



# NATIONAL FLOUR MILLS LIMITED

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 | (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 report that in 2018, National Flour Mills Limited (NFM) maintained its prior year revenues despite the challenges posed by a slow economy and the impact of nature in the form of the floods and earthquake in 2018. However, margins declined by just over 3%, operating profit fell by 32% year-on-year to \$38.5 million and profit for the year by 31% to \$22.7 million. The 2017 accounts were restated to more accurately reflect depreciation on capital spares and account for changes due to the reclassification of green fund levy as an expense instead of taxation and reclassification of intangibles from property, plant and equipment. The restatement impacted Cost of Sales, Selling and Distribution expenses and Taxation.

While revenue was relatively flat, exports grew by 22% over 2017, narrowing margins already negatively impacted by an 8% increase in grain prices and increases in wages and salaries of \$4.3M due to the completion of the collective bargaining process with our two unions. Selling and Distribution Expenses increased by \$4.1 M due to increases in transport costs (up \$1.4 M); wages (up \$1.9M); and provisions for bad debts (up \$0.8 M). Efficiency improvements as a result of our continuous improvement initiatives would have dampened the full impact on the cost of sales.

Total borrowings declined by \$32 million (26%) due to prudent management of working capital and prepayment of some of our debt obligations contributing to a 60% reduction of our finance costs of \$5.7M. Earnings per share was 19 cents compared to 28 cents in 2017 (restated) consistent with the decline in profitability.

NFM has reviewed its strategic plans to make its core business leaner and more productive while exploring opportunities for diversification through new products and geographies. Execution of this strategy which includes delayering at the top and upskilling the workforce has commenced. The company is also exploring entry into new food and agriculture segments where it can pursue sustainable profitable growth.

NFM's Board and Management remain optimistic that through our continuous improvement initiatives and new strategic focus NFM will continue to deliver sustainable profits despite the relatively weak economic environment.

Your Board is recommending a dividend payment of seven cents per share for the 2018 financial year.

We wish to thank our shareholders, employees and other stakeholders for their continued support and look forward to partnering in our continued efforts to create value as we transition the organization to world class quality and efficiency standards.

  
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 (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 31 December 2018 comprise:

- the summary consolidated statement of financial position as at 31 December 2018;
- 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 24 April 2019. 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'.

*PricewaterhouseCoopers*

Port of Spain  
Trinidad, West Indies  
24 April 2019

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# NATIONAL FLOUR MILLS LIMITED

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 | (expressed in thousands of Trinidad and Tobago dollars)

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

  
Director

  
Director

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

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

## Notes to the Summary Consolidated Financial Statements for the year ended 31<sup>st</sup> December 2018

### 1 Incorporation and principal activities

National Flour Mills Limited ("the Company") is incorporated in the Republic of Trinidad and Tobago, and was continued under the provisions of the Companies Act, 1995 on 14 April 1998. The Company and its subsidiary (together, the Group) principal activities are the production and distribution of food products and animal and poultry feeds. The Group's major shareholder is National Enterprise Limited owning 51% of the issued share capital. The Group's registered office is 27-29 Wrightson Road, Port of Spain. The ultimate shareholder is the Government of the Republic of Trinidad and Tobago.

### 2 Basis of Preparation

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 2018. 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, except for the adoption of new International Financial Reporting Standards in the current year.