National Flour Mills Limited

Financial Statements

31 December 2017

(Presented in Thousands of Trinidad and Tobago Dollars)

Contents

National Flour Mills Limited

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of National Flour Mills Limited (the Company), which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal controls that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal controls operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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

_________________ Director	_________________ Director
23 March 2018	23 March 2018

Independent Auditor's Report

To the shareholders of National Flour Mills Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of National Flour Mills Limited (the Company) as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

National Flour Mills Limited's financial statements comprise:
- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Independent Auditor's Report (Continued)

Our audit approach

Overview

- Overall materiality: TT$2.2 million, which represents 5% of profit before tax.

- In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit
  - the risk of material misstatement in the financial statements
  - significant accounting estimates
  - the risk of management override of internal controls

- Valuation of the retirement benefit asset and the medical and life insurance plan liability.

Audit scope

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

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

Materiality

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

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

Independent Auditor's Report (Continued)

Materiality (continued)

Overall materiality	TT$2.2 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmarks.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT$117,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matters (continued)

Key audit matter	*How our audit addressed the Key audit matter*
***Valuation* of the retirement benefit asset and the medical and life insurance plan liability** *See notes 3 (j), 3 (k), 4, 10 and 11 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* The Company sponsors a defined benefit pension plan and a medical and life insurance plan. As at 31 December 2017, the Company had a: - retirement benefit asset of TT$21M, which represents 4% of total assets, comprised of plan assets valued at TT$188M (of which TT$86M is not based on observable market data), and a defined benefit obligation of TT$167M. - medical and life insurance plan liability of TT$18M which represented 7% of total liabilities. We focused on the valuation of the retirement benefit asset and the medical and life insurance plan liability as they require significant levels of judgement and technical expertise in determining appropriate assumptions. A number of the key assumptions can have a material impact on the calculation of the liability including; - discount rates; - salary increases; and - medical inflation rates Management utilises an independent external actuary to perform certain calculations with respect to the estimated obligations. Management utilises the work of the plan's institutional Trustee to perform valuation of the plan's assets that are not traded on active markets. The fair value of the plan assets are based on a model that they have developed to value these unquoted investments. Significant judgement and assumptions are utilised because of the limited external evidence to support the valuations.	We tested the key assumptions, including the discount rates and salary increase assumptions for the pension obligation and medical and life insurance liability by performing the following: 1. Discount rates - the rates used by management were compared to the yield of a Government of Trinidad & Tobago bond of a similar period. 2. Salary increases – salary increases were compared to historical increases, taking into account the current economic climate. Medical inflation rates are actuarial assumptions determined by management's independent actuary based on their experience with this as well as other similar plans. We performed the following procedures over the assumptions used in the calculation: 1. Assessed the independence and competence of the actuary used by management to calculate the pension obligation and medical and life insurance liability confirming that they are qualified and that there was no affiliation to the Company. 2. Evaluated the methodology used by management's independent expert and noted that it was consistent with prior periods and in compliance with the relevant reporting standard. 3. Tested the census data used in the actuarial calculation by comparing it to personnel files. There were no differences identified based on our procedures performed. We performed testing of the pension plan assets, focusing on the valuation of those assets. For more judgemental valuations, which may depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by management. Specifically, we assessed the significant inputs relating to yield, prices and valuation inputs against external sources and compared to similar transactions in the marketplace. In some cases, these resulted in a different valuation to that calculated by management. In our view, the differences were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties disclosed in the financial statements. There were no material exceptions noted in our testing of the valuation of the pension assets, the defined benefit obligation and the medical and life insurance plan liability.

Independent Auditor's Report (Continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2017 (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report 2017, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

PricewaterhouseCoopers

20 March 2018
Port of Spain
Trinidad, West Indies

National Flour Mills Limited

Statement of Financial Position

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

	Notes	As at 31 December 2017 $	2016 $
Assets			
Non-current assets			
Property, plant and equipment	12	175,757	164,549
Retirement benefit asset	10	20,914	20,277
Deferred taxation	15	5,436	5,050
Restricted deposit	7	1,581	6,200
		203,688	196,076
Current assets			
Accounts receivable and prepayments	8	74,067	70,714
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	22	17,137	14,901
Inventories	9	61,625	72,051
Restricted deposit	7	75,020	54,728
Tax recoverable		3,418	--
Cash and cash equivalents	6	55,452	94,374
		286,719	306,768
Total assets		490,407	502,844
Liabilities and equity			
Non-current liabilities			
Deferred taxation	15	45,910	43,564
Medical and life insurance plan	11	18,120	16,833
Lease liability	25	--	932
Borrowings	14	37,293	24,452
		101,323	85,781
Current liabilities			
Accounts payable and accruals	13	47,052	47,013
Current tax payable		--	4,655
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	22	14,448	11,622
Current portion of finance lease liability	25	885	603
Borrowings	14	83,221	125,254
		145,606	189,147
Total liabilities		246,929	274,928
Shareholders' equity			
Stated capital	16	120,200	120,200
Treasury shares	28	(2,633)	(2,633)
Retained earnings		125,911	110,349
		243,478	227,916
Total liabilities and equity		490,407	502,844

The notes on pages 12 to 40 are an integral part of these financial statements.

