NATIONAL FLOUR MILLS LIMITED

UNAUDITED RESULTS AS AT JUNE 30, 2021 (Expressed in Trinidad and Tobago Dollars)

Chairman's Review

Dear Shareholders

The second quarter of 2021 saw an extension of the devastating effects of the pandemic. Every stage of the supply chain, from grain production through distribution and delivery of the final product were significantly affected. NFM was affected by the worst wheat crop for 33 years both from a yield and quality perspective, resulting in increases in grain prices, a situation that is not expected to improve as new variants of the virus continue to delay a return to some level of normalcy. Also, we continue to be impacted by disruptions to the global supply chain which resulted in shortages of other raw and packaging materials.

These factors, coupled with reduced operating hours, negatively affected NFM's ability to supply our valued customers with orders on time and in full. Despite this, we were able to achieve a 1.6% increase in revenue year on year. However, our cost of sales increased by 12%, resulting in a 27% decrease in gross profit compared to the prior year.

The increase in cost of sales was mainly due to rising prices of all grain at source and significant upticks in the cost of freight and packaging. Selling and distribution expenses increased by 11% year-on-year due to higher local transport costs and increased bad debt provisions. The overall impact was an 84% decrease in operating profits year on year and an 82% decline in Earnings per Share from 11 cents to 2 cents.

Against this background, NFM continues to utilise all avenues available to manage its grain purchasing efforts to source raw materials at the lowest possible prices while ensuring availability of supplies. The process optimisation and continuous improvement initiatives, which were started in 2020, will now assume even greater significance as we work to increase operational efficiency. Our employees have been nothing short of phenomenal as they continue to go the extra mile to ensure that NFM fulfils its purpose of feeding the nation.

As we continue to do all in our power to join with the rest of the nation in fighting the pandemic, NFM remains committed to keep the price of flour at 2008 levels at this time. To date, through the efforts of the Ministry of Health and the TTMA, more than 25% of our workers have been vaccinated. We will continue to educate and enrol our employees and we expect to see the numbers grow, since we believe that vaccinations save lives.

The Board continues to work with and support management in the achievement of NFM's strategic objectives and I would like to take the opportunity to thank my fellow Directors for their support and contribution in ensuring that NFM continues to fulfil its mandate. I also wish to thank the entire NFM team for continuing to work to overcome the unprecedented challenges facing the Company.

Nigel Romano
Chairman

Summary Consolidated Statement of Financial Position

	UNAUDITED SIX MONTHS ENDED 30-Jun-21 $'000	30-Jun-20 $'000	AUDITED 31-Dec-20 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	81,434	111,334	92,795
Accounts receivables and prepayments	58,324	64,003	60,851
Amounts due from the GORTT	18,817	16,000	18,530
Inventories	73,892	63,133	50,748
Restricted deposit	1,584	1,584	1,584
Tax recoverable	11,572	5,751	4,481
	245,623	261,805	228,989
Non-current assets			
Retirement benefit asset	21,990	25,879	19,179
Investment at fair value through OCI	672	1,248	672
Right of use asset	6,696	6,543	7,266
Property, plant and equipment	160,784	168,832	165,065
Intangible assets	3,138	4,869	3,968
Deferred tax	7,483	6,934	7,483
Government bonds	5,460	-	5,460
	206,223	214,305	209,093
Total assets	451,846	476,110	438,082
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accruals	83,620	63,836	30,222
Amount due to the GORTT	19,909	17,821	18,097
Borrowings	(13)	49,081	44,932
Current portion of lease liability	1,201	1,038	1,200
	104,717	131,776	94,451
Non-current liabilities			
Deferred taxation	44,501	47,486	44,601
Medical and Life Insurance Plan	24,801	22,896	23,543
Lease liability	6,910	6,020	6,739
	76,212	76,402	74,883
Shareholders' equity			
Stated Capital	120,200	120,200	120,200
Treasury shares	(4,815)	(3,125)	(4,815)
Retained earnings	155,620	152,180	153,451
Other reserves	(88)	(1,323)	(88)
	270,917	267,932	268,748
Total liabilities and shareholders' equity	451,846	476,110	438,082

