

**VERBATIM NOTES OF THE SIXTH MEETING OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE HELD IN THE A.N.R. ROBINSON MEETING ROOM (EAST), THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, APRIL 20, 2016, AT 10.05 A.M.**

**PRESENT**

Mr. Wade Mark	Chairman
Dr. Tim Gopeesingh	Vice-Chairman
Miss Shamfa Cudjoe	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Mrs. Jennifer Baptiste-Primus	Member
Mr. Foster Cummings	Member
Mr. David Small	Member
Miss Candice Skerrette	Secretary
Miss Hema Bhagaloo	Parliamentary Intern

**ABSENT**

Mr. Fitzgerald Hinds	Member
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**INVESTMENTS DIVISION, MINISTRY OF FINANCE**

Ms. Yvette Babb	Director, Social and Economic Transformation (Ag.)
Mr. Denis Cox	Senior Investment Portfolio Analyst
Ms. Sharon Mohammed	Senior Business Analyst

**NATIONAL FLOUR MILLS**

Mr. Mike Bazie	Chairman
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Mr. Ross Alexander	Director
Mr. Kelvin Mahabir	Chief Executive Officer
Mr. Robert Subryan	General Manager,
Finance and Procurement	
Ms. Cheryl Edwards	General Manager, Operations
Ms. Sati Jagmohan	Corporate Secretary
Mr. Anthony Jones	Manager, Internal Audit
Mr. Adrian Cabralis	Manager, Flour Milling and
Packaging	

### **MINISTRY OF TRADE AND INDUSTRY**

Mr. Norris Herbert	Permanent Secretary (Ag)
Ms. Susan Singh-Seerattan	Director Business Development
Mr. Dennis Scott	Manager, Alliances

**Mr. Chairman:** Good morning and may I take the opportunity to welcome the officials of National Flour Mills, officials from the Investments Division of the Ministry of Finance and the officials from the Ministry of Trade and Industry. And may I also take the opportunity to welcome the media and members of the public to this meeting of the Public Accounts (Enterprises) Committee.

Let me indicate that the purpose of this meeting of the Public Accounts (Enterprises) Committee is to examine the audited financial statements of the National Flour Mills for the period 2008 to 2011. This Committee is desirous of hearing from the key stakeholders at NFM in order to learn about the challenges being faced by your organization and to determine some of the possible solutions and measures that we can collectively bring to bear to overcome these challenges.

May I emphasise that the role of this Committee is to help not to hurt, to help not to harm the National Flour Mills improve its delivery of services in an efficient,

effective and economic manner. May I also advise that this meeting is being held in public and whilst the broadcast will be delayed because there is another meeting taking place simultaneously, it will be broadcasted sometime later on today on channel 11 and radio105.5 FM and it will also be on Parliament's Youtube channel Parlvew.

May I take this opportunity to invite the officials from the NFM to introduce themselves as well from the Ministry of Trade and Industry and members of Ministry of Finance Investments Division and we too will follow after your introductions. So may I invite the officials from the National Flour Mills to introduce themselves and in doing could you just press your knob so that your voice could come. Just press—

**Mr. Bazie:** Mr. Chairman, the National Flour Mills Limited was incorporated in 1972.

**Mr. Chairman:** No. We are not going to go there as yet. We will just want you to introduce yourselves and your titles and/or your positions and then we will come your brief remarks.

*[Introductions made by the Chairman of the NFM]*

**Mr. Chairman:** And can you ask the representative from Minister of Trade and Industry to do the same.

*[Introductions made by the Permanent Secretary (Ag.) from the Ministry of Trade and Industry]*

**Mr. Chairman:** May I as Ministry of Finance Investments Division to introduce themselves?

*[Introductions made by the members from the Ministry of Finance Investments Division]*

**Mr. Chairman:** May I ask my colleagues here to introduce themselves.

*[Introductions made by member of the Committee]*

**Mr. Chairman:** At this time I will invite, I think, Mr. Mike Bazie the chairman who was about to make some remarks to do so at this time. So the floor is your, Sir.

**Mr. Bazie:** Mr. Chairman, the National Flour Mills Limited was incorporated in 1972 was a joint enterprise in which the Government owned the majority of the issued share capital. Subsequently in 1980, the NFM became a wholly-owned state enterprise. In 1995, it became a limited liability company and the 49 per cent of its shareholding was divested to the public through a formal listing on the local stock exchange. The remaining shareholding was vested in the National Enterprises Limited, a company which is similarly listed on the stock exchange. The company is pleased to accept the invitation of the Committee to be present this morning and it is noted that it should be prepared as far as possible to address the concerns related to the period 2008 to 2011. Central to the responses this morning will be the Chief Executive Officer Mr. Kelvin Mahabir and his team.

I ask that you now kindly permit me, Mr. Chairman, to hand over to the Chief Executive Officer who will respond to all questions with the sensitivity that our operations may sometimes denote in as much as in the public domain issues relating to investor confidence, share price, production and market strategies have very often be treated with the appropriate reserve, given the fact that NFM faces the competitive market test on a daily basis. In this we are aware that we will be guided fully by the Committee and its chairman. I thank you and the Committee once again.

**Mr. Chairman:** Thank you very much Mr. Mike Bazie, the chairman of the NFM. May I say from the outset before we begin our enquiry in terms of trying to get some clarifications on a number of questions to indicate that the Committee felt

that in its role to assist and to help the National Flour Mills improve in its operations, and seeking to make it more efficient and effective and economic its overall activities, the Committee felt that some of the responses to our written questions lacked details and did not give adequate information so with a view to informing us in the more comprehensive manner so to assist in the final analysis in finding solutions to help and to assist the National Flour Mills. So I must let you know from the outset that the responses were not sufficiently detailed. That is an area that we want to flag very early. So a number of questions may have to require further elaboration based on what we have before us.

I would want to commence my questions, first of all, by asking the Investments Divestment of the Ministry of Finance to explain to this Committee why it is the financial statements, the audited financial statement of the National Flour Mills for 2012 which was submitted, we understand, to the Ministry of Finance on March 28, 2013, the financial audited statement for 2013 was submitted by the National Flour Mills to the Ministry of Finance via the Ministry of Trade and Industry on March 25, 2014 and the financial audited statement for 2014 was passed on to Ministry of Finance Investments Division from the Ministry of Trade and Industry on March 31, 2015. We would like to find out what mechanisms are there at the level of the Investments Division to ensure that these financial audited statements are sent to the Parliament in time?—so we do not have to confine ourselves to just 2008 to 2011. We could have been dealing with this morning with 2008 to the end of financial year 2014.

So, Mr. Denis Cos, you may need to probably help us. And I do not know Mr. Herbert who would have submitted or your predecessor would have received those financial audited statements and they would have been forwarded to the Investments Division. I do not know if I have my wires crossed, but there is need

for clarification. What we do know at this time, those three reports 2012, 2013 and 2014 are with the Investments Division at this time? Could you clarify and correct me if I am wrong or if I been misled? Where are these financial audited statements at this time? Are they with the Ministry of Trade and Industry, are they with the Ministry of Finance Investments Division? We need clarification on this matter, Mr. Denis Cox?

**Mr. Cox:** Good morning, Mr. Chairman. Thank you for making me start off the proceedings. As with regards to the financial statements for the National Flour Mills, we received the financial statements 2012, 2013 and 2014 very recently and we have submitted those financial statements to the public accounts to Parliament.

**Mr. Chairman:** When you say recently?

**Mr. Cox:** We received it from the company.

**Mr. Chairman:** No. When did you receive those reports from the Ministry of Trade and Industry, because my understanding is that the National Flour Mills would send their financial audited statements to Ministry of Trade and Industry and Ministry of Trade and Industry would send it to you. You said you received them recently. How recently is recently?

**Mr. Cox:** I think it is about two weeks ago.

**Mr. Chairman:** Two weeks ago? All of them?

**Mr. Cox:** Yes, Mr. Chairman.

**Mr. Chairman:** So price, KPMG completed their audited financial statements, according to my information, on March 28, 2013 for 2012, March 25, 2014 for 2013 and March 31, 2015 for 2014, and we have only now received them, Mr. Cox? So what is happening? Is there a breakdown somewhere?

**Mr. Cox:** Mr. Chairman, the relationship between the Ministry of Finance and the National Flour Mills is a peculiar one, in that the Ministry of Finance Corporation

Sole is not a direct shareholder in National Flour Mills. The shareholding is through NEL, National Enterprise Limited. In addition to that we received in 2003 a legal advice, as a matter of fact I should not say we, the National Flour Mills received legal advice which sort of, in brief, limited the participation at the Ministry of Finance and even the Ministry of Trade and Industry in terms of sourcing information or gathering information from National Flour Mills. This is a document which presented by Claude Denbow SC in April 2003. It is more or less, you know, the limit, the Ministry of Trade and Industry in terms of accessing information from National Flour Mills. To make it simple it means that we are not entitled, according to this legal document, to receive information from National Flour Mills except for the financial statement that and an AGM at the internal meeting, as they treat us as an indirect shareholder.

**Mr. Chairman:** Even though we have 51 per cent?

**Mr. Cox:** Our 51 per cent is through NEL and although the Government of Trinidad and Tobago, we are the beneficial shareholder of National Flour Mills, the document within the legal advice it says that although we are a beneficial shareholder, we are still debarred from accessing this information from National Flour Mills. I do not know if the representative from National Flour Mills would want to elaborate on the document because it is their document.

**Mr. Chairman:** Would you want to make a copy of that document available to this Committee?

**Mr. Cox:** Yes.

**Mr. Chairman:** It is not Denbow's document.

**Mr. Cox:** Yes, Mr. Chairman. Sure. Because it will help guide the Committee as to how we treat and, you know, how we interact with National Flour Mills in respect.

**Mr. Chairman:** So, you also said that since you received these audited financial statements only recently, you went on to say they were sent to the Public Account (Enterprises) Committee.

**Mr. Cox:** Yes, Mr. Chairman.

**Mr. Chairman:** Okay.

**Mr. Cox:** We sent it through Parliament's Secretariat.

**Mr. Chairman:** Okay. All right.

**Mrs. Baptiste-Primus:** Mr. Chairman.

**Mr. Chairman:** Just a minute, Mrs. Baptiste-Primus. All right. So they would have been sent to Parliament—2012, 2013, 2014, but we have not yet have eyes or have placed our eyes on those documents as yet. So they may have been sent, but they are yet to come before us.

