NATIONAL FLOUR MILLS LIMITED

AHEAD of the Curve

Annual Report 2018

Mini pizzas

Method

Make the dough by combining 2 cups of Ibis Flour with Saf Yeast, sugar and salt. Add Lotus Soya Bean Oil and water, knead to a soft dough, add a little more flour to make a smooth, pliable dough. Cover and let rest for about 30 minutes, preheat oven to 400°F. Grease a large cookie sheet, divide dough into 12 pieces. Combine tomato sauce with garlic and oregano, set aside. Roll each piece of dough into a 3-inch circle, dimple dough and place onto cookie sheet. Spread tomato sauce and top with vegetables and pineapple Sprinkle on grated cheese. Cook until cheese is melted and pizza is light browned around the edges, 15-20 minutes. Makes 2, 11-inch pizzas.

Ingredients

2 ½ to 3 cups **Ibis Premium Grade Flour**, 1 **packet Saf Instant Yeast,**
1 teaspoon sugar ½ tsp salt, 2 tbs **Lotus Soya Bean Oil**, 1 cup warm water (105° – 115°F),
1 cup Italian tomato sauce, 1 tsp minced garlic, 1 tsp dried oregano,
½ cup sliced green or red bell pepper, 1 cup sliced mushrooms (optional),
½ cup pineapple bits (drained), 2 cups grated cheeses

To receive more recipes via email or wats app, please send your email address or contact number to recipes@nfm.co.tt

IBIS
PREMIUM GRADE FLOUR
A TRADITION OF EXCELLENCE

Table of Contents

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Who We Are

National Flour Mills Limited (NFM) was incorporated in 1972 and over the years has since 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
- Fairness and equity in treating with our employees

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 practices in accordance with the highest ethical standards. Bribery and corruption will not be condoned. Every effort will be made to ensure that:

- our products are produced to specifications and in conformance with the customers' requirement;
- 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.

Happily and gratefully serving and feeding our nation, every day.

Corporate Information

Directors
Mr. Nigel Romano - Chairman
Dr. Joseph Neville Jacob
Mr. Ross Alexander
Ms. Sonja Voisin
Ms. Karen Shaw
Mrs. Aliyah Hamel-Smith
Mr. Shane Correia
Mr. Sharaz Ahamad

Chief Executive Officer
Mr. Kelvin Mahabir

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, Ist 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

Website

Facebook

Notice of Forty-Sixth Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Forty-Sixth Annual Meeting of the Shareholders of National Flour Mills Limited (NFM) will be held on Monday 10th June 2019, Theatre 1, National Academy for the Performing Arts (NAPA), Keate Street, Port of Spain for the following purposes:

Ordinary Business

1. To receive and adopt the accounts for the financial year ended 31st December 2018 and the Reports of the Directors and Auditors thereon;
2. To approve the payment of a final dividend of 7 cents per share as recommended by the Directors;
3. To re-elect Directors;
4. To re-appoint Auditors and to authorise Directors to fix their remuneration;
5. To transact any other business as may properly come before the meeting or any adjournment thereof.

By Order of the Board

Sati Jagmohan
Corporate Secretary
26th April 2019

Notes

1. **Record Date** The Directors have fixed the 3rd of May 2019 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.

Start with the right Mix!
LION BRAND
Reg. Trade Mark
LION BRAND
PHOLOURIE MIX
INSTANT
Pholourie Mix,
Batter for cutters
(shrimp and chicken)
www.facebook.com/LionFlourTT

National Flour Mills

Dr. Joseph Jacob

Mrs. Aliyah Hamel-Smith

Ms. Sonja Voisin

Mr. Nigel Romano
(Chairman)

Board of Directors

Mr. Shane Correia

Mr. Ross Alexander

Mr. Sharaz Ahamad

Ms. Karen Shaw

Directors

Mr. Nigel L. Romano, BSc, MSc, MBA, CA

Mr. Romano is a Chartered Accountant by profession with extensive experience in public accounting and banking across the globe from the Caribbean to Asia. Mr. Romano commenced his career as an Auditor at KPMG and today, holds the position of Managing Director and Chief Executive Officer of JMMB Bank (T&T) Limited.

During the course of his career, Mr. Romano held several high profile positions including Partner, Ernst & Young, Trinidad; Regional Quality Director, Deputy CFO and Regional Business Planning & Analysis Head of Citibank's Asian Corporate Bank; Chief Operating Officer, RBTT Financial Group; Sector Head, Financial Services, Ansa McAl Group and Vice-President, Operations, Caribbean Development Bank.

Mr. Romano holds a B.Sc in Management Studies, an M.Sc in Accounting from the University of the West Indies and an MBA from the Jack Welch Management Institute. He is also a member of the Institute of Chartered Accountants of Trinidad and Tobago (ICATT).

Mr. Romano brings key skills and competence to NFM – a background in banking particularly at a time when the Company is severely challenged to obtain sufficient reserves of foreign exchange, experience in the financial services sector and strong leadership skills. Since assuming the position of Chairman, Mr. Romano's focus has been on repositioning the Company for diversification, innovation and value creation to ensure sustained profitability in accordance with the principles of good corporate governance.

Dr. Joseph Neville Jacob, PhD, CELS

Dr. Jacob is a results-oriented human resource professional with over twenty years of human resources management experience. Dr. Jacob commenced his career at the Central Bank of Trinidad and Tobago and has served in numerous executive human resource management positions in the United States of America in companies such as Blockbuster Video, HSBC Bank, New York National Bank, Brownsville Multi-family Medical Centre and Long Island Railroad. Dr. Jacob also provided human resources management consultation services to organisations in Trinidad and Tobago. Dr. Jacob currently holds the position of Manager, Student Recruitment at the University of Trinidad and Tobago, and as a result of his passion for human capital development, is sought after to provide motivational communication and guidance to students.

Dr. Jacob holds a PhD in Organisation and Management, a Master of Science Degree in Human Resources Management and Training, a Post Graduate Diploma in Human Resources Management, and a Bachelor of Science in Business Administration.

Dr. Jacob is the Chairman of the Human Resources Committee and is a member of the Audit Committee.

Directors (continued)

Ms. Sonja Voisin – BSc

Ms. Sonja Voisin currently holds the position of Director/ Managing Director of Gulf Shipping Limited. She stated off her career as a Product Manager at Johnson's and Johnsons 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 is currently the 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 the Chairperson of the Finance & Board Tenders Committee and is a member of the Human Resources 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 16 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 Executive Director – Wealth Management at Total Benefits Solutions Limited where she helps clients plan and invest for retirement. 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 a significant portion of her career at RBC during which time she worked in various areas of the Company's operations including heading up the Trust Company. There she acquired expertise in dealing with loan financing instruments 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 member of the Finance & Board Tenders Committee.

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 ensured that the required institutional support was available to enhance the survival rate for young businesses.

Ms. Shaw is a member of the Human Resources Committee and a member of the Audit Committee.

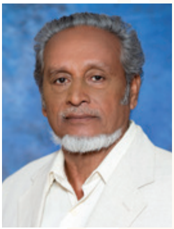
Directors (continued)

Mr. Shane Correia – BSc, MBA

Mr. Correia is a high 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 a member of the Human Resources Committee and a member of the Finance and Board Tenders Committee.

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 has served and continues to serve 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 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 a member of the Finance and Board Tenders Committee and a member of the Audit Committee.

Mr. Sharaz Ahamad – BSc, MBA

Mr. Ahamad has been nominated by the National Insurance Board of Trinidad and Tobago. Mr. Ahamad is currently the Managing Director of AHA Advisory Limited.

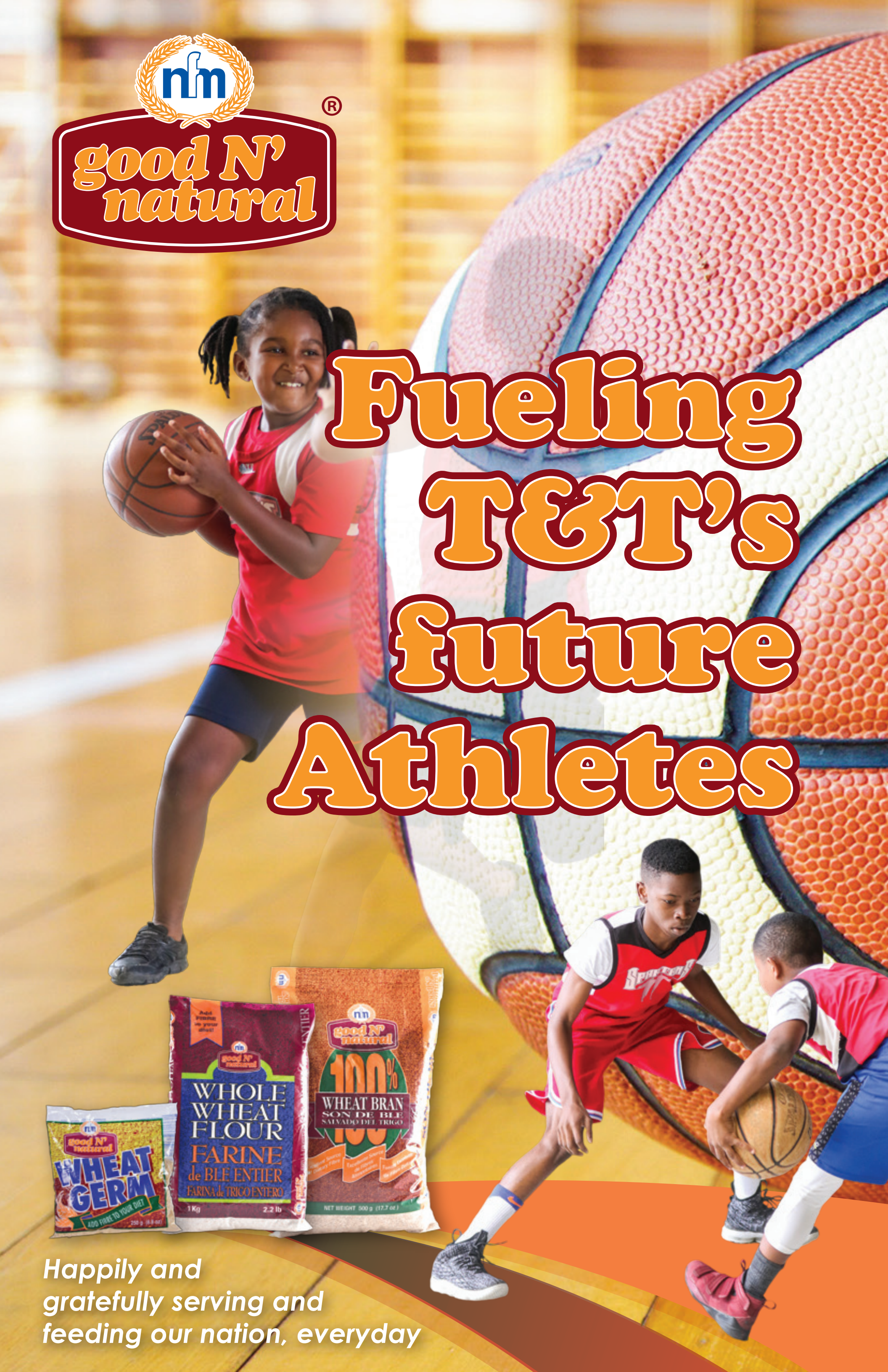
He was the former Director, Investment Banking with FirstCaribbean International Bank and has over eighteen (18) years senior management experience of which thirteen years (13) has been in investment banking and corporate banking. Mr. Ahamad has also worked as Manager of Product Development and Innovation and as Assistant Vice President for Capital Markets, Corporate Finance and Derivatives for a leading global international investment bank and served in several senior management roles in a local manufacturing company

Mr. Ahamad holds a BSc in Management Studies with First Class Honors from the University of the West Indies, an MBA graduating as the top student with Distinction from the Arthur Lok Jack Graduate School of Business and attended an Executive Leadership Program at the Wharton School of the University of Pennsylvania.

Mr. Ahamad is the Chairman of the Audit Committee.