On 23 March 2018, the Board of Directors of National Flour Mills Limited authorised these financial statements for issue.

_______________ Director   _______________ Director

National Flour Mills Limited

Statement of Comprehensive Income

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

	Notes	Year ended 31 December 2017 $	2016 $
Revenue		435,493	470,509
Cost of sales	18	(304,697)	(330,518)
Gross profit		130,796	139,991
Expenses			
Selling and distribution expenses	18	(34,822)	(35,625)
Administration expenses	18	(47,441)	(43,682)
Other operating income	23	5,718	5,909
Operating profit		54,251	66,593
Net finance cost	17	(9,485)	(10,962)
Profit before taxation		44,766	55,631
Taxation charge	15	(15,711)	(20,946)
Profit for the year		29,055	34,685
Other comprehensive income			
Items that would not be reclassified to profit or loss			
Re-measurement of retirement benefit asset	10	(1,478)	12,387
Re-measurement of medical and life insurance plan	11	(626)	1,437
Deferred taxation	15	631	(4,147)
Other comprehensive (loss)/income, net of tax		(1,473)	9,677
Total comprehensive income for the year		27,582	44,362
Earnings per share			
Basic earnings per share	19	24¢	29¢

The notes on pages 12 to 40 are an integral part of these financial statements.

National Flour Mills Limited

Statement of Changes in Equity

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

	Stated capital $	Treasury shares $	Retained earnings $	Total $
Year ended 31 December 2016				
Balance as at 1 January 2016	120,200	--	75,604	195,804
Total comprehensive income: Profit for the year	--	--	34,685	34,685
Actuarial gain for the retirement benefit asset and medical and life insurance plan	--	--	9,677	9,677
Treasury shares	--	(2,633)	--	(2,633)
Transactions with owners of the Company: Dividends declared	--	--	(9,617)	(9,617)
Balance as at 31 December 2016	120,200	(2,633)	110,349	227,916
Year ended 31 December 2017				
Balance as at 1 January 2017	120,200	(2,633)	110,349	227,916
Total comprehensive income: Profit for the year	--	--	29,055	29,055
Actuarial loss for the retirement benefit asset and medical and life insurance plan	--	--	(1,473)	(1,473)
Transactions with owners of the Company: Dividends declared	--	--	(12,020)	(12,020)
Balance as at 31 December 2017	120,200	(2,633)	125,911	243,478

The notes on pages 12 to 40 are an integral part of these financial statements.

National Flour Mills Limited

Statement of Cash Flows

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

	Year ended 31 December 2017 $	2016 $
Cash flows from operating activities		
Profit before taxation	44,766	55,631
Adjustments for:		
Depreciation	15,298	12,929
Interest expense	8,149	6,258
Retirement benefit and medical plan expense	650	2,245
Amortisation of trademarks	--	533
Other non-cash movements	(293)	901
Increase in provision for doubtful accounts	642	2,517
Operating profit before working capital changes	69,212	81,014
Changes in working capital:		
Increase/(decrease) in accounts receivable and prepayments	(3,353)	5,025
Decrease in inventories	10,426	6,889
Increase in accounts payable and accruals	(39)	(15,107)
Increase in amounts due to/(from) GORTT	590	2,237
Cash generated from operating activities	76,836	80,058
Interest paid	(7,871)	(8,552)
Taxes paid	(21,243)	(5,389)
Net cash generated from operating activities	47,722	66,117
Cash flows from investing activities		
Restricted deposit	(15,673)	(54,728)
Purchase of property, plant and equipment	(26,506)	(10,960)
Net cash used in investing activities	(42,179)	(65,688)
Cash flows from financing activities		
Net borrowings/repayments	(29,192)	38,930
Dividends paid	(14,623)	(8,164)
Payments for treasury share purchases by trust	--	(1,100)
Finance lease liability repaid	(650)	(743)
Net cash used in/generated from in financing activities	(44,465)	28,923
Net decrease/increase in cash and cash equivalents	(38,922)	29,352
Cash and cash equivalents at the beginning of the year	94,374	65,022
Cash and cash equivalents at the end of the year	55,452	94,374

The notes on pages 12 to 40 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 14 April 1998.

