NATIONAL FLOUR MILLS LIMITED

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 | (expressed in thousands of Trinidad and Tobago dollars)

CHAIRMAN'S REVIEW



Nigel Romano

Dear Shareholders

The global economy continued to be affected by the effects of the pandemic and the war in Ukraine, resulting in weaker-than-projected growth, higher-than-normal inflation rates and continued disruptions to global supply chains. These impacted the cost of raw materials and shipping, leading to price increases across the globe. For a significant part of the year, we were challenged by volatile grain prices and shipment delays, which impacted our costs of production.

Despite this, I am pleased to report that NFM maintained its profitable track record in 2022 after posting losses for the first three quarters. We earned a Net Profit after Tax of $6.9M, an increase of 402% over 2021's $1.3M. Our focused marketing campaigns, reminding consumers of the high quality and performance of our products, including our flagship brand, Ibis, paid significant dividends contributing to a 20.6% increase in revenue from $441M in 2021 to $532M in 2022. The increased revenue allowed us to achieve a higher gross profit of $92.9M as compared to $78.7M in 2021 and basic earnings per share of 5.86 cents compared to 1.17 cents year on year.

2022 was a significant year for NFM as we continued to upgrade our plant and machinery and develop our people as we transform NFM into a modern manufacturing company offering customers value for money and providing you, our shareholders, with an acceptable rate of return. Our ability to manufacture food and feed products efficiently requires that we modernise our manufacturing facilities and ancillary information technology systems to enable decisions in real-time to support production and distribution processes.

Our continued commitment to produce safe, quality food for our customers was also formally recognised with an SQF Level 3 certification. This certification is an assurance to our customers that, we have taken every action as far as reasonably practicable, to ensure that our food is safe for consumption and meets the required quality standards. In addition to food safety, particular emphasis was placed on creating a culture of safety with the launch of a behavioural-based safety programme, including continuous training and development initiatives to certify our plant personnel and enhance the capabilities of our supervisors.

These are essential building blocks for sustained profitability and we will continue to innovate and automate, diversify our revenue sources, and expand our regional reach, to fulfil our purpose of Feeding our Caribbean Families.

As we continue to improve the quality of our operations and our products, we are conscious of the evolving role of manufacturing companies and the need for NFM to benefit from the use of artificial intelligence, predictive maintenance, and the increased use of robotics. Therefore, we are focused on defining our future needs and implementing programmes and initiatives to grow and create the capabilities required.

We are mindful of the growing importance of sustainability issues and the need to manage NFM's carbon footprint. As a manufacturer of food and feed products, our operations represent a risk to the environment. In light of this, we have decided to address environmental, social and governance (ESG) issues holistically to achieve our business objectives by integrating ESG into the heart of our operations using more environmentally friendly materials in our production processes, such as biodegradable packaging, optimizing the use of energy and water resources and minimizing waste.

I thank our employees, customers, shareholders and other stakeholders who have stood by us during these trying times. We assure you that despite the challenges we have faced, we have focused on making the right investments to ensure the company's future viability to serve future generations.

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) and its subsidiary (together 'the Group'), 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 Group's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended December 31, 2022 comprise:

- the summary consolidated statement of financial position as at December 31, 2022;
- 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, which include significant accounting policies and other explanatory information.

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 28 March 2023. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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

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

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

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 (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
28 March 2023

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1 Incorporation and principal activities

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

The Company and its subsidiary (together, the Group) principal activities are the production and distribution of flour, milled cereals, dry mixes, animal and poultry feeds. 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 2022. 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, 2022 | (expressed in thousands of Trinidad and Tobago dollars)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31 2022 $	2021 $
Assets		
Non-current assets		
Property, plant and equipment	156,559	159,036
Intangible assets	1,652	3,219
Right-of-use asset	5,258	6,264
VAT bonds	-	5,460
Investments at fair value through OCI	724	697
Retirement benefit asset	13,398	43,118
Deferred taxation assets	11,914	9,704
	189,505	227,498
Current assets		
Accounts receivable and prepayments	83,052	79,568
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	20,081	19,726
Inventories	173,553	100,537
VAT Bonds	5,460	-
Taxation recoverable	4,266	8,880
Restricted deposit	1,584	1,584
Cash and cash equivalents	48,523	50,581
	336,519	260,876
Total assets	526,024	488,374
Liabilities and equity		
Non-current liabilities		
Deferred tax liabilities	38,470	48,378
Medical and life assurance plan	35,754	30,837
Lease liabilities	4,803	5,850
	79,027	85,065
Current liabilities		
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	19,211	18,928
Borrowings	75,757	-
Lease liabilities	2,414	2,425
Accounts payable and accruals	88,692	103,485
Due to related parties	134	-
	186,208	124,838
Total liabilities	265,235	209,903
Shareholders' equity		
Stated capital	120,200	120,200
Treasury shares	(3,319)	(3,003)
Retained earnings	145,776	163,142
Other reserves	(1,868)	(1,868)
Total equity	260,789	278,471
Total liabilities and equity	526,024	488,374

