



NATIONAL FLOUR MILLS LIMITED
ANNUAL REPORT 2020



CONFRONTING THE CHALLENGES:
EXPLORING THE OPPORTUNITIES



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WHO WE ARE

VISION & MISSION

National Flour Mills Limited (NFM) was incorporated in 1972 and over the years has been recognised as the leader in flour milling, feed milling and dry mix operations throughout Trinidad and Tobago.

OUR VISION STATEMENT

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

OUR MISSION STATEMENT

We will feed the region by:

- Meeting and exceeding global food safety standards
- Value for money offerings
- Treating our employees with fairness and equity

GUIDING PRINCIPLES AND CORE VALUES

- Results Oriented
- Accountability
- Fairness and Integrity
- Innovation
- Value for Money
- Customer Delight
- Building Teams and Talent

BUSINESS STANDARDS

It is the policy of NFM to conduct its business in accordance with the highest ethical standards. Bribery and corruption are not condoned. Every effort is made to ensure that:

- our products are produced to specifications and in conformance with the customers' requirements;
- the quality of raw materials used are fit for the purpose intended;
- customer credit terms are fair; and that
- customer complaints are treated with in a timely and courteous manner.

CORPORATE INFORMATION

Directors

Mr. Nigel Romano - Chairman
Mr. Ross Alexander
Ms. Sonja Voisin
Ms. Karen Shaw
Mrs. Aliyah Hamel-Smith
Mr. Shane Correia
Ms. Joanne Salazar

Chief Executive Officer

Mr. Ian Mitchell

Corporate Secretary

Ms. Sati Jagmohan

Registered Office

27-29 Wrightson Road
Port of Spain
Telephone: (868) 625-2416/7
Fax: (868) 625-4389
Email: nfm@nfm.co.tt

Registrar and Transfer Office

The Trinidad and Tobago Central
Depository Limited
10th Floor
Nicholas Towers
63-65 Independence Square
Port of Spain
Telephone: (868) 625-5107-9
Fax: (868) 623-0089
Email: ttstockx@stockex.co.tt

Auditors

PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

Principal Bankers

Scotiabank
Trinidad and Tobago Limited
Scotia Centre
Corner Park and Richmond Streets
Port of Spain

Citibank
(Trinidad and Tobago) Limited
12 Queen's Park East
Port of Spain

Republic Bank Limited
Corporate Business Centre - North
Promenade Centre, 1st Floor
72 Independence Square
Port of Spain

Principal Attorneys

Ashmead Ali and Company
36 Edward Street
Port of Spain

J.D Sellier & Company
121-131 Abercromby Street
Port of Spain



NOTICE OF FORTY-EIGHTH ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual Meeting of the Shareholders of National Flour Mills Limited (NFM) will be held on Thursday 1st July 2021 at 10.00 a.m. in the Ballroom, Hilton Trinidad and Conference Centre, Lady Young Road, Port of Spain as the primary location as well as in Theatre 1, National Academy for the Performing Arts, Keate Street, Port of Spain as a secondary location. The primary location will be connected to the secondary location via Zoom and shareholders can also attend the meeting via Zoom for the following purposes:

Ordinary Business

1. To receive and adopt the accounts for the financial year ended December 31, 2020 and the Reports of the Directors and Auditors thereon;
2. To approve a final dividend of 6 cents per share as recommended by the Directors;
3. To re-elect Directors;
4. To re-elect Auditors and to authorise Directors to fix their remuneration.

Shareholders are asked to note that the ongoing restrictions regarding public gatherings will continue to apply. NFM remains committed to safeguarding the health and well-being of our shareholders and consequently, you are not encouraged to physically attend the meeting. Should you have any questions or concerns for the Directors, you can visit the Registered Office of the Company during the period June 25, 2021 to June 29, 2021 to deposit your Proxy Forms and convey your concerns. We will take note of your concerns and ensure that responses are provided during the meeting. Please note that shareholders who are not attending the meeting must deposit their Proxy Forms at the Registered Office of the Company no later than June 29, 2021. No arrangements will be made for online voting.

Notes**1. Record Date**

The Directors have fixed June 1, 2021 as the Record Date for determining shareholders who are entitled to receive Notice of the Meeting, and have given notice thereof by advertisement in accordance with the Companies Act. Shareholders listed on the Register of Members as at the close of business on that date will be notified of the meeting by mail. A list of those shareholders will be available for examination by shareholders at the Registered Office of the Trinidad and Tobago Central Depository, 10th Floor, Nicholas Tower, 63-65 Independence Square, Port of Spain during normal working hours and at the Annual Meeting.

2. Proxies

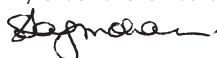
A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote in his/her stead. Such proxy need not also be a Member of the Company. In the event that a Member of the Company wishes to appoint a proxy to vote in his/her stead, such Member is required to complete and sign the appropriate Proxy Form.

The signed Proxy Form should be deposited with the Secretary of the Company at the Company's Registered Office, 27-29 Wrightson Road, Port of Spain 48 hours in advance of the Meeting. Where a Proxy is appointed by a corporate Member, the form of Proxy should be executed under seal or signed by an Officer or Attorney duly authorised.

3. Annual Report

The Annual Report can be accessed from the Company's website www.nfm.co.tt.

By Order of the Board



Sati Jagmohan

Corporate Secretary

April 16, 2021



NATIONAL FLOUR MILLS LIMITED

10 YEAR COMPARISON

	Revenue	Operating Profit	Net Profit for the Year	Total Assets
2011	\$440,945,000	\$16,969,000	\$639,000	\$356,063,000
2012	\$446,263,000	\$31,370,000	\$11,948,000	\$360,522,000
2013	\$457,897,000	\$36,200,000	\$18,365,000	\$367,719,000
2014	\$470,316,000	\$29,484,000	\$19,172,000	\$401,730,000
2015	\$481,214,000	\$45,693,000	\$34,038,000	\$429,017,000
2016	\$470,509,000	\$66,593,000	\$34,685,000	\$502,844,000
2017	\$435,493,000	\$56,620,000	\$32,748,000	\$501,588,000
2018	\$432,119,000	\$35,546,000	\$20,595,000	\$450,254,000
2019	\$412,476,000	\$14,794,000	\$6,133,000	\$444,607,000
2020	\$417,906,000	\$39,956,000	\$23,456,000	\$438,082,000

	Share Price	Dividend Payment	Earnings Per Share
2011	70 ¢	Nil	<1 ¢
2012	60 ¢	8 ¢	10 ¢
2013	95 ¢	5 ¢	15 ¢
2014	\$1.15	6 ¢	16 ¢
2015	\$2.70	8 ¢	28 ¢
2016	\$2.52	10 ¢	29 ¢
2017	\$1.91	10 ¢	28 ¢
2018	\$1.65	7 ¢	17 ¢
2019	\$1.35	Nil	5 ¢
2020	\$2.15	6 ¢	20 ¢

2020 FINANCIAL HIGHLIGHTS



for the year ended December 31, 2020

PROFIT AFTER TAX

285% INCREASE IN 2020

TT\$23.5M

2019:

\$ 6.1 M

2020:

\$23.5 M

REVENUE

INCREASE BY

+1.3%

GROSS PROFIT MARGIN

INCREASE BY

+5%

OPERATING PROFIT

INCREASE BY

+170%

TOTAL COMPREHENSIVE INCOME

INCREASE BY

+29%



BOARD OF **DIRECTORS**

**Mrs. Aliyah
Hamel-Smith**



**Ms. Sonja
Voisin**



**Mr. Nigel Romano
(Chairman)**



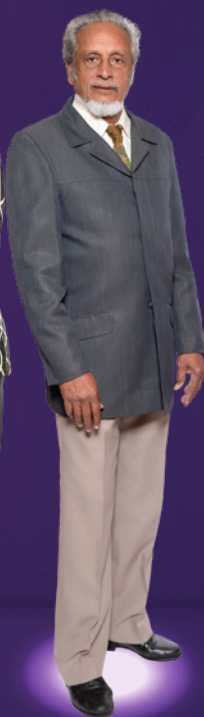
**Ms. Karen
Shaw**



**Ms. Joanne
Salazar**



**Mr. Ross
Alexander**



**Mr. Shane
Correia**



BIOGRAPHIES OF **DIRECTORS**



MR. NIGEL L. ROMANO

BSc, MSc, MBA, CA

Nigel Romano is a Chartered Accountant and Banker with extensive global experience in banking, finance and public accounting. He is a Member of the Institute of Chartered Accountants of Trinidad and Tobago (ICATT) and is a graduate of the University of the West Indies at St. Augustine with degrees in Management Studies (BSc) and Accounting (MSc). He also earned an MBA from the Jack Welch Management Institute and is an AltMBA alumni.

Mr. Romano joined Moore Trinidad & Tobago, Chartered Accountants as Partner with responsibility for Business Coaching and Advisory Services in November 2019. Prior to this he was the CEO and Managing Director of JMMB Bank (T&T) Limited, a subsidiary of the JMMB Group, a position he held from March 2015 to his retirement in July 2019.

He started his career with KPMG then joined Citibank, where he spent twenty-one years in five countries, starting as CFO in Trinidad & Tobago. He also worked with Citi's businesses in Indonesia, Hong Kong, Singapore and the Philippines. He has also held senior positions with EY (Tax and Corporate Finance Partner), the ANSA McAL Group (Financial Services Sector Head) and the Caribbean Development Bank (Director, Finance and Corporate Planning and Vice President, Operations).