**Mr. Cox:** Oaky. Mr. Chairman, I we do apologize, you know, in case it did not reach your desk.

**Mr. Chairman:** Okay. Mrs. Jennifer Baptiste-Primus would like to raise some matters. Mrs. Baptiste-Primus, please.

**Mrs. Baptiste-Primus:** Thank you, Mr. Chairman. Mr. Cox, upon receipt of the legal advice from Dr. Claude Denbow, did you or anyone in your department seek advice or guidance from your principal, based on the legal advice contained within the document?

**Mr. Cox:** Over the years, this was done in 2003, although my involvement in the Ministry of Finance was, you know, post this document. However, I know we have been holding ongoing discussions with Treasury Solicitor's Department in terms of treating all matters relating to state enterprises. So this probably has been one, but I cannot say whether it was dealt with directly.

**Mr. Chairman:** Yes, Mr. Foster Cummings.



**Mr. Cummings:** Mr. Cox, following up on the question posed by Minister Baptiste-Primus earlier on, there are other—let me first ask: are there other state enterprises or partially-owned state enterprises that fall in the same category as NFM? That is to say that the shareholding is held by NEL, and do you have a similar situation existing with any such company?

**Mr. Cox:** Yes, we do. If I can recall, Nipdec, TSTT would be one that falls under NEL. Yeah. This one is traded. This falls under NEL and it is being traded on the stock exchange. We have another peculiar situation with Nipdec. Right? The Corporation Sole does not have a shareholding per se.

**Mr. Cummings:** What I am trying to get at is whether there are other state companies that fall in a similar category as NFM and whether you are facing a similar situation of that company producing, or if not producing advice similar to NFM, but not submitting information that you may request? I am trying to find out whether that situation that you are experiencing now with NFM you have presented an opinion? Do you have any similar situation existing like that or is this a unique situation?

**Mr. Cox:** I think this situation is unique.

**Mr. Chairman:** You are trough?

**Mr. Cox:** We have similar situations, but you know, I do not want to elaborate on it now but—

**Mr. Cummings:** Is it that the Ministry has accepted legal advice of Senior Counsel Denbow? Is it as the way that you would interact with NFM you have accepted that as what the situation is supposed to be in terms of your interaction with NFM?

**Mr. Cox:** We are placed in a difficult place between a rock, you know. The situation is that we are requested information from National Flour Mills and they

are saying that they are debarred from providing information by this document, so therefore, we are really caught between a rock and a hard place.

**Mr. Cummings:** And do you think that it would be advisable for the Ministry to then pursue seeking other advise, because you do not have a judgement in front of you, you have a legal opinion to see whether, in fact, that opinion could stand on this own.

**Mr. Cox:** I would agree however, our document as I said in an earlier place in another place, our performance monitoring guidelines they are not, you know, enforceable by law. So in terms of where we go from here there is no fall back situation in terms of to enforce the companies to comply. Without this document National Flour Mills could do the same, you know.

**Mr. Cummings:** I hear you.

**Mr. Chairman:** Mr. David Small.

**Mr. Small:** Thank you, Mr. Chairman, for allowing me to join in this short discussion. Mr. Cox, I have had a little experience with this in the previous Parliament where another entity provided a similar legal opinion that in their view they were not required. But, and there was a big but, I have to give that company, now that I have seen the responses or lack there from NFM, I have to give that company some credit because they recognized that they are a significant player in the national business environment. And because of suasion that was applied, they complied fully with the request from the company for information. All they asked is that anything that is of a commercially sensitive nature, if we could question, dealing with those issues, be treated with not on the live portion of the programme, which is a responsible way to deal with it.

I am struggling, Mr. Cox, with an entity where they are providing a legal opinion and the Ministry seems to be saying, well this legal opinion is it. And this is an

entity that for all the average person walking down the street, NFM is a company that, you know, the Government owns or it is our company. But if our company is hiding behind a legal opinion, I have a huge challenge with that. I think that some suasion needs to be applied. If Parliament send 10 pages of questions and we get 15 pages of answers including the questions, then there seems to be some challenge with answering the questions. I understand the competitive environment, Mr. Chairman, with respect. But I think that the role of this Committee is to provide the recommendations to help these organizations—and we are bereft of appropriate information to do so, based on the lack of responses. So that we need to find a middle road.

So I think there needs to be some—and for the record, Mr. Chairman, if you will permit me, the entity that appeared before another committee in the previous Parliament was TSTT, and they operated in a very, very competitive environment and they provided complete information on all of their operations. All they asked was, anything to do with their commercially sensitive issues be treated with off camera, which the Committee complied with. So, I think, that is a laud by which—I take the opportunity to laud them for recognizing that they have a public responsibility to the people of Trinidad and Tobago, not to hide behind a legal opinion. Thank you very much, Mr. Chairman.

**10.35 a.m.**

**Mrs. Crichlow-Cockburn:** Mr. Cox I want to understand very clearly, is it that NFM did not submit those three audited reports until two weeks ago, or were they submitted and they were sitting somewhere?

**Mr. Babb:** From my information we only received it three weeks ago. Two or three weeks ago?

**Mr. Mahabir:** Yes.

**Mr. Chairman:** You received it from who, two, three weeks ago?

**Mr. Babb:** I think it came from National Flour Mills directly.

**Mr. Chairman:** Not from Trade and Industry?

**Mr. Babb:** No, no, that came from National Flour Mills directly to us.

**Mr. Chairman:** Mr. Herbert, is that how it operates? It goes directly to the Investment Division or it comes to you as the line Ministry first?

**Mr. Herbert:** Mr. Chairman, as I understand it, the company will submit to both Trade and the Ministry of Finance. As I understand it, maybe I do not have the total picture, because I was not there before. I am not in a position to say that we received it on “x” day and transmitted it to the Ministry of Finance, because we also do that. I have a colleague here with me, I will ask him if he can recall what actually transpired. Mr. Scott.

**Mr. Scott:** Good morning, well, I cannot specifically quote particular date or time, but usually the process is following the AGM, the line Ministry will follow up with the specific entities to ensure that the 20 copies plus a soft copy of the audited financials are submitted to the Corporation Sole. So, I will have to check my records to be specific in terms of dates and times.

**Mrs. Baptiste-Primus:** Mr. Chairman, permit me. While I think the Committee is appreciative of the challenges that may abound at the level of the Corporation Sole, the Investment Unit, at the level of the Ministry, I have a sense that it is only because this hearing was placed for today that an attempt was made to get information on to us. And, even with the submission of the financial statements to Parliament, they are not before this Committee, and I would want to add, knowing that you all would be coming here before this Committee, do you all not think that you should inform yourselves of what documents were required to be sent, and a simple thing as a date on which a document or statements were sent cannot be

provided to this Committee. I do not think that is acceptable at all, Mr. Chairman.

**Mr. Chairman:** Maybe you are partially correct there, because I am being advised by the Secretariat, that it was only on Monday of this week that the Parliament received soft copies of the 2012, 2013 and 2014 audited financial statements. They have not been tabled in the House of Representatives, because we only got those on Monday. So, they are not before us until it is tabled in the House and referred to this Committee. So, you are correct that maybe because of this particular event matters were speeded up.

**Mrs. Baptiste-Primus:** Finally, Mr. Chairman, we have to grapple, instead of addressing financial statements that are almost up-to-date, we have to be engaging in a conversation with National Flour Mills on a period 2008 to 2011, and really and truly it could be an exercise in futility, and I do not think that is the spirit and intent of having a Committee such as this to ensure that state enterprises give value for money and report to the people how they have spent those sums.

**Ms. Cudjoe:** Mr. Chairman, I am having much difficulty, because it seems like week after week, state enterprise after state enterprise we continue to treat with the same issue, and it seems like a culture has been developed where state enterprises do not feel the need to be accountable to the State or to tell taxpayers what they are doing with taxpayers' money, or even to tell the Committee how they are spending the Committee's time. And, I think that we are just going week after week or month after month, even from when I was in the last Committee in the last session, and something must be done to put an end to it. It is a waste of time and it is embarrassing. Not just to me as a member of the Committee, but as a citizen of Trinidad and Tobago. This is unacceptable, and I just want to place on record my discomfort, and something must be done, but we cannot continue in this vein, especially against the backdrop of what is going on in the economy. I just wanted

to place that on record, please.

**Mr. Chairman:** Mr. Kelvin Mahabir when would NFM be in a position to submit their 2015 financial statement? First of all, has that been completed thus far? And if it has, when would you expect to send that financial audited report to the Investment Division of the Ministry of Finance?

**Mr. Mahabir:** Good morning, Chairman, members. The audit is completed now and we expect by the end of next week to be able to submit the 2015 financials.

**Mr. Chairman:** To the Ministry of?

**Mr. Mahabir:** Trade and Finance.

**Mr. Chairman:** And how can we avoid that episode that we have just discussed, whereby we are getting the bunch, literally, of three financial audited statements or reports from NFM for 2012 to 2014 being submitted to the Investment Division only two weeks ago by your organization. What would you say would have been accountable for this delay, because you would have had the 2012 report before you, according to the report I got from the audited financial from KPMG, I think? They completed theirs, I think, was March 28, 2013 for 2012; they completed their 2013 on March 25, 2014; and their 2014 on March 31, 2015. So, I am just wondering what may have accounted for this late submission of those three reports only two weeks ago to the Investment Division and, maybe, also Trade and Industry? Could you share with us what would be some of the challenges that you were faced with? And, how do you intend, as the Chief Executive Officer, to address those challenges in the future so we could be on time in the future?

**Mr. Mahabir:** I just want to say that we are committed to having those reports on time and, in fact, my recollection, I have been at NFM for the last year and nine months and we have always submitted our accounts within days of the audited statements to the Ministry and, also, to the Ministry of Finance, because at the

AGM they attend our meeting. So, maybe there is something in the communication that went wrong. I think two weeks ago we were asked to resubmit 20 copies of the financials, et cetera for those years, and we did do that, so that for those particular years we would have submitted, because we also—Chairman as you realized we submit our information to the Stock Exchange, to the Security Exchange Commission very promptly, and therefore the information becomes public, it is published on the newspapers, et cetera. So that there is no need for us to delay providing information to any entity, and maybe something went wrong in the communication during this period, but I am committed to ensuring that does not happen again.

