Loans and borrowings	13	122,031	88,035	79,744
Current portion of finance lease liability	21	-	546	729
		163,280	142,783	175,314
Non-Current Liabilities				
Loans and borrowings	13	-	2,554	7,663
Non-current portion of finance lease liability	21	-	-	546
Deferred taxation	15	24,892	15,911	8,696
		24,892	18,465	16,905
Total liabilities		188,172	161,248	192,219
Shareholders' Equity				
Stated capital	16	120,200	120,200	120,200
Capital reserve		23,035	23,035	23,035
Retained earnings		50,895	36,144	25,068
		194,130	179,379	168,303
Total liabilities and equity		382,302	340,627	360,522

The accompanying notes on pages 7 to 33 are an integral part of these financial statements.

______________ Director ______________ Director

NATIONAL FLOUR MILLS LIMITED

Statement of Comprehensive Income

Year ended December 31, 2014
(Expressed in Trinidad and Tobago Dollars)

	Notes	2014	Restated 2013
		$'000	$'000
Revenue		470,316	457,897
Cost of sales		(374,865)	(372,252)
Gross profit		95,451	85,645
Selling and distribution expenses		(35,389)	(31,513)
Administration expenses		(32,756)	(29,256)
Other operating income		10,617	11,324
Operating profit		37,923	36,200
Finance cost		(5,426)	(10,032)
Profit before taxation	17	32,497	26,168
Taxation	18	(10,719)	(7,803)
Profit for the year		21,778	18,365
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Re-measurement of retirement benefit asset	10	(1,356)	3,102
Related tax	15	339	(775)
Other comprehensive income, net of tax		(1,017)	2,327
Total comprehensive income for the year		20,761	20,692
Earnings per share	19	18¢	15¢

The accompanying notes on pages 7 to 33 are an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Statement of Changes in Equity

Year ended December 31, 2014
(Expressed in Trinidad and Tobago Dollars)

	Note	Stated Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at January 1, 2013 as previously reported		120,200	23,035	26,418	169,653
Prior year restatement	4	-	-	(1,350)	(1,350)
Restated balance as at January 1, 2013		120,200	23,035	25,068	168,303
Total comprehensive income					
Profit for the year		-	-	18,365	18,365
Other comprehensive income		-	-	2,327	2,327
Transactions with owners of the company					
Dividends paid		-	-	(9,616)	(9,616)
Restated balance as at December 31, 2013		120,200	23,035	36,144	179,379
Restated balance as at January 1, 2014		120,200	23,035	36,144	179,379
Total comprehensive income					
Profit for the year		-	-	21,778	21,778
Other comprehensive income		-	-	(1,017)	(1,017)
Transactions with owners of the company					
Dividends paid		-	-	(6,010)	(6,010)
Balance as at December 31, 2014		120,200	23,035	50,895	194,130

The accompanying notes on pages 7 to 33 are an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Statement of Cash Flows

Year ended December 31, 2014
(Expressed in Trinidad and Tobago Dollars)

	2014	2013
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	32,497	26,168
Adjustments for:		
Depreciation	8,602	8,717
Depreciation restatement	(10,751)	-
Amortization of trademarks	1,232	1,232
Interest expense	5,426	10,032
	37,006	46,149
Changes in working capital:		
Accounts receivable and prepayments	8,056	7,921
Retirement benefit	3,249	(753)
Inventories	(16,459)	(10,105)
Accounts payable and accruals	14,233	(14,059)
	46,085	29,153
Interest paid	(3,902)	(8,236)
Taxes paid	(1,399)	(1,365)
Net cash from operating activities	40,784	19,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9,032)	(2,056)
Net cash used in investing activities	(9,032)	(2,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of loans and borrowings	(5,108)	(5,109)
Finance lease liability payments	(546)	(729)
Dividends paid	(6,010)	(9,616)
Net cash used in financing activities	(11,664)	(15,454)
Net change in cash and cash equivalents	20,088	2,042
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	(96,643)	(98,685)
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 8)	(76,555)	(96,643)

The accompanying notes on pages 7 to 33 are an integral part of these financial statements.

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 31, 2015.

(b) 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.

(c) 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.

(d) 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.