Ms. Sati Jagmohan – BSc, ACIS, MBA,LLB

Ms. Jagmohan currently holds the position of Corporate Secretary and is responsible for providing corporate secretarial services to the Board. Ms. Jagmohan is also responsible for legal services, compliance and Government Affairs.


nfm
good N' natural ®
Fueling T&T's future Athletes
good N' natural
WHEAT GERM
ADD FIBRE TO YOUR DIET
good N' natural
WHOLE WHEAT FLOUR
FARINE de BLE ENTIER
FARINA de TRIGO ENTERO
1Kg
2.2 lb
good N' natural
100%
WHEAT BRAN
SON DE BLE
SALVADO DEL TRIGO
Happily and gratefully serving and feeding our nation, everyday

NFM's Range of Products

Food	Feed	Traded Items
Lotus Cake Flour	Broiler Starter	Lotus Soyabean Oil
Lotus Bakers Flour	Broiler Finisher	Lotus Parboiled Rice
Lotus Whole Wheat Flour	Pullet Grower/ Developer	Saf Yeast (Gold)
Lotus All Purpose Flour	Super Layer 19%	Saf Yeast (Red)
Lotus Custard Powder	Duck Starter	G&N Ginger Tea (Unsweetened)
Lotus Icing Sugar	Duck Grower/Finisher	G&N Ginger Tea (Sweetened)
Hibiscus All Purpose Flour	Dairy Ration 18% - Pellets	G&N Coconut Milk Powder
Lion Split Peas Powder	Dairy Ration 16% - Pellets	Brown Sugar
Ibis All Purpose Flour	Ruminant Mix	Granulated White Sugar
Lion Roti and Doubles Flour	Vitaspeed Race Horse	
Lion Fry Bake Flour	Vitaspeed Brood Mare	
G&N Cracked Wheat Flour (Mix)	Pig Starter	
Breading Flour	Hi Gain Pig Grower	
National Bakers Flour	Sow and Boar Feed	
High Gluten Bakers Flour	Hi Gain Sow Gestation	
National Whole Wheat Flour	Hi Gain Sow Lactation	
Palm Cookie Flour	Tilapia Grower	
Palm Cracker Flour	Rabbit Grower 16.5%	
G&N Wheat Cereal	Command Performance Dog Food	
G&N Whole Wheat Flour	Command Performance Puppy Food	
G&N Wheat Bran	Perromax Dog Food	
G&N Wheat Germ	All Purpose Feed 14%	
Coarse Bran		
Lion Pholourie Mix		
Lion Self-Rising Flour		
Lion Baking Powder		
G&N Brown Rice		

So much more than Flour!

Chairman's Review

Mr. Nigel Romano
(Chairman)

Dear Shareholders

On behalf of the Board of Directors, I am pleased to announce that despite the internal and external challenges facing the Company, NFM has had another profitable year recording an after-tax profit of $22.6M, 32% percent lower than 2017. Total revenue declined from $435M to $432.1M year on year.

Our top line declined by less than 1% from $435M in 2017 to $432M in 2018. However, expenses were particularly impacted by increases in transport costs, wages and provisions for bad debts. Feed sales were also negatively affected by infrastructural damage to the plant caused by the earthquake in August and the devastating floods in October. In addition, the cost of sales was negatively impacted by the rising price of grains.

These results are consistent with the pronouncements of the Central Bank of Trinidad & Tobago that domestic growth slowed in the third quarter of 2018 after a positive out turn in the first half of 2018. The slowdown was due to declines in both the energy and non-energy sectors and was exacerbated by the closure of Petrotrin.

The Global Economy

In 2018, the global economy continued to strengthen despite the growing risks of a trade war between the United States and China. According to the IMF, this was due primarily to an upswing in global manufacturing and trade in 2017. However, there was a loss in momentum due to the imposition of tariffs by major economies led by the United States. Notwithstanding, the US economy expanded in 2018 resulting in an appreciation of the US dollar against most major currencies, which in turn negatively affected emerging market economies.

Chairman's Review (continued)

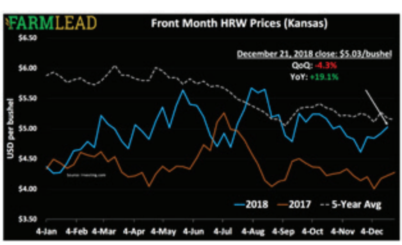
The Local Economy

The International Monetary Fund also reported that in 2018, Trinidad and Tobago started to slowly recover from a deep recession. The economy continued to contract but at a slower rate due to increased gas production. Growth was negatively affected by weak activity in the construction, financial services, trade, continued foreign exchange shortages and the slow pace of public investment.

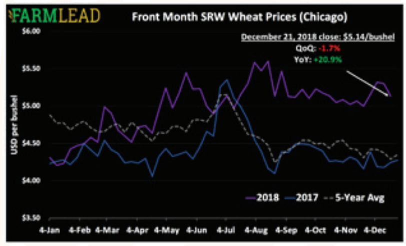
The Central Bank of Trinidad & Tobago reported in its January 2019 bulletin that the unemployment rate, which increased to 4.4% in the 4th quarter of 2017, would have been exacerbated by the closure of Petrotrin and reported job losses in the communications sector. The Central Bank also reported that while the global economy is expected to slow down further in 2019 due to trade protectionist actions among other factors, the domestic economy should receive a further boost from the anticipated start-up of the Angelin gas platform during the first quarter and other energy projects in the pipeline.

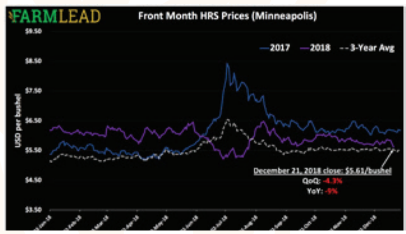
Trends in Grains Prices

In 2018, wheat prices started an upward trend. For 2018/19, the U.S. All Wheat Season Average Farm Price is expected to be US$5.10 per bushel, 7.4% higher than the 2017/18 Season Average Farm Price of US$4.75 per bushel.



According to the International Grains Council, the average closing price of wheat for 2019 is projected at US$5.0639 based on prices at the end of 2017 and 2018.





Source: Farmlead's Wheat Prices Market Review - December 28th 2018

Strategic Planning Process

In 2018, we completed a strategic plan to guide the operations of the Company in an increasingly competitive environment. In addition to facing competition from local producers, NFM now has to compete with imports from regional and international producers. Consequently, the risks to NFM's sustained profitability are very real and was a key factor in the crafting the Strategic Plan 2018-2022.

Other significant challenges include changing customer tastes, food safety regulations and the increasing demand for value for money by cost conscious consumers. Through our products and brands, we connect with customers and their animals and pets daily and therefore we have an obligation to provide safe quality food at reasonable prices. The consumers of flour are still price sensitive thereby forcing NFM to continually improve its production processes.

Chairman's Review (continued)

The market share for niche products is increasing. Such low volume products require flexible and responsive processes. Success will require agile manufacturing and closer collaboration throughout the supply chain.

The strategic planning exercise focused on restructuring the organisation to become more agile through

(i) forging closer relationships with customers

(ii) aligning manufacturing and marketing initiatives to increase deliveries to customers on time and in full

(iii) eliminating non-value added components in our manufacturing processes through the continuous improvement initiatives

(iv) increasing the use of real time data from our business intelligence software and

(v) revising the organisational design to facilitate more effective decision making at the lower levels of the organisation and reduce bureaucracy.

Risks faced by the Company

Financial	Operations
Increased cost of grains; New Accounting Standards; Ability to source adequate foreign exchange	Ability of existing plant technology to produce products demanded by the market; Contamination of Products during the production process

Supply Chain	People
Compromised quality of ingredients and raw materials; Contamination of end product; Ability to deliver orders in full and on time; Crime	Productivity; Availability of required competence to embrace new technology

The creation of an agile organisation requires integration of the functional elements to facilitate faster decision making. The process was initiated in 2018 with the recruitment of a Chief Operating Officer to oversee the Operations, Sales & Marketing and Supply Chain functions to eliminate friction and bottlenecks across the value chain.

The strategic planning exercise also placed heavy emphasis on the identification and mitigation of risks in a timely manner. We also focused on diversifying the business to reduce the risk associated with volatile grain prices and during the course of 2019, efforts will be focused on developing new product streams to expand the business.

Food manufacturers face risks and challenges that are different from other types of manufacturing companies. A simple mistake can ruin a product and any form of contamination can have detrimental effects on NFM's brand and reputation. The development of a robust food safety system was identified as extremely important to the achievement of the Company's strategic objectives and the management of risks to food and feed production and distribution.

NFM is exposed to market risks arising from adverse changes in commodity prices, affecting the cost of raw materials. The raw materials used in the production of flour and to some extent feed are subject to price volatility caused by changes in global supply and weather conditions. Climate change is a very real concern to the future viability of the flour business.

Our procurement practices are intended to reduce the risk of future price increases for raw materials as a key component of being a low cost producer.

Chairman's Review (continued)

NFM recognises that its data architecture must support its risk management strategy and the upgrade of the CSB system, the benefits of which include

(i) Improved data accuracy

(ii) Improved productivity and

(iii) Support for the risk management strategy will assist in this process.

Future Outlook

Going forward, to ensure the sustained profitability of the Company, NFM's focus will be on five pillars namely

(i) the upskilling of the workforce

(ii) the development of stronger relationships with our customers

(iii) the continuation of our Continuous Improvement Programs

(iv) optimal financing arrangements for new strategic initiatives to diversify the revenue base and

(v) a heavy emphasis on innovation, digitisation and technological improvements.

Manufacturing as we know it must evolve in line with developments in the more advanced economies. The food and beverage industry will be significantly impacted by digitisation and the use of supply and demand analytics for better forecasting enabling leaner inventory. Blockchain technology could transform the entire food industry by increasing efficiency, transparency and collaboration throughout the food system. Customers will now be able to trace ingredients in products in real time. SQF Level 111 Certification with its focus on traceability is compatible with blockchain technology and we must continue to build on this foundation as we seek to continue the transformation of NFM. Like every other food and beverage company, NFM must ensure that every aspect of its operations can stand up to scrutiny and particular attention will be paid to the refining of the Company's governance framework.

Closing Remarks

Despite the internal and external challenges facing the Company, the Board of Directors remains committed to charting a path of sustained growth for NFM and I wish to extend my sincere gratitude to my fellow Directors for their unwavering support in moving the Company forward. I would also like to thank NFM's Management and Staff, the Unions, our suppliers and all our other stakeholders for going the extra mile to ensuring that we deliver quality products at affordable prices despite the peculiar challenges that we faced in 2018. As a team, we remain committed to creating value for our customers every day and we thank them for their business and support.

Nigel Romano
Chairman

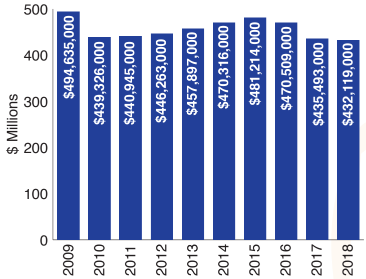
Executive Management Team

Mr. Kelvin Mahabir
(Chief Executive Officer)

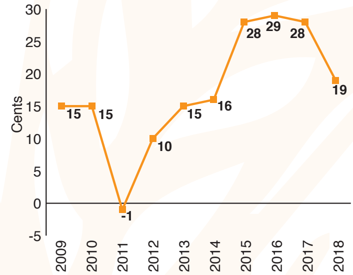
Mr. Jason Mohammed
(Chief Operating Officer)

Financial Overview - Ten-Year Comparison

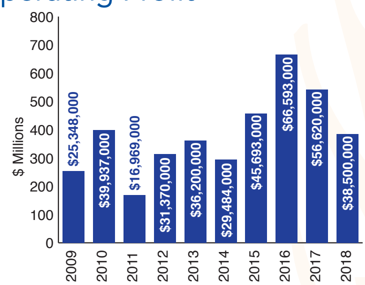
Revenue



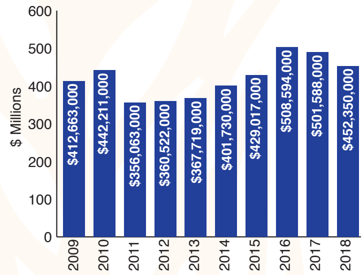
Earnings Per Share



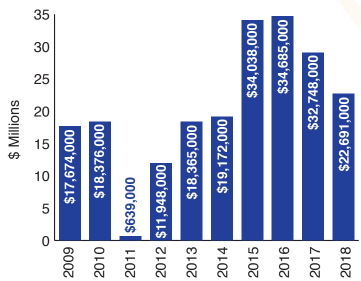
Operating Profit



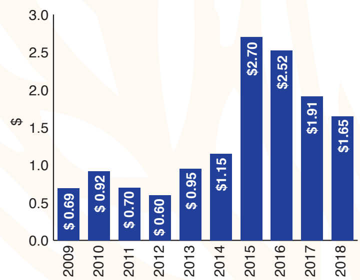
Total Assets



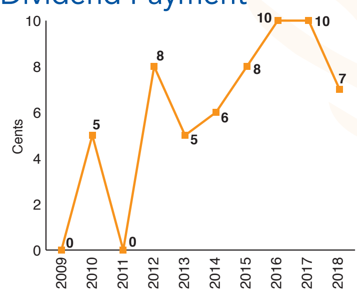
Net Profit for the Year



Share Price



Dividend Payment



Report of the Chief Executive Officer

Mr. Kelvin Mahabir
(Chief Executive Officer)

In 2018, NFM continued on its path to become the most trusted food and feed manufacturer in the region through its continuous improvement initiatives, food safety program, and rethinking of strategy. This latter process has provided us with the guidance needed to perform in a rapidly changing business environment dictated by rising competition and greater volatility of our main raw material inputs due to erratic weather patterns.