**Mr. Chairman:** May I ask a question on your internal auditing function? I observe that you have a complement of staff, I believe it is just two: one, the Internal Auditor and the other was an auditor senior or some senior audit personnel, do you think that given the size of your company—and we will come to that, because we do not have a breakdown of your staff; permanent, temporary, contract—would you say that the audit team is sufficient to meet the needs of the NFM? And, further, how has the internal audit function contributed to improving value for money, better governance, risk management and control processes of the company? Those are two areas I would like to have clarified as it relates to the internal audited function of the NFM.

**Mr. Chairman:** Chairman, on the issue of the numbers of people, we have very competent staff working in that area. What happens at the start of the year is an analysis of the risk areas in the organization, and based on that risk the audit programmes developed for the year and approved by the audit committee which includes the complement of staff required to support that programme for the year. There are occasions when there are specific audit exercises that require intensive

work for, maybe, a week or two, a month, depending on what is required that we would engage external parties.

For example, look at our particular aspect of our IT systems, particular issue in terms of any areas of impropriety that we believe could be happening, et cetera. So that what we have is a complement of staff that meets the routine requirements of the organization at this point in time, and their role is—we have adopted the concept of three lines of defence where the first line of defence is the manager is responsible for the operations area, they would implement both preventative controls in terms of ensuring things are not happening incorrectly and also detect controls if those are going to occur.

Then we have the second line of defence which is the finance function, the quality function, security department, et cetera, that looks at what is taking place in that area and ensuring that their interventions also prevent misappropriations, noncompliance with procedures, et cetera. And the third line of defence is the internal audit programme which then reviews the systems to ensure that the systems are adequate, and also reviews the performance against those systems to ensure that there is compliance. When there is deficiencies noted, in either of the three stages, actions will then be taken to have those corrected. So that those actions, when reported, eventually by the auditor goes directly to the audit committee and the audit committee of the board participates in terms of ensuring that there is remedy to these situations.

**Mr. Chairman:** But, how are those auditing functions contributing to improving value for money, good governance, risk management and the control processes of your company? Because this is a very important function in any organization, and since you are admitting that they are very competent, qualified, and they do an excellent job, how has that contributed from your perspective to the company's



governance function, reduction of risk management, value for money in the operations of the company, et cetera?

**Mr. Mahabir:** Chairman, one of the important areas that the audit would do would be to look at new areas of development in terms of risk, et cetera. For example, in the last couple months they have introduced the concept of a risk policy which will go together with a risk register that will by department access in each department the area of risk, the possibility of those risks happening, and the potential impact of those risks as they occur for the organization. That is compiled in terms of a number to see which areas of the organization is going to be significantly exposed to particular risks. And, the internal audit department has dual reporting functions. It reports administratively to the chief executive, but it reports directly to the board. So that a lot of the work that takes place by the internal audit department is actually guided by the requirements of the board to ensure that there is proper governance and to ensure that the risk profile of the organization is properly maintained.

**Mr. Chairman:** Could you share with us, before I ask another member to come in, what is the size of your workforce? And could you give us a break down of the composition of your workforce?

**Mr. Mahabir:** The workforce currently is about 403 persons; about 350 are permanent workers, and the others are temporary workers required from time to time to deal with special projects or for rotation on leave, et cetera.

**Mr. Chairman:** My final question before I ask Mr. David Small to come in. Your debt ratio, I have looked at your debt ratio and I have discerned for the period 2008 to 2011 a rather disturbing trend, because we know that when we talk about debt ratio, we are looking at your total liabilities over your total assets as an organization. The lower your debt ratio is the more ability the company has to

leverage; the higher your debt ratio, you are in a more difficult and challenging position.

I have observed that your debt ratio in 2008 stood at 51 per cent. When we go to 2009, it went to 55 per cent; in 2010 it rose to 57 per cent; and at the end of 2011 it stood at 69 per cent from our analysis of the numbers that we have before us. We consider this to be a very unsustainable level of debt in terms of the ratios and we would like to find out what mechanisms—we do not have reports before us for 2012, for 2013, and for 2014, so we do not know if there has been trending downward. We do not know. Maybe you may wish to share with us, even though we do not have that report, because any organization that is having that kind of challenge, I guess your interest that you would come to pay for loans at banks would obviously be put into question. So, our question would be, what steps, as far as you are concerned, have been taken by the company to control this unsustainable level of debt within the NFM?

And, maybe Mr. Mahabir you may wish to share with us as at the end of 2015, if you will, even though the report is not before us, but not to give the wrong impression, as at the end of 2011, it stood at close to 70 per cent, what is it now as at the end of 2015 financial year? And maybe you may wish to share with us what happened in 2012, what happened in 2013, and what happened in 2014, and bring us up-to-date with the latest? If it is down to 30 per cent, 25 per cent, 20 per cent, we would be very happy for the NFM. But, could you brief us on this matter, or to guide us accordingly?

**Mr. Mahabir:** Chairman, the debt ratio was 53 per cent in 2012; 47 in 2013; and 49 in 2014. And I just want to apprise the Committee—

**Mr. Chairman:** Just repeat those numbers for me?

**Mr. Mahabir:** Fifty three per cent in 2012.

**Mr. Chairman:** Wait, wait. Do you have for 2008?

**Mr. Mahabir:** 2008—

**Mr. Chairman:** Was what?

**Mr. Mahabir:**—69 per cent—

**Mr. Chairman:** Sixty-nine per cent.

**Mr. Mahabir:**—2009, 56 per cent—

**Mr. Chairman:** Fifty-six percent.

**Mr. Mahabir:**—2010, 55; 2011, 57; 2012, 53; 2013, 47; 2014, 49.

**Mr. Chairman:** Okay, and do you have any up-to-date figures for 2015 as we speak? What is the debt ratio for 2015 at this time?

**Mr. Mahabir:** It would be around a similar figure, Chairman.

**Mr. Chairman:** About 49 per cent?

**Mr. Mahabir:** Yes, approximately.

**Mr. Chairman:** Ok. Now, this is where I wanted you to—now, it is good to know that steps have been taken by the company to bring it down from 69 per cent in 2008 to 49 per cent. It is a good trend downward. Do you have any—what is your target over the next, let us say, three years, given the environment that you are in, and given the leverage that you would need as you seek to bring new lines of product unto the market to get some more market space for the organization? Where would you want to see, or where have you targeted this debt ratio to be by the end of 2020?

**Mr. Mahabir:** Chairman, the plan of the organization is that all capital expenditures going forward would be financed through internally generated funds. We did two things during 2014/2015 period: one was to totally pay down all overdraft facilities. We also converted or negotiated a new instrument with one of the major banks to move the short-term instruments that we had on our books to a

medium-term five-year instrument, and that is going to be drawn down in the year 2016 as we roll the programmes forward. The majority of our debt is very short-term debt, has to do with facilities to purchase grain, and therefore what we do, is because, as you know, grain is all foreign exchange based we have a tremendous difficulty in sourcing foreign exchange. In fact, if I were to name the number one problem the organization is facing now is getting foreign exchange to meet its daily commitments, because it is creating stock-out difficulties, shedding of lines, et cetera, as we try to cope with this situation.

And, because we have these loans in US denominated funds, we are able to settle instruments. But, at some point in time because they are short-term instruments we have to either roll or pay them down, so that the idea of having these is important. When we go to a 40 per cent target, which we believe is a good mix between our funds that are being internally generated, and what we source externally, because, as you know, committee members, the cost of debt is much cheaper than the cost of equity. Wherever you can, in fact, utilize that in a judicious way to promote the organization's objectives, we would do so.

So that there is a plan that we do not go into any further debts. There is also a programme that allows us to utilize these foreign exchange instruments, that gives us the flexibility to participate in grain markets. We have been negotiating with our suppliers to pay in different types of currencies, but even that is becoming—euros, pounds, Canadian dollars—difficult now. So, that is a challenge that we have to deal with. How we have dealt with it in terms of: one, our sourcing capabilities, what we do; the types of instruments that we engage in; the amount of exports that we are doing now have been stepped up. So that we have, in fact, in 2014/2015 compared to prior years, the exports have more than doubled.

Also, we have put new programmes into place now during the last year or so to

reduce waste down to total minimum and, also, to get more into local content in order to ensure that we do not have such a demand for foreign exchange. So, we are trying to tackle this problem from many sides. The local content initiative has gained some traction in that we are now working with NAMDEVCO and the Ministry of Agriculture on a cassava project to produce cassava flour. We have also started engaging the agriculture Ministry and also NAMDEVCO to look at how we produce animal feeds, because one of the challenges that we have is that our animal feeds are basically produced from some of the by-products that we make from the flour process, but also from importation of corn and soya. So, utilization of some of the lower grade broken rice locally; utilization of things like cassava, sweet potato, et cetera—that may not have the top grade—are things that we are looking at now to see how we can substitute some of the foreign content with local content.

**Mr. Small:** Thank you, Mr. Chairman, for giving me the floor. Mr. Mahabir I want to draw your attention to the responses provided on page 1, the last bullet under the first question, where the first question asks the measures that the company have implemented to enhance its strategic goals for the immediate and long-term future. I want to congratulate the company on this statement, because it speaks volumes. The very last bullet says:

The company is implementing culture change from one of entitlement to one of accountability.

Bearing in mind, the tone of the earlier discussions, I just find that it is a very, very interesting statement inside of your submission. My question has to do with the preceding bullet where it spoke to the resuscitation of a performance management system. So, I suspect from the word resuscitation that the performance management system in the organization was on life support, and you are trying to

get it back, so, I would like to understand what is happening, both for the benefit of everyone. I think performance management has elements; there is obviously the regular one that deals with actual staff performance, but then there is the organizational performance, what are the KPIs? What are you using as score card? I would like to understand what the company is doing, bearing in mind that the key issue always in an organization, if you cannot measure what gets done then you do not know what you are doing. So, I would like to understand from you what the company is doing regarding this?