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

2 Basis of preparation

a. *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRSIC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

b. *Going concern*

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

c. *Functional and presentation currency*

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

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. *Property, plant and equipment*

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

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

Residual values and useful lives are reviewed, and adjusted as appropriate, at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss for the year.

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 rental obligations, net of finance charges, are shown as finance lease liability, on the statement of financial position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

3 **Summary of significant accounting policies (continued)**

c. *Trademarks*

Trademarks are stated at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful lives of the trademarks of up to a maximum of 14 years.

d. *Financial instruments*

Classification

The Company classifies its financial assets in the following categories loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting period.

Recognition and de-recognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive loss are reclassified to profit or loss as gains and losses from investment securities.

Measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Borrowings

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

Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost 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 for the purposes of the statement of cash flows comprise cash at bank and in hand, money market deposits and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

3 **Summary of significant accounting policies (continued)**

f. *Inventories*

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

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

g. *Accounts receivable*

Accounts receivable are classified as loans and receivables and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment, and the amount of the loss is recognised in profit or loss. The provision is utilised when the accounts receivable is uncollectible.

h. *Taxation*

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

Current tax

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

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

Deferred tax

Deferred income tax is provided, 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.

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

3 Summary of significant accounting policies (continued)

i. *Impairment of non-financial assets*

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

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

j. *Retirement benefit plan*

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

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

The Company's net obligation in respect of the defined benefit plan (the Plan) is calculated by estimating the amount of future benefit and that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the Plan assets. When the calculation results in a potential asset for the 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).

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

Re-measurement of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) are recognised immediately in other comprehensive loss.

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.

k. *Medical and life insurance plan*

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

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

3 **Summary of significant accounting policies (continued)**

k. *Medical and life insurance plan (continued)*

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

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

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

l. *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented in the statement of financial position within accounts payable and accruals. See note 28 for details on the employee share ownership plan.

m. *Foreign currency transactions and balances*

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

n. *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.

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

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

o. *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

3 Summary of significant accounting policies (continued)

p. *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred. No amounts were capitalised to property, plant and equipment in the current year (2016 and prior year).

q. *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.

r. *Dividends*

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

s. *Segment reporting*

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

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

t. *Offsetting financial assets and financial liabilities*

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

u. *Employee Share Ownership Plan (ESOP)*

The Company operates an Employee Share Ownership Plan (ESOP) to give effect to a contractual obligation to pay profit sharing bonuses to employees via shares of the Company based on a set formula. All permanent employees of the Company are eligible to participate in the Plan that is directed by a Management Committee comprising management of the Company and representatives of the general membership. Independent Trustees are engaged to hold in trust all shares in the Plan as well as to carry out the necessary administrative functions. Shares acquired by the ESOP are funded by Company contributions and cash advances by the Company to the ESOP. The cost of the shares so acquired have been recognised in Other Equity as Treasury Shares.

3 Summary of significant accounting policies (continued)

v. *New standards and interpretations not yet adopted*

The Company has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2017.

- Amendments to IAS 12 – Income Tax on Recognition of deferred tax asset for unrealised losses; and
- Amendment to IAS 7- Statement of cashflows, and IFRS 12, Disclosure of interest in other entities.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Other standards, amendments and interpretations which are effective for the financial year beginning 1 January 2017 are not material to the Company.

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2017, 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 early adopt these standards.

- IFRS 15 – Revenues from Contracts with Customers - The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Mandatory adoption is expected for fiscal year beginning 1 January 2018.

- IFRS 9 – Financial Instruments - IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. Mandatory adoption is expected for fiscal year beginning 1 January 2018.

- IFRS 16 – Leases - IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements will be an increase in lease assets and financial liabilities. Mandatory adoption is expected for fiscal year beginning 1 January 2019.

The Company has not yet assessed how the financial statements would be affected by the new standards listed above.

There are no other standards, amendments or interpretations effective for the financial period after 31 December 2017 which could have a material impact on the Company's financial statements.

4 Critical accounting estimates and judgements

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

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

The area involving significant estimates or judgements relates to the estimation of defined benefit pension obligation/asset and the Medical and life insurance plan obligation. Application of certain of the Company's accounting policies requires management to make judgements, assumptions and estimates concerning the future as detailed below.

Estimates

Valuation of retirement benefit asset and medical and life insurance plan

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Sensitivity analysis for the key assumptions are discussed in Notes 10 and 11.

5 Financial risk management

a. *Financial risk factors*

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

(i) *Credit risk*
(ii) *Liquidity risk*
(iii) *Market risk which includes:*
 (a) *Currency risk*
 (b) *Interest rate risk and*
 (c) *Price risk*

This note presents information about the 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. There has been no change in the management of these risk from the prior year.

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

(i) *Credit risk*

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

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

The 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 trades with 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 analysis.