Despite the slowdown in the domestic economy, NFM delivered a credible performance in 2018. Profit after tax was $22.7M, 32% percent lower than 2017. The 2017 Financial statements were restated to more accurately reflect the depreciation charge on capital spares, the reclassification of intangibles from Property plant and equipment and reclassification of Green Fund Levy as an expense rather than taxation. Revenue decreased from $435M to $432M, a reflection of the continued weakened state of the economy and greater competition. Cost increases from grain price movements, salary and wage increases and the implementation of the new accounting standards impacted profitability.

All categories of food except oil outperformed prior year's sales. However, feed sales closed $8.6M lower than prior year with some of the decline due to the flooding which took place in the latter half of 2018. In August 2018, Trinidad and Tobago experienced a major earthquake. The Company's Administration Building suffered significant damage and the dog food operations were temporarily disrupted. The process of restoring the dog food operations resulted in an inability to supply some of the market for just under one month.

Cost of sales was negatively affected by an increase in the price of landed grain of approximately 8% over 2017 along with increase in personnel cost mainly due to the settlement of the collective agreements with the SWUTT and SWWTU. Selling and Distribution costs increased by $4.1M over

Report of the Chief Executive Officer (continued)

2017 due mainly to the increase in staff cost of $1.9M and an increase of $0.8M in the bad debt provision. Distribution costs rose by approximately $1.4M due to fuel price increases and increased cost associated with export orders.

The commissioning of a new Jamaican flour mill has negatively affected our exports to Jamaica.

Operations

Plant performance and utilisation rates continue to be our focus in an effort to continuously improve our cost of conversion. The trend over the year has been encouraging due to some of the continuous improvement projects which improved plant and grain discharge operations. However, the flat sales levels and rising personnel costs is being addressed through our new strategic initiatives designed to improve productivity while cutting waste to create a leaner more cost-effective operation. Increasing competency levels through upskilling of the workforce will commence in 2019.

New products launched were:

- Good n Natural Cracked Wheat Mix (I kg)
- Lions Counter Flour (1 kg)
- Self Rising Fry Bake (10 kg)

The upgrade of ERP system has been substantially completed with the exception of the traceability function. The achievement of automated traceability has been negatively affected by the inability to integrate data from the mill operating system with the ERP. This will be completed through additional software upgrades in 2019.

The divestment of the rice mill assets at Carlsen Field was delayed due to circumstances beyond NFM's control. NFM is awaiting a directive from the head of the Transition Committee, the Ministry of Finance regarding the completion of the process. In the interim, NFM will continue to purchase and process paddy from the rice farmers.

New Procurement Legislation

Preparations commenced for the full proclamation of the Public Procurement and Disposal of Public Property Act No. 1 of 2015. Discussions have been initiated with the Office of the Procurement Regulator to ensure alignment with NFM's governance framework.

Strategic Planning Exercise

The Strategic Planning process has charted the course for the sustainable growth of the Company over the next four years. Management is of the view that challenges being encountered provides opportunities to restructure and reorganise the business to become more agile and responsive to the needs of the customers. The overriding objective must be the creation of value for a more diverse customer base while earning an acceptable margin to ensure business continuity.

NFM's largest single item of expenditure and therefore its biggest current risk exposure relates to the cost of grains. Grain prices have traditionally been volatile and recent climate changes have significantly exacerbated the problem. Against this background, the strategic planning exercise was initiated with an objective of significantly expanding the revenues derived from non -flour streams while continuing to grow and expand an efficient flour business.

The achievement of the stated strategic objectives requires NFM to (i) improve operational efficiency through initiatives such as Continuous Improvement and lean Manufacturing and (ii) pursue the diversification of its operations across

Report of the Chief Executive Officer (continued)

jurisdictions and non-flour related initiatives and products.

To support these initiatives, a new structure inclusive of a New Business Development unit will be implemented.

People Issues

The job evaluation project was completed in 2018 and the results obtained were analysed in the context of the new strategic direction of the Company. In 2019 as the Company proceeds to implement our new strategic initiatives, the findings of this exercise will be used to redesign the organisation to improve the value to customers through more timely delivery of high quality and safe products. This process will include consultations and joint engagement of our employees and their representative unions in forging the new way forward.

Negotiations for the period 2015 -2017 was concluded with the Steel Workers Union of Trinidad and Tobago and for the period June 2016-June 2019 for hourly paid workers and 2017-2019 for the monthly paid workers with the Seamen and Waterfront Workers Trade Union.

Food Safety & HSE

NFM continued its thrust towards the achievement of SQF Level 111 Certification. Efforts were focused on progressing the elements of the safe quality food system such as the elimination of non-conformances, fine tuning of mock recalls and the roll-out of policies and procedures as well as the promotion of culture change as part of the process of achieving a safe quality food environment.

The completion of infrastructural works is a pre-requisite for the achievement of the certification and in 2018, significant advances were made in the following projects:

- Upgrade of Warehouse Floor
- Upgrade of the Finished Goods Warehouse
- Upgrade of Roadways
- Air-Conditioning of the Finished Goods Warehouse and Packaging facilities

Simultaneously, efforts were focused on the softer components of promoting a safe quality food environment. A significant number of employees at all levels of the organisation were registered to participate in the AIB Food Safety Essentials Programme. The objective of this process was for employees to gain an appreciation of the food safety process and to continue the process of influencing culture change. In addition, a more robust system of continuous cleaning was implemented with the introduction of a dedicated Sanitation Crew.

Risk Management

Management is cognizant of the many risks facing the Company some of which have the potential to derail the long-term viability of the Company. Some of these risks include:

- Market Risk - This can arise from adverse changes in commodity prices affecting the cost of sales. The purchase of grains represents a significant item of expenditure. The price of grains is determined by factors beyond NFM's control such as global demand and supply, climate changes, agriculture uncertainty and trade policies. Although our procurement practices are intended to reduce the risks of future price increases, they also have the potential to limit the benefit from price decreases. Should commodity prices increase, NFM would be challenged to ensure that the end customer was not adversely affected for a basic grocery item.

Report of the Chief Executive Officer (continued)

- Changing customer preferences - Customers are becoming more health conscious and are demanding products that are healthy and tasty. Some customers are gravitating towards gluten-free products. While this is a niche market, we will have to continue to monitor customer trends and preferences and adjust our strategies accordingly.
- Customer concentration - NFM has long standing relationships with its key customers. The loss of any one of these customers can have an adverse effect on our operations. These customers make purchase decisions based on price, product quality and customer service. Should our customers become dissatisfied with our products or receivables become uncollectible, operating income may be adversely affected.
- Reputation Risks - In the food manufacturing business, contamination of products and product recalls affect the reputation of a company. Food safety must be religiously practised to ensure that customers are always provided with safe, quality food.
- The inability to create value for customers - The creation of value in the minds of customers require NFM to improve its operational efficiency. While the company has embarked on continuous improvement initiatives, items within the cost of production such as volatile grain prices and the cost of labour which steadily increases through the Collective Bargaining process presents major challenges. These require constant market surveillance and analysis, and innovation to improve productivity.
- Operational Risks - NFM's profitability is dependent on the ability to manufacture and distribute to the customer, quality products at an affordable price. Disruptions to manufacturing or distribution capabilities could have a significant negative impact on the Company. Business Interruptions plans must be constantly updated to meet these emerging or unexpected risks.

Future Initiatives

As the Company enters this new strategic period, the first year will be dedicated to completing the infrastructural works required for SQF Level 3 Certification, upgrading the new dry-mix facility, centralizing the procurement function and managing the supply chain more effectively in terms of organic growth while initiating the diversification process away from the over dependence on flour.

Acknowledgements

I wish to take this opportunity to express my thanks and appreciation to my fellow employees for rising to the challenges especially those posed by the earthquake and the floods, and I look forward to their continued support in the year ahead. I also wish to express my appreciation to the Unions, Suppliers, Customers, shareholders and other stakeholders for their continued support. To the Board of Directors, I remain grateful for their continued guidance.

Management is of the firm view that the new strategic direction identified will guide the long-term viability of NFM as a profitable commercial enterprise.

Kelvin Mahabir
Chief Executive Officer

Directors' Report

The Directors are pleased to present their report to the Shareholders for the year ended 31st December 2018.

Principal Activities

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

Financial Performance

Financial Performance	$'000
Turnover	432,119
Profit Before Taxation	34,730
Taxation	12,039
Profit for the Year	22,691
Other Comprehensive Income Net of Tax	(12,306)
Total Comprehensive Income for the Year	10,385
Retained Earnings brought forward	135,568
Retained Earnings carried forward	132,747

Dividends

The Board of Directors recommend a dividend payment of 7 cents per share for the year ended 31st December 2018

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%
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%
Olympic Manufacturing Limited	2,600,000	2.16%
RBC Trust (Trinidad & Tobago) Limited - T1154	2,294,982	1.91%
Olympic Rentals Limited	1,717,724	1.43%
Tatil Life Assurance Limited A/C C	1,008,811	0.84%
Tatil Life Assurance Limited	958,852	0.80%
ANSA McAL Foundation	800,000	0.67%

Auditors

The Auditors, PricewaterhouseCoopers, will retire at the end of the Annual Meeting and, being eligible, offer themselves for re-appointment.

By Order of the Board

Sati Jagmohan
Corporate Secretary

Registered Office

27-29 Wrightson Road
Port of Spain

Corporate Governance Report

In pursuit of its mandate, the Board of Directors remain committed to adhering and promoting the highest standards of corporate governance and ethical business practices in NFM and promoting the long-term interests of shareholders and other stakeholders.

Directors are legally required to (i) act honestly and in good faith in the best interest of the Company and to (ii) exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In considering what is in the best interest of the Company, the Supreme Court of Canada has ruled that "…Directors may look to the interest of, inter alia, shareholders, employees, creditors, consumers, governments and the environment."

Consequently, in pursuit of good corporate governance, Directors must be cognizant of the totality of issues to be considered when making decisions. As a publicly listed company, NFM must adhere to the Rules of the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Securities and Exchange Commission. The Directors must also take into consideration the principles of the Trinidad and Tobago Corporate Governance Code, a voluntary code which outlines principles and recommended practices for good corporate governance, the need to provide shareholders with an acceptable rate of return, the need to ensure the longevity of the Company for the benefit of the other stakeholders, environmental trends and the need to ensure that the Company produces safe quality food.