On March 23, 2023, the Board of Directors of NATIONAL FLOUR MILLS LIMITED authorised these summary 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, 2021					
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 assurance 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 as at December 31, 2021	120,200	(3,003)	(1,868)	163,142	278,471
Year ended December 31, 2022					
Balance at January 1, 2022	120,200	(3,003)	(1,868)	163,142	278,471
Profit for the year	-	-	-	6,909	6,909
Loss on investment at fair value through OCI	-	(448)	-	-	(448)
Re-measurement of retirement benefit asset and medical and life assurance plan, net of tax	-	-	-	(25,791)	(25,791)
Other movements	-	80	-	(1,516)	(1,596)
Transactions with owners of the Group					
Transfer of treasury shares	-	52	-	-	52
Balance as at December 31, 2022	120,200	(3,319)	(1,868)	145,776	260,789

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31 2022 $	2021 $
Revenue	532,808	441,652
Cost of sales	(439,869)	(362,854)
Gross profit	92,939	78,798
Selling and distribution expenses	(39,896)	(37,514)
Administration expenses	(47,153)	(43,230)
Other operating income	6,569	6,579
Operating profit	12,459	4,633
Finance cost	(3,379)	(2,119)
Profit before income tax	9,080	2,514
Income tax expense	(2,171)	(1,137)
Profit for the year	6,909	1,377
Other comprehensive (loss)/gain:		
Items that would not be reclassified to profit or loss		
Re-measurement of retirement benefit asset	(33,026)	22,753
Re-measurement of medical and life assurance plan	(3,819)	(6,260)
Changes to deferred taxes related to remeasurements	11,054	(4,947)
(Loss)/gain on investment at fair value through OCI	(448)	25
Gain on revaluation of treasury shares	52	-
Reversal on gain on revaluation of treasury shares	-	(1,805)
	(26,187)	9,766
Total comprehensive (loss)/income for the year	(19,278)	11,143
Earnings per share		
Basic earnings per share (in cents)	5.86	1.17
Diluted earnings per share (in cents)	5.79	1.15

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31 2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	9,080	2,514
Adjustments for:		
Depreciation	15,755	14,582
Write off - Asset Under Construction	2,172	-
Amortization	2,819	2,681
Interest and finance costs	3,176	1,686
Lease interest expense	339	407
Interest income	(19)	(34)
Dividend income	(84)	(24)
Gain or loss on foreign exchange	(136)	26
Gain on treasury shares	(316)	-
Gain on revaluation of treasury shares	52	-
Retirement benefit expense	3,014	5,205
Medical plan expense	2,621	2,168
Retirement benefit asset contributions paid	(6,320)	(6,391)
Medical and life assurance plan contributions paid	(1,523)	(1,134)
Provision for doubtful accounts	(195)	(746)
Loss on Retirement pension and medical benefit	2,208	-
Gain on investment at fair value through OCI	(448)	-
	32,195	20,940
Changes in working capital:		
Increase in inventories	(73,016)	(49,789)
Increase in accounts receivable and prepayments	(3,679)	(18,007)
Increase in amounts due to/from GORTT	(72)	(365)
Increase in current amounts due to related parties	134	-
Decrease in investment	25	-
Taxes refunded	4,614	-
(Decrease)/increase in accounts payable and accruals	(14,793)	73,601
Cash (used in)/provided by operations	(54,592)	26,380
Interest paid	(2,863)	(1,943)
Taxes paid	(3,236)	(8,216)
Net cash (used in)/generated from operating activities	(60,691)	16,221
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of assets	-	96
Sale of investments	52	6
Acquisition of property, plant and equipment	(15,549)	(8,649)
Interest received on investments	19	34
Dividend Income	84	24
Purchase of intangible assets	(151)	(930)
Net cash used in/investing activities	(15,545)	(9,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings drawn	122,874	-
Borrowings repaid	(47,299)	(44,932)
Dividends paid	-	(3,606)
Lease interest paid	-	(407)
Principal repayments in finance lease	(1,397)	(71)
Net cash generated from (used in) financing activities	74,178	(49,016)
Net decrease in cash and cash equivalents	(2,058)	(42,214)
CASH AND CASH EQUIVALENTS AT START OF YEAR	50,581	92,795
CASH AND CASH EQUIVALENTS AT END OF YEAR	48,523	50,581
Cash and cash equivalents represented by		
Cash and cash equivalents	48,523	50,581