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.

(ii) *Liquidity risk*

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

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

5 Financial risk management (continued)

a. *Financial risk factors (continued)*

(ii) *Liquidity risk (continued)*

Contractual Maturities of financial liabilities	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Total Cash flow $	Carrying value $
At 31 December 2016					
Liabilities					
Accounts Payables	45,722	--	--	45,722	47,013
Borrowings	130,038	1,589	29,220	160,847	149,706
Amounts due to GORTT	11,622	--	--	11,622	11,622
Finance Lease	1,480	805	--	2,285	1,535
	188,862	2,394	29,220	220,476	209,876
At 31 December 2017					
Liabilities					
Accounts Payables	46,049	--	--	46,049	47,052
Borrowings	89,068	40,247	1,352	130,667	120,514
Amounts due to GORTT	14,448	--	--	14,448	14,448
Finance Lease	885	--	--	885	885
	150,450	40,247	1,352	192,049	182,899

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

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

(iii) *Market risk*

(a) *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional 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.

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

	Impact on profit or loss 2017 $	2016 $
Cash	376	7
Accounts receivable	84	60
Accounts payable	(1,135)	(186)
Borrowings	(1,205)	(1,253)
	(1,880)	(1,372)

5 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(iii) *Market risk (continued)*

(b) *Interest rate risk*

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

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

Sensitivity analysis

In relation to cash flow interest rate risk the Directors consider that a 1% movement in interest rates represents reasonable possible changes. The impact on profit after taxation would be $1,205 (2016: $884K).

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

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

(c) *Price risk*

The Company is exposed to price fluctuations in the commodity market from its main raw material being grain. To manage this risk the Company uses forward contracts to manage price risk exposure. The Company does not use hedge accounting as the purchases are for own use as defined under IAS 39. There were no outstanding forward contracts at year end.

b. *Fair value estimation*

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

All of the Company's financial assets and liabilities are carried at amortised cost.

c. *Capital risk management*

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

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

6 Cash and cash equivalent

	2017 $	2016 $
Cash in hand and at bank	55,198	94,123
Short-term deposits	254	251
Cash and cash equivalents	55,452	94,374

7 Restricted deposit

At 31 December 2017, the Company held deposits of $76,601 (2016: $60,928). Restricted deposits comprise of:

- $75,020 earns interest of 2.45% and is held to secure a foreign currency denominated working capital facility and these mature within twelve months of the statement of financial position date; and
- $1,581 is with a financial institution and is used to secure the Company's lease facility. The funds are held in a deposit, and earn interest of 0.15%.

8 Accounts receivable and prepayments

Trade receivables	89,708	89,625
Less provision for doubtful amounts	(31,984)	(31,342)
	57,724	58,283
Prepayments	1,428	990
Other receivables	14,915	11,441
	74,067	70,714

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

Included within other receivables are Value Added Tax receivables of $8,108 (2016: $7,341) and amounts receivable from National Flour Mills Cooperative of $2,215 (2016: $2,133).

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

Opening provision	31,342	28,825
Increase in the provision (net of recoveries)	642	2,517
Closing provision	31,984	31,342

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

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

8 Accounts receivable and prepayments (continued)

	2017			2016		
	Fully performing $	Past due but not impaired $	Impaired and provided for $	Fully performing $	Past due but not impaired $	Impaired and provided for $
Current	47,562	--	--	44,922	--	--
Over 45 days	--	6,057	--	--	5,297	--
Over 60 days	--	4,105	--	--	8,064	--
Over 90 days	--	--	31,984	--	--	31,342
Provision	--	--	(31,984)	--	--	(31,342)
	47,562	10,162	--	44,922	13,361	--

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

Past due but not impaired

This relates to a number of independent customers for whom there is no recent history of default. The aging analysis is shown above.

The Company does not hold any significant collateral as security (2016: nil).

9 Inventories

	2017 $	2016 $
Raw materials	50,189	57,341
Packaging materials	3,792	4,066
Finished goods and work in progress	7,644	10,644
	61,625	72,051

Inventories are stated after a provision for impairment of $650 (2016: nil). The amount recognised as an expense in the year in respect of the write down of inventories is nil (2016: $178). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is $nil (2016: $718).

The cost of inventories recognised as an expense and included in cost of sales is $231,124 (2016: $253,504) (Note 18).