Corporate Governance Report (continued)

Board Committees

The Board has delegated some of its responsibilities to Committees and three Committees have been established to assist in the oversight function, namely:

- The Audit Committee
- The Human Resources Committee
- The Finance & Board Tenders Committee

The Audit Committee

The members of the Audit Committee are:

- Mr. Sharaz Ahamad – Chairman
- Ms. Karen Shaw
- Dr. Joseph Jacob
- Mr. Ross Alexander

The Audit Committee meets quarterly to review the systems of internal control and to engage with the External Auditor. Specific duties under the remit of the Audit Committee include:

(i) Review the integrity of the internal financial control and risk management systems;

(ii) Review the consistency of, and any changes to, accounting policies on a year on year basis;

(iii) Make recommendations to the Board with respect to the appointment of external auditors;

(iv) Review the independence of the external auditors;

(v) Review the effectiveness of the company's internal audit function and ensure that it has adequate resources to perform its function effectively and the performance of the internal auditor including the scope and depth of audit work;

(vi) Review the adequacy and the security of the Company's arrangements for its employees and contractors to raise concerns, in confidence about possible wrongdoing in financial reporting or other matters;

(vii) Review the Company's procedures for detecting fraud; and

(viii) Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

The Human Resources Committee

The members of the Human Resources Committee are:

- Dr. Joseph Jacob – Chairman
- Ms. Karen Shaw
- Ms. Sonja Voisin
- Mr. Shane Correia

The Human Resources Committee meets as often as necessary to discuss the strategic human resource issues affecting the Company. The specific responsibilities of the Human Resources Committee include:

- Review, monitor and make recommendations to the Board of Directors on the Company's human resources strategy and polices that pertain to staffing, compensation, benefits, succession planning and related issues of strategic importance that directly affect the Company's ability to recruit, develop and retain the staff needed to achieve the Company's strategic objectives;
- Review any external evaluations of the Company's human resources strategy and polices pertaining to the issues set out in (i) above and report its findings and recommendations on such issues to the Board;
- Consider the impact of the recommendations of other Board Committees on the Company's human resources strategy and policies; and
- Analyse the Company's Negotiations strategy in the context of the Company's ability to pay, alignment with the Company's strategic objectives and trends in the labour market.

Corporate Governance Report (continued)

The Finance & Board Tenders Committee

The members of the Finance & Board Tenders Committee are:

- Ms. Sonja Voisin – Chairman
- Mrs. Aliyah Hamel-Smith
- Mr. Ross Alexander
- Mr. Shane Correia

This Committee meets as often as is necessary to address matters relating to the Company's financials and capital expenditure programme. Specific responsibilities include:

(i) To provide oversight over all matters pertaining to (a) capital structure and funding (b) due diligence on acquisitions and divestments including proposals which may have a material impact on the Company's capital position;

(ii) To recommend financing options and investment instruments;

(iii) To recommend the opening of bank accounts;

(iv) To recommend policy for the hedging of commodity price risks;

(v) To review guidelines for short-, medium- and long-term treasury management and parameters within which the Chief Executive Officer and Manager with responsibility for finance may be authorised to act either jointly or individually;

(vi) To review matters pertaining to the financial restructuring of the Company;

(vii) To review and recommend the Company's annual budget;

(viii) To review and recommend the Company's Delegation of Financial Authorities;

(ix) To review the transparency and integrity of decisions taken at the level of the Management Tenders Committee and request supporting documentation, additional information or clarification if necessary;

(x) To act as an Appeal Board for issues raised by external parties arising from procurement activities; and

(xi) To review any matters referred by the Board.

Board Training

To keep abreast of international developments in the sphere of corporate governance, Directors attended a Board Training session. Among the areas covered in the training session were:

- Roles and Responsibilities of Directors;
- The Conduct of Meetings;
- Strategy Development; and
- Risk Management

Internal Auditor

The Internal Auditor provides an independent view of the Company's operations and systems of internal controls. The Internal Auditor reports functionally to the Audit Committee and administratively to the Chief Executive Officer. The work of the Internal Audit Department is guided by an Audit Charter approved by the Audit Committee.

External Auditors

The External Auditors are appointed by the shareholders at the Annual General Meeting on the recommendation of the Board of Directors.

The External Auditors have unrestricted access to the Chairman of the Audit Committee and periodically meet with the Audit Committee to discuss progress made in closing items raised in the last audit, the Company's state of readiness for the external audit and any other pertinent matters.

Corporate Governance Report (continued)

The Corporate Secretary

The Board is supported by a Corporate Secretary whose role is to ensure the smooth working of the Board through the provision of information based on knowledge of the law and regulations. Directors have access to the Corporate Secretary for advice and guidance.

The Corporate Secretary is also responsible for complying with the requirements of the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Securities and Exchange Commission.

Disclosure and Accountability

The Board comprises eight Directors, all of whom are non-executive. Together, they provide oversight, leadership and good judgement in determining the strategic direction of the Company and ensuring that value is created for the customer.

The Board meets every other month while Committees meet as often as necessary. Extraordinary Board meetings are convened between Board meetings to deal with specific urgent matters of strategic or regulatory importance.

In accordance with the Rules of the Trinidad and Tobago Stock Exchange and the Trinidad and Tobago Securities and Exchange Commission, the Company publishes quarterly unaudited accounts, annual audited accounts and an Annual Report and convenes an Annual Meeting of Shareholders where shareholders are given an opportunity to interrogate the Board and Management on the performance of the Company.

Creating Shared Value

National Flour Mills Limited is committed to providing quality products to its customers at an affordable price. To achieve this objective, NFM is committed to adopting a shared value philosophy that will benefit the Company and the Society. Creating shared value is a subset of sustainability and refers to achieving profitability by addressing the needs of society such as employment, equality or using innovation to reduce energy costs and pollution.

NFM Partners with United Nations Association of Trinidad and Tobago

Sustainability has been described by the Food Marketing Initiative as *"business practices and strategies that promote the long-term well-being of the environment, society and the bottom-line."* It is focused on people, profit and planet.

The roadmap for creating shared value at NFM includes the following:

- The continued pursuit of good governance and transparency in all aspects of the company's operations and in particular in the procurement of goods and services;
- The continuation of continuous improvement initiatives;
- The adoption of a green manufacturing philosophy;
- Emphasis on the health and safety of our employees through the implementation of a safety management programme;
- Environmental preservation through the efficient use of water and energy;
- Continued support to cultural, social, sporting and educational initiatives;
- A focus on nutrition through the provision of healthier offerings to our customers; and
- The implementation of an enhanced Labour-Management relationship.

Creating Shared Value (continued)

NFM recognises that for the business to succeed, the welfare of all its stakeholders must be considered. This includes the welfare of its employees; support to the communities it serves by being a good corporate citizen; and the need to foster strong relationships with customers and suppliers while providing an adequate return on investment to its shareholders.

Accordingly, the management of the company has been charged with running the operations of the company with the objective of creating value for the customer while meeting the needs of the wider society.

The needs of the business include:

- Increased revenue;
- Decreased cost of production including reduced wastage in the production process and reduced energy costs;
- Increased productivity;
- Products that meet food safety requirements; and
- Increased profitability.

The needs of society were identified as:

- The provision of employment opportunities;
- Quality products at affordable prices;
- Reduced emissions into the atmosphere;
- Payments to suppliers in a timely manner; and
- Donations and sponsorship.

During the course of 2019, as the Company rolls out its strategic plan, efforts will be focused on developing strategies to achieve these complementary objectives.

NFM as a Corporate Citizen

In 2018, NFM continued to partner with numerous educational, cultural and sporting bodies to promote various initiatives as part of our corporate social responsibility efforts. Notable activities included the promotion of youth development thought Spartans and assisting in relief efforts following the devastating floods in October.

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, which comprise the consolidated statement of financial position as at 31 December 2018, 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 controls operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

______________ Director	______________ Director
April 22, 2019	April 22, 2019

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, 2018, 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

National Flour Mills Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- 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.

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.

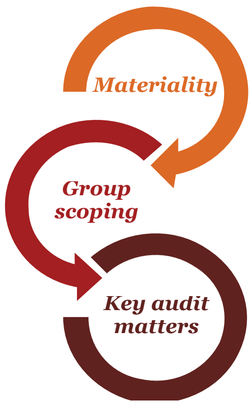
Independence

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

Independent Auditor's Report (continued)

Our audit approach

Overview



- Overall group materiality: TT$1.7 million, which represents 5% of profit before tax.

- 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.

- Impairment assessment of the Group
- Valuation of the retirement benefit asset and the medical and life insurance plan liability

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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.

Independent Auditor's Report (continued)

Materiality (continued)

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$1.7 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the 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.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TT$86,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Independent Auditor's Report (continued)

Key audit matter	***How our audit addressed the key audit matter***
Impairment assessment of the Group *Refer to notes 2(n), 3(b) and 28 to the consolidated financial statements for disclosures of related accounting policies and balances.* The carrying value of the net assets of the Group as at 31 December 2018 is TT$249m. The market capitalisation of the Group is TT$198m at year end. Under IAS 36: 'Impairment of non-financial assets', this is an external indicator of impairment. Accordingly, management prepared an impairment assessment for the entity. No impairment loss is recognised if the recoverable amount exceeds the carrying value of the net assets. In performing the impairment assessment, management determined the recoverable amount using discounted cash flows to estimate the value-in-use, being the present value of future expected cash flows. This involves subjective judgements in relation to forecasting future cash flows and is sensitive to growth rates and discount rates applied to the future cash flows with the key assumptions being: - Revenue growth rates - EBITDA - Weighted average cost of capital ("WACC") During the year, management started to execute on a number of planned strategies which will continue to be implemented in 2019 and 2020. These initiatives include: - The introduction in the current year of new product offerings; - The automation of certain processes; - Improvement of quality control processes. We focused our attention in particular on management's forecasts for revenue growth over the next 5 years as well as its plans for operational efficiencies in light of the inherent subjectivity in forecasting the impact of the implementation of the planned strategies and initiatives on future financial performance.	We considered the method used by management to perform the impairment assessment for the entity and found it to be appropriate based on the requirements of the accounting standards. We tested management's assumptions used in their impairment testing model, including the future cash flow projections, discount rate and growth rates applied. The following procedures were performed: - we obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and obtained an understanding of the process used by management to determine the recoverable amount of the business; - we agreed and tested the mathematical accuracy, including verifying spreadsheet formulae, of the DCF model; - we agreed the 31 December 2018 base year financial information to the current year results; - we verified management's key assumptions as follows: ***Revenue growth rates*** - we evaluated management's assumptions for the next 5 years, whilst considering any contrary evidence, noting management has maintained expected sales volumes in line with current year. We also assessed the current economic outlook for Trinidad and Tobago as well as the projected growth to determine whether management's growth rates were reasonable in the circumstances. ***EBITDA*** - we compared gross margins to historical results and assessed management's plans for achieving operational efficiencies and evaluated the projected gross margins in conjunction with our assessment of revenue growth rates outlined above. We further reviewed the current global outlook on commodity prices supporting the future price per unit assumptions over raw materials. ***WACC & Terminal Value*** – with the assistance of our internal valuation specialists, we assessed certain key inputs within the WACC calculation, including the cost of equity and terminal value and found them to be reasonable. We developed a range of parameters using available market inputs and performed sensitivity analyses using these parameters to determine the reasonableness of management's estimate. Further, we: - considered subsequent events and any associated impact on the entity's cash flows and forecast - performed further sensitivity analysis by looking at changes of 2% in management's revenue growth rates and 8% in EBITDA margins in addition to that performed over the WACC described above. Based on the procedures performed above, we found the assumptions to be consistent and in line with our expectations and no impairment provision was identified.

Independent Auditor's Report (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Valuation of the retirement benefit asset and the medical and life insurance plan liability

Refer to notes 2(0), 3(a), 9 and 10 to the consolidated financial statements for disclosures of related accounting policies and balances.

The Group sponsors a defined benefit pension plan and a medical and life insurance plan. As at 31 December 2018, the Group reported:

- a retirement benefit asset of TT$5.6m, which represents 1% of total assets, comprised of plan assets valued at TT$190m (of which TT$85m is not based on observable market data), and a defined benefit obligation of TT$184m.
- a medical and life insurance plan liability of TT$19.5m which represents 10% of total liabilities.

The valuation of the retirement benefit asset and the medical and life insurance plan liability is considered an area of focus as it requires significant levels of judgement and technical expertise in determining appropriate assumptions. Changes in a number of key assumptions could have a material impact on the calculation of the asset/ liability including;

- discount rates;
- mortality rates;
- salary increases; and
- medical inflation rates

Management utilises an independent external actuary to perform certain calculations with respect to the estimated obligations. The actuary focuses in particular on the medical inflation rates which are actuarial assumptions determined based on their experience with this as well as other similar plans.

Management utilises the work of the 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 assets are based on a model developed by the Trustee to value these unquoted investments. Significant judgement and assumptions are utilised because of the limited external evidence available to support the valuations.

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We tested the key assumptions, including the discount rates, mortality rates and salary increase assumptions for the pension asset and medical and life insurance liability by performing the following:

- Discount rates - the rates used by management were compared to the yield of a Government of Trinidad & Tobago bond of a similar period.
- Mortality rates - the rates were compared to publicly available statistics.
- Salary increases - salary increases were compared to historical increases, taking into account the current economic climate as well as terms specified in the existing trade union agreements as applicable.