Mr. Romano has served on several boards in both the private and public sectors, including Trinidad Cement Limited, the Port Authority of Trinidad & Tobago, the Patrons of Queens Hall, the Couva Medical and Multi-Training Facility Limited and the UWI Development and Endowment Fund. He is currently the Chairman of National Flour Mills Limited, NIPDEC and the Caribbean Corporate Governance Institute. He also serves as a Director on the Board of Ansa Merchant Bank Limited and is a member of the FIFA appointed Normalisation Committee overseeing the affairs of the Trinidad and Tobago Football Association.

Mr. Romano is the Chairman of the Governance, Strategy and Finance Committee.

Biographies of Directors (continued)**MS. SONJA VOISIN****BSc**

Ms. Sonja Voisin currently holds the position of Managing Director of Gulf Shipping Limited. She started off her career as a Product Manager at Johnson and Johnson Limited where she had responsibility for overall brand performance and then progressed to Gulf Shipping Limited where she held the position of Sales representative. Her career progressed in the marine sector

including a stint as a Commissioner at the Port Authority of Trinidad and Tobago. Ms. Voisin has just completed two terms as President of the Shipping Association of Trinidad & Tobago.

Ms. Voisin holds a BSc in marketing and her areas of expertise include securing and maintaining new business in the Maritime sector and developing strong networks with stakeholders.

Ms. Voisin is a member of the Governance, Strategy and Finance Committee and the Audit Committee.

**MRS. ALIYAH HAMEL-SMITH****LLB, LEC, MBA**

Mrs. Aliyah Hamel-Smith is an Attorney-at-Law with extensive corporate legal experience in both Trinidad and the United Kingdom having been admitted to practice for over 19 years. In addition to her law degree, Mrs. Hamel-Smith also holds an MBA from Oxford-Brookes University. Her career started as an Attorney at M. Hamel-Smith & Co and she currently is the

CEO and a Director at both Global Financial Brokers Limited and Total Benefits Specialists Limited, where she provides clients with customised benefit packages and tools designed to increase employee wellness in the areas of health, investments and retirement planning. Prior to that, Mrs. Hamel-Smith held the position of Vice-President - Business Process Outsourcing/Shared Services Development at the Trinidad and Tobago International Financial Centre. Mrs. Hamel-Smith spent almost a decade of her career at RBC where she worked in various operational areas including heading up the Trust Company, where she acquired expertise in loan financing and local and international bond issues as well as in pension administration and estate planning, including Will preparations. She then went on to head up the Financial Planning arm of RBC for the Region.

Mrs. Hamel-Smith is a director at NFM and a member of the Audit Committee and Board Tenders Committee. She also sits on the Board of Admiral Capital, an investment management firm, and is a recent recruit of the Coalition Against Domestic Violence.

Biographies of Directors (continued)**MS. KAREN SHAW****BSc, MSc, EMBA**

Ms. Shaw is the Tobago representative on the Board and brings to the Boardroom, her valuable experience in food manufacturing in both the private and public sectors. Ms. Shaw currently works as an Agro-Investment Specialist at the Division of Agriculture, Marine Affairs, Marketing and the Environment. She has had a long history in agriculture starting with the position of Food Technologist and then advancing to the position of Director of Marketing in the Marketing Department of the Division of Agriculture, Marine Affairs, Marketing and the Environment.

Over the years Ms. Shaw has actively promoted the development of agro-processing in Tobago including providing technical expertise and project management support to budding entrepreneurs as well as ensuring that the required institutional support was available to enhance the survival rate for young businesses.

Ms. Shaw is the Chairman of the Human Resources Committee and a member of the Sales and Marketing Committee.

**MR. SHANE CORREIA****BSc, MBA**

Mr. Correia is a digital technology executive with successful achievements in digital and web site development including web programming, database design, system management, strategic marketing and implementation, print media, video animation, operations management, new business development and R & D management.

Mr. Correia is the Chairman of the Sales & Marketing Committee and a member of the Human Resources Committee.

Biographies of Directors (continued)**MR. ROSS ALEXANDER****Labour Representative**

Mr. Alexander has served as a Director of NFM for many years. Mr. Alexander's heart is in the labour movement and over the years he has served in several positions including Chairman of the Caribbean Bauxite and Miners Federation, Education Officer for the National Trade Union Centre, 3rd Vice President of the Trinidad and Tobago Labour Congress and several other positions including Secretary of the Seaman and Waterfront Workers Trade Union. Mr. Alexander's unique perspective of both the labour and commercial aspects of NFM's business has been invaluable over the years.

Mr. Alexander is the Chairman of the Audit Committee.

**MS. JOANNE SALAZAR****CPFA, Grad CG, Acc. Dir., MSc, MBA**

Ms. Salazar is a Chartered Public Finance Accountant and a Chartered Governance Professional and is currently the Owner/Director of QED Consulting Limited. Ms. Salazar has over twenty-five years executive management experience in finance, financial management, corporate strategy and business systems design and improvement.

Prior to starting her own business, Ms. Salazar held the positions of Vice President, Strategy and Corporate Services at Phoenix Park Gas Processors, Chief Executive Officer of the North-West Regional Health Authority, General Manager of the National Ambulance Service in Trinidad and Tobago and Executive Director of Finance of two Health Authorities in the United Kingdom.

Ms. Salazar also holds an M.Sc in Strategic Planning, a Masters in Business Administration, a Post Graduate Diploma in Operations and Supply Chain Management and certification in Organisational Development, Process Management and Change Management in addition to accreditation as a Director from the Institute of Chartered Secretaries & Administrators (Canada). Ms. Salazar is also a graduate of the Governance Institute (UK) formerly the Institute of Chartered Secretaries & Administrators (Canada).

Ms. Salazar is the Chairman of the Board Tenders Committee and a member of the Audit and Governance Committees.

CHAIRMAN'S REVIEW



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to announce that despite the impact of the global pandemic, NFM was able to achieve a 285% increase in profitability in 2020, ending the year with a profit after tax of \$23.5M, \$17.4M higher than 2019's \$6.1M. Full year revenue of \$418M increased by 1.3% over 2019. This commendable increase in profitability was driven by a 5% decrease in the cost of sales from \$321M to \$304M due to the continued focus on improving operational efficiency while strategically managing grain purchases. Implementation of improved control measures in the management of inventory and improvements in our processing and packaging procedures were largely responsible for the efficiency gains. As a result, our Gross Profit margin increased by 5% to 27% and operating profit increased by 170% year-on-year.

Earnings per share increased 300% year on year from 5 cents in 2019 to 20 cents in 2020 consistent with the Company's increased level of profitability. After the interim dividend of 3¢, based on distributable profits, your board is recommending a final dividend of 6¢ for the year ended December 31, 2020.

MR. NIGEL ROMANO
(Chairman)

Revenue



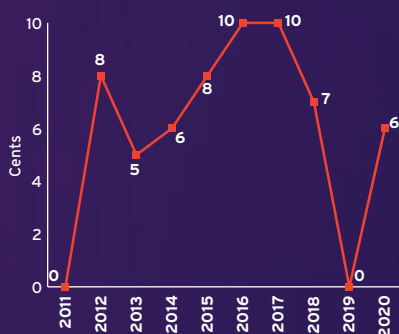
Earnings Per Share



Share Price



Dividend Payment



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The impact of the disruptions to the global supply chain was particularly severe on feed supplies since the two main players in the industry were challenged to satisfy the needs of their customers. While NFM sought to provide some measure of relief, it did not have the capacity to satisfy the needs of the entire market.

Chairman's Review (continued)**Confronting the Challenges**

The COVID-19 pandemic has been described as a crisis like no other, a “black swan” event, bringing global economies to a standstill and creating an unprecedented economic crisis. Organisations have had to deal with the disruptions caused by risk mitigation and control measures implemented to stop the spread including social distancing requirements and sanitation protocols. Globally, manufacturers stepped up to the challenge, and despite disruptions in global supply chains as a result of manpower constraints and changes in shipping logistics, they continued to deliver much needed products for their customers.

NFM was particularly affected by the disruptions to the supply chain, which resulted in steep increases in the price of grain and severe logistical challenges with shipments that impacted the timely receipt of raw materials. The supply chain disruptions were primarily driven by the purchasing of grain at above-normal levels by China to meet domestic shortfalls. The unusually high demand from China was exacerbated by dry weather conditions in South America and industrial unrest in Argentina. The end result of all of this was price escalations for wheat, corn, soyabean and soyabean meal worldwide, a trend which has continued into 2021.

COVID-19 also resulted in the reversal of globalisation trends and the loss of physical connectivity across the world due to the implementation of lockdown measures to contain the spread of the virus. As a result, travel and in-person commercial activities were curtailed. The lockdown measures negatively impacted production levels and increased the complexity and difficulty of sourcing processes for raw materials, spares and technical support for plant and equipment.

The high level of geopolitical tensions added fuel to the fire. Continued tension between the United States and China, the US-Iran conflict and cyberthreats created a perfect storm. Climate change and its resultant impact cannot be left out. 2020 was the hottest year on record and as a result of changing climatic conditions, the ability, going forward, to consistently grow enough food to meet increasing demand could be jeopardised.