**Mr. Mahabir:** This particular statement is related to the performance management system as it relates to the employees, which, over the years became a very cumbersome document, and would not have been adhered to throughout the organization at all times, but I want to refer to your more important point in terms of how the organization manages its overall KPIs and targets, et cetera.

So, while we are resuscitating the performance management system, and we have done that in 2015 and we are now going to an automated HRIS system, which is already implemented in terms of time and attendance, leave, et cetera, in doing our planning we have developed in 2014 a new strategic plan that goes to 2018, and from that, every year we roll out our corporate plan, which gets approved by the board by the first week of January every year, that plan has KPIs breach department and has a calendar of deliverables by month, that each department will deliver in terms of how do we get to those targets, and that is one of the reasons why you would see, for example, the performance of NFM during the last year in particular, if you look at the results. Even if you look at the stock market, it was the number one performing stock on the stock market last year, based on the improvement in the stock price. Last year and in the year before we also got a CariCRIS rating of Cari A and TT A, so that we also gauge the organization both

externally, and also in terms of what we do internally in terms of tracking.

Now, these KPIs are tracked monthly at our meetings in terms of what have we done against plan, and also at our board meetings where we account to the board in terms of what are our targets, our objectives, and how we are doing against those, so that gives us a good feel for the areas of what we are doing in customer service. For example, and go back to your balance score card concept where the CEO's report will go through what we have done in terms of the areas of customers, and production, and support areas in the financial performance, et cetera, and how are we training people, developing people, the workforce to meet and support the requirements to deliver those types of results that we expect.

**11.05 a.m.**

So there is a very comprehensive programme that has been introduced in the last couple of years that has moved the organization significantly. If you remember, a couple of years ago the stock price was below a dollar, I think it was 60 cents. We rose to \$2.75, I think at its peak, so that, in a very quick time demonstrates to the confidence of the market is having in terms of the organization capabilities to do things better.

**Mr. Small:** Thank you, Mr. Chairman, thank you Mr. Mahabir for a response on that. I just have one additional question at this time, and because the Committee is constrained to look at the accounts that we have in front of us, I would just quote a couple of numbers but I would like for you to provide to me what is the current status.

When I looked at your accounts for the period 2009 to 2011, I have noted that the company's profit as a percentage of its revenue, in 2010 it was 4 per cent, in 2009 3.06 per cent, 2011 it was less than 1 per cent. So that there seems to be a challenge with how the company is managing its cost. That is the immediate rate

to me. But I only have accounts up to 2011, so that is what the Committee has in front of it.

So reading what I am seeing here, it seems that there is a challenge because it is a very low return, 4 per cent return on \$450 million in sales is a very low return. But I would like to understand from you, has that improved since then, bearing in mind you indicated that the company's performance and its performance on the stock market and all these other factors.

**Mr. Mahabir:** I have some information I can actually share, that is printed if you prefer. Just to go back on the return on equity. For the years 2008 it was minus 11.84 per cent; 2009, 9.73 per cent; 2010, 9.18; 2011, 0.39; 2012, 7.1; 2013, 10.24 and 2014, 11.22.

There is, as you may know, besides operating in a very competitive environment we also have policies regarding pricing of certain major products. And the last price increase we would have gotten for flour was in 2008. So since 2008 to now we have been operating with the same price for our final product. We have not increased prices to the market. During that time, our transformation cost, because of labour and other inputs and foreign exchange movements et cetera, throughout that period would have risen by more than 70 per cent.

So that, what we have been able to do is to improve the efficiencies of the organization while we are constrained on some of our major product lines. But at the same time the company has not sat down and said, look, this is the situation and let us just leave it like that. We embark on a programme of adding new products, in particular, in 2012 we launched into the pet food market, a very competitive market, and that has done the organization quite well where we produce the Command Performance brand of dog food.

We launched in the last three years a renewed effort into the export markets and



that too has helped us in terms of moving the revenues and profitability in the right direction. So that while we are constrained in one area, we have taken the opportunity to developed the organization in other areas to compensate for the deficiencies that may have arisen because of this particular way in which we had to operate.

**Mr. Bazie:** Mr. Chairman, may I address?

**Mr. Chairman:** Yes.

**Mr. Bazie:** I think it will be very useful—we do have a print out of asnapshot of performance during the last three years and I think it will be very useful if we may hand this out to members of the Committee so that many of the questions being asked would have greater relevance given the performance of the company in the last three years.

**Mr. Chairman:** Yes, we will take note of that. But thanks very much.

**Mr. Bazie:** It is a statistical snapshot, if you wish, Mr. Chairman, we can just distribute at this time so—*[Interruption]*

**Mr. Chairman:** Yeah, we will circulate it to members. Any other member would like to—yes, Mrs. Jennifer Baptiste-Primus.

**Mrs. Baptiste-Primus:** Mr. Chairman, through you your good self to Mr. Kelvin Mahabir, the CEO. I have noted a short while ago you shared with us information regarding the various efforts of the company to expand its operation. I noted in particular your statement that the company has renewed efforts into the export markets to develop the organization in other areas. In that context, I would like to ask two questions, firstly, what is the strategic plan of the NFM and how does it relate to your new strategic direction? And a second question that I will hold until I receive the information.

**Mr. Mahabir:** The strategic plan for—

**Mrs. Baptiste-Primus:**—of the company and how does it tie-in with the recent efforts of the company in terms of your penetration or exploration of the export markets.

**Mr. Mahabir:** Well, the organizations growth strategy is based on a number of different areas. One, there is new product development and we would have developed products like crack wheat, Lions roti mix, pholourie flour, et cetera, in the last year or so. We export right now from Canada, Jamaica, throughout the Caribbean to Guyana and Suriname. What we are embarking upon this year is to go into the Latin countries in the region and the reason, again, as I indicated before, is that more and more we have to target these markets because of the need to create growth because of the local market being of a particular size and that allows us to grow beyond the particular size of the local market. And two, very importantly, now, even more so because of the foreign exchange situation that we face.

So that the growth strategy to grow the top line would require us entering the markets more aggressively and at the same time ensure that there is value for money offerings by keeping our cost down to minimum. Ensuring that the waste, the management of our two key inputs into production, which is, grains that we procure from countries in the United States and South America are properly handled so that we reduce the waste and make it as efficient as possible, but also in terms of the transformation cost.

So, for example, in 2015 we introduced a productivity system for the entire workforce that allows us to trap productivity in a very unique formula to ensure that the organization is improving its performance in the transformation area and not simply incurring higher wages every year, because you know as we negotiate wages the cost goes up. And that has to be somehow recovered, bearing in mind

the constraints that we talked about before where we are constrained in terms of price adjustments, we now have to find mechanisms to ensure that our productivity continues to improve.

**Mrs. Baptiste-Primus:** Mr. Chairman, if you would permit me, before I ask the second question, just as a follow-up to what you have just asked, how has the company linked productivity to increased wages?

**Mr. Mahabir:** Well what we do is we take the two components that we have, which is production and traded products in terms of how that quantum is borne by the wages associated with those areas. So we measure that against the, it is an index that we create. And the system allows us to share part of the profits above the weighted average cost of capital with the workforce once the targets are hit.

**Mrs. Baptiste-Primus:** There were recent media reports, Mr. Mahabir that the NFM is looking to export products to Cuba and that bears out in your recent statement of the company attempting to explore the Latin American market. Have you all began trade talks with your counterparts in Cuba? And what are the company's plan to penetrate this particular market without revealing too much of how you all intend to go about it because of the competitive nature that exists?

**Mr. Mahabir:** I personally traded with Cuba in another place during the 1990s. So I have had a lot of experience in terms of the Cuban market and the difficulties associated with the then situation to get paid and I think that was one of the major difficulties that most exporters into Cuba had at that point in time. As you know the country Caricom has a trade agreement that includes Cuba. But it is a unique agreement, in that, in most trade agreements we tend to trade with firms in the other countries.

In Cuba, generally, it is with the Government and its agencies that you are dealing with. So it makes it a little bit more difficult and we have, in fact, at an advanced

stage in terms of dealing with those matters, in terms of our products getting into that market. So Cuba is one of the prime targets for us but not just Cuba, the Dominican Republic is also another one that we are going to go into this year. We already started to get all the details in terms of, there is another particular law in the Dominican Republic that creates problem for Trinidad exporters which I think the Ministry of Trade and Industry knows well. It is called the “gringo law” and that has always created difficulties in terms of the acquisition of your brands by local distributors in the country. So we have to navigate around that and we are putting together the mechanisms to deal with that particular situation. We have also been to Panama in recent times and also the last big one that we are looking at is Costa Rica. So those would be our prime targets for growth in this particular period that we are looking at.

**Mrs. Baptiste-Primus:** Mr. Chairman, just permit me with my final question. Firstly, I think the company has made an excellent decision to explore the Cuban market given the freeing up that is underway in Cuba. With regards to Panama, is the company going to be part of that trade team that will be going off to Panama? I think under the aegis of—

**Mr. Mahabir:** The Chairman.

**Mrs. Baptiste-Primus:** Right, will the company be part of that trade team?

**Mr. Mahabir:** Not this time. We had gone on an earlier mission with the TTMA and that yielded some leads which we are working on right now. So this is the second, I think it is the Chambers going on this particular mission, but since we already went there and started some work we are going to focus on those leads that we have.

**Mrs. Baptiste-Primus:** And finally, through you, Mr. Chairman, Mr. Chief Executive Officer and Mr. Chairman, Mr. Mike Bazie, I would want to caution the

company and request that the company consider carefully the exploration of the Dominican Republic market. There are some issues that are bounded within the country that are of grave concerns. So I would want to strongly advise the company to pay particular attention to those issues prior to any footsteps in that particular market and I think you understand what I am speaking about.

**Mr. Mahabir:** Yes.

**Mr. Chairman:** Yes. I recognize Mrs. Cockburn.

**Mrs. Crichlow-Cockburn:** Thank you, Mr. Chairman. I believe we would all agree that the human resource management function is a critical importance to any organization. I have reviewed the submissions and there seems to be an absent with respect to your human management function and your human resources in your organization. I also listened to the introductions this morning and I really did not hear human resources represented. So I wanted to find out how does NFM view its human resources and what is their turnover rate like and what do you do to ensure that you retain your valuable resources?