2. Basis of Preparation (continued)

(d) *Use of estimates and judgments* (continued)

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 6.

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.

3. Summary of Significant Accounting Policies (continued)

a) *Property, plant and equipment* (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

d) Financial instruments (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

d) Financial instruments (continued)

Financial liabilities (continued)

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.

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.

3. **Summary of Significant Accounting Policies** (continued)

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.

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).

3. Summary of Significant Accounting Policies (continued)

h) Retirement benefit plan (continued)

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.

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.

3. Summary of Significant Accounting Policies (continued)

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, 2014, 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.

- IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

  IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting,* require their inclusion.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  - The amendment to IAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is in appropriate for intangible assets.

3. **Summary of Significant Accounting Policies** (continued)

o) New standards and interpretations not yet adopted (continued)

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized. The Company is assessing the impact that the standard will have on its 2018 financial statements.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 *Construction Contracts*, IAS 18 Revenue, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

4. Prior Year Restatements

	As previously Reported $'000	Accruals $'000	As Restated $'000
Statement of Financial Position			
January 1, 2013			
Accounts payable and accruals	(36,405)	(1,350)	(37,755)
Retained earnings	(26,418)	(1,350)	(25,068)
December 31, 2013			
Accounts payable and accruals	(23,637)	(1,855)	(25,492)
Retained earnings	(37,999)	(1,855)	(36,144)
Statement of Comprehensive Income			
December 31, 2013			
Cost of sales	(371,848)	(404)	(373,113)
Administration expenses	(29,155)	(105)	(29,256)
Profit for the year	18,870	(505)	18,365

During the year, Management identified an error in misstatement in the statement of comprehensive income that resulted from the omission of recording obligations under the employee share ownership plan for the years 2009 to 2013. 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 beginning in the prior year 2013.

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:

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.

5. Financial Risk Management (continued)

Financial risk factors (continued)

b) **Liquidity risk** (continued)

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.

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.

5. **Financial Risk Management** (continued)

Financial risk factors (continued)

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, 2014.

Principal actuarial assumptions are set out in Note 10.

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.

6. Critical Accounting Estimates and Judgments (continued)

Impairment of tangible and intangible assets and useful lives (continued)

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.

	2014 $'000	2013 $'000
7. Cash and Cash Equivalents		
Cash in hand and at bank	42,676	14,756
Short-term deposits	246	238
Cash and cash equivalents in the statement of financial position	42,922	14,994
Short-term cash management facilities:		
Bank overdrafts	-	(28,711)
Revolving grain purchase loans	(119,477)	(82,926)
	(119,477)	(111,637)
Cash and cash equivalents in the statement of cash flows	(76,555)	(96,643)

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.

7. Cash and Cash Equivalents (continued)

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

	2014 US$'000	2013 US$'000
Export Import Bank of Trinidad & Tobago (Eximbank) Ltd	4,004	5,893
Gavilon LLC	-	3,284
Citibank (Trinidad and Tobago) Limited	14,462	3,780
	18,466	12,957

	2014 $'000	2013 $'000
TTD equivalent	119,477	82,926

8. Accounts Receivable and Prepayments

	2014	2013
Trade receivables	55,767	67,386
Prepayments	2,279	2,663
Sundry receivables	12,972	9,025
	71,018	79,074

Included in accounts receivable and prepayments is $7.34 million (2013: $5.6 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 2014 at the request of the GORTT.

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

8. Accounts Receivable and Prepayments (continued)

The credit risk exposure for trade receivables at the reporting date by type of counterparty was:

	2014 $'000	2013 $'000
Wholesalers	10,749	14,070
Industrial	9,744	12,569
Export	1,432	3,989
Feed	13,720	12,181
Retailers	19,159	17,656
Other	963	6,921
	55,767	67,386

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

	Gross 2014 $'000	Impairment 2014 $'000	Gross 2013 $'000	Impairment 2013 $'000
Not past due	42,233	-	38,616	-
Past due:				
1-2 months	8,958	-	16,977	-
2-3 months	3,314	-	5,261	-
3-6 months	1,055	-	2,955	-
over 6 months	23,524	23,317	24,706	21,129
	79,084	23,317	88,515	21,129