Like other companies, NFM had its own challenges. We were tested in the third quarter as, in response to a few positive cases, we had to quarantine a large number of employees in compliance with all Ministry of Health and international pandemic protocols, which proactively included company administered private testing to ensure the safety of our employees and their families. The NFM team owned the challenge, remained committed to feeding the nation, and kept the market adequately supplied ensuring continued high customer satisfaction levels during this very difficult period.

However, the impact of the disruptions to the global supply chain was particularly severe on feed supplies since the two main players in the industry were challenged to satisfy the needs of their customers. While NFM sought to provide some measure of relief, it did not have the capacity to satisfy the needs of the entire market.

Chairman's Review (continued)

NFM will also be building out its e-commerce capability, given the trend in online purchasing and will use technology to more effectively interface with its customers to achieve on time delivery in full when the customer requires it.

Exploring the Opportunities

To survive in the new normal, businesses were forced to change their business models and many companies turned to the increased use of online systems and technology to drive production processes. NFM was no different and accepted that this was the new normal. A decision was made by NFM to critically review its systems and processes and to prioritise investments in the upgrading of plant and machinery to continue to achieve sustained profitability.

NFM will also be building out its e-commerce capability, given the trend in online purchasing, and will use technology to more effectively interface with its customers to achieve on time delivery in full when the customer requires it. In addition, given the challenges in the grain market, which could worsen as a result of projected climate changes, increased focus will be placed on identifying additional sources of revenue. Our strategic goals and objectives will have to be reviewed in the contest of the new economic reality created by the pandemic.

Transition in Leadership

After successfully leading the organisation for six years, Kelvin Mahabir retired in January 2021. Ian Mitchell, a leader with a track record of performance in the manufacturing sector, will build on the foundation created by Kelvin and lead the organisation to an even brighter future. We look forward to working with Ian to complete the transformation of NFM into a profitable, commercially agile organisation based on a foundation of good governance practices.

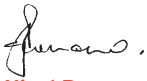
On behalf of the entire organisation, I want to express my sincere thanks and appreciation to Kelvin Mahabir for his contribution in leading and transforming the organisation over the past six and a half years. During his tenure at NFM, Kelvin was able to introduce a continuous improvement mindset, which resulted in the upgrade of the physical infrastructure, process improvements, significant investments in human capital and the development of strategies to diversify the Company's revenue base away from the reliance on flour. He also effectively managed the risks associated with the purchase of grains. Thank you Kelvin!

Chairman's Review (continued)**Concluding Remarks**

In closing, I wish to express my gratitude to the Management and staff of NFM. Despite being concerned for their own safety and that of their families, our employees remained committed to manufacturing and distributing food and feed products throughout Trinidad and Tobago. There were times when this would have been quite difficult given the number of persons in quarantine. However, our employees rose to the occasion and demonstrated why NFM is "so much more than flour."

I would also like to thank our loyal customers, our suppliers, our shareholders, and all of our other stakeholders for their continued partnership and support. Last but by no means least, I would like to thank my fellow directors for their continued support. Together, we continue to learn and grow to improve the governance of NFM as we guide the organisation to overcome the obstacles and take advantage of the opportunities ahead.

We continue to navigate the new normal and understand that we cannot go back to the way we used to do business. In the year ahead, we will be constantly reviewing and adjusting our business model to continue to provide superior value to our customers and competitive returns to our shareholders.

**Nigel Romano**

Chairman

SENIOR MANAGEMENT TEAM



Left to right: Mr. Jason Mohammed - Chief Operating Officer, Mrs. Andra Emamdee-Balgobin - Head, Finance & Accounting, Mr. Emmet Daisy, Head - Procurement and Raw Materials, Mr. Ian Mitchell - Chief Executive Officer, Dr. Joseph Jacob - Chief People and Organisation Development Officer, Ms. Sati Jagmohan - Corporate Secretary



REPORT OF THE **CHIEF EXECUTIVE OFFICER**



The year 2020 was unique. The COVID-19 pandemic changed the world and tested the resilience of most organisations. Even the best-laid business continuity plans could not have predicted the magnitude of challenges posed by this pandemic. Despite these challenges, NFM was able to deliver a profit after tax of \$23.5M, which represents a 285% increase versus 2019. Revenue of \$418M was 1.3% higher than the prior year and resulted in earnings per share of 20 cents. A reduction in cost of sales from \$321M to \$304M brought about an improvement in gross profit margin from 22% to 27%. Prudent management of selling and distribution expenses, administration expenses and finance costs, further contributed to an improvement in a profit before tax of \$35.8M vs \$10.1M in 2019; a 255% increase. Total comprehensive income increased by 29% from \$15.8M to \$20.4M.

To maintain productivity throughout the organisation, greater reliance had to be placed on the utilisation of technology. Also, to facilitate greater online access for employees working from home, new IT infrastructure was installed to allow for increased remote connectivity and system bandwidth.

MR. IAN MITCHELL
(Chief Executive Officer)

Report of the Chief Executive Officer (continued)**Confronting the Challenges**

As a food and feed manufacturing company, NFM was considered to be an essential organisation and remained opened throughout the periods of lock-down. We are proud to say, that despite the effects of the pandemic, we were able to supply the market with the same volume of products as we did in 2019. There were some challenges with the availability of feed products in the market, which came about mainly due to feed grain supply issues on the international front. The market also experienced feed grain price increases in the last quarter of 2020 and NFM was able to absorb some of those cost increases.

With respect to our internal operations, to ensure the safety and well-being of our employees, various measures were put in place including the introduction of extensive sanitation protocols for our facilities, strict social distancing and related procedures for employees, adjustments to shift operations and the provision of transportation for workers to and from work. For support staff, particularly in the more populated departments such as Finance, Human Resources and Marketing, shift systems and/or work-at-home arrangements were implemented.

To maintain productivity throughout the organisation, greater reliance had to be placed on the utilisation of technology. Also, to facilitate greater online access for employees working from home, new IT infrastructure was installed to allow for increased remote connectivity and system bandwidth.

Embracing the Opportunities

NFM is now pursuing strategies to become even more resilient in the face of the COVID-19 pandemic. We are actively seeking out and finding creative ways to provide our customers with attractively priced, high quality product offerings. Many of these initiatives will necessitate the identification of alternative sources of raw materials and the forging of closer ties and partnerships with non-traditional suppliers.

NFM has also set its sights on modernising the way it does business. This process will involve the creation of a more agile workforce and the improved use of automation and technology to optimise our operations and internal processes.

Maintaining Food Safety

Our customers expect us to provide consistently safe, high quality products. Therefore, NFM continues to invest in the upgrade of its physical facilities and equipment. Some of the initiatives currently being pursued include an upgrade of employee facilities, improvement works on storage infrastructure for raw materials and finished feed products, upgrade works to major conveyor and transport systems and many upgrades to process and packaging equipment on the Food side of the operations. NFM was able to successfully complete the Yum Brands Transport audit (conducted by Prestige Holdings) for the second consecutive year.



Report of the Chief Executive Officer (continued)

In addition to the capital upgrades, NFM is pursuing continuous improvement initiatives in areas such as inventory management, wastage mitigation and product optimisation. New products added to the Dry-Mix range included Good and Natural Multigrain flour and Lion Fry-bake mix.

Embracing the Opportunities

As the global economic environment continues to be reshaped because of the pandemic, NFM has started adapting and making adjustments to strategies that would allow us to deliver our mission. The challenges of the last year have forced us to be more creative and resilient. These are characteristics that will serve us in good stead as we embark on a journey to diversify our range of products and boost export sales.

A big part of our focus in the coming periods will be the development of our human capital. We have laid the foundation for this with a Job Classification Exercise followed by a Competency Framework Exercise. Gaps have been identified and we will be working assiduously to close these gaps through a more proactive Talent Management focus. It is our bold intention to have the most competent and talented workforce in the manufacturing sector.

From an Industrial Relations standpoint, we were able to bring our Collective Agreement for the vast majority of workers up to date when on July 29, 2020, NFM and the Seamen and Waterfront Workers Trade Union signed the Collective Agreement for monthly paid workers for the 2017-2019 period.

Price volatility in the grain markets continues to be one of our biggest challenges given the extent to which it can negatively impact the Company's profitability. Flour has always been NFM's flagship product and so we are reviewing our strategies for the purchase of wheat. To increase our resilience, we have been working to identify new sources for raw materials. With this approach we intend to mitigate price volatility while improving supply chain efficiency and food security.

As the country's leading flour manufacturer, we are deeply concerned about the increase in importation of flour into Trinidad and Tobago from countries such as Turkey and India. Trinidad and Tobago has adequate flour producing capacity to meet local needs and therefore we question the rationale for the importation of flour especially given the challenges manufacturers face with foreign exchange availability.

On the feed side of the business, NFM continues to work with farmers, providing technical support in addition to products that will ensure the success of their endeavours. In 2021, we plan to deepen those relationships as part of our thrust to improve food security throughout Trinidad and Tobago. We will also be working with the Ministry of Agriculture, Land & Fisheries to ensure that our initiatives are aligned with the policy initiatives of the Ministry and in so doing, create win-win outcomes.