**Mr. Mahabir:** Well, to start at the end, our turnover rate is extremely low and, in fact, a lot of our workforce has been with us 20, 30 years now. And that supports the fact that they are relatively happy in terms of what they do, but more importantly what we have been doing for the workforce in recent times is looking at many of our factory workers, for example, are experienced but not certified in anything. And what we have done is started a certification programme starting with our maintenance department, where we work with National Training Agency and the MIC, et cetera, to ensure that they become certified in the particular area of expertise that they have and that programme will continue now in terms of the other aspects of the organization throughout the manufacturing part of it.

Training is a very important part because that comes out of the earlier discussion

about the performance management system. As we understand the deficiencies in the workforce, and there are many times significant deficiencies that we face because we do have, even literacy issues that we have to deal with and we have a programme started with ALTA to look at improving that because it also improves the lives of the workers, not just on the job but outside of the job. So that programme is also going to bring benefits to the workforce.

We also introduced in 2014/2015 a scholarship programme for the children of our workers, so that they can participate at the level of secondary school, when they exit secondary school and go into the Bachelor's Programmes at the University and the Master's Programme. So that would also encourage them to feel more connected with the organization. The workforce and the company have very good relations both in terms of the individual workers and also in terms of the bargaining unions that we operate with. So that it is an important, as I indicated earlier, an integral part of what we do. The two major inputs into our operation would be the people inputs and grain inputs and how we use that to meet market requirements require us to have people who are concerned about quality, safety, et cetera.

So we track, for example, our safety records and try to improve upon that every year to get to zero lost time incidence in a particular year. We also as part of our SQF certification, which is one of the highest certifications in the world for food quality, which would allow us access to the US markets and the European markets. We are in the second stage of implementation of SQF, the certification is expected in March 2017, it is a three-year programme. And that will bring the organization significantly out of some of the problems that we face, because it requires not just retraining of the people, it requires significant upgrades in infrastructure and plant to meet the stringent requirements of SQF level three.

So again, all of this is integrated in that we do not treat with our people as separate from the overall objectives of the organization, but integrated into the terms of what we have to do.

**Ms. Crichlow-Cockburn:** Mr. Mahabir I am very heartened, and I am sure the Committee is, to hear that you recognize the importance and the value of training and development. And just as a follow-up, do you have a succession planning system in place to ensure continuity, because a lot of the training that you do is specialized to your organization so we would not want to lose that institutional knowledge. So do you have a succession plan that includes mentoring and coaching to ensure that you have persons so that the continuity of operations would bear?

**Mr. Mahabir:** I would like to say, yes, but it is not yet in place. One of the modules in the new system that we introduced last year June in terms of the HR system, automated HR system is, in fact, succession planning, and that is to be rolled out in this first half of 2016. Again, it is important not just because of the situation that you just described, but because we also have people who have stayed with us for many years and we need to transfer that knowledge to the new people coming in.

We also have to cognizant of the fact that as we upgrade technology too, that we need to ensure that the people coming in are also able to meet those requirements. So a mix between how do we move people in the organization up and how do we get the right mix of new people coming in to ensure that we keep the objectives of the organization in terms of improved efficiencies, et cetera.

**Mr. Cummings:** Thank you, Mr. Chairman. Mr. Mahabir you did mention earlier the question of local content and some initiatives with the Ministry and NAMDEVCO. Could you elaborate on that a little, please, and tell us how high on

the priorities, how high you have reached with that, et cetera.

**Mr. Mahabir:** Well about a year we have started work on the cassava projects and that has been ongoing discussions with the Ministry. We have had in the first week of April confirmation from NAMDEVCO that the equipment required for processing the cassava has been built and they just have to make the final payment now to have the equipment shipped to Trinidad. What would happen with that project is that they would provide us with the cassava meal in a dehydrated form for us to blend with our flour and produce a finished product that is a cassava flour, which is a blend of both cassava and wheat that would go to the market. So that is in terms of the particular cassava project.

In terms of the other two projects, I attended the consultation about a month ago with the Ministry of Agriculture, Land and Fisheries and we had discussions with a number of farmers. And one of the concerns that the farmers would have is that they produce products in peaks and troughs and when they produce a lot of, a particular product, they get nothing for it in terms of selling it into the market. Therefore, the role of NAMDEVCO as they saw in that consultation, is to be a maker, a price support mechanism in terms of guaranteeing a particular price so that people can produce year round, would give us the assurance for us to utilize the local raw material, because when we change our formula we cannot go from X formula to Y and go back to X and Z again, because the animals that may be using, for example, a product based on corn, if we switch out to cassava or sweet potato and we do the transition to getting the animals back, if you are not producing again, is going to be very difficult.

So very important, in the value chain would be sustainable production at a particular level that allows us consistency of supply so that we can then rely on that chain for our inputs into our processes.



**Dr. Gopeesingh:** Good morning, Chairman, members of the Board of the Directors, the CEO and management team of NFM. My questions are of a broader nature in terms of NFM, I stand to be corrected, comprise of NEL shares, 49 per cent. Yes?

**Mr. Mahabir:** Fifty one.

**Dr. Gopeesingh:** Fifty-one. And the state 49 per cent.

**Mr. Mahabir:** No. The other 49 is owned by shareholders and the stock market.

**Dr. Gopeesingh:** Right. From your audited statements of 2008—2011, I see that in 2008 your sales was \$630 million; in 2009, \$494 million; 2010, \$439 million and 2011, \$440 million. Well, we are in constraint to ask you within the confines of 2008 to 2011 my understanding is that you have provided subsequently reports from then on. What would you say, you were not the board then, but from analysis, what would you say—if you would, bear in mind the questions I am asking and then you could answer, most of them—would have accounted for your drop in sales between 2008 to 2011 from \$630 million to \$440 million. And, of course, you seem to have managed the company better, but a gross profit increasing from \$47 million in 2008; \$88 million in 2009; \$92 million in 2010 and \$65 million in 2011, which was good, except it dropped in 2011 and your operating profit was around, between \$25 million, \$39 million, \$16 million.

First question, was that after tax for those profits, the operating profit? I see you have a column for net profit, so that net profit would have been—

**Mr. Mahabir:** The net profit after tax and the operating profit will be before tax.

**Dr. Gopeesingh:** Before tax. So in 2010 you made a net profit about \$18 million and in 2009, \$17 million and 2011, \$639,000—

**Mr. Mahabir:** Yes.

**Dr. Gopeesingh:** On your areas. All right. Bearing in mind what is happening in

the market. First, most important question, what is your import amount in foreign exchange that you can give us, if you want to give us an idea what is happening now that is for you to determine. But between 2008—2011 with this type of sales, what amount of foreign exchange you would be using in terms of import of the materials, your ingredients for the animal feed and for the flour. And then, do you have any export and if you have any export, what is the amount that you receive in your export?

You have competitors in Trinidad, in the flour industry, what percentage of the market does NFM have in the flour industry and who are your main competitors and what strategies are you using to get back the dominant part of the market? And how much the animal feed aspect verses the flour aspect in NFM, the ratio of the values in terms of your sales and if there are any competitors in the animal feed as well and what procedures or strategies you are using to do that? So these are some broad questions. Thank you very much.

**Mr. Mahabir:** In terms of the drop in sales from 2008 to the following year, in 2008 grain prices went up approximately 80 per cent during the first half of the year and then fell in the latter half of the year. What happened, because as you rightly said, there are competitors in the market, the competitors withdrew from the market because they could no longer buy at a dollar and sell at 90 cents because of the price control mechanism in place for flour. NFM then assumed the entire market for about seven months I think it was, before they reentered the market. And in July of 2008 the price was adjusted up and again in November 2008 the price was adjusted down because of the movement downwards in terms of the grain prices. That allows the competitors to come back into the market in terms of the price being adjusted.

So both wheat prices and corn prices are falling and the reentry of the competitors

back into the market allow for loss of market in the following year. In terms of overall market share, we are the dominant player in the flour business. We have two local competitors and in the feed business in terms of—the feed industry is a little bit different, in that many of the large feed producers are vertically integrated in terms of chicken production, et cetera, so that what they do is that they supply their requirements initially and then when there are surpluses they go into the market. Now it means that the predictability of their entry and the amount they are entering into the market is very difficult for us to estimate. But there are about six players in the feed market that come into the market and compete with us.

There are two competitors that routinely compete with us in the market place. In terms of the mix of business, the flour versus feed, feed is about 32 per cent to 34 per cent of our total sales and flour make up significantly with the rest. We have some traded products that we do also which is quite smaller about 8 per cent. In terms of sales, export sales that is, the trend now is for us to push more to get to the 20 per cent target that we are looking at over the next year. And we close the last year of 12 per cent of overall sales as exports. That has come from a low of zero about four years ago, 5 per cent in the first year, 8 per cent in the next year, 12 per cent. So as our total sales grow this percentage becomes even more important because it is a percentage of a bigger figure.

**11.35 a.m.**

**Dr. Gopeesingh:** Could you give us a little—US dollar value? That 12 per cent equivalent to how much US dollars?

**Mr. Mahabir:** About US\$10 million.

**Dr. Gopeesingh:** And the import now?

**Mr. Mahabir:** Yeah. In terms of our purchase of grain spears, et cetera, about 65 to 70 per cent of our cost is associated with foreign imports. So corn, soya, wheat,

spears for our plant are all imported stuff into Trinidad.

**Dr. Gopeesingh:** Can you give us a value, an approximate value, if you can?

**Mr. Mahabir:** About US\$40 million to US\$45 million per year.

**Dr. Gopeesingh:** Now in imports?

**Mr. Mahabir:** Yes.

**Dr. Gopeesingh:** And at about \$10 billion you are looking to go to—close to a US\$10 million in sales.

**Mr. Mahabir:** We are at that \$10 million and we want to increase that order.

**Dr. Gopeesingh:** Just a follow up on this. Your competitors in the feed industry, how much input materials you will be importing for the feed, the animal feed? And you competitors, how much you estimate since you have about six competitors who are bringing in feed stock for animals, which sector of the agricultural areas in terms of animal get the largest amount of input material from abroad for the feed?

**Mr. Mahabir:** I will say chickens.

**Dr. Gopeesingh:** Chicken?

**Mr. Mahabir:** It is large, the industry is large, well developed, competitive, and, I think, I am not too sure about the amount of chicken that is imported, but I know significant part of it is locally produced.