10 Retirement benefit asset

	2017	2016
Present value of defined benefit obligation	(167,626)	(160,059)
Fair value of the assets in the Plan	188,540	180,336
Recognised asset for the Plan	20,914	20,277

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

10 Retirement benefit asset (continued)

	2017 $	2016 $
a. *Change in defined benefit obligations*		
Defined benefit obligation at start of year	(160,059)	(162,703)
Benefits paid	6,682	5,993
Current service cost	(4,352)	(5,837)
Interest cost	(8,623)	(7,987)
Members' contributions	(2,240)	(1,604)
Past service cost	(196)	--
Remeasurements:		
- experience adjustments	1,162	1,003
- actuarial losses from changes in financial assumptions	--	11,076
Defined benefit obligation at end of year	(167,626)	(160,059)

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

	2017	2016
- Active	57%	57%
- Deferred members	15%	15%
- Pensioners	28%	28%

The weighted average duration of the defined benefit obligation at the year-end is 13.8 years (2016: 13.8 years).

- 98% (2016: 98%) of the value of the benefits for active members is vested.
- 20% (2016: 20%) of the defined benefit obligation for active members is conditional on future salary increases.

	2017 $	2016 $
c. *Change in Plan assets*		
Plan assets at start of year	180,336	171,762
Company contributions	5,750	4,482
Members' contributions	2,240	1,604
Benefits paid	(6,682)	(5,993)
Interest income	9,943	8,580
Expected return on Plan assets	(2,640)	308
Expense allowance	(407)	(407)
Plan assets at end of year	188,540	180,336
Actual return on Plan assets	7,303	8,888

	2017 $	2016 $
d. *Asset allocation*		
Locally listed equities	52,017	51,495
Foreign equities	14,618	10,199
TT$-denominated bonds	86,429	72,316
Non TT$-denominated bonds (mainly US$)	18,447	16,662
Mutual funds (short-term securities)	311	873
Cash and cash equivalents	7,016	18,562
Other (immediate annuity policies)	9,702	10,229
Fair value of Plan assets at end of year	188,540	180,336

The Plan does not directly hold any assets and/or shares of the Company.

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

10 Retirement benefit asset (continued)

	2017 $	2016 $
e. *Expense recognised in profit or loss*		
Current service cost	4,352	5,837
Interest on defined benefit obligation	(1,320)	(593)
Administration expenses	407	407
Past service cost	196	--
Net pensions cost	3,635	5,651
f. *Re-measurements recognised in other comprehensive loss*		
Experience (losses)/gains	(1,478)	12,387
g. *Reconciliation of opening and closing statement of financial position entries*		
Opening defined benefit asset	20,277	9,059
Net pension cost	(3,635)	(5,651)
Re-measurements recognised in other comprehensive loss	(1,478)	12,387
Company contributions paid	5,750	4,482
Closing defined benefit asset	20,914	20,277

h. The Company expects to contribute $5.2 million to its defined benefit pension plan in 2018.

i. *Summary of principal assumptions*

	2017	2016
Discount rate at 31 December	5.50%	5.50%
Future salary increases	3.25%	3.25%
Future pension increases	0.00%	0.00%

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

31 December 2017	1%pa decrease	1%pa increase
Discount rate	24,543	(19,812)
Future salary increases	(6,549)	7,450
31 December 2016		
Discount rate	23,423	(18,909)
Future salary increase	(6,251)	7,110

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligation at 31 December 2017 by $2,906 (2016: $2,773). These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions as adjusted for the sensitivities.

There have been no changes in the way the sensitivity analysis was computed when compared with the financial year ended 31 December 2016.

The most recent actuarial assessment of the Pension Plan was at 31 December 2014.

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

11 Medical and life insurance plan

	2017 $	2016 $
Recognised liability for the Medical and Life Insurance Plan	18,120	16,833

a. *Change in the obligations*

	2017	2016
Obligation at start of year	(16,833)	(17,194)
Benefits paid	789	394
Current service cost	(546)	(620)
Interest cost	(904)	(850)
Re-measurements:		
- experience adjustments	(626)	227
- actuarial losses from change in financial assumptions	--	1,210
Obligation at end of year	(18,120)	(16,833)

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

	2017	2016
- Active	42%	42%
- Pensioners	58%	58%

The weighted average duration of the obligation at the year-end was 14.3 years (2016: 15.3 years).

c. *Expense recognised in profit or loss*

	2017	2016
Current service costs	546	620
Interest on obligation	904	850
Net medical cost	1,450	1,470

d. *Re-measurements recognised in other comprehensive loss*

	2017	2016
Experience losses	(626)	1,437

e. *Reconciliation of opening and closing statement of financial position entries*

	2017	2016
Opening medical plan liabilities	16,833	17,194
Net medical plan costs	1,450	1,470
Re-measurements recognised in other comprehensive loss	626	(1,437)
Company contributions paid	(789)	(394)
Closing medical and life insurance plan liability	18,120	16,833

f. The Company expects to pay $0.822 million in benefits in 2018.

g. *Summary of principal assumptions*

	2017	2016
Discount rate at 31 December	5.50%	5.50%
Future medical cost increases	4.50%	4.50%
Future salary increases	3.25%	3.25%

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

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

11 Medical and life insurance plan (continued)

g. *Summary of principal assumptions (continued)*

31 December 2017	1%pa Decrease	1%pa Increase
Discount rate	2,874	(2,277)
Medical cost increases	(1,658)	2,070
31 December 2016		
Discount rate	2,571	(2,046)
Medical cost increases	(1,521)	1,891

An increase of 1 year in the assumed life expectancies would increase the Medical Plan obligation at 31 December 2017 by $168. These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions. There were no changes in the way the sensitivity was computed when compared with the financial year ended 31 December 2016.