We performed the following procedures over the assumptions used in the medical inflation rates calculation:

- assessed the independence and competence of the actuary used by management to calculate the pension obligation and medical and life insurance liability to determine whether they were qualified and whether there was any affiliation to the Group.
- evaluated the methodology used by management's independent expert and assessed whether it was consistent with prior periods and in compliance with the relevant reporting standard.
- tested the census data used in the actuarial calculation by comparing it to personnel files.

We further performed testing of the pension plan assets, focusing on the valuation of those assets. For more judgemental valuations, which may depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by management to determine whether they were within a reasonable range of outcomes in the context of the inherent valuation uncertainties disclosed in the consolidated financial statements.

There were no material exceptions noted in our testing of the valuation of the pension assets, the defined benefit obligation and the medical and life insurance plan liability.

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Independent Auditor's Report (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report 2018 (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 2018, 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.

Independent Auditor's Report (continued)

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

- 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.
- 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Haseeb Mohammed.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
24 April 2019

Consolidated Statement of Financial Position

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

	Notes	As at 31 Dec 2018 $	2017 $ Restated	As at 1 Jan 2017 $ Restated
Assets				
Non-current assets				
Property, plant and equipment	11	182,784	178,477	166,979
Intangible assets	12	6,137	4,365	963
Available for sale investments	31	--	2,169	2,357
Investments at fair value through OCI	31	1,758	--	--
Retirement benefit asset	9	5,644	20,914	20,277
Deferred taxation	15	6,369	5,436	5,050
Restricted deposit	6	--	1,581	6,200
		202,692	212,942	201,826
Current assets				
Accounts receivable and prepayments	7	69,987	74,067	70,714
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	21	17,935	17,137	14,901
Inventories	8	79,593	61,625	72,051
Restricted deposit	6	31,981	75,020	54,728
Tax recoverable		5,877	5,345	--
Cash and cash equivalents	5	44,285	55,452	94,374
		249,658	288,646	306,768
Total assets		452,350	501,588	508,594
Liabilities and equity				
Non-current liabilities				
Deferred taxation	15	44,234	47,837	46,234
Medical and life insurance plan	10	19,532	18,120	16,833
Lease liability	24	--	--	932
Borrowings	14	15,826	37,293	24,452
		79,592	103,250	88,451
Current liabilities				
Accounts payable and accruals	13	35,048	47,052	47,013
Current tax payable		--	--	1,985
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	21	15,968	14,448	11,622
Lease liability	24	--	885	603
Borrowings	14	72,782	83,221	125,254
		123,798	145,606	186,477
Total liabilities		203,390	248,856	274,928
Shareholders' equity				
Stated capital	16	120,200	120,200	120,200
Treasury shares	27	(3,175)	(2,633)	(2,633)
Retained earnings		132,747	135,568	116,313
Other reserves		(812)	(403)	(214)
		248,960	252,732	233,666
Total liabilities and equity		452,350	501,588	508,594

The notes on pages 44 to 95 are an integral part of these consolidated financial statements.

On April 22, 2019, 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)

	Notes	Year ended 31 December 2018 $	2017 $ Restated
Revenue	26, 29	432,119	435,493
Cost of sales	18	(311,128)	(301,093)
Gross profit	26	120,991	134,400
Expenses			
Selling and distribution expenses	18	(40,226)	(36,146)
Administration expenses	18	(49,587)	(47,352)
Other operating income	22	7,362	5,718
Operating profit		38,540	56,620
Net finance cost	17	(3,810)	(9,485)
Profit before taxation		34,730	47,135
Taxation charge	15	(12,039)	(14,387)
Profit for the year		22,691	32,748
Other comprehensive income			
Items that would not be reclassified to profit or loss			
Re-measurement of retirement benefit asset	9	(15,856)	(1,478)
Re-measurement of medical and life insurance plan	10	(613)	(626)
Loss on investment at fair value through OCI	31	(409)	(189)
Deferred taxation	15	4,572	631
Other comprehensive loss net of tax		(12,306)	(1,662)
Total comprehensive income for the year		10,385	31,086
Earnings per share			
Basic earnings per share	19	19¢	28¢
Diluted earnings per share	19	19¢	27¢

The notes on pages 44 to 95 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

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

	Notes	Stated Capital $	Treasury shares $	Other Reserves $	Retained earnings $	Total $
Year ended 31 December 2017						
Balance as at 1 January 2017 as previously reported		120,200	(2,633)	--	110,349	227,916
Restatement for correction of error	2(y)	--	--	(214)	5,964	5,750
Balance as at 1 January 2017 – restated		120,200	(2,633)	(214)	116,313	233,666
Total comprehensive income - restated:						
Profit for the year- restated		--	--	--	32,748	32,748
Loss on investment	31	--	--	(189)	--	(189)
Actuarial loss for the retirement benefit asset and medical and life insurance plan		--	--	--	(1,473)	(1,473)
Transactions with owners of the Company:						
Dividends declared	20	--	--	--	(12,020)	(12,020)
Balance as at 31 December 2017 - restated		120,200	(2,633)	(403)	135,568	252,732
Year ended 31 December 2018						
Balance as at 31 December 2017 as previously stated		120,200	(2,633)	--	125,911	243,478
Restatement for correction of error	2(y)	--	--	(403)	9,657	9,254
Balance as at 31 December 2017 – restated		120,000	(2,633)	(403)	135,568	252,732
Adjustment to opening retained earnings for adoption of IFRS 9	2(a)(ii)	--	--	--	(1,595)	(1,595)
Balance as at 1 January 2018 - restated		120,200	(2,633)	(403)	133,973	251,137
Total comprehensive income:						
Profit for the year		--	--	--	22,691	22,691
Loss on investment	31	--	--	(409)	--	(409)
Actuarial loss for the retirement benefit asset and medical and life insurance plan		--	--	--	(11,897)	(11,897)
Increase in treasury shares		--	(542)	--	--	(542)
Transactions with owners of the Company:						
Dividends declared		--	--	--	(12,020)	(12,020)
Balance as at 31 December 2018		120,200	(3,175)	(812)	132,747	248,960

The notes on pages 44 to 95 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

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

	Notes	Year ended 31 December 2018 $	2017 $ Restated
Cash flows from operating activities			
Profit before taxation		34,730	47,135
Adjustments for:			
Depreciation	11	14,516	12,358
Amortisation	12	601	316
Interest expense		5,274	9,896
Retirement benefit and medical plan expense		6,359	5,085
Gain on disposal of lease liability		(411)	--
Interest income		(732)	(1,747)
Capitalised borrowings		578	--
Remeasurement of treasury shares		(542)	--
Dividend income		(678)	(92)
Gain or loss on foreign exchange		(53)	802
Increase in provision for doubtful accounts		3,706	642
Operating profit before working capital changes		63,348	74,395
Changes in working capital:			
Increase in accounts receivable and prepayments and restricted deposit		(3,351)	(3,995)
(Increase)/decrease in inventories		(17,968)	10,426
(Decrease)/increase in accounts payable and accruals		(9,081)	18
Increase in amounts due to/from GORTT		722	590
Cash generated from operating activities		33,670	81,434
Interest paid		(6,278)	(7,871)
Taxes paid		(11,911)	(19,920)
Net cash generated from operating activities		15,481	53,643
Cash flows from investing activities			
Restricted deposit		44,620	(15,673)
Purchase of property, plant and equipment	11	(18,823)	(23,856)
Dividend income		678	92
Retirement benefit asset & medical contributions paid		(6,146)	(6,539)
Interest received on loans		732	1,747
Purchase of intangible assets	12	(2,373)	(3,718)
Net cash generated from/(used in) investing activities		18,688	(47,947)
Cash flows from financing activities			
Borrowings drawn		37,455	113,945
Borrowings repayment		(68,440)	(143,940)
Dividends paid		(13,879)	(14,623)
Finance lease liability repaid		(472)	--
Net cash used in financing activities		(45,336)	(44,618)
Net decrease in cash and cash equivalents		(11,167)	(38,922)
Cash and cash equivalents at the beginning of the year		55,452	94,374
Cash and cash equivalents at the end of the year	5	44,285	55,452

The notes on pages 44 to 95 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

1 Incorporation and principal activities

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

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

2 Summary of 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 comply with IFRS as issued by the International Accounting Standards Board (IASB). The 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

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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(ii) Principles of consolidation (continued)

Subsidiaries (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Group

In the current year, the Group has applied new standards issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

- IFRS 9 Financial Instruments: The Group has adopted IFRS 9 and all of its related amendments in the current year.

  IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets.

  This has resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

  The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets, the details of which are outlined in Note 2 (g).

  The following is a summary of the adjustments on initial application of the standard.

  Impact on the consolidated financial statements:

	Balance at 31 December 2017 Restated $	IFRS 9 Impact $	Balance at 1 January 2018 Restated $
Statement of financial position extracts			
Non-current assets			
Available for sale investments	2,169	(2,169)	--
Financial assets at fair value through other comprehensive income (FVOCI)	--	2,169	2,169
Deferred taxation asset	5,436	684	6,120
Current assets			
Accounts receivable	74,067	(2,279)	71,788
Retained earnings	135,568	(1,595)	133,973

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(iii) Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Company (continued)

Upon adoption of IFRS 9, available for sale instruments were reclassified to financial assets at FVOCI. There was no impact on measurement.

Other than for the change in measurement of accounts receivable above as a result of applying the new credit loss model, there was no impact on the classification and measurement of all other financial assets which continue to be carried at amortised cost. There was no change in measurement and classification for financial liabilities and these continue to be carried at amortised cost.

- IFRS 15 Revenue from Contracts with Customers: The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The adoption of the standard resulted in changes in accounting policies, however there were no adjustments to amounts recognised in the consolidated financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively but there was no impact on comparatives for the 2017 financial year.

  Other standards, amendments and interpretations which are effective for the financial year beginning 1 January 2018 are not relevant or material to the Group.

(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

- IFRS 16 – Leases: IFRS 16 was issued in January 2016 and is effective 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  The Group is in the process of assessing the impact of the new standard on the consolidated financial statements.

  There are no other standards or amendments that are not yet effective and that would be expected to relevant or have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

b. Going concern

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

c. (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.

(i) Foreign currency transactions and balances

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

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.

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

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies

e. Leases

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.

f. 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
- there is an ability to use software
- 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

f. *Intangible assets (continued)*

Software (continued)

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

g. *Financial instruments*

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The policies disclosed below show the accounting policies up to 31 December 2017 and from 1 January 2018, when IFRS 9 was applied.

(i) Classification

Up to 31 December 2017

Until 31 December 2017, the Group classified its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

The Group could have chosen to reclassify financial assets that would meet the definition of loans and receivables out of available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

g. Financial instruments (continued)

(i) Classification (continued)

From 1 January 2018

The Group classifies its financial assets in the following categories

1) those to be measured at amortised cost, and

2) those to be measured subsequently at fair value through OCI.

The classification depends on the entity'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

Up to 31 December 2017

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

From 1 January 2018

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

Up to 31 December 2017

The measurement at initial recognition did not change on adoption of IFRS 9, see description below.

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

Available-for-sale financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 31.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

g. *Financial instruments (continued)*

(iii) Measurement (continued)

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

From 1 January 2018

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. There are three measurement categories into which the group classifies its debt instruments:

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 separate line item in the statement of profit or loss.

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

Up to 31 December 2017

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

g. Financial instruments (continued)

(iv)Impairment (continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

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

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

From 1 January 2018

From 1 January 2018, for trade receivables, 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

h. Borrowings

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

Borrowings are removed from the balance sheet 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.

i. 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

j. 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).

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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

l. 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.

m. 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 also 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

m. *Taxation (continued)*

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.

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 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. *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. The defined benefit obligation is calculated annually by independent 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).

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

o. Employee benefits (continued)

(i) Retirement benefit plan *(continued)*

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

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 in 2020) and any surpluses or deficits may be recognised by an adjustment of future contribution rates.

(ii) Medical and life insurance plan

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

o. Employee benefits (continued)

(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. See note 27 for details on the employee share ownership plan.

(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 Other Equity as Treasury Shares and the cost of the investment in the parent company, National Enterprises Limited, is recognised under Investments on the consolidated statement of financial position.