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

	2014 $'000	2013 $'000
Balance at January 1	21,129	20,352
Allowance charged to profit for the year	2,188	777
Balance at December 31	23,317	21,129

	2014 $'000	2013 $'000
9. Inventories		
Raw materials	81,869	61,919
Packaging materials	3,134	3,791
Finished products	5,533	8,788
Maintenance spares	13,271	12,850
	103,807	87,348

10. Retirement Benefit Asset

Present value of defined benefit obligation	(161,633)	(150,182)
Fair value of Plan assets	172,251	165,375
Recognised asset for defined benefit obligation	10,588	15,193

a) Change in defined benefit obligations

Defined benefit obligation at start of year	(150,182)	(139,207)
Benefits paid	4,194	3,926
Current service cost	(6,221)	(5,065)
Interest cost	(7,406)	(6,863)
Members' contributions	(1,480)	(1,842)
Remeasurements:		
- experience adjustments	(4,695)	(1,131)
- actuarial losses from changes in financial assumptions	4,194	-
Defined benefit obligation at end of year	(161,663)	(150,182)

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

- Active	59%
- Deferred members	17%
- Pensioners	24%

The weighted average duration of the defined benefit obligation at the year end 15.5 years.

95% of the value of the benefits for active members is vested.

27% of the defined benefit obligation for active members is conditional on future salary increases.

	2014 $'000	2013 $'000
10. Retirement Benefit Asset (continued)		
c) Change in plan assets		
Plan assets at start of year	165,375	150,545
Company contributions	2,508	5,430
Members' contributions	1,480	1,842
Benefits paid	(4,194)	(3,926)
Interest Income	8,254	7,601
Return on plan assets	(788)	4,233
Expense allowance	(384)	(350)
Plan assets at end of year	172,251	165,375
Actual return on Plan assets	7,466	11,834
d) Asset allocation		
Locally listed equities	44,375	42,865
Overseas equities	12,288	10,235
TT$-denominated bonds	72,561	76,792
Non TT$-denominated bonds (mainly US$)	13,289	14,330
Mutual funds (short-term securities)	1,953	1,679
Cash and cash equivalents	15,941	7,171
Other (immediate annuity policies)	11,844	12,303
Fair value of Plan assets at end of year	172,251	165,375

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

	2014 $'000	2013 $'000
10. Retirement Benefit Asset (continued)		
e) Expense recognised in profit or loss		
Current service costs	6,221	5,065
Interest on defined benefit obligation	(848)	(738)
Administration expenses	384	350
Net pension cost	5,757	4,677
f) Re-measurements recognized in other comprehensive income		
Experience losses (gains)	1,356	(3,102)
g) Reconciliation of opening and closing statement of financial position entries		
Opening defined benefit asset	15,193	11,338
Net pension cost	(5,757)	(4,677)
Re-measurements recognised in other comprehensive income	(1,356)	3,102
Company contributions paid	2,508	5,430
Closing defined benefit asset	10,588	15,193

h) The Company expects to contribute $7.0 million to its defined benefit pension plan in 2015.

i) ***Summary of principal assumptions***

	2014	2013
Discount rate at December 31	5.00%	5.00%
Future salary increases	4.25%	4.75%
Future pension increases	0.00%	0.00%

11. Property, Plant and Equipment

	Industrial and Office Buildings	Plant Machinery and Equipment	Office Furniture, Equipment and Motor Vehicles	Total
	$'000	$'000	$'000	$'000
Year ended December 31, 2014				
Cost/Valuation				
At January 1, 2014	160,349	328,330	29,430	518,109
Additions	286	8,167	579	9,032
Restatement	-	3,870	-	3,870
At December 31, 2014	164,207	340,367	31,241	531,011
Accumulated depreciation				
At January 1, 2014	50,120	298,345	28,639	377,104
Charge for the year	3,309	4,974	319	8,602
Restatement	-	(5,505)	(1,376)	(6,881)
At December 31, 2014	53,429	297,814	27,582	378,825
Year ended December 31, 2013				
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	50,120	298,345	28,639	377,104
Net book value				
At December 31, 2014	110,778	38,849	2,559	152,187
At December 31, 2013	110,230	29,985	791	141,006

11. Property, Plant and Equipment (continued

The property, plant and equipment are subject to a registered debenture to secure bank borrowings (see Note 13).