**Dr. Gopeesingh:** Being in the market you think it is advisable for you to have an understanding of your stakeholder, the external market so that you could be competitive and see how you could penetrate that market?

**Mr. Mahabir:** But we are competitive, but as I indicated earlier, vertically integrated companies do not allow you to sell into their value stream, because what they do, is that their main objective is not to produce grain, to produce feed, but to produce chickens. So what they do is really, all their inputs that come in are

geared towards production of chicken.

And, for example, the areas that we have ventured into are not normally taken up by those companies would be in the pet food area and in the last eight months in terms of tilapia food productions. So we are now exporting tilapia feeds into Guyana and Suriname and we are also selling into the local market because it is a small industry, but something that has happened globally is that it has become more important as a source of protein and many people—

**Dr. Gopeesingh:** Just stick a pin. My understanding of that is that we probably import close to about two million tonnes of tilapia on an annual basis, import, and China is our main import area.

**Mr. Mahabir:** And that is just Trinidad. We also have large importation of tilapia in places like Jamaica, et cetera. We have also gotten the license to export into Jamaica now. We are already doing it in Suriname and Guyana, albeit it is not a large industry at this point in time, I think each country is now experimenting with going more and more into these areas. They are looking at the types of fishes not necessarily only tilapia, because some of them have brought in fishes from Brazil that have different profiles in terms of the rate of consumption of feed to flesh conversion, et cetera. So we are working with them. We brought in experts who gave us the formulation for different types of fishes to help us produce something that will the best yield to the farmers.

**Dr. Gopeesingh:** Mr. CEO, I just wanted to focus on—from a perspective of where we are, we are having difficulty with foreign exchange and we have mass importation that is utilizing much of our foreign exchange. I was trying to get a large picture of where we are as nation in terms of imports of foreign ingredients for the animal and the wheat market. You said you import about 40 million to 50 million US from NFM. Do you by chance happen to, or by research, happen to

have an understanding of what is the value that your competitors may be bringing in from a national—I know it would be difficult, but if you can probably—

**Mr. Mahabir:** I will only be guessing because really the feed and the chicken business in terms of how that is integrated, I do not have those details.

**Dr. Gopeesingh:** All right. Okay. Fair. Thank you very much.

**Mr. Chairman:** May I before I ask Sen. Small to ask a question. I wanted to go to back to the issue of the cassava project. I remember Prof. Sammy some years ago he was always on this area of trying to get substitutions as much as possible for foreign imports and the cassava industry was an area he that he always focused a lot on. And I was very happy to hear that event is about to materialize via NAMDEVCO and a project is on its way, as you said, by the end of this year or even before.

I was trying to determine: how will that project contribute in the final analysis in saving vital foreign exchange? If, for instance, the production supply in that area obviously would be increased, you would be getting the raw material from that project and trying to convert it into cassava flour. What is your vision and projection over the next five years as it relates to this cassava project? And do you see the country being able to save vital foreign exchange in that area and the consumers being able to adjust their taste to this new particular product that would be emerging in terms of cassava flour and the associated products that would be emerging from that line? So could you share with us what is your thinking, seeing that you will be purchasing the raw materials from NAMDEVCO to convert into cassava flour at the end of the day? Share with us what your vision is in terms of foreign exchange and our ability and so on to really shift, you know, into that area of consumption?

**Mr. Mahabir:** The most difficult part is the last part of your statement, Chairman,

in that the taste and behaviour of the flour had to be tested over a period of time to ensure that it was acceptable because we have become very accustomed to a particular taste in terms of—so that there was testing of bread made with this cassava flour, various mixes, et cetera to see that we could arrive at something that actually looks and feels quite similar to what we now buy on the shelves.

In fact, these new types of products have become healthier products in the market place because as you know wheat does not always have a good health ring to it. It is always seen as a product that, you know, has difficulties particularly in the US market. People have certain allergies to it, et cetera. So it is going to be a healthier product. It is going to be a product that initially it is going to start off as a niche product that is going to have to grow. A lot of that is going to have to be tested over the first couple of years to see how well, one, the market produces, the type of raw material that is required to support it, and how well the market continues to accept this new product.

So both in terms of costing and in terms of taste profile, that will have to be managed by us to ensure that we put this thing onto a growth path. And in terms of the vision for it, it is difficult to say. I would love to say that this thing takes 50 per cent of the imported content that we, but it again is going to be dependent upon our capacity to produce and the market gravitating towards this new product in a big way. And if that happens, it will move us in that direction.

**Mr. Chairman:** When will the first product being converted and being rolled out from the company NFM? When do you anticipate the first bag of cassava flour to be available for public consumption in the Republic of T&T?

**Mr. Mahabir:** There is one major constraint as I indicated earlier and that is the arrival of the equipment for NAMDEVCO. It has been built according to their last report. They just have to pay for it now so that it could be shipped. If all goes well

and it arrives here within the end of May, then within a month or two after that we should be able to have everything ready to go to market. So a lot depends on their ability to bring the product in, their equipment in. I know that there is production that they are also working with the farmers on now to ensure that production is available to meet the requirements of their new mill that they are bringing in.

**Mr. Chairman:** All right. May I also ask, what is your current accounts receivable balance as at the current or present time? And what is the approximate amount of unrecoverable accounts receivable that you would have to write off or you have written off to date? So could you share with us: what is the current account receivable balance as at today's date? And also the amount of unrecoverable accounts receivable that has been written off by the NFM to date.

**Mr. Mahabir:** The last balance is about \$66 million. We have over the last 10 years or so provided a total of \$23 million for debts that have not been recovered, and that represents about .5 per cent of sales which is, in the overall scheme of things not high, but again something that we have worked assiduously over the last year and a half to reduce through a number of mechanisms, one, in that we went back through a process of redoing all our credit limits for all our customers, and got that board approved about a year and three months ago. And that is now being managed in a much tighter basis. If you look at our interest cost, for example, year over year 2013 to 2014 was cut by half from \$10 million to \$5 million. And the reason for that has been, one, we renegotiated some of our instruments; and two, we improved upon our collections and cash flows. So that by tightening up we were able to reduce our overdraft levels, in fact, totally eliminating our overdraft now and that helped us in terms of control.

So there have been periods in the past where we had difficulties. Some had to do with the period when we were a monopoly and how we dealt with credits. The



other one had to do with when we converted our systems in 2009 thereabouts from the old 400 based system to a new system. There were some hiccups there that allowed certain laxity to take place within the [*Inaudible*] system. All of that has been tightened up now and we have cleared up even 2009/2010 balances we had done reconciliation for those, and still even though we are providing for them, collecting those sums. So we are going out to collect for those.

**Mr. Chairman:** So do you anticipate a successful drive in recovering the \$66 million that remain outstanding? Or do you anticipate, given previous experiences or past experiences, you may have to write off half of that in the coming period? Or are you committed to recovering your entire \$66 million receivables that are still outstanding? And within what time frame you anticipate you will be able to collect those moneys or those outstanding receivables?

**11.50 a.m.**

**Mr. Mahabir:** As I indicated, for the very old ones, we have now fully provided for that. So while we are still collecting on them, we are fully provided. On the current debt, we manage it based on customers' relationships with us so that we have customers who are 30 days, customers who are 45 days, and they have to now adhere to those requirements. If there is any need to go outside of those approved limits, the CEO has to approve for that to happen. So that the controls are now in place to prevent people trying to make a sale not understanding how the moneys are going to be collected. So that has really allowed us to be much more confident now that we have recovered all of the receivables.

**Mr. Chairman:** We had asked you for a copy of your strategic plan for 2014—2018, we are yet to receive it. Did you submit it? Did you submit to us your strategic plan?

**Mr. Mahabir:** I do not think so. No.

**Mr. Chairman:** Well could you supply us with that? And then we had also asked you for a copy of your fraud policy which we are still awaiting a copy of.

**Mr. Mahabir:** That was supplied.

**Mr. Chairman:** That was supplied. Did we get that? We did not get that. So there is a communication problem at NFM. Maybe you have given instructions and you need to take charge of those people who are not following your instructions. So the fraud policy is yet to arrive and the strategic plan for NFM has not arrived. So could you make those available to us within the shortest possible time. I will now call on Mr. David Small.

**Mr. Small:** Mr. Chairman, thank you for giving me the floor again and you have asked one of my questions because I was going to ask Mr. Mahabir to go to page 14 of their submission and the question asked has NFM established a fraud policy and there is no response. So you all did not respond to that question at all from the Parliament, not even a one liner, zero response. So my question was: do you have a fraud policy? But I gather from the exchange that you do have one and it just was not submitted.

But in your response on the question of whether you have a fraud policy, there is nothing, no response of any kind. So my question, Mr. Mahabir, let me move on, is when I go back to page 13 of your submission, when you asked about audit investigations, I am confused about your answers because it says regarding fraud investigations, you do it once a year. I need to understand—I do not understand. Fraud is something that is endemic in a lot of organizations. I note from other parts of your submissions that you seem to have an issue with incidents of theft.

**Mr. Maharaj:** Yes.

**Mr. Small:** But based on your response here, it says you do fraud investigations once a year so there seems to be something that I am—perhaps, how it is written.

**Mr. Mahabir:** It is an average and maybe I can ask the internal auditor to explain.

**Mr. Small:** Yes, perhaps how it is written, I do not understand.

**Mr. Jones:** Through you, Mr. Chairman, Member Small, the response is if the interpretation is in relation to fraud, as the CEO mentioned, the average case that we have in terms of significant fraud is once per year. So the interpretation of investigation was investigation with respect to fraud.

**Mr. Small:** Once per year. Well then, perhaps, I am misreading parts of this document because I go to page 2 of your submission and under what are your priority projects for the company, you indicate that a priority project of the company is improve security arrangements to reduce the incidents of theft. So that if we are averaging significant issues of fraud once per year, how is that a priority project of the company that you need to reduce the incidents of theft? So that for me, there is a disconnect. Perhaps, how it is here, I am not understanding, but when I connect the two, the two do not connect.

Your response is that significant fraud or perhaps there is lot of what you would consider insignificant fraud happening. But if it is a priority project of the company to reduce the incidents of theft and I marry that to the fact that based on your submission a couple of minutes ago, there is only probably one per year significant issues to be dealt with via an investigation then the two do not connect so could you help me with that please.