FINANCIAL OVERVIEW

TEN-YEAR COMPARISON

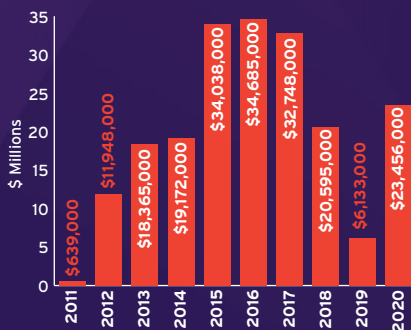
Total Assets



Operating Profit



Net Profit for the Year





Report of the Chief Executive Officer (continued)

Acknowledgements

I would like to take the opportunity to thank my predecessor, Kelvin Mahabir, for facilitating the transition and for laying the foundation for implementing NFM's growth strategies. While NFM has made significant strides in the past, COVID-19 has changed the competitive environment and this requires that we critically review and adjust our strategies for taking the Company forward.

I would also like to thank the Board of Directors for giving me the opportunity to continue the transformation of NFM, the Management and Staff for their support and all the other stakeholders for their contribution of NFM's continued success.

A handwritten signature in black ink, appearing to read 'Ian Mitchell', is positioned above the name.

Mr. Ian Mitchell

Chief Executive Officer

DIRECTORS' REPORT

The Directors are pleased to present their report to the Shareholders for the year ended December 31, 2020.

Principal Activities

The principal activities of the Company are the production and sale of flour and feed products.

Financial Performance	\$'000
Turnover	417,906
Profit Before Taxation	35,772
Taxation	(12,316)
Profit for the Year	23,456
Other Comprehensive Income	
Net of tax	(3,064)
Total Comprehensive Income for the year	20,392
Retained Earnings brought forward	138,165
Retained Earnings carried forward	153,451

Dividends

Based on the level of profitability achieved for the year, the Board of Directors proposes to pay a final dividend of 6 cents for the year ended December 31, 2020.

Directors

In accordance with Article 75 of the Company's Articles of Association, all the Directors will retire from office at the Annual Meeting and being eligible, offer themselves for re-election.

Directors' and Substantial Interests

Directors' Beneficial Interests	Shareholding
Ross Alexander	20,017
Aliyah Hamel-Smith	1,000

**Directors' Report (continued)****Substantial Interests as defined by Section 181 (2) (a) of the Companies Act 1995**

Name	Shareholdings	Percentage
National Enterprises Limited	61,301,998	51.00%
National Insurance Board	8,476,410	7.05%
MASA Investments Limited	6,597,854	5.49%
Colonial Life Insurance Company (Trinidad) Limited	4,521,379	3.76%
RBC Trust (Trinidad and Tobago) Limited - T1154	2,239,521	1.86%
Olympic Rentals Limited	1,717,724	1.43%
Antilles Employees Credit Union Cooperative	1,177,392	0.98%
Tatil Life Assurance Limited A/C C	1,008,811	0.84%
Tatil Life Assurance Limited	958,852	0.80%
Brimont Limited	888,400	0.74%

By Order of the Board

Sati Jagmohan
Corporate Secretary**Registered Office**
27-29 Wrightson Road
Port of Spain

CORPORATE GOVERNANCE REPORT

Good Corporate Governance continues to be the cornerstone of NFM's operations. Corporate Governance is a mechanism that guides the Board and Management to deal more effectively with the challenges associated with running the Company. Its practices and procedures help NFM achieve its objectives, while providing comfort to stakeholders that their trust in the Company is well founded. It also ensures that the business has appropriate controls and decision-making processes in place to balance the interest of all stakeholders while working in the best interest of the organisation.

Role & Responsibilities of the Board

The Board is responsible for managing the affairs and setting the strategic direction of the Company. The Board meets every other month for ordinary meetings. Should matters arise between scheduled board meetings requiring its attention, extraordinary meetings are scheduled. At meetings of the Board, directors are advised of material changes affecting the company as well as current developments and significant projects and events. The Chief Executive Officer, in his report to the Board, provides an overview of business performance as well as detailed financial information.

The Directors are all non-executive directors and are independent with no business connections to the Company. In accordance with the Company's Articles of Association, the term of office for all directors concludes at the end of the next Annual Meeting of Shareholders. To continue in office, directors must be elected at the Annual Meeting of shareholders.

Board Committees have been established to assist the board in fulfilling its mandate. The existing committees are listed hereunder:

	Sales & Marketing	Governance, Finance & Strategy	Board Tenders Committee	Human Resources Committee	Audit Committee
Nigel Romano		Chair			
Sonja Voisin		✓			✓
Aliyah Hamel-Smith			✓		✓
Karen Shaw	✓			Chair	
Joanne Salazar		✓	Chair		✓
Ross Alexander					Chair
Shane Correia	Chair			✓	

Corporate Governance Report (continued)

At the Committee level, members of management form part of the quorum for the meeting and provide detailed information to the directors on matters falling within the terms of reference of the committee. At all board meetings following the convening of the committee meetings, the Chairman of the Committee reports to the Board on the proceedings of the Committee.

Board Diversity

Diversity in the Boardroom is valued at NFM. At present, there are four female directors whose contributions to the Board's deliberations are highly valued. The Human Resources Committee and the Board Tenders Committee are both chaired by female directors.

Communication with Shareholders

At each General Meeting, shareholders either in person or by proxy are given an opportunity to voice their concerns and to provide the directors with feedback on the performance of the Company.

All shareholders listed on the Register of Members on the Record Date established for the meeting are entitled to attend and vote on matters constituting the business of the meeting.

In addition, quarterly unaudited accounts are published in the newspapers as well as any material change affecting the company. Pertinent information about the company can be accessed from the its website as well as from its Facebook page.

The Internal Auditor

An Internal Audit team headed by an Internal Auditor is responsible for monitoring the effectiveness of the company's internal control systems. The Company's Annual Audit Plan, which must be approved by the Audit Committee, guides the work of the Audit Team and audit reports, inclusive of management comments, are submitted to the Audit Committee for discussion.

The External Auditor

The External Auditor is appointed at each Annual Meeting of Shareholders. Audit fees are approved by the Board based on the recommendation of the Audit Committee.

Risk Management

The Board of Directors is accountable for the overall performance of the organisation, corporate governance and risk oversight. More specifically, the Board is responsible for overseeing the following:

- i. Strategy: Ensuring that appropriate strategies are being pursued and executed effectively.
- ii. Management: Ensuring that there is a competent Management Team to lead the organisation.

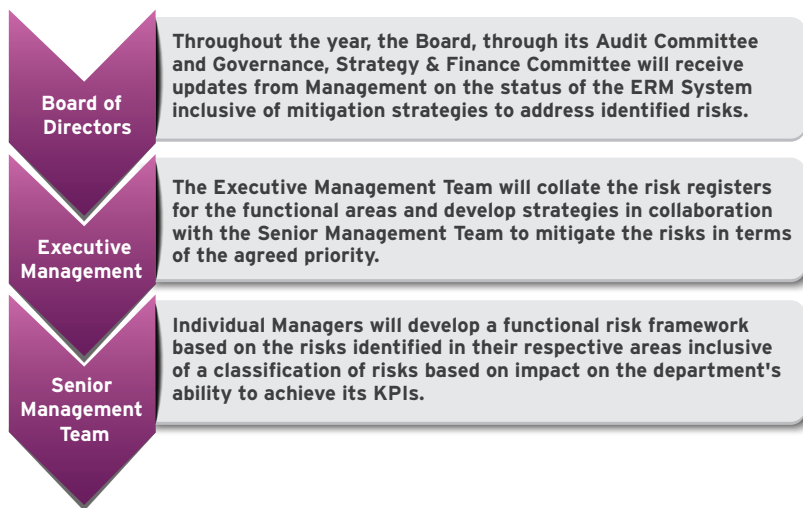
Corporate Governance Report (continued)

- iii. **Board Effectiveness:** Ensuring that the Board's performance is effective and that it capitalises on the diverse skills, experience and competencies of the directors.
- iv. **Audit:** Ensuring that there are sufficient internal controls to ensure transparency and good governance in the organisation.
- v. **Risk and Compliance:** Ensuring that the Company is prudently managing its risks across the organisation as well as fulfilling its compliance requirements.

The key risks facing the Organisation from the perspective of the Board can be categorised as governance issues, policy issues and assurance issues.

- i. **Governance:** The Board is responsible for establishing an effective governance structure to oversee risk and to facilitate the integration of risk and strategy.
- ii. **Policy:** The Board is required to approve and monitor an Enterprise Risk Management (ERM) policy that provides explicit risk tolerance levels for key risks identified as being pertinent to the organisation.
- iii. **Assurance:** The board must test the effectiveness of the ERM programme in terms of performance metrics and feedback loops.

The Board must also work with Management in setting the "tone from the top" and fostering a culture of honesty and integrity across the organisation. To assist the Board in fulfilling its obligations, the three lines of defence system currently utilised by the Organisation will be extended to include the risk management function.



Corporate Governance Report (continued)**Creating Shared Value**

NFM remains committed to creating shared value through partnerships with its stakeholders. The success of our business is dependent on providing consumers with quality flour, feed and dry mix products at affordable prices, technical support and after sales service as and when required. Our products satisfy the basic requirements of households and NFM is an integral part of the Trinidad and Tobago landscape.

NFM's customer-centric focus was evident when we met with the Supermarket Association of Trinidad and Tobago early in 2020. This meeting provided NFM with an opportunity to obtain feedback on its products and its distribution model.

