NATIONAL FLOUR MILLS LIMITED

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021 | (expressed in thousands of Trinidad and Tobago dollars)

CHAIRMAN'S REVIEW



Nigel Romano

Dear Shareholders

In 2021, NFM continued to be challenged by global supply chain disruptions resulting from the pandemic. While the Company remained committed to providing its customers with a reliable and affordable supply of food and feed products, surging grain prices and shipping delays made that difficult as evidenced by the significant increase in our cost of sales. Wheat, corn and soyabean prices rose to historically high levels in 2021 due to a surge in demand globally and reduction in supplies as a result of production shortfalls in major growing regions.

For those of us in the food and feed manufacturing business, the debilitating impact of climate change on the global food supply must be noted. The supply of wheat has been negatively affected by droughts caused by global warming. While the commitments made to reduce greenhouse gas emissions at the COP 26 Climate Change Conference in Q4 2021 represent a ray of hope, significant challenges remain.

We earned revenue of $441.7M, $23.8M or 5.7% more than the prior year. However, the impact of the factors noted above on raw material prices coupled with the impact of Covid-19 restrictions on salaries and wages, translated into a 19.2% increase in cost of sales and a 30.6% decline in gross profit. Despite successful efforts to keep selling, distribution and administrative expenses flat year-on-year, a decline in other operating income also contributed to an 88% decline in operating profit from $40.0M in 2020 to $4.6M in 2021. As promised, despite our decision to maintain the prices of our flour products in 2021, I am pleased to report that NFM was able to achieve a net profit after tax for the year of $1.3M.

2022 promises to be even more challenging, with the increasing impact of climate change being exacerbated by the situation in Ukraine and its impact on global wheat and fertilizer supplies. Therefore, we will be monitoring the supply chain and wheat prices, which have already increased by over 50% this year, while working diligently to procure these vital commodities as efficiently as possible.

We will also continue to focus our resources on modernizing our facilities and streamlining our processes to increase operating efficiency. Since our products form part of the basic basket of goods of the average citizen, it is imperative that we continually improve the efficiency of our production processes, which are within our control, so that our products remain affordable without negatively impacting the sustained viability of the company.

However, the pandemic and the recent shift in global geopolitics has intensified the need to identify alternative revenue streams. Given the unpredictability of grain prices, which we cannot control, the management team is working on strategies to ensure the sustained viability of the Company. The urgency of the need to shift is reinforced by the loss sustained in 2021 in our flour division, primarily due to the significant increase in grain prices.

We are not able to pay a dividend based on the results for fiscal 2021, however, we remain committed to achieving a better performance in 2022 to create value for our customers and shareholders and the very necessary increase in prices for our flour products will help return the division to profitability.

In closing, I would like to express my sincere thanks and appreciation to the management team, employees and fellow directors who continue to work hard and support our efforts to grow the business. I would also like to thank our shareholders, customers, suppliers and other stakeholders who continue to support and contribute to NFM's growth and development.

Nigel Romano
Chairman

INDEPENDENT AUDITOR'S REPORT

pwc

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, 2021 comprise:

- the summary consolidated statement of financial position as at December 31, 2021;
- 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 March 25, 2022. That report also includes the communication of 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'.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
March 25, 2022

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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, which is majority owned by the Government of the Republic of Trinidad and Tobago (GORTT). NFM's ultimate parent is therefore the GORTT. 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 2021. 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, 2021 | (expressed in thousands of Trinidad and Tobago dollars)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31 2021 $	2020 $
Assets		
Non-current Assets		
Property, plant and equipment	159,036	165,065
Intangible assets	3,219	3,968
Right-of-use assets	6,264	7,266
VAT bonds	5,460	5,460
Investments at fair value through OCI	697	672
Retirement benefit asset	43,118	19,179
Deferred taxation assets	9,704	7,483
	227,498	209,093
Current Assets		
Accounts receivable and prepayments	79,568	60,851
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	19,726	18,530
Inventories	100,537	50,748
Taxation recoverable	8,880	4,481
Restricted deposit	1,584	1,584
Cash and cash equivalents	50,581	92,795
	260,876	228,989
Total Assets	488,374	438,082
Liabilities and equity		
Non-current Liabilities		
Deferred tax liabilities	48,378	44,601
Medical and life insurance plan	30,837	23,543
Lease liabilities	5,850	6,739
	85,065	74,883
Current Liabilities		
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	18,928	18,097
Borrowings	-	44,932
Lease liabilities	2,425	1,200
Accounts payable and accruals	103,485	30,222
	124,838	94,451
Total liabilities	209,903	169,334
Shareholders' equity		
Stated capital	120,200	120,200
Treasury shares	(3,003)	(4,815)
Retained earnings	163,142	153,451
Other reserves	(1,868)	(88)
Total equity	278,471	268,748
Total liabilities and equity	488,374	438,082

On March 23, 2022, the Board of Directors of National Flour Mills Limited authorised these consolidated financial statements for issue.