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

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

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

(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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

o. *Employee benefits (continued)*

(vi)Termination benefits

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

p. *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 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

q. *Revenue recognition*

NFM 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.

r. *Borrowing costs*

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

s. *Earnings per share*

(i) Basic earnings per share

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

s. *Earnings per share (continued)*

(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.

t. *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.

u. *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.

v. *Offsetting financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

w. Investments

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

NFM 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.

NFM 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.

x. Other income

(i) Dividend income

Dividends are received from financial assets measured at fair value through other comprehensive income (FVOCI) (2017 – available-for-sale financial assets). 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 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 if being renewed.

y. Prior year restatements

Comparative information has been adjusted to take into account the following restatements and reclassifications made to prior year balances arising from:

(a) Restatements to property plant and equipment and intangible assets and the resulting tax impact were due to the following:

(i) Errors in the depreciation expense calculated by management due to inaccurate depreciation rates applied;

(ii) Additions for capital spares were incorrect and depreciation was incorrectly computed on capital spares not in use

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

y. Prior year restatements (continued)

(a) Restatements to property plant and equipment and intangible assets and the resulting tax impact were due to the following: *(continued)*

(iii) Purchased software, not considered integral to the hardware, being incorrectly classified as property, plant and equipment rather than intangible assets under IAS 38: Intangible Assets.

(b) Restatements to selling and distribution expenses and taxation as green fund levy was incorrectly classified as a tax. The green fund levy is not computed on chargeable profits and as such is not considered a tax under IAS 12: Income Taxes.

(c) Restatements for the shares held by the employee share ownership plan (ESOP) in the parent company – National Enterprises Limited that were previously not recorded.

	Notes	As previously reported $	Restate-ments $	Reclassi-fications $	As restated $
1 January 2017 Consolidated Statement of Financial Position extract					
Assets					
Non-current assets					
Property, plant and equipment	(2)(y)(a)(i-ii)	164,549	3,393	(963)	166,979
Intangible assets	(2)(y)(a)(iii)	--	--	963	963
Available-for-sale Investments	(2)(y)(c)	--	2,357	--	2,357
Liabilities					
Current liabilities					
Current tax payable	(2)(y)(a(i-iii))(b)	(4,655)	2,670	--	(1,985)
Non-current liabilities					
Deferred taxation	(2)(y)(a(i-iii))	(43,564)	(2,670)	--	(46,234)
Equity					
Shareholder’s equity					
Other reserves		--	214	--	214
Retained earnings		(110,349)	(5,964)	--	(116,313)

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

x. Prior year restatements (continued)

	Notes	As previously reported $	Restatements $	Reclassifications $	As restated $
31 December 2017					
Consolidated Statement of Financial Position					
Assets					
Non-current assets					
Property, plant and equipment	(2)(y)(a)(i-ii)	175,757	7,085	(4,365)	178,477
Intangible assets	(2)(y)(a)(iii)	--	--	4,365	4,365
Investments	(2)(y)(c)	--	2,169	--	2,169
Current assets					
Taxation recoverable	(2)(y)(a(i-iii))(b)	3,418	1,927	--	5,345
Liabilities					
Deferred taxation	(2)(y)(a(i-iii))	(45,910)	(1,927)	--	(47,837)
Equity					
Shareholder's equity					
Other reserves		--	403	--	403
Retained earnings		(125,911)	(9,657)	--	(135,568)

	Notes	As previously reported $	Restatements $	Reclassifications $	As restated $
31 December 2017					
Consolidated Statement of Comprehensive Income extract					
Cost of sales	*(2)(y)(a)(i-ii)*	(304,697)	3,604	--	(301,093)
Selling and distribution expenses	*(2)(y)(b)*	(34,822)	--	(1,324)	(36,146)
Administration expenses		(47,441)	89	--	(47,352)
Taxation charge	*(2)(y)(b)*	(15,711)	--	1,324	(14,387)
Profit for the year		29,055	3,693	--	32,748
Other comprehensive income extract					
Loss on investment at fair value through OCI		--	(189)	--	(189)
Earnings per share					
Basic earnings per share		25 cents	3 cents	--	28 cents
Dilutive earnings per share		24 cents	3 cents	--	27 cents

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

2 Summary of significant accounting policies (continued)

x. Prior year restatements (continued)

	Notes	As previously reported $	Restatements $	Reclassifications $	As restated $
Consolidated Statement of Cash Flows extract					
Profit before taxation		44,766	2,369	--	47,135
Depreciation		15,298	(2,624)	(316)	12,358
Amortisation		--	--	316	316
Tax paid		(21,243)	1,323	--	(19,920)
Purchase of property, plant and equipment		(26,506)	(1,068)	3,718	(23,856)
Purchase of intangible assets		--	--	(3,718)	(3,718)

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

3 Critical accounting estimates and judgements

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

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

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

Estimates

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

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

The 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 9 and 10.

b) Impairment

The Group tests annually whether any non-financial assets have suffered impairment in accordance with the accounting policy stated in Note 2 n. 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 are disclosed in Note 28. If the revenue growth rate worsened by 2% with all other variables held constant there would be no impact on the profit or loss for the period as the asset would still not be impaired. If EBITDA growth rate worsened by 8% with all other variables held constant there would be no impact on the profit or loss for the period as the asset would still not be impaired.

If the weighted average cost of capital worsened by 4% all other variables held constant there would be no impact on the profit or loss for the period as the asset would still not be impaired.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

4 Financial risk management

a. Financial risk factors

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

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk which includes:

(a) Currency risk

(b) Interest rate risk and

(c) Price risk

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

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

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

(i) Credit risk

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (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)

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

The group has one type of financial asset that are subject to the expected credit loss model:

(i) Trade receivables for sales of inventory

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

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 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (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)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

General Pool of Trade Receivables

	Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
At 31 December 2018					
Expected loss rate	2%	2%	5%	8%	
Gross carrying amount (Trade receivables)	17,265	17,488	3,347	10,607	48,707
Loss allowance	278	392	186	842	1,698
At 1 January 2018					
Expected loss rate	2%	2%	6%	8%	
Gross carrying amount (Trade receivables)	22,869	14,559	3,308	15,914	56,650
Loss allowance	411	329	195	1,344	2,279

Impairment of financial assets

The above analysis includes all customers except our 2 largest customers and receivables from government. A separate analysis was completed on them and they were assessed as having no risk of default, since we collected all receivable balances relating to 2016 and 2017.

These receivables amounted to $25M (2017:$22M).

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows

	2018 $	2017 $
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	31,984	31,342
Amounts restated through opening retained earnings	2,279	--
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	34,263	--
(Decrease)/ increase in loss allowance recognised in profit or loss during the year	(580)	642
Bad debts collected	(1,769)	--
Specific receivables deemed as uncollectible	4,286	--
Closing loss allowance as at 31 December 2018	36,200	31,984

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

4 Financial risk management (continued)

a. *Financial risk factors (continued)*

(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 grain 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 $	Total Cash flow $	Carrying value $
At 31 December 2017					
Liabilities					
Accounts payable	46,049	--	--	46,049	47,052
Borrowings	89,068	40,247	1,352	130,667	120,514
Amounts due to GORTT	14,448	--	--	14,448	14,448
Finance lease	885	--	--	885	885
	150,450	40,247	1,352	192,049	182,899
At 31 December 2018					
Liabilities					
Accounts payable	32,203	--	--	32,203	35,048
Borrowings	76,438	15,114	2,028	93,580	88,608
Amounts due to GORTT	15,968	--	--	15,968	15,968
	124,609	15,114	2,028	141,751	139,624

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 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

4 Financial risk management (continued)

a. Financial risk factors (continued)

(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 and European Dollar. 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	
	2018 **$**	**2017** **$**
Cash	106	376
Accounts receivable	107	84
Accounts payable	(51)	(1,135)
Borrowings	(579)	(1,205)
	(417)	(1,880)

(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 taxation would be $53K (2017: $74K).

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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (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)

(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 (2017: available for sale investments).

All of the group's equity investments are publicly traded and are included in the Trinidad and Tobago Stock Exchange.

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

Market Risk

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 other comprehensive income		**Impact on other components of of equity**	
	2018 $	**2017 $**	**2018 $**	**2017 $**
Trinidad and Tobago Stock Exchange increase by 10% in 2018 (10% in 2017)	19	40	19	40
Trinidad and Tobago Stock Exchange decrease by 5% in 2018 (3% in 2017)	(9)	(11)	(9)	(11)

(d) *Fair value estimation*

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

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

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. The Group is in compliance with all of its loan covenants.

5 Cash and cash equivalents

	2018 $	2017 $
Cash in hand and at bank	44,028	55,198
Short-term deposits	257	254
Cash and cash equivalents	44,285	55,452

6 Restricted deposit

At 31 December 2018, the Group held deposits of $31,981 (2017: $76,601). Restricted deposits comprise of:

- $30,400 earns interest of 1.95% 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
- $1,581 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%.

7 Accounts receivable and prepayments

	2018 $	2017 $
Trade receivables	87,662	89,708
Less provision for doubtful amounts	(36,200)	(31,984)
	51,462	57,724
Prepayments	1,501	1,428
Other receivables	17,024	14,915
	66,987	74,067

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 $14,383 (2017: $8,108).

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

7 Accounts receivable and prepayments (continued)

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

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

	2018 (IFRS 9)		2017 (IAS 39)		
	Performing $	Impaired $	Fully performing $	Past due but not impaired $	Impaired $
Current	34,477	--	47,562	--	--
Over 45 days	7,861	--	--	6,057	--
Over 60 days	3,572	--	--	4,105	--
Over 90 days	7,250	34,502	--	--	31,984
Less provision for Impairment (IAS 39)	--	--	--	--	(31,984)
Loss allowance (IFRS 9)	(1,698)	(34,502)	--	--	--
	51,462	--	47,562	10,162	--

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 Group's policy that overdue accounts are reviewed monthly at sales and marketing management meetings to mitigate exposure to credit risk and are provided for where appropriate.

Past due but not impaired (2017)

This relates to a number of independent customers for whom there is some recent history of default. The aging analysis is shown above.

The Group does not hold any significant collateral as security (2017: nil).

8 Inventories

	2018 $	2017 $
Raw materials	52,192	50,189
Packaging materials	5,330	3,792
Finished goods and work in progress	22,071	7,644
	79,593	61,625

Inventories are stated after a provision for impairment of $ nil (2017: $650). The amount recognised as an expense in the year in respect of the write down of inventories is $ 21,230 (2017: $ 24,989). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is $nil (2017: $nil).

The cost of inventories recognised as an expense and included in cost of sales is $232,689 (2017: $231,124) (Note 18).

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

9 Retirement benefit asset

	2018 $	2017 $
Present value of defined benefit obligation	(183,947)	(167,626)
Fair value of the assets in the Plan	189,591	188,540
Recognised asset for the Plan	5,644	20,914
a. Change in defined benefit obligations		
Defined benefit obligation at start of year	(167,626)	(160,059)
Benefits paid	7,010	6,682
Current service cost	(5,134)	(4,352)
Interest cost	(9,029)	(8,623)
Members' contributions	(2,090)	(2,240)
Past service cost	(550)	(196)
Remeasurements:		
- experience adjustments	(6,528)	1,162
- actuarial losses from changes in financial assumptions	--	--
Defined benefit obligation at end of year	(183,947)	(167,626)
b. The defined benefit obligation is allocated between the Plan's members as follows:		
- Active	58%	57%
- Deferred members	13%	15%
- Pensioners	29%	28%

The weighted average duration of the defined benefit obligation at the year-end is 13.7 years (2017: 13.8 years).

- 98% (2017: 98%) of the value of the benefits for active members is vested.
- 17% (2017: 20%) of the defined benefit obligation for active members is conditional on future salary increases.