Summary Consolidated Statement of Changes in Equity

	Share Capital $'000	Other Equity $'000	Retained Earnings $'000	Other Reserves $'000	Total $'000
Balance as at January 1, 2021	120,200	(4,815)	153,451	(88)	268,748
Profit for the year	-	-	2,145	-	2,145
Other movements	-	-	24	-	24
Transactions with owners of the Company:					
Dividends declared	-	-	-	-	-
Balance as at June 31, 2021	120,200	(4,815)	155,620	(88)	270,917
Balance as at January 1, 2020	120,200	(3,125)	138,165	(1,322)	253,918
Profit for the year	-	-	23,456	-	23,456
Loss on investment at fair value through OCI	-	-	-	(567)	(567)
Gain on revaluation of treasury shares	-	(1,805)	-	1,805	-
Actuarial gain for the retirement benefit asset and medical and life insurance plan	-	-	(4,302)	-	(4,302)
Other movements	-	68	(262)	(4)	(198)
Sale of Treasury shares	-	47	-	-	47
Transactions with owners of the Company:					
Dividends declared	-	-	(3,606)	-	(3,606)
Balance as at December 31, 2020	120,200	(4,815)	153,451	(88)	268,748

Notes to the Summary Consolidated Financial Statements as at June 30, 2021

Note 1: Basis of Preparation

The abridged financial statements do not include accounting policies and the notes that are contained in the financial statements. The financial statements were prepared in accordance with International Financial Reporting Standards.

Summary Consolidated Statement of Comprehensive Income

	UNAUDITED SIX MONTHS ENDED 30-Jun-21 $'000	30-Jun-20 $'000	AUDITED 31-Dec-20 $'000
Turnover	210,100	206,775	417,906
Cost of sales	(168,964)	(150,747)	(304,452)
Gross profit	41,136	56,028	113,454
Selling and distribution expenses	(19,453)	(17,477)	(38,726)
Administrative expenses	(21,043)	(21,342)	(43,880)
Other operating income	2,723	4,343	9,108
Operating profit	3,363	21,552	39,956
Finance cost	(354)	(1,819)	(4,184)
Profit before taxation	3,009	19,733	35,772
Taxation	(864)	(6,047)	(12,316)
Profit after taxation	2,145	13,686	23,456
Other comprehensive income	-	-	-
Items that will never be reclassified to profit or loss			
Remeasurement of retirement benefit asset	-	-	(5,144)
Remeasurement of medical and life insurance plan	-	-	(1,002)
Loss on investment at fair value through OCI	-	-	(567)
Gain on revaluation of treasury shares	-	-	1,805
Deferred taxation	-	-	1,844
Other comprehensive income, net of tax	-	-	(3,064)
Total comprehensive income for the period	2,145	13,686	20,392
Earnings per share	2 cents	11 cents	20 cents

Summary Consolidated Statement of Cash Flows

	UNAUDITED SIX MONTHS ENDED 30-Jun-21 $'000	30-Jun-20 $'000	AUDITED 31-Dec-20 $'000
Cash flows from operating activities			
Profit before taxation	3,009	19,733	35,772
Adjustments for:			
Depreciation	7,707	3,893	15,486
Amortisation	1,400	1,281	2,747
Interest expense	1,253	2,010	3,438
Retirement benefit and medical plan expense	-	-	6,736
Retirement benefit and medical plan contributions	(1,553)	(1,638)	(7,173)
Lease interest expense	196	199	455
Interest Income	(25)	(58)	(122)
Capitalised Borrowings	-	78	-
Discounting of Receivables	-	-	357
Non Cash movement	-	329	-
Dividend income	(24)	(1)	(222)
Gain or loss on foreign exchange	-	19	413
Increase in the provision for doubtful accounts	-	600	3,991
Operating profit before working capital changes	11,963	26,445	61,878
Changes in working capital:	0	0	-
Decrease in accounts receivable and prepayments	2,527	9,546	3,847
(Increase)/decrease in inventories	(23,144)	2,163	14,548
Increase in accounts payable and accruals	52,996	31,228	182
Increase in amounts due to/from GORTT	1,525	2,774	520
Cash generated from operating activities	45,867	72,156	80,975
Interest paid	(851)	(1,949)	(4,461)
Taxes paid	(8,055)	(2,797)	(9,743)
Net cash generated from operating activities	36,961	67,410	66,771
Cash flows from investing activities			
Restricted deposit	-	14,958	14,958
Disposal of fixed asset	-	989	83
Sale of investment	-	-	57
Purchase of property, plant and equipment	(3,426)	-	(6,920)
Dividend Income	24	1	222
Interest received on loans	25	58	122
Net cash generated from/(used)in investing activities	(3,377)	16,006	8,522
Cash flows from financing activities			
Borrowings drawn	-	-	68,715
Borrowings repaid	(44,945)	(15,660)	(88,428)
Dividends paid	-	-	(5,700)
Lease interest paid	-	-	(455)
Lease liability repaid	-	-	(208)
Net cash used in financing activities	(44,945)	(15,660)	(26,076)
Net change in cash and cash equivalents	(11,361)	67,756	49,217
Cash and cash equivalents at the beginning of the year	92,795	43,578	43,578
Cash and cash equivalents at the end of the year	81,434	111,334	92,795

Director

Director