Despite the constraints imposed by the pandemic, NFM continued to work with its stakeholders. Specific initiatives included the provision of support to the National Cocoa Awards competition hosted by the Cocoa Development Company of Trinidad and Tobago as well as funding for the CZITT e-learning platform, an initiative of the Caribbean Zero Institute of Trinidad and Tobago to help secondary school students access online classes.

During the period April-May 2020, NFM promoted the "Best Chef" social media campaign for persons required to stay at home to display their culinary skills. Dishes had to be made with NFM products and pictures posted on Facebook. The level of creativity and originality displayed was amazing.

NFM also supported online baking classes for children. Sirmelia Etienne, owner of Sinoet's Cakes, Cuisine and Catering started online baking and cooking classes for kids. NFM endorsed this initiative with a donation of Lotus Bakers Flour.

On the feed side of the business, the global feed industry experienced increasing demand for meat, dairy and other livestock-based products which in turn is directly related to growth and innovation in the feed industry. Feed additives and feed manufacturing and processing technology are expected to play a critical role in the industry's growth and in keeping with this thrust, NFM continued to focus on the development of formulations for extruded feeds and the provision of technical support to livestock farmers.

Specific initiatives to support the industry included an online training programme: "Feeding Regime for Monogastric Livestock" in collaboration with the Ministry of Agriculture, Land and Fisheries. Participants learned how to properly use NFM's feed products for rabbits and swine to improve livestock performance. NFM also hosted a training seminar in February 2020 on "Elements of Animal Feed Quality and Food Storage" whereby farmers were educated on production and nutrition essentials for livestock, poultry, canine and tilapia.

Celebrating Diversity at NFM



As part of the International Women's Day celebration, we salute the invaluable contributions made by the women at NFM. NFM values diversity in the workforce. In whichever sphere they are present, the contributions of women are highly valued and unique. NFM joined the chorus calling for the creation of a society, especially workplaces, where women can maximise the use of their talents, receive the recognition due to them and feel safe to be their best selves.



Statement of Management's Responsibilities

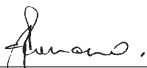
Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of National Flour Mills Limited (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records.
- Selecting appropriate accounting policies and applying them in a consistent manner.
- Implementing, monitoring and evaluating the system of internal controls that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies.
- Ensuring that the system of internal control operated effectively during the reporting period.
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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


March 26, 2021

Director


March 26, 2021

Director

Independent auditor's report

To the Shareholders of National Flour Mills Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Flour Mills Limited (the Company) and its subsidiary (together 'the Group') as at December 31, 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our audit approach

Overview



- Overall group materiality: TT\$1.8 million, which represents 5% of average profit before income tax over the last 5 years.
- The Group audit included the full scope audit of the Company and the audit of certain material balances of the Employee Share Ownership Plan. There are no other subsidiaries.
- Valuation of the retirement benefit asset and the medical and life insurance plan liability



Independent auditor's report (Continued)

Audit scope

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

How we tailored our group audit scope

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

The Company has no interests in other entities, other than the Employee Share Ownership Plan, where audit procedures were performed on certain account balances included in the consolidated financial statements.

Materiality

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

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

Overall Group materiality	TT\$1.8 million
How we determined it	5% of average profit before income tax over the last five (5) years
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds and used average profit before income tax over the last 5 years due to the historic volatility of earnings.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT\$54,039, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Independent auditor's report (Continued)

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

Independent auditor's report (Continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2020 (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report 2020, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report (Continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
March 26, 2021

Consolidated Statement of Financial Position

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

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

Consolidated Statement of Financial Position (continued)

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

		As at December 31	
	Note	2020	2019
		\$	\$
<i>Shareholders' equity</i>			
Stated capital	20	120,200	120,200
Treasury shares	21	(4,815)	(3,125)
Retained earnings		153,451	138,165
Other reserves		(88)	(1,322)
Total equity		<u>268,748</u>	<u>253,918</u>
Total liabilities and equity		<u>438,082</u>	<u>444,607</u>

The notes on pages 44 to 89 are an integral part of these consolidated financial statements.

On March 26, 2021, the Board of Directors of National Flour Mills Limited authorised these consolidated financial statements for issue.



Director



Director

**Consolidated Statement of Comprehensive Income**

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

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

The notes on pages 44 to 89 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Stated Capital \$	Treasury Shares \$	Other Reserves \$	Retained earnings \$	Total \$
Year ended December 31, 2019					
Balance at January 1, 2019	120,200	(3,175)	(812)	130,651	246,864
Profit for the year	-	-	-	6,133	6,133
Loss on investment at fair value through OCI	-	-	(510)	-	(510)
Re-measurement of retirement benefit asset and medical and life insurance plan, net of tax	-	-	-	10,155	10,155
Other movements	-	-	-	(360)	(360)
Movement in treasury shares	-	50	-	-	50
Transactions with owners of the Group:					
Dividends declared	-	-	-	(8,414)	(8,414)
Balance at December 31, 2019	<u>120,200</u>	<u>(3,125)</u>	<u>(1,322)</u>	<u>138,165</u>	<u>253,918</u>
Year ended December 31, 2020					
Opening balance at January 1, 2020	120,200	(3,125)	(1,322)	138,165	253,918
Profit for the year	-	-	-	23,456	23,456
Gain on investment at fair value through OCI	-	-	1,238	-	1,238
Re-measurement of retirement benefit asset and medical and life insurance plan, net of tax	-	-	-	(4,302)	(4,302)
Other movements	-	68	(4)	(262)	(198)
Sale of treasury shares	-	47	-	-	47
Gain on revaluation of treasury shares	-	(1,805)	-	-	(1,805)
Transactions with owners of the Group:					
Dividends declared	-	-	-	(3,606)	(3,606)
Balance at December 31, 2020	<u>120,200</u>	<u>(4,815)</u>	<u>(88)</u>	<u>153,451</u>	<u>268,748</u>

The notes on pages 44 to 89 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

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

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

Consolidated Statement of Cash Flows (continued)

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

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

The notes on pages 44 to 89 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

1 Incorporation and principal activities

National Flour Mills Limited ("the Company" or "NFM") is incorporated in the Republic of Trinidad and Tobago, and was continued under the provisions of the Companies Act, 1995 on April 14, 1998.

The Company's principal activities are the production and distribution of food products and animal and poultry feeds. The subsidiary is an Employee Share Ownership Plan (ESOP) to give effect to a contractual obligation to pay profit sharing bonuses to employees via shares of the Group. The Group's major shareholder is National Enterprise Limited owning 51% of the issued share capital. The ultimate shareholder is the Government of the Republic of Trinidad and Tobago. The Group's registered office is 27-29 Wrightson Road, Port of Spain.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a historical cost basis, except for investments at fair value through other comprehensive income and defined benefit plans where plan assets are measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(ii) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(a) Basis of preparation (continued)*****(ii) Principles of consolidation (continued)***

eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Changes in accounting policies and disclosures

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

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(b) Going concern

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Group and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of the date of management's approval of the financial statements, management was not aware of any significant adverse effects on the consolidated financial statements for the year ended December 31, 2020 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Group.

The Group continues to prepare its financial statements on a going concern basis as it believes that this pandemic will not have a significant impact on the operations and the ability of the entity to continue as a going concern. Management has concluded this based on the following considerations:

- (i) Sales - The Company's sales continue to be robust and comparable to prior year, as citizens continue to purchase basic commodity items.
- (ii) Raw Material Supply - During 2020, the Company enjoyed on-time and in-full grain deliveries. This trend is expected to continue in 2021 as management has no reason to expect any significant issues in supply of raw material. The production and transport of grain is not labour intensive. The transshipment requires a crew of approximately twenty persons. The Group is considered to be providing an essential commodity to the people of Trinidad and Tobago and the government has signalled its intention to continue allowing shipments of grain into the port.
- (iii) Production - The flour mill is highly automated and can be run remotely without much human intervention. Some labour is required in the packaging area and this requirement can be fulfilled whilst maintaining social distancing guidelines.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(b) Going concern (continued)

- (iv) Distribution - The Government of Trinidad and Tobago has deemed food manufacturing companies as essential services. This therefore indicates that the Group will have the ability to distribute its products to all of its regular customers.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

(d) Property, plant and equipment

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

Buildings	up to 40 years
Plant and machinery including capital spares	5 - 25 years
Office furniture and equipment	4 - 10 years
Motor vehicles - shorter of the lease term and useful life	4 - 5 years

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(e) Intangible assets***Software*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to purchase and customise the software and use it
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include consultancy fees from the software provider and project management fees for the development and implementation and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised using the straight-line basis over their estimated useful lives as follows, from the point at which the asset is ready for use.

Software 4 years

(f) Leases**Lessee accounting***(i) The Group's leasing activities and how these are accounted for:*

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(f) Leases (continued)

Lessee accounting (continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average incremental borrowing cost applied to the lease liabilities was 6% for leases with a remaining term of 5 and 6 years and 7.4% on leases with a remaining term of 40 years.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group which does not have recent third party financing and
- makes adjustments specific to the lease e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(f) Leases (continued)****Lessee accounting (continued)***(i) The Group's leasing activities and how these are accounted for: (continued)*

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

(ii) Extension and termination options

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

Lessor accounting

Leases of property, plant and equipment under which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments, at the date of inception of the lease. The corresponding rental obligations, net of finance charges, are shown as finance lease liability, on the consolidated statement of financial position. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(g) Investments

All financial assets are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(g) Investments (continued)

The Group elected to make a onetime election to have all fair value gains and losses in investments to be included in Other Comprehensive Income. Financial assets at fair value through Other Comprehensive Income are securities which are either acquired for generating a profit from short-term fluctuations in price, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(h) Financial instruments

(i) Classification

The Group classifies its financial assets in the following categories:

- 1) those to be measured at amortised cost, and
- 2) those to be measured at fair value through other comprehensive income (OCI)

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in OCI. This is because the investments in the equity instruments held are not held for trading.