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

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

(i) *Asset volatility*

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

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

(ii) *Changes in bond yields*

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

(iii) *Inflation risks*

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

(iv) *Life expectancy*

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

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

12 Property, plant and equipment

	Industrial and office buildings $	Plant machinery and equipment $	Office furniture and equipment $	Motor vehicles $	Work in progress $	Total $
Year ended 31 December 2017						
Opening net book value	98,700	41,694	5,125	889	18,141	164,549
Additions	8,510	8,007	4,915	791	4,283	26,506
Depreciation	(6,579)	(6,552)	(1,604)	(563)	--	(15,298)
WIP commissioned	5,288	7,850	1,902	--	(15,040)	--
Closing net book value	105,919	50,999	10,338	1,117	7,384	175,757
At 31 December 2017						
Cost	162,125	309,996	39,794	7,407	7,384	526,706
Accumulated depreciation	(56,206)	(258,997)	(29,456)	(6,290)	--	(350,949)
Net book value	105,919	50,999	10,338	1,117	7,384	175,757

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

12 Property, plant and equipment (continued)

	Industrial and office buildings $	Plant machinery and equipment $	Office furniture and equipment $	Motor vehicles $	Work in progress $	Total $
Year ended 31 December 2016						
Opening net book value	101,575	48,716	3,801	1,282	11,144	166,518
Additions	46	691	2,695	531	6,997	10,960
Depreciation	(2,921)	(7,713)	(1,371)	(924)	--	(12,929)
Closing net book value	98,700	41,694	5,125	889	18,141	164,549
At 31 December 2016						
Cost	147,089	294,301	35,323	6,614	18,141	501,468
Accumulated depreciation	(48,389)	(252,607)	(30,198)	(5,725)	--	(336,919)
Net book value	98,700	41,694	5,125	889	18,141	164,549

(i) Non-current assets pledged as security

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

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

(ii) Finance leases

The motor vehicles category of non-current assets relates to amounts where the Company is a lessee under a finance lease (refer to note 25) for further details).

(iii) Depreciation of $11,926 (2016: $10,373) was recognise in cost of sales with $3,372 (2016: $2,556) recognised in expenses.

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

13 Accounts payable and accruals

	2017 $	2016 $
Trade payables	24,801	29,292
Payroll related liabilities	9,998	8,255
Accrued expenses	12,253	9,466
	47,052	47,013

Included within payroll related expenses is the amount payable to employees of $3,604 (2016: $3,262) under the Employee Share Ownership Plan (note 28).

14 Borrowings

	2017	2016
Total borrowings	120,514	149,706
Less current portion	(83,221)	(125,254)
Non-current portion	37,293	24,452

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

	2017 US$	2016 US$
Export Import Bank of Trinidad and Tobago (Eximbank) Limited	3,000	9,285
Citibank (Trinidad and Tobago) Limited	--	9,282
NCB Global Finance Limited	9,000	--
	12,000	18,567

	2017	2016
TTD equivalent of USD denominated loans	81,600	125,254
Republic Bank Limited	38,914	24,452
Total borrowings	120,514	149,706

14 Borrowings (continued)

Export Import Bank of Trinidad and Tobago

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

(i) The loan shall be repaid to the lender 30-180 days from the drawdown date

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

First Tiered Interest Rate - the rate of interest that the Lender applies to the facility will be 6.50% per annum.

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

Citibank (Trinidad and Tobago) Limited

The terms and conditions with Citibank (Trinidad and Tobago) Limited are as follows:

(i) The Revolving Line of Credit in the amount of USD$10M for trade finance related activities, in relation to the purchase of grain and other associated costs as permitted by the Lender. The tenor of disbursements is 90 days after which both interest and principal becomes due..

(ii) This facility is secured by a letter of guarantee issued by the Ministry of Finance and the Economy of the Government of the Republic of Trinidad and Tobago for up to US $15M. Interest ranges between 2.82% to 2.91%. Additional security is provided by way of a debenture on all fixed and floating assets of the Company as well as a collateral mortgage over all real property stamped to cover $90M ranking pari passu with a similar debenture held by Republic Bank Limited.