	2018 $	2017 $
c. Change in Plan assets		
Plan assets at start of year	188,540	180,336
Company contributions	5,367	5,750
Members' contributions	2,090	2,240
Benefits paid	(7,010)	(6,682)
Interest income	10,370	9,943
Return on Plan assets, excluding interest income	(9,325)	(2,640)
Expense allowance	(441)	(407)
Plan assets at end of year	189,591	188,540
Actual return on Plan assets	1,045	7,303

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

9 Retirement benefit asset (continued)

	2018 $	2017 $
d. Asset allocation		
Locally listed equities	57,400	52,017
Foreign equities	15,570	14,618
TT$-denominated bonds	85,053	86,429
Non TT$-denominated bonds (mainly US$)	18,213	18,447
Mutual funds (short-term securities)	314	311
Cash and cash equivalents	5,055	7,016
Other (immediate annuity policies)	7,986	9,702
Fair value of Plan assets at end of year	189,591	188,540
The Plan does not directly hold any assets and/or shares of the Group.		
e. Expense recognised in profit or loss		
Current service cost	5,134	4,352
Interest on defined benefit obligation	(1,341)	(1,320)
Administration expenses	438	407
Past service cost	550	196
Net pensions cost	4,781	3,635
f. Re-measurements recognised in other comprehensive loss		
Experience losses	(15,856)	(1,478)
g. Reconciliation of opening and closing consolidated statement of financial position entries		
Opening defined benefit asset	20,914	20,277
Net pension cost	(4,781)	(3,635)
Re-measurements recognised in other comprehensive loss	(15,856)	(1,478)
Company contributions paid	5,367	5,750
Closing defined benefit asset	5,644	20,914
h. The Group expects to contribute $5.9 million to its defined benefit pension plan in 2019.		
i. Summary of principal assumptions		
Discount rate at 31 December	5.50%	5.50%
Future salary increases	3.25%	3.25%
Future pension increases	0.00%	0.00%

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

9 Retirement benefit asset (continued)

i. Summary of principal assumptions (continued)

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 decrease	1%pa increase
31 December 2018		
Discount rate	28,628	(21,528)
Future salary increases	(6,513)	7,381
31 December 2017		
Discount rate	24,543	(19,812)
Future salary increase	(6,549)	7,450

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligation at 31 December 2018 by $3,154 (2017: $2,906). These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions as adjusted for the sensitivities.

There have been no changes in the way the sensitivity analysis was computed when compared with the financial year ended 31 December 2017.

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

10 Medical and life insurance plan

	2018 $	2017 $
Recognised liability for the Medical and Life Insurance Plan	19,532	18,120
a. Change in the obligations		
Obligation at start of year	(18,120)	(16,833)
Benefits paid	779	789
Current service cost	(603)	(546)
Interest cost	(975)	(904)
Re-measurements:		
- experience adjustments	(613)	(626)
- actuarial losses from change in financial assumptions	--	--
Obligation at end of year	(19,532)	(18,120)

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

10 Medical and life insurance plan (continued)

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

	2018	2017
- Active	42%	42%
- Pensioners	58%	58%

The weighted average duration of the obligation at the year-end was 14.6 years (2017: 14.3 years) at the end of the year. 0% of the benefits for active members are vested.

c. Expense recognised in profit or loss

	2018 $	2017 $
Current service costs	603	546
Interest on obligation	975	904
Net medical cost	1,578	1,450

d. Re-measurements recognised in other comprehensive loss

	2018 $	2017 $
Experience losses	(613)	(626)

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

	2018 $	2017 $
Opening medical plan liabilities	18,120	16,833
Net medical plan costs	1,578	1,450
Re-measurements recognised in other comprehensive loss	613	626
Benefits paid	(779)	(789)
Closing medical and life insurance plan liability	19,532	18,120

f. The Group expects to pay $0.8 million in benefits in 2019.

g. Summary of principal assumptions

	2018	2017
Discount rate at 31 December	5.50%	5.50%
Future medical cost increases	4.50%	4.50%
Future salary increases	3.25%	3.25%

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

10 Medical and life insurance plan (continued)

g. Summary of principal assumptions (continued)

	2018 $ 1%pa Decrease	2017 $ 1%pa Increase
31 December 2018		
Discount rate	3,141	(2,491)
Medical cost increases	(1,892)	2,359
31 December 2017		
Discount rate	2,874	(2,277)
Medical cost increases	(1,658)	2,070

An increase of 1 year in the assumed life expectancies would increase the Medical Plan obligation at 31 December 2018 by $0.253 million. These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions. These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

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) Asset volatility

The Retirement Benefit Asset Plan and the Medical Plan liabilities are calculated using a discount rate set with reference to government bond yields; if plan assets under perform 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 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

10 Medical and life insurance plan (continued)

g. Summary of principal assumptions (continued)

(iii) Inflation risks

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

(iv) Life expectancy

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

11 Property, plant and equipment

	Industrial and office building $	Plant machinery and equipment $	Office furniture and equipment $	Motor vehicles $	Work in progress $	Total $
Year ended 31 December 2018						
Opening net book value	107,608	55,817	8,842	1,178	5,032	178,477
Additions	789	4,309	3,311	742	9,672	18,823
Depreciation	(4,452)	(7,316)	(2,238)	(510)	-	(14,516)
WIP commissioned	9,616	3,114	89	--	(12,819)	--
Closing net book value	113,561	55,924	10,004	1,410	1,885	182,784
At 31 December 2018						
Cost	176,737	317,456	18,718	8,148	1,885	522,944
Accumulated depreciation	(63,176)	(261,532)	(8,714)	(6,738)	--	(340,160)
Net book value	113,561	55,924	10,004	1,410	1,885	182,784

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

11 Property, plant and equipment (continued)

	Industrial and office building $	Plant machinery and equipment $	Office furniture and equipment $	Motor vehicles $	Work in progress $	Total $
At 1 January 2017 - restated						
Cost	152,534	293,109	9,867	6,616	18,141	480,267
Accumulated depreciation	(54,875)	(247,469)	(5,298)	(5,646)	--	(313,288)
Net book value	97,659	45,640	4,569	970	18,141	166,979
Year ended 31 December 2017 - restated						
Opening net book value	97,659	45,640	4,569	970	18,141	166,979
Additions	8,510	9,074	3,550	791	1,931	23,856
Depreciation	(3,849)	(6,747)	(1,179)	(583)	--	(12,358)
WIP commissioned	5,288	7,850	1,902	--	(15,040)	--
Closing net book value	107,608	55,817	8,842	1,178	5,032	178,477
At 31 December 2017 - restated						
Cost	166,332	310,033	15,318	7,407	5,032	504,122
Accumulated depreciation	(58,724)	(254,216)	(6,476)	(6,229)	--	(325,645)
Net book value	107,608	55,817	8,842	1,178	5,032	178,477

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

11 Property, plant and equipment (continued)

(i) *Non-current assets pledged as security*

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

-First Demand legal mortgage over leasehold property comprising 4 acres, 3 roods and 13 perches at #27-29 Wrightson Road, Port of Spain to be stamped collateral to the debenture; and

-Assignment of All Risk insurance policies over the assets of the borrower for the insurable and replacement values.

(ii) Depreciation of $9,693 (2017: $10,596) was recognised in cost of sales with $4,823 (2017: $1,762) recognised in expenses.

Lease rentals amounting to $496K (2017: $788K) relating to the rental of motor vehicles are included in the statement of comprehensive income. The group leases vehicles under non-cancellable finance lease agreements. The lease terms for rental of motor vehicles is four years and ownership of the assets lies with the Group

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease.

	2018 $	2017 $
Cost – capitalised finance leases	6,085	6,085
Accumulated depreciation	(6,085)	(5,958)
Net book amount	--	127

No borrowing cost was capitalised in 2018 (2017: nil) as there were no qualifying assets during the period.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

Software

	Software $	Work in progress $	Total $
Year ended 31 December 2018			
Opening net book value	2,013	2,352	4,365
Additions	621	1,752	2,373
Depreciation	(601)	--	(601)
WIP commissioned	4,104	(4,104)	--
Closing net book value	6,137	--	6,137
At 31 December 2018			
Cost	7,224	--	7,224
Accumulated depreciation	(1,087)	--	(1,087)
Net book value	6,137	--	6,137
At 1 Jan 2017 restated			
Cost	1,133	--	1,133
Accumulated depreciation	(170)	--	(170)
Net book value	963	--	963
Year ended 31 December 2017 - restated			
Opening net book value	963	--	963
Additions	1,366	2,352	3,718
Depreciation	(316)	--	(316)
Closing net book value	2,013	2,352	4,365
At 31 December 2017			
Cost	2,499	2,352	4,851
Accumulated depreciation	(486)	--	(486)
Net book value	2,013	2,352	4,365

Included in software are costs expended on integration of NFM's ERP and other licenses. The remaining useful economic life of intangible assets is estimated to be 2-3 years. Amortisation is included under administration expenses on the statement of comprehensive income.

13 Accounts payable and accruals

	2018 $	2017 $
Trade payables	14,758	24,801
Payroll related liabilities	9,805	9,998
Accrued expenses	10,485	12,253
	35,048	47,052

Included within payroll related liabilities is the amount payable to employees of $3,874 (2017: $3,604) under the Employee Share Ownership Plan (note 27).

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

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

14 Borrowings

	2018 $	2017 $
Total borrowings	88,608	120,514
Less current portion	(72,782)	(83,221)
Non-current portion	15,826	37,293

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

	2018 US$	2017 US$
Export Import Bank of Trinidad and Tobago (Eximbank) Limited	5,504	3,000
NCB Global Finance Limited	2,915	9,000
	8,419	12,000
TTD equivalent of USD denominated loans	57,238	81,600
Republic Bank Limited	31,370	38,914
Total borrowings	88,608	120,514

Export Import Bank of Trinidad and Tobago

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

(i) The loan shall be repaid to the lender 30-180 days from the drawdown dates of 25 August 2018 and 5 December 2018 respectively.

(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 5.50% per annum.

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

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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

14 Borrowings (continued)

NCB Global Finance Limited

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

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

(ii) This facility is secured by a fixed deposit of $30.4M TTD held by NCB Global Finance Limited bearing interest of 1.95%. (Note 6)

15 Current and deferred taxation

	2018 $	2017 $ Restated
Current taxation expense		
Deferred tax charge	720	1,848
Current tax – prior year under accrual	--	1,189
Current tax charge	11,319	11,350
	12,039	14,387
The Group's effective tax rate of 32% (2017: 35%) differs from the statutory tax rate of 30% as follows:		
Profit before taxation	34,730	47,135
Tax calculated at 30%	10,419	14,141
Tax impact of expenses not deductible for tax purposes	700	1,210
Tax impact of income not subject to tax	(394)	(1,195)
Under accrual of prior year tax	--	1,189
Tax impact on IFRS 9	684	--
Tax impact on restatements	630	--
Other differences	--	(958)
	12,039	14,387
Deferred taxation		
Deferred income tax asset	6,369	5,436
Deferred income tax liabilities	(44,234)	(47,837)
Net deferred income tax liability	(37,865)	(42,401)

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

15 Current and deferred taxation (continued)

	IFRS 9 General Provision $	Retirement benefit asset $	Medical plan $	Property plant and equipment $	Total $
At 1 January 2017					
- Restated	--	(6,083)	5,050	(40,151)	(41,184)
(Charge)/credit to:					
- profit or loss	--	(635)	198	(1,411)	(1,848)
- other comprehensive loss	--	443	188	--	631
As at 31 December 2017	--	(6,275)	5,436	(41,562)	(42,401)
At 1 January 2018	--	(6,275)	5,436	(41,562)	(42,401)
Amounts Restated					
to Retained	684	--	--	--	684
Earnings	--	--	--	--	--
(Charge)/credit to:					
- profit or loss	(174)	(174)	607	(979)	(720)
- other comprehensive loss	--	4,756	(184)	--	4,572
As at 31 December 2018	510	(1,693)	5,859	(42,541)	(37,865)

In 2016 the Group was audited by the Board of Inland Revenue (BIR) in relation to the financial year 2010. The BIR assessment for the 2010 financial year indicated that certain expenses claimed by the Group were not allowable. Management has since filed an objection against the BIR assessment. Based on advice obtained, management is of the view that the disallowance of the expenses by the BIR is without merit and as a result no adjustment has been made to the consolidated financial statements in relation to this matter.

16 Stated capital

	2018 $	2017 $
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
120,200,000 ordinary shares of no par value	120,200	120,200

17 Net finance cost

	2018 $	2017 $
Interest and bank charges	5,273	9,896
Interest income	(731)	(1,747)
Foreign exchange (gain)/ loss	(732)	1,336
	3,810	9,485

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

18 Expenses by nature

	2018 $	2017 $
Direct materials	232,689	231,124
Salaries and wages	87,481	80,443
ESOP Allocation	695	982
Rents, rates and taxes	2,591	2,486
Transportation, security, electricity, communication and handling charges	21,624	22,960
Repairs and maintenance	8,740	7,435
Depreciation and amortisation	15,117	12,674
Insurance	3,934	4,359
Professional and legal fees	6,513	4,374
Provision for doubtful accounts	1,412	642
Advertising and promotion	1,307	2,201
Other	18,838	14,911
Total cost of sales, selling and distribution and administrative expenses	400,941	384,591

19 Earnings per share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of $22,691 (2017: $32,748) by the weighted average number of ordinary shares outstanding of 120,200 (2017: 120,200) less treasury shares of 2,295 (2017: 2,312).

