NATIONAL FLOUR MILLS LIMITED

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

Chairman's Review

Dear Shareholders,

2021 has seen the Covid-19 pandemic continue its devastating impact on global economies and supply chains affecting lives and livelihoods. Wheat prices continued to escalate, with the landed cost of DNS wheat up 76% year on year due to supply constraints and unusually high wheat purchases by Egypt, Pakistan and Saudi Arabia putting additional strain on prices. The problem was compounded by depleted inventories due to production declines in Russia, Canada, the European Union and the United States.

The impact of a warming climate created further havoc. According to Harvard University, unless remedial measures are implemented immediately, global warming could cause major droughts in 60% of wheat cultivating areas around the world in the years ahead.

Despite these challenges facing our industry, revenue for the nine months ending September 30, 2021 increased by 3% year on year. However, for the same period, cost of sales increased by 14% driven primarily by increased grain and freight prices and increased labour costs associated with pandemic related changes to work arrangements. Consequently, at the end of the third quarter, gross profit declined by 26%, down from $85.2M in 2020 to $63.0M in 2021. Profit after tax declined by 79.7%, down from $20.1M to $4.1M and earnings per share decreased 82.4% year on year.

Like all manufacturing firms, the cost of doing business has increased significantly and NFM's focus has been on managing its procurement and supply chain processes, particularly for raw materials. We are also actively exploring our responses to these unprecedented increases in commodity prices.

The diversification of revenue sources has become even more critical to the sustainability of NFM and we are researching and evaluating new revenue generating initiatives. We are focused on becoming a more data-driven company competing effectively on analytics as well as quickly identifying alternative sources of materials and machinery to optimize our manufacturing strategies. Managing operational processes and costs will remain a priority.

The Management Team continues to work assiduously to satisfy the needs of our customers despite factors beyond our control. A lot of the crucial operational issues which plagued the Company's performance in the previous quarter have been resolved and we anticipate a more efficient final quarter. Going forward, we will continue to proactively monitor changes in the environment to mitigate business risks.

I wish to thank the Management and Staff of the Company for their continued dedication to the success of the Company. I also wish to thank my fellow directors for their support and guidance. We continue to learn and grow as a Board as we guide NFM's transformation and we look forward to working with our newly appointed Director, Ms. Annalean Inniss, who joined us in October.

Nigel Romano
Chairman

Summary Consolidated Statement of Financial Position

	UNAUDITED Nine months ended 30 Sep 21 $'000	30 Sep 20 $'000	AUDITED 31 Dec 20 $'000
ASSETS			
Current assets			
Cash and cash equivalents	70,930	89,031	92,795
Accounts receivables and prepayments	60,809	60,741	60,851
Amounts due from the GORTT	20,350	15,770	18,530
Inventories	70,892	50,070	50,748
Restricted deposit	1,584	1,584	1,584
Tax recoverable	13,052	7,107	4,481
	237,617	224,303	228,989
Non-current assets			
Retirement benefit asset	23,431	27,293	19,179
Investment at fair value through OCI	672	1,248	672
Right of use asset	6,520	6,355	7,266
Property, plant and equipment	158,564	166,081	165,065
Intangible assets	2,723	4,417	3,968
Deferred tax	7,483	6,934	7,483
Government bonds	5,460	5,460	5,460
	204,853	217,788	209,093
Total assets	442,470	442,091	438,082
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accruals	71,104	36,984	30,222
Amount due to the GORTT	20,220	17,861	18,097
Borrowings	-	34,755	44,932
Current portion of lease liability	1,201	1,038	1,200
	92,525	90,638	94,451
Non-current liabilities			
Deferred taxation	44,501	47,486	44,601
Medical and Life Insurance Plan	25,620	23,589	23,543
Lease liability	6,968	6,119	6,739
	77,089	77,194	74,883
Shareholders' equity			
Stated capital	120,200	120,200	120,200
Treasury shares	(4,815)	(3,125)	(4,815)
Retained earnings	157,559	158,507	153,451
Other reserves	(88)	(1,323)	(88)
	272,856	274,259	268,748
Total liabilities and shareholders' equity	442,470	442,091	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	-	-	4,084	-	4,084
Other movements	-	-	24	-	24
Transactions with owners of the Company:					
Dividends declared	-	-	-	-	-
Balance as at September 30, 2021	120,200	(4,815)	157,559	(88)	272,856
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 Sept 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 Nine months ended 30 Sep 21 $'000	30 Sep 20 $'000	AUDITED 31 Dec 20 $'000
Turnover	319,726	309,799	417,906
Cost of sales	(256,761)	(224,617)	(304,452)
Gross profit	62,965	85,182	113,454
Selling and distribution expenses	(29,129)	(28,478)	(38,726)
Administrative expenses	(31,774)	(32,728)	(43,880)
Other operating income	4,589	7,536	9,108
Operating profit	6,651	31,512	39,956
Finance cost	(815)	(2,557)	(4,184)
Profit before taxation	5,836	28,955	35,772
Taxation	(1,752)	(8,814)	(12,316)
Profit after taxation	4,084	20,141	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	4,084	20,141	20,392
Earnings per share	3 cents	17 cents	20 cents

Summary Consolidated Statement of Cash Flows

	UNAUDITED Nine months ended 30 Sep 21 $'000	30 Sep 20 $'000	AUDITED 31 Dec 20 $'000
Cash flows from operating activities			
Profit before taxation	5,836	28,955	35,772
Adjustments for:			
Depreciation	11,652	7,633	15,486
Amortisation	1,991	1,921	2,747
Interest expense	1,542	2,718	3,438
Retirement benefit and medical plan expense	-	-	6,736
Retirement benefit and medical plan contributions	(2,175)	(2,359)	(7,173)
Lease interest expense	261	298	455
Interest income	(30)	(111)	(122)
Capitalised borrowings	-	78	-
Discounting of receivables	-	-	357
Non cash movement	-	201	-
Dividend income	(24)	(120)	(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	19,053	39,833	61,878
Changes in working capital:			
(Increase)/decrease in accounts receivable and prepayments	42	7,348	3,847
(Increase)/decrease in inventories	(20,144)	15,226	14,548
Increase in accounts payable and accruals	40,480	4,376	182
Increase in amounts due to/from GORTT	303	3,044	520
Cash generated from operating activities	39,734	69,827	80,975
Interest paid	(1,140)	(2,657)	(4,461)
Taxes paid	(10,423)	(6,920)	(9,743)
Net cash generated from operating activities	28,171	60,250	66,771
Cash flows from investing activities			
Restricted deposit	-	14,958	14,958
Disposal of fixed asset	-	-	83
Sale of investment	-	-	57
Purchase of property, plant and equipment	(5,151)	-	(6,920)
Dividend income	24	120	222
Interest received on loans	30	111	122
Net cash generated from/(used)in investing activities	(5,097)	15,189	8,522
Cash flows from financing activities			
Borrowings drawn	-	-	68,715
Borrowings repaid	(44,939)	(29,986)	(88,428)
Dividends paid	-	-	(5,700)
Lease interest paid	-	-	(455)
Lease liability repaid	-	-	(208)
Net cash used in financing activities	(44,939)	(29,986)	(26,076)
Net change in cash and cash equivalents	(21,865)	45,453	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	70,930	89,031	92,795

Director

Director