Director Director

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated Capital $	Treasury Shares $	Other Reserves $	Retained Earnings $	Total $
Year ended December 31, 2020					
Balance at January 1, 2020	120,200	(3,125)	(1,322)	138,165	253,918
Profit for the year	-	-	-	23,456	23,456
Reversal of gain on revaluation of treasury shares	-	(1,805)	-	-	(1,805)
Loss 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)
Transactions with owners of the Group:					
Dividends declared	-	-	-	(3,606)	(3,606)
Transfer of treasury shares	-	47	-	-	47
\Balance at December 31, 2020	120,200	(4,815)	(88)	153,451	268,748
Year ended December 31, 2021					
Opening balance at January 1, 2021	120,200	(4,815)	(88)	153,451	268,748
Profit for the year	-	-	-	1,377	1,377
Reversal of gain on revaluation of treasury shares	-	1,805	(1,805)	-	-
Gain on investment at fair value through OCI	-	-	25	-	25
Re-measurement of retirement benefit asset and medical and life insurance plan, net of tax	-	-	-	11,546	11,546
Other movements	-	-	-	374	374
Transactions with owners of the Group:					
Dividends declared	-	-	-	(3,606)	(3,606)
Transfer of treasury shares	-	7	-	-	7
Balance at December 31, 2021	120,200	(3,003)	(1,868)	163,142	278,471

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31 2021 $	2020 $
Revenue	441,652	417,906
Cost of sales	(362,854)	(304,452)
Gross profit	78,798	113,454
Selling and distribution expenses	(37,514)	(38,726)
Administration expenses	(43,230)	(43,880)
Other operating income	6,579	9,108
Operating profit	4,633	39,956
Finance cost	(2,119)	(4,184)
Profit before income tax	2,514	35,772
Income tax expense	(1,137)	(12,316)
Profit for the year	1,377	23,456
Other comprehensive income/(loss):		
Items that would not be reclassified to profit or loss		
Re-measurement of retirement benefit asset	22,753	(5,144)
Re-measurement of medical and life insurance plan	(6,260)	(1,002)
Changes to deferred taxes related to remeasurements	(4,947)	1,844
Gain/(loss) on investment at fair value through OCI	25	(567)
Gain on revaluation of treasury shares	-	1,805
Reversal of gain on revaluation of treasury shares	(1,805)	-
	9,766	(3,064)
Total comprehensive income for the year	11,143	20,392
Earnings per share		
Basic earnings per share (in cents)	1.17	19.88
Diluted earnings per share (in cents)	1.15	19.62

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2021 $	2020 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,514	35,772
Adjustments for:		
Depreciation	14,582	15,486
Amortisation	2,681	2,747
Interest and finance costs	1,686	3,438
Lease interest expense	407	455
Interest income	(34)	(122)
Dividend income	(24)	(222)
Gain or loss on foreign exchange	26	413
Retirement benefit expense	5,205	4,820
Medical plan expense	2,168	1,916
Retirement benefit asset contributions paid	(6,391)	(5,965)
Medical and life insurance plan contributions paid	(1,134)	(1,208)
Discounting of receivables	-	357
(Decrease)/increase in provision for doubtful accounts	(746)	3,991
	20,940	61,878
Changes in working capital:		
(Increase)/decrease in inventories	(49,789)	14,548
(Increase)/decrease in accounts receivable and prepayments	(18,007)	3,847
(Increase)/decrease in amounts due to/from GORTT	(365)	520
Increase in accounts payable and accruals	73,601	182
Cash provided by operations	26,380	80,975
Interest paid	(1,943)	(4,461)
Taxes paid	(8,216)	(9,743)
Net cash generated from operating activities	16,221	66,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted deposits	-	14,958
Disposal of assets	96	83
Sale of investments	6	57
Acquisition of property, plant and equipment	(8,649)	(6,920)
Interest received on loans	34	122
Dividend income	24	222
Purchase of intangible assets	(930)	-
Net cash (used in)/generated from investing activities	(9,419)	8,522
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings drawn	-	68,715
Borrowings repaid	(44,932)	(88,428)
Dividends paid	(3,606)	(5,700)
Lease interest paid	(407)	(455)
Principal repayments on finance lease	(71)	(208)
Net cash used in financing activities	(49,016)	(26,076)
Net (decrease)/increase in cash and cash equivalents	(42,214)	49,217
CASH AND CASH EQUIVALENTS AT START OF YEAR	92,795	43,578
CASH AND CASH EQUIVALENTS AT END OF YEAR	50,581	92,795
Cash and cash equivalents represented by		
Cash and cash equivalents	50,581	92,795