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of $22,691 (2017: $32,748) by the weighted average number of ordinary shares outstanding of 120,200 (2017: 120,200) less unallocated treasury shares 744 (2017: 1,007).

20 Dividends

Final equity dividends to the shareholders of the Group are recognised in the year that they are approved by the shareholders. Interim equity dividends are recognised in the year that they are declared. Dividends for the year ended 2017 of 10 cents per share or $12,020 was declared in the 2018 financial year. Dividends payable as at year end amounted to $1,880 (2017: $3,740).

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

21 Related party transactions

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

	2018 $	2017 $
Key management compensation		
All managers and executive salaries	11,538	11,211
Post-employment benefits	865	912
Director's fees	579	570
Transaction with director – services rendered	75	--
Salary advance	--	42
Amount	13,057	12,735

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

Amounts due to/from GORTT

Amounts due to/ from the GORTT arise in the normal course of business. This includes transactions with the Ministry of Agriculture, Land and Fisheries for processing of rice paddy as well as amounts due from GORTT for the offering of discounts to customers to pass onto the public. Amounts due from the GORTT amounted to $17.9M (2017: $17.1M) and amounts payable to the GORTT amounted to $15.9M (2017: $14.44M).

Sales and purchases of goods and services		
Sales from the rendering of services to related parties	4,891	4,822
Purchases of goods from related parties	1,519	2,826

22 Other operating income

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

	2018 $	2017 $
Management fee	4,800	4,800
Rental income – sublease	700	800
Dividend income	678	92
Other amounts	1,184	26
	7,362	5,718

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

23 Financial instruments by category

	2018 $	2017 $
Loans and receivables at amortised cost		
Financial assets		
Accounts receivable	68,487	72,639
Amounts due from the GORTT	17,935	17,137
Cash and cash equivalents	44,285	55,452
Avaliable for sale investments	--	2,169
Investments at fair value through OCI	1,758	--
Restricted deposit	31,981	76,601
	164,446	223,998
Financial liabilities		
Accounts payable and accruals	32,203	46,049
Amounts due to the GORTT	15,968	14,448
Borrowings	88,608	120,514
	136,779	181,011

24 Lease liability

	2018 $	2017 $
Finance leases liabilities		
Gross finance lease liabilities – minimum lease payments		
Within one year	--	904
Later than one year but not later than five years	--	--
Future finance charge on finance lease liabilities	--	(19)
Present value of finance lease liabilities	--	885
Within one year	--	855
Later than one year but not later than five years	--	--
	--	885

The finance leases pertain to motor vehicles (note 11).

Non-cancellable operating leases

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

	2018 $	2017 $
Within one year	1,855	1,855
Later than one year but not later than five years	7,418	7,418
Later than five years	2,622	4,476
	11,895	13,749

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

25 Contingent 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 $4.9M in relation to legal claims.

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

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

26 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

26 Operating segments (continued)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the 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	
	2018 $	2017 $ Restated	2018 $	2017 $ Restated	2018 $	2017 $ Restated	2018 $	2017 $ Restated
Segment revenue	317,795	311,550	95,007	104,178	19,317	19,765	432,119	435,493
Gross profit/(loss)	92,558	102,144	25,614	26,880	2,819	5,376	120,991	134,400
Depreciation and amortisation	14,361	12,040	605	507	151	127	15,117	12,674
Net finance cost	3,277	7,787	343	1,674	190	24	3,810	9,485
Other operating income	4,933	4,800	442	918	1,987	--	7,362	5,718
Profit before tax	26,568	36,765	7,352	8,013	810	2,357	34,730	47,135
Property, plant and equipment	173,644	169,553	7,311	7,139	1,829	1,785	182,784	178,477
Intangible assets	5,830	4,146	245	175	61	44	6,137	4,365
Borrowings	--	--	--	--	--	--	88,608	120,514
Accounts payable and accruals	--	--	--	--	--	--	35,048	47,052

Assets (except for property, plant and equipment and intangible assets) segment are not reviewed by the CODM and therefore not included in the allocation above.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

26 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:

	2018 $	2017 $
Revenue		
Flour	283,713	281,311
Feedmill	95,007	104,178
Parboiled rice	5,613	5,206
Corn	4,087	2,619
Dry mixes	21,938	21,106
Trading	6,531	3,927
Oil	9,167	9,785
Other	526	--
Soya	5,537	7,361
	432,119	435,493
Revenues from external customers		
Export sales	31,138	25,438
Local sales	400,981	410,055
	432,119	435,493

Major customers

The Group has one customer whose revenue exceeds 10% of total sales. In 2018 sales with this customer was 14% of total sales (2017: 12.63 %).

27 Other equity

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 May 5, 1995, allowed for an initial injection of $700 into the Trust with annual amounts not exceeding 3% of after tax profits for distribution to all permanent members of staff each year. The plan is classified as a cash settled share based payment whose allocation vest immediately.

The amount paid to each employee is pro-rated based on that employee's basic salary as a factor of total basic salaries of permanent employees in the particular 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.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

27 Other equity (continued)

Treasury shares are shares in National Flour Mills Limited that are held by the National Flour Mills Limited Employee Share Trust for the purpose of issuing shares under the National Flour Mills Limited Employee Share Ownership Plan. The number of Company shares held by the plan as at 31 December 2018 was 2,294,982 (2017: 2,311,654).

In addition to the NFM 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.

The number of NEL shares held by the plan as at year end was 219,764 (2017: 219,973) with a fair value of $1,758 (2017: $2,156). The fair value was derived from the Trinidad and Tobago Stock Exchange at the consolidated statement of financial position date.

28 Impairment test for carrying value of net assets of NFM

For the year ended 31 December 2018, the carrying value of the Group's net assets was $249,904 while the market capitalisation was $198,330. This was a trigger for an impairment test to be carried out.

The recoverable amount of this business unit is determined based on a value-in-use calculation. This calculation uses pre-tax cash flow projections based on financial budgets and forecasts approved by management covering a five year period. Cash flows for the five year period were extrapolated using the estimated growth rates stated below. The recoverable amount of this business unit for the financial year ended 31 December 2017 was based on a fair value less costs of disposal calculation.

The key assumptions for the value-in-use and fair value less costs of disposal calculations are as follows:

	EBITDA margin %	Revenue growth rate Year 1 %	Revenue growth rate Year 2 – 5 %	Pre-tax discount rate %
2018	13	2	1	26
2017	16	2	1	26

Assumptions for EBITDA margins, growth rates and pre-tax weighted average cost of capital are based upon past performance, cost and process efficiencies, economic conditions and market development.

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

29 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:

2017	Food	Feed	Other	Total
Segment revenue	305,741	102,236	27,799	435,776
Less: Intersegment revenue'	--	--	(283)	(283)
Revenue from external customers	305,741	102,236	27,516	435,493
Timing of revenue recognition				
At a point in time	305,741	102,236	27,516	435,493
Over time	--	--	--	--
Revenue from external customers	305,741	102,236	27,516	435,493

2018	Food	Feed	Other	Total
Segment revenue	311,092	93,003	28,460	432,555
Less: Intersegment revenue	--	--	(436)	(436)
Revenue from external customers	311,092	93,003	28,024	432,119
Timing of revenue recognition				
At a point in time	311,092	93,003	28,024	432,119
Over time	--	--	--	--
Revenue from external customers	311,092	93,003	28,024	432,119

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

30 Net debt reconciliation

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

	2018 $	2017 $
Net debt		
Cash and cash equivalents	44,285	55,452
Liquid investments		
Borrowings payable within one year	(72,782)	(84,106)
Borrowings-repayable after one year	(15,826)	(37,293)
Net debt	(44,323)	(65,947)
Cash and liquid investments	44,285	55,452
Gross debt-fixed interest rates	(88,608)	(121,399)
Net debt	(44,323)	(65,947)

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

30 Net debt reconciliation (continued)

	Other assets		Liabilities from financing activities				
	Cash/ Bank overdraft	Liquid Investments	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2017	94,374	--	(603)	(932)	(125,254)	(24,452)	(56,867)
Cash flows	(38,922)	--	(282)	932	42,735	(12,741)	(8,278)
Acquisitions--finance leases and lease incentives	--	--	--	--	--	--	--
Foreign exchange adjustments	--	--			(702)	(100)	(802)
Other changes	--	--	--	--	--	--	--
Net debt as at 31 December 2017	55,452	--	(885)	--	(83,221)	(37,293)	(65,947)
Net debt as at 1 January 2018	55,452	--	(885)	--	(83,221)	(37,293)	(65,947)
Cash flows	(11,167)	--	885	--	10,156	20,829	20,703
Acquisitions--finance leases and lease incentives	--	--	--	--	--	--	--
Foreign exchange adjustments	--		--	--	43	10	53
Other changes	--	--	--	--	240	628	868
Net debt as at 31 December 2018	44,285	--	--	--	(72,782)	(15,826)	(44,323)

Notes to the Consolidated Financial Statements (continued)

31 December 2018 • (Presented in Thousands of Trinidad and Tobago Dollars Unless Otherwise Stated)

31 Investments

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.

Recurring fair value measurements at 31 December 2018

	Level 1 $	Total $
Financial assets		
Investments listed on		
Trinidad and Tobago Stock Exchange	1,758	1,758

Recurring fair value measurements at 31 December 2017

	Level 1 $	Total $
Financial assets		
Investments listed on		
Trinidad and Tobago Stock Exchange	2,169	2,169

The following table presents the changes in level 1 items for the periods ended 31 December 2018 and 31 December 2017:

	Listed Securities 2018	Listed Securities 2017
Opening balance 1 January	2,169	2,357
Appreciation/ (depreciation)	(409)	(189)
Sale) of investments	(2)	1
Closing balance 31 December	1,758	2,169

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.

ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

•During the year 2018 NFM disposed of 209 investment shares. This was as a result of one employee leaving the employee stock option plan and as a result their shares were disposed of. The fair value of these shares and the loss at the date of disposal was immaterial.

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** – Forty-Sixth Annual Meeting of the Shareholders of the Company to be held in Theatre 1, National Academy for the Performing Arts (NAPA), Keate Street, Port of Spain on Monday 10th June 2019 at 10.00 a.m.

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
26th April 2018	Sati Jagmohan Secretary	

Cinnamon swirl

Loaf with Orange Glaze

Method - **Cinnamon Swirl Loaf with Orange Glaze**

In a large bowl stir together 2 cups flour, yeast, salt and sugar. Warm milk to 110°F. Stir in butter and eggs. Add to flour mixture and beat until smooth. Add enough of the remaining flour to make a soft dough. Turn dough onto a lightly floured surface and knead until smooth and elastic, about 5 minutes. Place in a greased bowl turn greased side up. Cover and let rise until doubled in bulk, about 1 ½ hours. Preheat oven to 375°F. Punch down dough, divide into 2 equals parts. Roll each part into a twelve by eight inch rectangle, spread with one half the melted butter, sprinkle with one half the sugar cinnamon and orange zest. Roll up jelly roll style. Place in a greased loaf pan, repeat with other half and let rise until doubled in size, about 20-30 mins. Frost Loaves with Orange Glaze makes two, bake until golden brown, about 20 to 25 minutes.

Ingredients

4 - 4 ½ cups **Lotus All Purpose Flour**,
1 **Package Saf Instant Yeast**2 tbs sugar,
1 pinch salt, ¾ cup milk, ¼ cup butter, 2 eggs

Filling

1 cup brown sugar, 1 tsp cinnamon
1 tbs orange zest, ½ cup butter, melted

Orange Glaze

1 **Cup Lotus Icing Sugar**
1 tbs orange juice,1 tsp orange zest

Method for Orange Glaze

Mix sugar with orange juice and zest until smooth. Add a little more water if needed ½ tsp at a time. Place in a piping bag and drizzle onto cinnamon swirl loaves. Let dry before serving

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