The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and de-recognition

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

(iii) Measurement

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

Debt instruments

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(h) Financial instruments (continued)****(iii) Measurement (continued)***Debt instruments (continued)**Equity investments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iv) Impairment

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

For financial assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4 (a) (i) for further details.

(i) Offsetting financial assets and financial liabilities

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

(j) Inventories

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

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

(k) Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash at bank and in hand, money market deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(l) Borrowings

Borrowings including overdrafts are classified as other liabilities and are recognised initially at fair value net of direct issue costs and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(l) Borrowings (continued)

the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Impairment of non-financial assets

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

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

(o) Provisions

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

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

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(o) Provisions (continued)**

account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Taxation

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

Current tax

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

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

Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(q) Employee benefits

(i) Retirement benefit plan

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

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

The Group's net obligation in respect of the defined benefit plan (the Plan) is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the Plan assets. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds of the Plan or reductions in future contributions to the Plan (after considering any minimum funding requirements).

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the consolidated statement of financial position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The actuary performs a full actuarial valuation every three years (next valuation is due as at December 31, 2020 and the report will be available in 2021) and any surpluses or deficits may be recognised by an adjustment of future contribution rates.

(ii) Medical and life insurance plan

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(q) Employee benefits (continued)***(ii) Medical and life insurance plan (continued)*

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

In Trinidad and Tobago, as there is no deep market in such bonds, the market rates on government bonds are used.

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

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

(iii) Short-term employee benefits

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

(iv) Employee Share Ownership Plan (ESOP)

The Group operates an Employee Share Ownership Plan (ESOP) to give effect to a contractual obligation to pay profit sharing bonuses to employees via shares of the Group based on a set formula. All permanent employees of the Group are eligible to participate in the Plan that is directed by a Management Committee comprising management of the Group and representatives of the general membership.

Independent Trustees are engaged to hold in trust all shares in the Plan as well as to carry out the necessary administrative functions. Shares acquired by the ESOP are funded by Group contributions and cash advances by the Group to the ESOP. The cost of NFM shares have been recognised in Shareholders' Equity as Treasury Shares and the cost of the investment in the parent company, National Enterprises Limited, is recognised under Investments at fair value through OCI on the consolidated statement of financial position.

The Group has determined it has control over the Trust as:

- the Group has power over the relevant activities of the employee share trust.
- the Group has exposure, or rights, to variable returns from its involvement with the employee share trust; and
- the Group has the ability to use its power over the employee share trust to affect the amount of the Group's returns.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(q) Employee benefits (continued)

(iv) *Employee Share Ownership Plan (ESOP) (continued)*

Accordingly, the ESOP has been consolidated in accordance with note 2 (a) (ii).

(v) *Bonus*

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(r) Revenue recognition

The Company manufactures and sells a range of food and animal feed products in both the wholesale and retail markets. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped or transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. It is the Group's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (included in trade and other payables if material) and a right to the returned goods (included in other current assets if material) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a product level. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)**(s) Other income***(i) Dividend income*

Dividends are received from financial assets measured at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

(ii) Management fees

The Group has an agreement with the Ministry of Agriculture, Land and Fisheries whereby the Group is paid a management fee of \$400 per month for the operation of the Rice Mill at Carlsen Field. This income is recognised as other income in profit or loss.

(iii) Sub-lease income

The Group has a sub-lease agreement with Trinidad and Tobago Electricity Commission (T&TEC) for five (5) years from 2013 to 2018 for an annual amount of \$700 of which 25 % is payable to Port Authority of Trinidad and Tobago (PATT). This income is recognised as other income in profit or loss. This sub lease expired in 2018 and is currently in the process of being renewed.

(t) Borrowing costs

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

(u) Share capital

Ordinary shares are classified as equity and stated at the amounts subscribed by shareholders, less any incremental costs directly attributable to the issue of the shares (net of tax).

(v) Earnings per share*(i) Basic earnings per share*

Earnings per share is calculated by dividing the total comprehensive income for the year of the Group by the weighted average number of ordinary shares outstanding during the year excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

2 Significant accounting policies (continued)

(w) Dividends

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

(x) Segment reporting

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

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

3. Critical accounting estimates and judgements

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

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Estimates

(a) Valuation of retirement benefit asset and medical and life insurance plan

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

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

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

Notes to the Consolidated Financial Statements (continued)

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3. Critical accounting estimates and judgements (continued)*Estimates (continued)**(b) Impairment*

The Group tests annually whether any non-financial assets/ cash generating units have suffered impairment in accordance with the accounting policy stated in Note 2 (n).

For the purposes of the impairment test, the cash-generating unit was determined to be at the Company level.

The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. The significant assumptions and sensitivity analysis are disclosed in Note 34.

(c) Depreciation

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

(d) Government receivables

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

4 Financial risk management*a. Financial risk factors*

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

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

This note presents information about the Group's exposure to each of the above risks, and its framework for managing these risks. Further quantitative disclosures are included in relevant notes throughout these consolidated financial statements.

The Board of Directors has ultimate responsibility for the establishment and oversight of the Group's risk management framework. The Audit Committee oversees compliance with the Group's risk management framework and is assisted in its oversight role by the Internal Audit Department. There has been no change in the management of these risks from the prior year.

Notes to the Consolidated Financial Statements (continued)

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4 Financial risk management (continued)

a. Financial risk factors (continued)

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

(i) Credit risk

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

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

The Group is exposed to credit risk, which is the potential for loss due to a debtor's failure to pay amounts when due. The Group manages this by regular analysis of the ability of debtors to settle their outstanding balances. Impairment provisions are established for losses or potential losses that have been incurred at the reporting date.

The Group trades with third parties who are subject to credit verification procedures, which take into account their consolidated financial position and past experience. Individual risk limits are set based on internal analysis.

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

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment of financial assets

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

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

(i) Trade receivables for sales of inventory

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables were grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before December 31, 2020 or December 31, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

4 Financial risk management (continued)*a. Financial risk factors (continued)**(i) Credit risk (continued)**(i) Trade receivables for sales of inventory (continued)*

to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance was determined as follows for trade receivables:

General pool of trade receivables

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

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4 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

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

	2020 \$	2019 \$
Allowance as at 1 January	11,060	36,200
Bad debt written off against the provision	-	(27,360)
Increase/(decrease) in loss allowance recognised in profit or loss	183	(482)
Bad debts collected	-	(578)
Specific receivables deemed as uncollectible	<u>3,808</u>	<u>3,280</u>
Closing loss allowance as at December 31	<u>15,051</u>	<u>11,060</u>

(ii) Liquidity risk

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

Contractual maturities of financial liabilities

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total Cash flow \$	Carrying Value \$
At December 31, 2019						
Accounts payable	30,354	-	-	-	30,354	32,545
Lease liabilities	1,614	1,031	2,967	6,668	12,280	6,859
Borrowings	67,027	-	-	-	67,027	64,645
Amounts due to GORTT	17,321	-	-	-	17,321	17,321
	<u>116,316</u>	<u>1,031</u>	<u>2,967</u>	<u>6,668</u>	<u>126,982</u>	<u>121,370</u>

At December 31, 2020

Accounts payable	28,806	-	-	-	28,806	30,222
Lease liabilities	1,408	2,830	1,831	2,921	8,990	7,939
Borrowings	45,956	-	-	-	45,956	44,932
Amounts due to GORTT	18,097	-	-	-	18,097	18,097
	<u>94,267</u>	<u>2,830</u>	<u>1,831</u>	<u>2,921</u>	<u>101,849</u>	<u>101,190</u>

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

4 Financial risk management (continued)*a. Financial risk factors (continued)**(ii) Liquidity risk (continued)*

Accounts payable cash flows included in the tables above exclude statutory liabilities which do not meet the definition of financial liabilities under IFRS 7, while borrowings and lease liabilities include interest payments.

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

*(iii) Market risk**(a) Currency risk*

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

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

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

(b) Interest rate risk

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

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

Sensitivity analysis

In relation to cash flow interest rate risk, the Directors consider that a 1% movement in interest rates represents reasonable possible changes. The impact on profit after income tax would be \$46 (2019: \$24).

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

4 Financial risk management (continued)

a. Financial risk factors (continued)

(iii) Market risk (continued)

(b) Interest rate risk (continued)

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

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

(c) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position as fair value through other comprehensive income.

All of the Group's equity investments are publicly traded on the Trinidad and Tobago Stock Exchange.

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

Sensitivity analysis

The table below summarises the impact of increases/decreases on the Group's other comprehensive income for the period. The analysis is based on the assumption that the equity index increased by 10% or decreased by 5% with all other variables held constant.

