



NATIONAL FLOUR MILLS LIMITED

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 | (expressed in thousands of Trinidad and Tobago dollars)

CHAIRMAN'S REVIEW



Nigel Romano

Dear Shareholders,

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

and packaging procedures were largely responsible for the efficiency gains. As a result, our Gross Profit margin increased by 5% to 27% and operating profit increased by 170% year-on-year.

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

Confronting the Challenges

NFM was particularly affected by the disruptions to the supply chain caused by the COVID-19 pandemic, which resulted in steep increases in the price of grain and severe logistical challenges with shipments that impacted the timely receipt of raw materials. The supply chain disruptions were primarily driven by the purchasing of grain at above-normal levels by China to meet domestic shortfalls. The unusually high demand from China was exacerbated by dry weather conditions in South America and industrial unrest in Argentina. The end result of all of this was price escalations for wheat, corn, soyabean and soyabean meal worldwide, a trend which has continued into 2021.

However, the impact of the disruptions to the global supply chain was particularly severe on feed supplies since the two main players in the industry were challenged to satisfy the needs of their customers.

Like other companies, NFM had its own challenges. We were tested in the third quarter as, in response to a few positive cases, we had to quarantine a large number of employees in compliance with all Ministry of Health and international pandemic protocols, which proactively included company administered private testing to ensure the safety of our employees and their families.

Exploring the Opportunities

A decision was made by NFM to critically review its systems and processes and to prioritise investments in the upgrading of plant and machinery to continue to achieve sustained profitability. NFM will also be building out its e-commerce capability, given the trend in online purchasing and will use technology to more effectively interface with its customers to achieve on time delivery in full when the customer requires it. In addition, given the challenges in the grain market, which could worsen as a result of projected climate changes, increased focus will be placed on identifying additional sources of revenue.

Transition in Leadership

After successfully leading the organisation for six years, Kelvin Mahabir retired in January 2021. Ian Mitchell, a leader with a track record of performance in the manufacturing sector, will build on the foundation created by Kelvin and lead the organisation to an even brighter future. We look forward to working with Ian to complete the transformation of NFM into a profitable, commercially agile organisation based on a foundation of good governance practices. On behalf of the entire organisation, I want to express my sincere thanks and appreciation to Kelvin Mahabir for his contribution in leading and transforming the organisation over the past six and a half years.

Concluding Remarks

In closing, I wish to express my gratitude to the Management and staff of NFM. Despite being concerned for their own safety and that of their families, our employees remained committed to manufacturing and distributing food and feed products throughout Trinidad and Tobago.

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

Nigel Romano

Chairman

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report on the summary consolidated financial statements

To the shareholders of National Flour Mills Limited

Our opinion

In our opinion, the accompanying summary consolidated financial statements of National Flour Mills Limited (the Company), are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in note 2.

The summary consolidated financial statements

The Company's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2020 comprise:

- the summary consolidated statement of financial position as at December 31, 2020;
- the summary consolidated statement of comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 26 March 2021. That report also includes:

- The communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the audited consolidated financial statements of the current period.

Management's responsibility for the summary consolidated financial statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in note 2.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

Port of Spain
Trinidad, West Indies
March 26, 2021

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1 Incorporation and principal activities

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

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

2 Significant Accounting Policies

The summary consolidated financial statements have been prepared by presenting the Consolidated Statement of Financial Position, Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows exactly as presented in the full set of consolidated financial statements which were prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020. The consolidated financial statements have been prepared under the historical cost convention, except for investments at fair value through other comprehensive income and defined benefit plans where plan assets are measured at fair value. The summary consolidated financial statements do not include the accounting policies and the notes that are contained in the full audited consolidated financial statements. The accounting policies have been applied consistently to all the years presented.