**Mr. Mahabir:** Yeah, I can probably shed some light on that. You see, we operate in an environment that has a lot of products that are easily traded in the market place, and therefore the kinds of controls that we have to put in place, both in terms of the security, the access to information in terms of camera systems, in terms of checks and balances, in terms of products that leave our compound, have to be improved, because it is quite possible with the kind of product that you have, it is

easier than if it was a product that you could not trade. And the incident of once a year investigation would relate to if we find somebody who has tampered with something and we want to investigate that, that is a particular.

So one has to do with potential leakage of product into the market that is not part of our sales process, and stopping all these ingenious ways that people can do to make that happen and as you close one, you know, sometimes new ones are invented. So you constantly have to be at this thinking in terms of what else might be an opportunity that someone can exploit. Because what we are trying to do is reduce the opportunities for people to exploit should that be the case that they want to do that.

In the case of the audit, when there are particular incidents that have come up where we do an investigation, we would do that. There are also other types of investigations that we do, like HR audits, where we look at processes that are not really related to fraud and so on.

**Mr. Small:** Permit me, Mr. Chairman. Thank you very much, Mr. Mahabir, for your response on that. Could you help the Committee to understand the extent of any potential losses that the company is haemorrhaged, the company is suffering through theft or insignificant, because what you are suggesting, based on your response, is that there seems to be an on-going issue with the creativeness of some persons to be able to circumvent your systems. In terms of, so you would have a fairly good idea of, listen, we produce a million bags of flour, whatever is the number, and we sell, we produce this amount but we only have this in stock to sell, so there must be some understanding of where that shrinkage is or what is that percentage or do you have an idea of what that is.

**Mr. Mahabir:** I would say the percentage is small but for us, it is valuable in that any sale that is made that is not coming back to us or any transaction done is one

that we have to ensure that does not happen. And we have a system of checks and balances that we use to ensure that product that is transferred from one area to the next is properly accounted for. That requires reconciliations and even coming out of more recent work that we did, even further levels of controls that we have to put in place in terms of ensuring that things do not slip through the cracks. So while in the overall scheme of the total sales, it might not be a large number, the fact that it happens affects us.

**Mrs. Baptiste-Primus:** Thank you, Mr. Chairman. Mr. Mahabir, we have been advised that fraud investigation is done once per year. I would like to ask you a very direct question. What amount of revenue was lost through theft over the last 10 years?

**Mr. Mahabir:** I cannot say. I cannot say because, again, a particular investigation may not reveal that there is any theft. It may just have found that there may have been a discrepancy in something. But to say what would have been stolen over 10 years, I would not be able to hazard a guess.

**Mrs. Baptiste-Primus:** Chairman, I would want to also agree with my colleague here, then what was the rationale behind your response to the questions posed by this Committee, specifically the question: what are the priority projects of this company and what is the status of these projects and services? What then would have been the rationale behind the inclusion of this very clear statement: improved security arrangements to reduce the incidents of theft? This project is ongoing. Now, to have placed a statement like that within the body of answers as skeletal as they may, answers that have been provided, means that the organization is aware of what has been transpiring and a project is on the way to reduce it.

You also spoke about, in a very unclear manner, of systems of checks and balances that are in place, how then is the company not in a position to have an idea of what

has been the amount of revenue lost over a period of time? Because if it is engaging the active attention of the organization, I have a difficulty in digesting that the company is not in a position to pronounce authoritatively on such an issue. That is one.

But I want to ask a follow-up question. What mechanisms are in place to reduce wastage in the company?

**Mr. Mahabir:** In terms of the second question first, wastage. It is a mass balancing of the products that we buy. So if we import a tonne of wheat, we then look at how much conversion takes place to flour, to bran, to wheat germ and semolina which is like wheat cereal, so that we ensure that we are not losing product, significant amounts. There is some product loss in terms of the processes, in terms of the transportation, et cetera, breakage of product, damages that take place, et cetera.

And again, when you go back to the first question, the difficulty you have—NFM is like a large supermarket. If you do not have controls to ensure that people do not take stuff out, things will happen. And I am saying that, because of that, we instituted a number of controls over the last year and a half which includes new computerised and automated tracking systems like cameras, et cetera, that now monitors various parts of the plant, and through that we have been able to pick up people moving stuff out of the organization but to say that I can give you a definitive figure over the last 10 years, I cannot.

**Mrs. Baptiste-Primus:** How about over the last year or two?

**Mr. Mahabir:** To hazard a guess, maybe, \$2 million.

**Dr. Gopeesingh:** Thank you, Chair. This question is going to be directed to the Chairman of the board and members of the board who are responsible now for the overall management and accountability of the company. If we look at your

response on page 4 of the audited statement, enquiry proposal, sent to us on January 20, 2016 and looking at our financial leverage ratio, there are a few ratios there which private sector businesses look at very critically in terms of management accounting issues to bring profitability to their companies. And sadly, what we see here in terms of net sales to total assets of a ratio of—only from 2008 to 2011, net sales to total assets is only 1.22 ratio. Now the higher the ratio, the better it is for your company. And so therefore, it would indicate that the company's ability to generate sales using its assets is decreasing, 2008 to 2011.

Perhaps now you are a board, if you want to make any comment from what you have examined from the past and this is an important indicator in the performance of any private sector business. If your net sales to total assets are as low as that, it is time to close down but you cannot close down NFM. So then you have to improve your management capacity and capability to drive the organization to improve your sales and your profitability.

The second area is your net profit margin for net income sales and that ratio measures the bottomline of any business. It represents each dollar of sales generated into income by the business owners and a decrease in net profit margin can—what is it attributable to? Why are you having decreases in your net profit margin, and most important is the return on assets which is the net profit for total assets and this is abominably low—2008 from minus 0.04 ratio to 2011, 0.02, and that ratio indicates how much of net income is generated per dollar of assets and of course, we know the higher the ratio, the better and this ratio has been decreasing from 2008 to 2011.

So obviously it is an enterprise that is not bringing about the desired financial ratios in terms of net sales to total assets, current ratio, current assets to current liabilities, return on assets which is net profit and total assets. Now, we are in the

private sector and we have a business like that that is giving you negative ratios when on any business, a business sector would be looking at minimum 5 per cent return on assets and yours is minus something and minus something. In 2011, it was 0.002.

So the state is supporting a sector—of course, we need food security and this is one area that our previous heads of State and so on have seen it fit to have companies that could have us have food security, because we need the flour, we need the grains, we need these things. But for too long, NFM has been running as though it is not a private sector business enterprise and which it should be doing like all state enterprises. What are you all doing now having seen these figures from 2008—2011 that could generate the type of profitability and bring the ratios in line with what is required from a business sector management? I am not too sure whether I got the answer: what percentage of market you hold in flour industry? I am not sure whether you gave me that.

And then if you have these bottomlines here that are not good, but yet still I see your shares on the stock market improving. I do not know how it is improving when your business here is poor. What are you all doing as a Chairman of a board and a board? What can you tell this country, of course, this Committee, through the—and then we would have to report to Parliament. What are you all doing to improve the sordid state of affairs in NFM?

**Mr. Bazie:** Yes, Mr. Chairman. Thank you very much. The member referred to the years 2008—2011, this board assumed office in quarter three, September 2013 and I think it is very important that, with your permission, that I pass a handout of the performance since then which would demonstrate and answer very decisively the concerns raised by the member. If you would permit me.

**Mr. Chairman:** Sure.



**Dr. Gopeesingh:** Mr. Bazie, would you be kind enough to give us then if you—I know you took over the board recently.

**Mr. Bazie:** Yes. I am sorry—

**Mr. Chairman:** If you do not have the figures at this time—

**Mr. Bazie:** I have the information.

**Mr. Chairman:**—you could submit it in writing.

**Mr. Bazie:** Yes, I can submit it in writing but I think that it is important to give you a summary. When we took over the board, the share price was 60 cents. At the end of last year, the share price was \$2.75. A board is judged and a company is judged, a company operating on the stock market is eventually, no matter what efforts take place, that board is judged by its share price. On that, we do have a printout of the trend in the share price movements from 2007—2015. Prior to that period, in no year, in the period 2006—2012, in only two of those years did the share price go above a dollar. In most years, the average price was 0.75, 0.95 and so on. Earnings per share also showed a distinct improvement. In many of the years, 2006—2012, no dividend was paid. Since this board took over, a dividend was paid in every year.

**Dr. Gopeesingh:** Value.

**Mr. Mahabir:** The last two years would have been 5 cents and 6 cents.

**Dr. Gopeesingh:** Five cents and 6 cents per share?

**Mr. Bazie:** Per share. Profit after tax—

**Dr. Gopeesingh:** That is for the entire year, not quarterly or anything?

**Mr. Bazie:** No, that is the entire year. Profit after tax: 2012, \$11.9 billion; 2013, \$18.3 million; 2014, \$22 million. Market capitalization, it rose in 2012 from approximately \$75 million; 2015 approximately \$250 million. I want to say, Mr. Chairman, that I say this against the background that NFM was a monopoly until

2005 to 2006, and they had developed this distinct monopoly culture during that period. To eradicate such a culture takes years. And where we are today and what we have done has been the result of really hard budgeting. We have tried to run NFM as a private sector enterprise. We have got new executive management in place. Most from the private sector that would have helped drive that initiative. We have been happy to have the CEO who comes to NFM with a particular experience because the NFM operations demand a CEO with very distinct and experienced—manufacturing operation experience. When we look at the interest cost—

**Dr. Gopeesingh:** Do you have any figures on financial leverage?

**Mr. Bazie:** I will turn over to the Finance head who will have all those figures for you in one moment. So I just wanted to give you—you spoke about the fact that you could not understand why our share price was increasing, Sir, based on what—  
[*Interruption*] Yes, based on what you saw there. But it has been increasing because of, I would say, increased investor confidence and a perception and this has been noted NEL's own reports of the profound changes that have taken place at NFM within the last few years.

The board appreciates very much the efforts made by previous boards because, as always, we stand on the shoulders of those who came before, but our efforts have been quite decisive. We understand our role and we will continue to effect that role to produce the best outcome for the investing public and for the main shareholders.