(iii) This loan facility was paid off in February 2017.

Republic Bank Limited

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

(i) A 5 year amortised facility for TTD$40M to cover working capital and operating costs at a fixed interest rate of 4.75%.

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

NCB Global Finance Limited

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

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

(ii) This facility is secured by a fixed deposit of $75M TTD held by NCB Global Finance Limited bearing interest of 2.45%

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

15 Current and deferred taxation

	2017 $	2016 $
Current taxation expense		
Deferred tax charge	2,591	11,850
Current tax – prior year under accrual	1,189	--
Current tax charge	11,931	9,096
	15,711	20,946

The Company's effective tax rate of 35% (2016: 38%) differs from the statutory tax rate of 30% as follows:

	2017 $	2016 $
Profit before taxation	44,766	55,631
Tax calculated at 30%	13,430	13,908
Tax impact of expenses not deductible for tax purposes	1,210	953
Tax impact of income not subject to tax	(1,195)	(490)
Under accrual of prior year tax	1,189	--
Green fund expense	1,324	--
Tax impact of change in deferred tax rate from 25% to 30%	--	6,575
Other differences	(247)	--
	15,711	20,946

Deferred taxation

	2017 $	2016 $
Deferred income tax asset	5,436	5,050
Deferred income tax liabilities	(45,910)	(43,564)
Net deferred income tax liability	(40,474)	(38,514)

	Tax losses $	Retirement benefit asset $	Medical plan $	Property plant and equipment $	Total $
At 1 January 2016	7,569	(2,266)	4,298	(32,118)	(22,517)
Charge to:					
- profit or loss	(7,569)	(101)	1,183	(5,363)	(11,850)
- other comprehensive loss	--	(3,716)	(431)	--	(4,147)
As at 31 December 2016	--	(6,083)	5,050	(37,481)	(38,514)
At 1 January 2017	--	(6,083)	5,050	(37,481)	(38,514)
(Charge)/credit to:					
- profit or loss	--	(635)	198	(2,154)	(2,591)
- other comprehensive loss	--	443	188	--	631
As at 31 December 2017	--	(6,275)	5,436	(39,635)	(40,474)

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

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

16 Stated capital

	2017 $	2016 $
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
120,200,000 ordinary shares of no par value	120,200	120,200

17 Net finance cost

Interest and bank charges	9,896	6,276
Interest income	(1,747)	(18)
Foreign exchange loss	1,336	4,704
	9,485	10,962

18 Expenses by nature

Direct materials	231,124	253,504
Salaries and wages	81,425	80,719
Rents, rates and taxes	2,486	2,504
Transportation, security, electricity, communication and handling charges	22,960	22,950
Repairs and maintenance	7,435	6,067
Depreciation	15,298	12,929
Insurance	4,359	7,279
Professional and legal fees	4,374	4,800
Provision for doubtful accounts	642	2,517
Advertising and promotion	2,201	2,311
Amortisation of trademarks	--	533
Other	14,656	13,712
Total cost of sales, selling and distribution and administrative expenses	386,960	409,825

19 Earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of $29,055 (2016: $34,685) by the weighted average number of ordinary shares outstanding of 120,200 (2016: 120,200).

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

20 Dividends

Final equity dividends to the shareholders of the Company are recognised in the year that they are approved by the shareholders. Interim equity dividends are recognised in the year that they are declared. Dividends for the year ended 2016 of 0.010 cents per share or $12,020 was declared in the 2017 financial year.

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

21 Related party transactions

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

	2017 $	2016 $
Key management compensation		
All managers and executive salaries	11,211	10,658
Post-employment benefits	912	713
Director's fees	570	557
Salary advance	42	15
Amount	12,735	11,943

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

22 Amounts due to/from GORTT

a. National Flour Mills Limited (NFM) has an agreement with the Ministry of Agriculture, Land and Fisheries which allows for NFM to purchase all rice paddy from local rice farmers. The amounts paid to local rice farmers 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 as the amounts due to the GORTT and totalled $14.44M (2016: $11.62M).

b. For the rice sales a payable is set up with the GORTT through the agreement with the Ministry of Agriculture, Land and Fisheries; and an asset (other receivable) recorded for the management fees and costs associated with maintaining the rice paddy as amounts due from the GORTT and totalled $10.4M (2016: $7.86M).

c. Also included within amounts due from GORTT is a balance owed from the GORTT from offering discounts to customers to pass onto the public. This totalled $6.7M (2016: $7.34M).

