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 52% 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 $1.9 M); 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 delaying 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
SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 ($'000) | As at 1 January 2018 ($'000)
--- | ---
**Assets** | | |
Property, plant and equipment | 182,784 | 178,477 | 166,979
Intangible assets | 6,137 | 4,365 | 963
Available for sale assets | - | 2,169 | 2,357
Investments at fair value through OCI | 1,758 | - | -
Retirement benefit asset | 5,644 | 20,914 | 20,277
Deferred tax | 6,369 | 5,436 | 5,050
Restricted deposit | - | 1,581 | 6,200
**Current assets** | 202,692 | 212,942 | 201,826
**Current liabilities** | 179,102 | 159,620 | 180,562
Accounts receivable and prepayments | 179,102 | 159,620 | 180,562
**Total liabilities** | 203,390 | 248,856 | 274,928
**Shareholders’ equity** | 203,390 | 248,856 | 274,928
**Total assets** | 452,350 | 501,588 | 508,594

**Liabilities and equity**

**Non-current liabilities**

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
**Total current liabilities** | 179,102 | 159,620 | 180,562
**Non-current liabilities**

**Total liabilities and equity** | 452,350 | 501,588 | 508,594

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 COMPREHENSIVE INCOME

Year ended 31 December 2018 ($'000) | Year ended 31 December 2017 ($'000)
--- | ---
**Revenue** | 432,119 | 435,493
**Cost of sales** | (311,129) | (310,093)
**Gross profit** | 120,990 | 134,400
**Expenses** | | |
Selling and distribution expenses | (40,226) | (36,146)
Administration expenses | (69,579) | (47,352)
Other operating income | 7,362 | 5,718
**Operating profit** | 22,691 | 32,748
**Net finance cost** | (3,810) | (9,485)
**Profit before taxation** | 18,881 | 23,263
**Taxation charge** | (12,039) | (14,387)
**Profit for the year** | 6,842 | 8,876
**Other comprehensive income**

Items that would not be reclassified to profit or loss

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
Other comprehensive loss net of tax | (12,306) | (1,662)
**Total comprehensive income for the year** | 5,536 | 7,214
**Earnings per share**

Basic earnings per share | 19¢ | 28¢
Diluted earnings per share | 19¢ | 27¢

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018 ($'000) | Year ended 31 December 2017 ($'000)
--- | ---
**Cash flows from operating activities** | | |
Profit before taxation | 34,730 | 47,135
Adjustments for: | | |
Depreciation | 14,516 | 12,358
Amortisation | 316 | 316
Interest expense | 5,274 | 9,896
Retirement benefit asset and medical contributions paid | 6,359 | 5,085
Gain on disposal of lease liability | (411) | |
Interest income | (732) | (1,747)
Capitalised borrowings | 578 | |
Re-measurement of retirement benefit asset | (15,856) | (1,478)
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 payables | (3,351) | (3,995)
and restricted deposit
Increase/(decrease) in inventories | (17,968) | 10,426
Increase/(decrease) in accounts payable and accruals | (9,081) | 18
Increase in amounts due to/from GORTT | 722 | 590
Cash generated from operating activities | 33,680 | 81,834
Interest paid | (6,278) | (787)
Taxes paid | (11,911) | (19,920)
**Net cash generated from operating activities** | 15,491 | 53,643
**Cash flows from investing activities** | | |
Restricted deposit | 44,620 | (15,673)
Purchase of property, plant and equipment | (69,221) | (23,669)
Dividend income | - | 92
Retirement benefit asset & medical contributions paid | (6,346) | (6,539)
Interest received on loans | 725 | 747
Purchase of intangible assets | (2,373) | (3,718)
**Net cash generated from/(in) use in investing activities** | 16,888 | (47,947)
**Cash flows from financing activities** | | |
Borrowings drawn | 37,455 | 113,945
Borrowings repayment | (68,400) | (142,940)
Dividends paid | (13,879) | (14,623)
Finance lease liability repaid | - | (472)
**Net cash used in financing activities** | (45,336) | (44,638)
**Net decrease in cash and cash equivalents** | (11,167) | (38,925)
Cash and cash equivalents at the beginning of the year | 123,798 | 145,606
Cash and cash equivalents at the end of the year | 112,631 | 106,681
**Cash and cash equivalents at the end of the year** | 112,631 | 106,681

Notes to the Summary Consolidated Financial Statements for the year ended 31 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 owned by the Government of Trinidad and Tobago.

The Group’s registered office is 27-29 Wrightson Road, Port of Spain. The ultimate shareholder of 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 asset and liability amounts 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.

3. Significant Accounting Policies
Non-current assets:

Intangible 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.