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

(d) Fair value estimation

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

All the Group's financial assets and liabilities, except for Investments are carried at amortised cost. Investments are carried at its fair value at the reporting date, with all changes being recognised in other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

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4 Financial risk management (continued)*b. Capital risk management*

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

5 Property, plant and equipment

	Buildings	Plant, machinery and equipment	Office furniture and equipment	Motor vehicles	Work in progress	Total
	\$	\$	\$	\$	\$	\$
Year ended December 31, 2020						
Opening net value	110,689	51,074	9,074	1,003	1,874	173,714
Additions	473	3,044	1,102	156	2,145	6,920
Disposals	-	-	-	-	(83)	(83)
WIP commissioned	1,812	609	78	-	(2,499)	-
Depreciation	(5,117)	(7,590)	(2,305)	(474)	-	(15,486)
Closing net book value	<u>107,857</u>	<u>47,137</u>	<u>7,949</u>	<u>685</u>	<u>1,437</u>	<u>165,065</u>
At December 31, 2020						
Cost	170,601	120,031	13,537	1,782	1,437	307,388
Accumulated depreciation	(62,744)	(72,894)	(5,588)	(1,097)	-	(142,323)
Net book value	<u>107,857</u>	<u>47,137</u>	<u>7,949</u>	<u>685</u>	<u>1,437</u>	<u>165,065</u>
Year ended December 31, 2019						
Opening net book value	113,561	55,924	10,004	1,410	1,885	182,784
Adjustment for change in accounting policy - transfer to right-of- use asset	(474)	-	-	-	-	(474)

Notes to the Consolidated Financial Statements (continued)

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5 Property, plant and equipment (continued)

	Buildings \$	Plant, machinery and equipment \$	Office furniture and equipment \$	Motor vehicles \$	Work in progress \$	Total \$
Year ended December 31, 2019 (continued)						
Opening net amount						
- restated	113,087	55,924	10,004	1,410	1,885	182,310
Additions	925	2,219	1,534	178	2,105	6,961
Disposals	-	-	-	(85)	-	(85)
WIP commissioned	1,728	388	-	-	(2,116)	-
Depreciation	(5,051)	(7,457)	(2,464)	(500)	-	(15,472)
Closing net book value	<u>110,689</u>	<u>51,074</u>	<u>9,074</u>	<u>1,003</u>	<u>1,874</u>	<u>173,714</u>
At December 31, 2019						
Cost	178,915	320,063	20,252	8,242	1,874	529,346
Accumulated depreciation	(68,226)	(268,989)	(11,178)	(7,239)	-	(355,632)
Net book value	<u>110,689</u>	<u>51,074</u>	<u>9,074</u>	<u>1,003</u>	<u>1,874</u>	<u>173,714</u>

(i) Non-current assets pledged as security

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

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

(ii) Depreciation and amortisation of \$12,276 (2019: \$12,048) was recognised in cost of sales with \$5,015 (2019: \$5,918) recognised in expenses.

Notes to the Consolidated Financial Statements (continued)

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6 Intangible assets

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

Included in software are costs expended on integration of the Company's ERP and other licenses. The remaining useful economic life of intangible assets is estimated to be 2-4 years. Amortisation is included under administration expenses on the statement of comprehensive income.

7 Right-of-use assets

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

8 VAT Bonds

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

Notes to the Consolidated Financial Statements (continued)

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9 Investments at Fair Value through OCI

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. The Group has classified its financial instruments into Level 1 as prescribed under the accounting standards.

	Level 1 \$	Total \$
<i>Recurring fair value measurements at December 31, 2020</i>		
<i>Financial assets</i>		
Investments listed on Trinidad and Tobago Stock Exchange - NEL Shares	672	672
<i>Recurring fair value measurements at December 31, 2019</i>		
<i>Financial assets</i>		
Investments listed on Trinidad and Tobago Stock Exchange - NEL Shares	1,248	1,248

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

Recognised fair value measurements

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

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

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

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

Notes to the Consolidated Financial Statements (continued)

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10 Retirement Benefit Asset

	2020 \$	2019 \$
Present value of defined benefit obligation	(199,542)	(191,644)
Fair value of the assets in the Plan	<u>218,721</u>	<u>214,822</u>
Recognised asset for the Plan	<u>19,179</u>	<u>23,178</u>
<i>a. Change in defined benefit obligations</i>		
Defined benefit obligation at start of year	(191,644)	(183,947)
Benefits paid	7,725	7,922
Current service cost	(5,823)	(5,036)
Interest cost	(10,331)	(9,902)
Members' contribution	(2,199)	(2,445)
Past service cost	-	(492)
Re-measurements:		
- Experience adjustments	(3,584)	3,794
- Actuarial gain from changes in demographic assumptions	-	(1,538)
- Actuarial gain from changes in financial assumptions	6,314	-
Defined benefit obligation at end of year	<u>(199,542)</u>	<u>(191,644)</u>

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

	2020	2019
- Active members	58%	58%
- Deferred members	13%	13%
- Pensioners	29%	29%

The weighted average duration of the defined benefit obligation was 13.7 years (2019: 13.7 years).

- 98% (2019: 98%) of the benefits for active members were vested.
- 17% (2019: 17%) of the defined benefit obligation for active members was conditional on future salary increases.

c. Change in Plan assets

	2020 \$	2019 \$
Plan assets at start of year	214,822	189,591
Interest income	11,814	10,446
Return on Plan assets, excluding interest income	(7,874)	14,107
Company's contributions	5,965	6,609
Members' contributions	2,199	2,445
Benefits paid	(7,725)	(7,922)
Administrative expenses	(480)	(454)
Plan assets at end of year	<u>218,721</u>	<u>214,822</u>
Actual return on Plan assets	<u>3,940</u>	<u>24,553</u>

Notes to the Consolidated Financial Statements (continued)

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10 Retirement benefit asset (continued)

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

10 Retirement benefit asset (continued)*i. Summary of principal assumptions (continued)*

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

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

j. Sensitivity

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

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

An increase of one year in the assumed life expectancy would increase the defined benefit obligation at December 31, 2020 by \$3.421 million (2019: \$3.286 million). These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions as adjusted for the sensitivities.

The most recent actuarial assessment of the Pension Plan was at December 31, 2017.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

11 Medical and life insurance plan

Recognised liability for the Medical and Life Insurance Plan

a. Change in the obligations

Obligation at start of year

Benefits paid

Current service cost

Interest cost

Re-measurements:

- Experience adjustments

- Actuarial (loss) from changes in demographic assumptions

- Actuarial loss from changes in financial assumptions

Obligation at end of year

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

Active members

Pensioners

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

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

Current service cost

Interest on defined benefit obligations

Net benefit cost

d. Re-measurements recognised in other comprehensive income

Experience loss

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

Opening defined benefit obligations

Net benefit cost

Re-measurements recognised in other comprehensive income

Benefits paid by the Company

Closing defined benefit obligations

2020
\$

2019
\$

23,543

21,833

(21,833)

(19,532)

1,208

1,248

(748)

(653)

(1,168)

(1,040)

(1,886)

(1,494)

-

(362)

884

-

(23,543)

(21,833)

2020

2019

42%

42%

58%

58%

2020
\$

2019
\$

748

653

1,168

1,040

1,916

1,693

(1,002)

(1,856)

21,833

19,532

1,916

1,693

1,002

1,856

(1,208)

(1,248)

23,543

21,833

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

11 Medical and life insurance plan (continued)

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

g. *Summary of principal assumptions*

	2020	2019
Discount rate at December 31	5.75%	5.50%
Future medical cost increases	4.50%	4.50%
Future salary increases	3.25%	3.25%

h. *Sensitivity*

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

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

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

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

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

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

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

- (ii) *Changes in bond yields*

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

11 Medical and life insurance plan (continued)

Risk exposure (continued)

(iii) Inflation risks

Some of the Goup'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.

12 Accounts receivable and prepayments

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

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

Included within other receivables are Value Added Tax receivables of \$6,382 (2019: \$15,900).

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

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

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

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

14 Inventories

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

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

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

15 Restricted deposit

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

Restricted deposits comprise of:

- \$0 (2019: \$14,958) earns interest of 3% and is held with NCB Global Finance Ltd to secure a foreign currency denominated working capital facility and these mature within twelve months of the consolidated statement of financial position date; and
- \$1,584 is with a financial institution and is used to secure the Group's lease facility. The funds are held in a deposit and earn interest of 0.15%.

16 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

17 Borrowings

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

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

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

Export Import Bank of Trinidad and Tobago Limited

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

- (i) The loan shall be repaid to the lender 30-180 days from the drawdown date of December 31, 2020.
- (ii) Interest on the Facility granted by the Lender is payable by the Group at the interest rate determined in the first tiered interest rate; this interest rate will be subject to revision and change at any time based on prevailing market conditions without any prior notice to the Borrower.

First Tiered Interest Rate - the rate of interest that the Lender applies to the facility will be 5.90% per annum.

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

NCB Global Finance Limited (NCB)

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

- (i) A 5-year amortised facility for \$10M USD to cover trade finance related activities, relation to the purchase of grain and other associated costs as permitted by the Lender at a fixed interest rate of 5.90%.
- (ii) This facility is secured by a fixed deposit of \$15M TTD held by NCB Global Finance Limited bearing interest of 3% (Note 15).
- (iii) This loan facility was repaid during the year.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

17 Borrowings (continued)*Republic Bank Limited*

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

- (i) A 5 year amortised facility for TTD\$40M to cover working capital and operating costs at a fixed interest rate of 6.75%.
- (ii) This facility is secured by a debenture on all fixed and floating assets of the Group as well as a collateral mortgage over all real property, stamped to cover \$90M ranking pari passu with a similar debenture held by Citibank (Trinidad and Tobago) Limited and First Citizen's Bank Limited.
- (iii) This loan is repayable on 28 February 2021.