With regard to particular indices you asked for, if you would permit me, I will turn over to the Finance head or the CEO who would give you those details.

**Mr. Mahabir:** Mr. Chairman, Dr. Gopeesingh mentioned in his comments that investors are looking for a return on assets of at least 5 per cent. In 2012, our

return on assets was 3.31 per cent; 2013, 5.39 per cent; 2014, 5.7 per cent. So, in fact, the last two years have shown significant improvement.

Again, when you look back at the overall ratios, I think I went through earlier the issue of the debt ratio but I will repeat briefly again. That this has come down from 0.69 per cent in 2008 to 0.49 per cent in 2014. And the primary debt that is being used here will be short-term debt in US currency to facilitate the purchasing of grain.

The return on equity was minus 11.84 per cent in 2008. It is 11.22 per cent in 2014. So it is a total flip of what we faced. Profit margins moved from minus 0.3 per cent to 4.63 per cent. And what we are doing, as I indicated earlier, we are focused now on our new programmes that have allowed us to become more efficient. Go after the new markets but funding all of that from internally generated funds so that we do not have to go out and borrow again to further leverage the organization.

**Dr. Gopeesingh:** Thank you. You have answered the questions beautifully. Congratulations on the performance of this board that was working from 2012 to present. These are very encouraging figures. Just the aspect of the answer for the percentage of the market share. What market share do you have? To have an understanding and what you are doing to—

**Mr. Mahabir:** It is in the region of 65 per cent.

**Mr. Chairman:** All right, Mr. David Small.

**Mr. Bazie:** May I be permitted to mention one thing?

**Mr. Chairman:** Yes.

**Mr. Bazie:** I think also I should mention that from an operational point of view, design capacity of the flour mill is—we only utilized about 60 per cent of design capacity. It is one of the reasons also that we have to go into the regional market.

Because if you are looking at really keeping a hold of your usage factors and bringing down your unit cost, we have to go as near as possible to design capacity, both in the flour mill and in the feed mill.

So that I want to assure you, Mr. Chairman, that we have worked extremely hard in getting to this, I would say, privileged position where NEL is recognizing our efforts and our contribution to meet the needs of the investing public such as did not occur for many years previously, and we will continue to do so. There is no doubt about it at all.

**Dr. Gopeesingh:** Mr. Bazie, just a follow-up on that, what you are saying. Within the Caricom region, are there any islands or countries that have any similar type of mills that we have in Trinidad? Does Jamaica have one or the other islands?

**12.20 p.m.**

**Mr. Bazie:** I will ask the Head of the Flour Milling, Mr. Cabralis, if he would respond to you, Sir. He is the Manager of the Flour Milling

**Mr. Cabralis:** Thank you, Mr. Bazie, Dr. Gopeesingh. Within the Caribbean the only mill of similar capacity would be in Puerto Rico, apart from, of course, our competitor locally.

**Mr. Small:** Thank you, Mr. Chairman. I have one last question. I want to draw the attention of the CEO to page 12 of their submission under the heading “Auditing”, No. 15, kind of three-quarter way down the page. The question is a straightforward question. It asks: how effective has the internal audit unit been in detecting inadequacies and misappropriation of funds, inadequacies and misappropriation of funds? The company’s response is “fair”. This concerns me deeply because the company is saying that the internal audit unit is not so good at detecting misappropriation of funds. That is what it suggests here. Perhaps—

because on any scale if you had said good or excellent but the company is saying fair. I am concerned as to whether or not the company has a challenge with misappropriation of funds and whether or not the internal audit unit is not properly staffed to be able to manage that.

**Mr. Mahabir:** Well, again, Chair, this is related to an earlier period, 2008 to 2011. But also, as I indicated earlier the internal audit department is the third line of defence. We have initially the operating managers who would initially detect if there is a problem in their area.

Then there is the second line of defence, which is finance, security and quality, et cetera, that will monitor what is happening there. So that by the time it gets to audit, it is normally—if during an audit something has been found to be lacking that would then be detected. So that we may find, for example, at the finance department something has gone wrong with an account and that has been picked up at that level. It would not have reached the third line of defence yet, but it was picked up at the level of finance or it was picked up in a reconciliation done by the operations people that something happened between the amount of flour that was transferred to the packaging area and what was actually packed. So that you have different areas in which you can pick it up. The primary role of internal audit is not necessarily in defecting fraud but also in ensuring that our controls are operational. But again, it is the third line of defence and we expect that the first two lines are also performing before we get there.

**Mrs. Baptiste-Primus:** Thank you, Mr. Chairman. These will be my final questions. I was very heartened to note that the company has developed a whistle-blowing policy, very heartened to see that. I am enquiring whether or not the

committee can receive a copy of that draft policy, one. And two, whether or not that draft policy provides for the protection and immunity to employees against victimization, against suspension, unfair suspension, against unfair adverse performance appraisals and adverse damage to their employment, their career, their profession within the organization.

Secondly, is there a code of ethics in the company? And if yes how is it applied?

**Mr. Mahabir:** Yes, there is a code of ethics that governs. It is an integral part of our HR policies and all the employees are exposed to that. We have rollout sessions where people are told what is considered to be proper behaviour, what kind of gifts they can accept or not accept from people, et cetera, et cetera.

Just on the earlier question, the policy deals with the issue of keeping the identity of the whistle-blowers confidential, as well as protection from retaliation. So that there are mechanisms in the draft policy that will protect the person, one, in terms of their entity and two, in terms of people taking retaliation action against them.

**Mr. Chairman:** Mr. Kelvin Mahabir, could you provide us with a copy of both the whistle-blowing draft policy as well as the code of ethics for the staff?

May I ask Mr. Kelvin Mahabir, there are many challenges that the organization confronts, you have, as Mr. Bazie has indicated, over the last few years, navigated a very turbulent environment and you have reached a stage where, as he has said NEL has compliment the performance of the Management and Board of the NFM for reaching the level that you have reached and you seem to have a vision, through your strategic plan, for the future.

I would like you to share with this committee and preferably in writing the major challenges that you confront as an organization, and how can this committee help

NFM in further advancing its objectives, its goals. How can we help NFM become more efficient, more effective and more economical in its operations? And you may wish to pay attention to matters like how do you go about controlling waste or wastage. You may want to look at the whole question about pilferage in the organization. You gave a rough estimate in the last two years of about \$2 million being possibly lost through pilferage. You may want to look at giving us your suggestions, as it relates to recommendations where we seek to improve and try to reduce that amount. And the whole question about how do you, in the future, tend to bring those ratios further to levels that you would really find acceptable.

I know that you are bringing them down, as you said, in terms of the debt ratio from 69 per cent to .049 at the end of last year, which is commendable. And then the whole question about as you seek to reduce your dependence on foreign exchange, because when you commence your contribution, you said one of the major challenges faced by NFM is foreign exchange and your ability to access foreign exchange to purchase equipment, to purchase grain, to purchase other vital supplies that are necessary to keep that organization's operations going.

So what we would like to get from you in writing, in the next few days would be your immediate challenges and solutions to those challenges that you would like to suggest to this committee to help us to help you. That is what I would like you to do for us and have that in writing and maybe if we could get it within a week from today we would appreciate it very much as an organization.

I think we are coming to a close unless any other member would like to raise any final question. If not Mr. Mahabir, I would like to, or Mr. Bazie, give you the final say, when I say so, in terms of closing remarks, as we seek to bring our meeting to

a close. So I do not know if Mr. Bazie would like to volunteer or Mr. Mahabir.

**Mr. Basdeo Panday:**

**Mr. Bazie:** On behalf of the Board of Directors, Mr. Chairman, and all the management and workers at all levels at NFM, I would like to thank you very much and the members of committee for inviting us here this morning. We hope we have given you the support you needed, in terms of the technical and other data. We would be pleased to appear at any time in the future that you summon us. But most importantly, rest assured that NFM will continue to drive its efforts on the basis of hard budgeting and maintain always high ethical values going forward. I thank you again.

**Mr. Chairman:** Thank you very much. I think that Mr. Mahabir said that you control about 65 per cent of the market now?

**Mr. Mahabir:** Yes.

**Mr. Chairman:** All right, in light of that, and this is in writing. I do not want you to give me that now; if you could put that in writing for the committee, given the fact that you control at least 65 per cent of the market now for flour, and we understand that by 2018, based on the literature, we have access. You intend to do control at least 70 per cent of the market through development of new offerings targeted to meet and exceed the changing needs of our customers. We would like you to put in the writing for us, one, what strategies have the company implemented to increase market share and revenue in the medium and long-term? We would like that submitted in writing.

We would like you to also in writing: how does the company seek to improve its competitive position in the market, in writing. We would like you to also submit in



writing, given the current economic situation in T&T, what strategies have been implemented by NFM to enhance product quality and delivery at reduced cost and also satisfy the needs of your customers.

And could you give us a projection—I want to compliment you on behalf of the committee on your market penetration externally, that export thrust. Could you provide this committee with some projection between now and 2020, what is your projection, in terms of earning of foreign exchange and which new markets you intend to penetrate, given the advisory that you got from Mrs. Baptiste-Primus, as it relates to the Dominican Republic? What new markets you intend to penetrate external to the region? You talk about Latin America, which particular Latin American markets you intend to penetrate during the next five years? These are some of the issues we would like you to put in writing for us.

On behalf of this committee, the Public Accounts (Enterprises) Committee, if we need you further for clarification/elaboration, we will contact you. If we need further clarification in writing, we will also do so, whether it is in writing or if you have to appear again, we will so inform you.

We want to thank you extremely deeply for your presence here. We want to thank you for being very forthright in your responses. We know that NFM operates in a competitive environment and we know that sensitivity is very paramount in that environment. We want to thank you for being here with us. We will await your responses within one week and the committee will decide if there is need to bring you back again or whether we would just seek clarification in writing.

So once again we will want to thank members of the Investment Division of the Ministry of Finance, led by Mr. Denis Cox. We would like to thank the

distinguished Permanent Secretary, Mr. Norris Herbert, from the Ministry of Trade and Industry and your team for being here. Of course, we would like to thank our staff, members of the media, members of the public who were following this event here today, and at this time we would like to suspend our proceedings. Thank you very much.

**12.35 p.m.:** *Meeting adjourned.*