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

	2014 $'000	2013 $'000
Industrial and office buildings	107,379	100,343
Plant and machinery	39,464	29,977
	146,843	130,320

12. Trademarks

	2014	2013
Cost		
End of year	17,312	17,312
Accumulated amortisation		
Beginning of year	14,315	13,083
Charge for the year	1,232	1,232
End of year	15,547	14,315
Net book value	1,765	2,997

13. Loans and Borrowings

	Interest Rate	Maturity Date	2014 $'000	2013 $'000
First Citizens Bank Limited				
Tranche B	6.18%	January 2015	2,554	7,663
Other secured advances (see Note 7)			119,477	82,926
Total loans and borrowings			122,031	90,589
Less current portion			(122,031)	(88,035)
Non-current portion			-	2,554

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, 2014						
Secured bank loans	2,554	2,554	2,554	-	-	-
Other secured advances	119,477	123,698	123,698	-	-	-
Trade and other payables	41,249	41,249	41,249	-	-	-
		167,501	167,501	-	-	-
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	-	-	-
		145,017	139,475	2,908	2,634	-

15. Deferred Taxation

	2014 $'000	2013 $'000
Movement in deferred income tax liability:		
Balance at beginning of year	15,911	8,696
Charge to the income statement	9,302	6,440
Recognition in other comprehensive income	(339)	775
Balance at end of year	24,892	15,911
Deferred taxation is attributable to the following items:		
Tax losses carried forward	(9,514)	(17,890)
Excess of net book value of property, plant and equipment over tax written-down value	31,759	30,001
Remeasurement of retirement benefit	(3392)	775
Retirement benefit	(2,986)	3,025
	24,892	15,911

16. Stated Capital

	2014 $'000	2013 $'000
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
120,200,000 ordinary shares of no par value	120,200	120,200

	2014 $'000	2013 $'000

17. Profit before Taxation

Profit before taxation is arrived at after charging:

	2014 $'000	2013 $'000
Salaries and wages	74,887	57,932
Bank interest and charges	5,379	10,013
Depreciation – current year	3436	8,717
Amortization of trademarks	1,232	1,232
Operating lease rentals	-	1,005
Directors' fees	704	707

The average number of persons employed by the Company during the year was 357 (2013: 355).

18. Taxation

	2014 $'000	2013 $'000
Deferred tax (see Note 15)	5,302	6,438
Business levy	934	910
Green Fund levy	465	455
	6,701	7,803

The Company's effective tax rate of 21% (2013: 33%) differs from the statutory tax rate of 25% as follows:

	2014 $'000	2013 $'000
Profit before taxation	32,497	26,168
Tax calculated at 25%	7,970	6,668
Non-taxable income	(87)	(187)
Green Fund levy	465	455
Business levy	935	910
Expenses not deductible for tax purposes	(51)	167
Deferred tax prior year over provision	-	(210)
	6,399	7,803

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 $38 million (2013: $72 million) 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 $21.658 thousand (2013: $18.365 thousand) by the weighted average number of ordinary shares outstanding of 120,200,000 (2013: 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:

	2014 $'000	2013 $'000
Key management compensation		
Short-term benefits	6,170	4,067
Post employment benefits	555	467
	6,725	4,534

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.

20. Related Party Transactions (continued)

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

	Balance outstanding As at 31 December	
	2014	**2013**
	$'000	**$'000**
Amount due to NFM	6,691	10,434
Balance on Consolidated fund	9,571	9,404

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	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	-	597	-	51	-	546
Between one and five years	-	-	-	-	-	-
	-	597	-	51	-	546

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

	2014	**2013**
	$'000	**$'000**
Less than one year	-	1,064
Between one and five years	-	1,660

21. Contingent Liabilities

As at December 31, 2014, 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 $1.200 thousand (2013: $0.330 thousand).

22. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	308,526	312,224	128,215	118,178	33,575	27,496	470,316	457,897
Depreciation and amortisation	3,408	7,310	980	2,086	280	552	4,668	9,949
Gross profit	62,616	58,398	26,021	22,104	6,814	5,143	95,451	86,049