Breach of loan covenants

The Company was in breach of certain covenants attached to the RBL and NCB facilities in 2019. This caused the Group to classify non-current balances of \$15,826 from non current to current liabilities. The breach for RBL involved a covenant which states that the Company should maintain a loan to value ratio of 60:1, however at the end of the year the ratio was 49:1. With regard to the loan from NCB, the Company should have maintained a Debt Service Coverage Ratio of 1.3: 1, however, at the end of the year the Company's Debt Service Coverage Ratio was 0.49:1. The breach was remedied in 2020.

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

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

18 Lease liabilities

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

**Notes to the Consolidated Financial Statements (continued)**

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

18 Lease liabilities (continued)*(ii) Amounts recognised in the statement of comprehensive income*

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

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

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

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

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

19 Accounts payable and accruals

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

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

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

20 Stated capital

	2020	2019
	\$	\$
Authorised Unlimited number of ordinary shares of no par value		
Issued and fully paid 120,200,000 ordinary shares of no par value	<u>120,200</u>	<u>120,200</u>

Notes to the Consolidated Financial Statements (continued)

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21 Treasury shares

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

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

Treasury shares are shares in National Flour Mills Limited that are held by the National Flour Mills Limited Employee Share Trust for the purpose of issuing shares under the National Flour Mills Limited Employee Share Ownership Plan. The number of Company shares held by the plan as at December 31, 2020 was 2,239,521 (2019: 2,264,480). During the year, the gain on treasury shares amounted to \$1,805.

In addition to the Company shares above, as part of the employees' compensation package and in accordance with the Trust Deed and rules, employees are awarded shares in the parent company, National Enterprises Limited (NEL). As these shares are held by the ESOP on behalf of the employees, these shares are accounted for as an investment on the consolidated statement of financial position. Refer to Note 9.

The number of NEL shares held by the plan as at year end was 214,647 (2019: 216,733) with a fair value of \$672 (2019: \$1,248). The fair value was derived from the Trinidad and Tobago Stock Exchange at the consolidated statement of financial position date.

22 Financial instruments by category

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

23 Revenue from contracts with customers

National Flour Mills Ltd derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

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

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

24 Expenses by nature

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

25 Other operating income

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

	2020 \$	2019 \$
Management fee	4,800	4,800
Rental income - sublease	700	700
Dividend income	222	481
Other amounts	<u>3,386</u>	<u>3,233</u>
	<u>9,108</u>	<u>9,214</u>

26 (a) Net finance cost

	2020 \$	2019 \$
Interest and bank charges	3,438	5,268
Lease interest	455	291
Foreign exchange loss/(gain)	<u>413</u>	<u>(337)</u>
	<u>4,306</u>	<u>5,222</u>

26 (b) Net finance income

	2020 \$	2019 \$
Interest income	<u>(122)</u>	<u>(491)</u>
	<u>(122)</u>	<u>(491)</u>

27 Foreign exchange gains/(losses)

	2020 \$	2019 \$
<i>The aggregate net foreign exchange gains/(losses) recognised in profit or loss were:</i>		
Net foreign exchange gain included in other income	-	1,287
Exchange (loss)/gain on foreign currency borrowings included in net finance cost (Note 26)	<u>(413)</u>	<u>337</u>
Total net foreign exchange gains/(losses) recognised in profit before tax for the period	<u>(413)</u>	<u>1,624</u>

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

28 Current and deferred taxation

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

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

In 2016 the Group was audited by the Board of Inland Revenue (BIR) in relation to the financial year 2010, resulting in an assessment for additional taxes. Management has since filed an objection against the BIR assessment. Based on advice obtained, management is of the view that the assessment for additional taxes is without merit and as a result no adjustment has been made to the consolidated financial statements in relation to this matter.

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

29 Related party transactions

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

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

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

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

Refer to Note 13.

Sales and purchases of goods and services

	2020 \$	2019 \$
Sales from the rendering of services to related parties	4,915	4,879
Purchases of goods from related parties	776	1,354

30 Earnings per share

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

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

31 Dividends

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

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

Notes to the Consolidated Financial Statements (continued)

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32 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's Chief Executive Officer (CEO) reviews internal management reports monthly. The following summary describes the operations in each of the Group's reportable segments:

- Food includes manufacturing and distributing flour, flour by-products and rice.
- Animal feed includes manufacturing and distribution of feed products for animals.
- Other operations include the purchase and sale of imported dry goods and grain.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

32 Operating segments (continued)*Entity wide disclosures*

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

The breakdown of revenue by business:

	2020 \$	2019 \$
Revenue		
Flour	261,007	266,977
Feed mill	102,336	94,446
Parboiled rice	6,173	6,518
Corn	6,315	4,560
Dry mixes	23,458	20,145
Trading	8,677	6,689
Oil	6,510	8,006
Other	(770)	(32)
Soya	<u>4,200</u>	<u>5,167</u>
	<u>417,906</u>	<u>412,476</u>
<i>Revenue from external customers</i>		
Export sales	26,696	19,244
Local sales	<u>391,210</u>	<u>393,232</u>
	<u>417,906</u>	<u>412,476</u>

Major customers

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

33 Net debt reconciliation

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

33 Net debt reconciliation (continued)

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

- (i) Other changes in finance leases of \$0 relates to the interest cost on the lease obligation.
- (ii) Other changes in borrowings within one year of \$0 relates to the amortisation of interest cost.

34 Impairment test for carrying value of net assets

For the year ended December 31, 2020, the carrying value of the Group's net assets was \$268,748 while the market capitalisation was \$258,430. This was a trigger for an impairment test to be carried out.

The recoverable amount of this business unit is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. Cash flows for the five-year period were extrapolated using the estimated growth rates stated below. The recoverable amount of this business unit for the financial year ended December 31, 2020 was based on a value in use calculation.

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

34 Impairment test for carrying value of net assets (continued)

Assumption	Approach used to determining values
Revenue growth rate	Average annual growth rate over the five-year forecast period. This was based on past performance and management's expectations of market development.
Terminal growth rate	This is the growth rate used to extrapolate cash flows beyond the budget period. The rate was based on management's expectation of the Group's long-term growth rate.
Pre-tax discount rate	Reflects specific risks of the Group.
EBITDA as a % of sales	Based on past performance and management's expectations for the future.

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

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

	2019			
	Rate changes		Movement in headroom	
	From %	To %	From \$	To \$
Revenue growth rate - 200 bps decline	2	-	77,091	(5,908)
Terminal growth rate - 400 bps decline	1	(3)	77,091	(450)
Discount rate - 250 bps increase	20	24	77,091	(1,778)
EBITDA rate - 1650 bps decline	(7)	(24)	77,091	(1,262)

The recoverable amount of this CGU would equal its carrying amount if any of the following key assumptions were to change as follows:

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

35 Commitments

Capital commitments

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

36 Contingent liabilities

a. Legal liabilities

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

The Group has contingent liabilities in the amount of \$0.8M in relation to legal claims.

b. Customs bonds

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

Currency	In favour of	Balance	Expiry date
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	<u>50,000</u>	04-Mar-21
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	<u>1,500,000</u>	04-Mar-21
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	<u>10,000</u>	02-Jul-21
TTD	The Comptroller of Customs and Excise Accounts of Trinidad and Tobago	<u>500,000</u>	20-Jan-21
TTD	Comptroller of Accounts	<u>11,000</u>	28-Sep-21
TTD	The State of Trinidad and Tobago	<u>10,000</u>	23-Mar-23

c. Property Taxes

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

Notes to the Consolidated Financial Statements (continued)

31 December 2020 • (Presented in thousands of Trinidad and Tobago Dollars unless otherwise stated)

37 Subsequent events

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



MANAGEMENT PROXY CIRCULAR

Republic of Trinidad and Tobago
The Companies Act, 1995
(Section 144)

1. Name of Company

NATIONAL FLOUR MILLS LIMITED: Company No. N-763 (95)(A)

2. Particulars of Meeting - The Forty-Eighth Annual Meeting of the Shareholders of the Company will be held in the Ballroom, Hilton Trinidad and Conference Centre, Lady Young Road, Port of Spain as the primary location and in Theatre 1, National Academy for the Performing Arts (NAPA), Keate Street, Port of Spain as the secondary location on Thursday 1st July 2021 at 10.00 a.m. The primary location will be connected to the secondary location via zoom.

3. Solicitation - It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form.

4. Any Director's statement submitted pursuant to Section 76(2) - No statement has been received from any Director pursuant to Section 76(2) of the Company's Act, 1995.

5. Any Auditor's statement submitted pursuant to Section 171(1) - No statement has been received from the Auditors of the Company pursuant to section 171 (1) of the Company's Act 1995.

6. Any Shareholder's proposal and/or statement submitted pursuant to Sections 116(1) and 117(2) - No Proposal has been received from any Shareholder pursuant to Sections 116(a) and 117(2) of the Companies Act, 1995

Date	Name and Title	Signature
April 16, 2021	Sati Jagmohan Secretary	

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