NATIONAL FLOUR MILLS LIMITED

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 | (expressed in thousands of Trinidad and Tobago dollars)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2020 \$	2019 \$
Assets		
<i>Non-current assets</i>		
Property, plant and equipment	165,065	173,714
Intangible assets	3,968	5,773
Right-of-use assets	7,266	6,920
Government bonds	5,460	-
Investments at fair value through OCI	672	1,248
Retirement benefit asset	19,179	23,178
Deferred taxation assets	7,483	6,934
	<u>209,093</u>	<u>217,767</u>
<i>Current assets</i>		
Accounts receivable and prepayments	60,851	74,149
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	18,530	18,274
Inventories	50,748	65,296
Taxation recoverable	4,481	9,001
Restricted deposit	1,584	16,542
Cash and cash equivalents	<u>92,795</u>	<u>43,578</u>
	<u>228,989</u>	<u>226,840</u>
Total assets	<u>438,082</u>	<u>444,607</u>
<i>Liabilities and equity</i>		
<i>Non-current liabilities</i>		
Deferred tax liabilities	44,601	47,486
Medical and life insurance plan	23,543	21,833
Lease liabilities	<u>6,739</u>	<u>5,821</u>
	<u>74,883</u>	<u>75,140</u>
<i>Current liabilities</i>		
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	18,097	17,321
Borrowings	44,932	64,645
Lease liabilities	1,200	1,038
Accounts payable and accruals	<u>30,222</u>	<u>32,545</u>
	<u>94,451</u>	<u>115,549</u>
Total liabilities	<u>169,334</u>	<u>190,689</u>
<i>Shareholders' equity</i>		
Stated capital	120,200	120,200
Treasury shares	(4,815)	(3,125)
Retained earnings	153,451	138,165
Other reserves	<u>(88)</u>	<u>(1,322)</u>
Total equity	<u>268,748</u>	<u>253,918</u>
Total liabilities and equity	<u>438,082</u>	<u>444,607</u>

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

Director

Director

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	35,772	10,063
Adjustments for:		
Depreciation	15,486	15,472
Amortisation	2,747	2,494
Interest and finance costs	3,438	4,780
Lease interest expense	455	291
Interest income	(122)	(491)
Dividend income	(222)	(481)
Gain or loss on foreign exchange	413	(322)
Retirement benefit expense	4,820	5,438
Medical plan expense	1,916	1,693
Retirement benefit asset contributions paid	(5,965)	(6,609)
Medical and life insurance plan contributions paid	(1,208)	(1,248)
Capitalised borrowings	-	658
Discounting of receivables	357	637
Increase in provision for doubtful accounts	<u>3,991</u>	<u>2,798</u>
	<u>61,878</u>	<u>35,173</u>
Changes in working capital:		
Decrease in inventories	14,548	11,303
Decrease/(increase) in accounts receivable and prepayments	3,847	(7,387)
Decrease in amounts due to / from GORTT	<u>520</u>	<u>804</u>
	<u>182</u>	<u>(2,670)</u>
Increase/(decrease) in accounts payable and accruals		
Cash provided by operations	80,975	37,223
Interest paid	(4,461)	(4,838)
Taxes paid	<u>(9,743)</u>	<u>(7,823)</u>
Net cash generated from operating activities	<u>66,771</u>	<u>24,562</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted deposits	14,958	15,439
Disposal of assets	83	85
Sale of investments	57	-
Acquisition of property, plant and equipment	(6,920)	(6,961)
Interest received on loans	122	491
Dividend income	222	481
Purchase of intangible assets	-	(1,369)
Net cash generated from investing activities	<u>8,522</u>	<u>8,166</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings drawn	68,715	-
Borrowings repaid	(88,428)	(24,513)
Dividends paid	(5,700)	(8,414)
Lease interest paid	(455)	(291)
Principal elements of lease payments	<u>(208)</u>	<u>(217)</u>
Net cash used in financing activities	<u>(26,076)</u>	<u>(33,435)</u>
Net increase/(decrease) in cash and cash equivalents	<u>49,217</u>	<u>(707)</u>
CASH AND CASH EQUIVALENTS AT START OF YEAR	<u>43,578</u>	<u>44,285</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>92,795</u>	<u>43,578</u>
Cash and cash equivalents represented by		
Cash and cash equivalents	<u>92,795</u>	<u>43,578</u>

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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