23 Other operating income

a. NFM has an agreement with the Ministry of Agriculture, Land and Fisheries whereby NFM is paid a management fee of $400 per month for the operation of the Rice Mill at Carlsen Field. This agreement is expected to be terminated during 2018 as the process to divest the Rice Mill has begun. The Rice Mill asset will be sold outright whilst a lease for the occupied premises will be entered into between the successful applicant and NFM. This divestment is expected to also terminate the arrangement by which NFM purchases and processes rice from the local rice industry.

b. NFM has a sub-lease agreement with Trinidad and Tobago Electricity Commission (T&TEC) for five (5) years for an annual amount of $800 of which 25% is payable to Port Authority of Trinidad and Tobago (PATT).

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

Management fee	4,800	4,800
Rental income – sublease	800	800
Transactions with related parties	5,600	5,600
Other amounts	118	309
	5,718	5,909

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

24 Financial instruments by category

	2017 $	2016 $
Loans and receivables at amortised cost		
Financial assets		
Accounts receivable	72,639	69,724
Amounts due from the GORTT	17,137	14,901
Cash and cash equivalents	55,452	93,374
Restricted deposit	76,601	60,928
	221,829	238,927
Financial liabilities		
Accounts payable and accruals	46,049	45,722
Amounts due to the GORTT	14,448	11,622
Borrowings	120,514	149,706
	181,011	207,050

25 Finance and operating lease commitments

Finance leases liabilities

Gross finance lease liabilities – minimum lease payments

	2017 $	2016 $
Within one year	904	1,480
Later than one year but not later than five years	--	805
Future finance charge on finance lease liabilities	(19)	(750)
Present value of finance lease liabilities	885	1,535
Within one year	855	603
Later than one year but not later than five years	--	932
	885	1,535

The finance leases pertain to motor vehicles (note 12)

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

25 Finance and operating lease commitments (continued)

Non-cancellable operating leases

The Company has entered into a lease arrangement for the land in where its head office is situated. The minimum lease payments of this arrangement is as follows:

	2017 $	2016 $
Within one year	1,946	1,946
Later than one year but not later than five years	7,785	7,785
Later than five years	4,386	9,373
	14,117	19,104

26 Contingent liabilities

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

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

Currency	In favour of	Balance	Expiry date
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	10,000	23-Mar-19
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	1,500,000	20-Jan-18
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	10,000	2-Jul-18
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	50,000	4-Mar-18
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	1,500,000	4-Mar-18
TTD	Comptroller of Accounts	11,000	20-Sep-18
TTD	The State of Trinidad and Tobago	10,000	23-Mar-18
TTD	The State of Trinidad and Tobago	10,000	23-Mar-18

27 Operating segments

The Company has three 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:

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

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

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

27 **Operating segments (continued)**

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		Animal feed		Other		Total	
	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $	2017 $	2016 $
Segment revenue	311,550	308,531	104,178	117,903	19,765	44,075	435,493	470,509
Gross profit	99,445	92,454	26,181	37,623	5,170	9,914	130,796	139,991
Depreciation and amortisation	13,609	8,849	1,141	4,051	548	29	15,298	12,929
Net finance cost	7,787	8,360	1,674	2,427	24	175	9,485	10,962
Other operating income	4,800	4,055	918	1,731	--	123	5,718	5,909
Profit before tax	34,803	36,547	7,574	17,812	2,389	1,272	44,766	55,631
Property, plant and equipment	108,405	101,492	41,694	39,037	25,658	24,020	175,757	164,549
Borrowings	--	--	--	--	--	--	120,514	149,706
Accounts payable and accruals	--	--	--	--	--	--	47,052	47,013

Assets (except for PPE) and liabilities by segment are not reviewed by the CODM and therefore not included in the allocation above.

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

27 Operating segments (continued)

Entity wide disclosures

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

The breakdown of revenue by business:

	2017 $	2016 $
Revenue		
Flour	281,311	276,820
Feedmill	104,178	117,903
Parboiled rice	5,206	6,175
Corn	2,619	6,166
Dry mixes	21,106	20,293
Trading	3,927	5,243
Oil	9,785	8,874
Soya	7,361	29,035
	435,493	470,509

Revenues from external customers

	2017 $	2016 $
Export sales	25,438	44,289
Local sales	410,055	426,220
	435,493	470,509

Major customers

The Company has one customer whose revenue exceeds 10% of total sales. In 2017 sales with this customer was 12.63 % of total sales (2016: 11%).

28 Other equity

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

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

Treasury shares are shares in National Flour Mills Limited that are held by the National Flour Mills Limited Employee Share Trust for the purpose of issuing shares under the National Flour Mills Limited Employee Share Ownership Plan.

The number of Company share held by the plan as at 31 December 2017 was 2,311 (2016: 2,335) with a fair value of $4,415 (2016: $5,884). The fair value was derived from the Trinidad and Tobago Stock Exchange at the statement of financial position date.