NATIONAL FLOUR MILLS LIMITED

UNAUDITED RESULTS AS AT JUNE 30, 2022 (Expressed in Trinidad and Tobago Dollars)

Chairman's Review

Dear Shareholders

As I reported in my first quarter report, the Russian invasion of the Ukraine impacted supplies of wheat, fuel and fertilizer, disrupting global markets causing food and fuel prices to soar, and raising fundamental concerns about global food security. In addition, the June publication by the Food and Agriculture Organisation highlighted climate change and market uncertainties as also contributing to record high food prices globally.

We earned revenue of $228.2M for the first six months of 2022, an increase of 8.7% year on year. However, the uncontrollable factors referred to above, caused a 12.3% increase in cost of sales year-on-year, up from $168.9M in 2021 to $189.7M in 2022. The net effect was a 6.3% decrease in gross profit, an 85% decrease in operating profit, down from $3.4M to $0.5M and an after tax loss of $2.3M compared to an after tax profit of $2.1M for the first six months of 2021. This was the context for the 33% increase in the price of flour in June 2022.

However, let me assure you our shareholders and valued customers, that we are acutely aware of the importance of flour to the living standards of our customers and your board continues to work with management to monitor global markets and ensure availability of wheat supplies, while improving the efficiency of the production process. We have secured supplies for the rest of the year and do not expect to change prices in the near future. However, futures contracts work by allowing buyers and sellers to agree on a price for wheat that will be delivered in the future, typically three months' time. And a lot can change in three months.

The ongoing attempts internationally to broker an agreement, establishing an export corridor for grain shipments from Ukraine, to increase global supplies was a breath of fresh air. Unfortunately, this was quickly dampened by the attack on Odessa, Ukraine's biggest port, highlighting the current unpredictability and volatility of the grain market.

We wish to advise our stakeholders that notwithstanding these current challenges, our objective is to secure supplies at the best prices available. We are mindful of NFM's role in providing basic food items to our citizens and we continue to look for innovative ways to sustainably manage our operations while ensuring availability of these invaluable staples at affordable prices.

Nigel Romano
Chairman

Summary Consolidated Statement of Financial Position

	UNAUDITED SIX MONTHS ENDED 30-Jun-22 $'000	30-Jun-21 $'000	AUDITED YEAR ENDED 31-Dec-21 $'000
Assets			
Non-current Assets			
Property, plant and equipment	160,854	160,784	159,036
Intangible assets	2,305	3,138	3,219
Right-of-use assets	5,773	6,696	6,264
Government bonds	5,460	5,460	5,460
Investments at fair value through OCI	697	672	697
Retirement benefit asset	46,040	21,990	43,118
Deferred taxation assets	9,704	7,483	9,704
	230,833	206,223	227,498
Current Assets			
Accounts receivable and prepayments	78,698	58,324	79,568
Amount due from the Government of the Republic of Trinidad and Tobago (GORTT)	18,128	18,817	19,726
Inventories	159,759	73,892	100,537
Taxation recoverable	8,879	11,572	8,880
Restricted deposit	1,584	1,584	1,584
Cash and cash equivalents	45,269	81,434	50,581
	312,317	245,623	260,876
Total Assets	543,150	451,846	488,374
Liabilities and equity			
Non-current Liabilities			
Deferred tax liabilities	48,377	44,501	48,378
Medical and life insurance plan	32,045	24,801	30,837
Lease liabilities	7,216	6,910	5,850
	87,638	76,212	85,065
Current Liabilities			
Amount due to the Government of the Republic of Trinidad and Tobago (GORTT)	19,118	19,909	18,928
Borrowings	46,561	(13)	-
Lease liabilities	1,200	1,200	2,425
Accounts payable and accruals	112,493	83,621	103,485
	179,372	104,717	124,838
Total liabilities	267,010	180,929	209,903
Shareholders' equity			
Stated capital	120,200	120,200	120,200
Treasury shares	(3,003)	(4,815)	(3,003)
Retained earnings	160,811	155,620	163,142
Other reserves	(1,868)	(88)	(1,868)
Total equity	276,140	270,917	278,471
Total liabilities and equity	543,150	451,846	488,374

Summary Consolidated Statement of Changes in Equity

	Share Capital $	Treasury Shares $	Other Reserves $	Retained Earnings $	Total $
Period ended June 30, 2022					
Opening balance at January 1, 2022	120,200	(3,003)	(1,868)	163,142	278,471
Loss for the year	-	-	-	(2,331)	(2,331)
Balance at June 30, 2022	120,200	(3,003)	(1,868)	160,811	276,140
Year ended December 31, 2021					
Opening 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 insurance 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 at December 31, 2021	120,200	(3,003)	(1,868)	163,142	278,471

Notes to the Summary Consolidated Financial Statements as at June 30, 2022

1. Basis of Preparation

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

Summary Consolidated Statement of Comprehensive Income

	UNAUDITED SIX MONTHS ENDED 30-Jun-22 $'000	30-Jun-21 $'000	AUDITED YEAR ENDED 31-Dec-21 $'000
Revenue	228,298	210,100	441,652
Cost of sales	(189,754)	(168,964)	(362,854)
Gross profit	38,544	41,136	78,798
Selling and distribution expenses	(18,866)	(19,453)	(37,514)
Administration expenses	(22,818)	(21,043)	(43,230)
Other operating income	3,637	2,723	6,579
Operating profit	497	3,363	4,633
Net finance cost	(1,373)	(354)	(2,119)
Profit before income tax	(876)	3,009	2,514
Income tax expense	(1,455)	(864)	(1,137)
Profit/(loss) for the period/year	(2,331)	2,145	1,377
Other comprehensive income/(loss):			
Items that would not be reclassified to profit or loss	-	-	
Re-measurement of retirement benefit asset	-	-	22,753
Re-measurement of medical and life insurance plan	-	-	(6,260)
Changes to deferred taxes related to remeasurements	-	-	(4,947)
Gain/(loss) on investment at fair value through OCI	-	-	25
Reversal of gain on revaluation of treasury shares	-	-	(1,805)
Other comprehensive income/(loss) net of tax	-	-	9,766
Total comprehensive income/(loss) for the period/year	(2,331)	2,145	11,143
Earnings per share			
Basic earnings per share (in cents)	-	1.82	1.17
Diluted earnings per share (in cents)	-	1.78	1.15

Summary Consolidated Statement of Cash Flows

	UNAUDITED SIX MONTHS ENDED 30-Jun-22 $'000	30-Jun-21 $'000	AUDITED YEAR ENDED 31-Dec-21 $'000
Cash flows from operating activities			
Profit/(loss) before taxation	(876)	3,009	2,514
Adjustments for:			
Depreciation	7,429	7,707	14,582
Amortisation	1,515	1,400	2,681
Interest expense	697	1,253	1,686
Retirement benefit and medical plan expense	-	-	7,373
Retirement benefit and medical plan contributions	(1,664)	(1,553)	(7,525)
Lease interest expense	180	196	407
Interest Income	(10)	(25)	(34)
Dividend income	(83)	(24)	(24)
Gain or loss on foreign exchange	-	-	26
(Decrease)/Increase in the provision for doubtful accounts	-	-	(746)
Operating profit before working capital changes	7,188	11,963	20,940
Changes in working capital:			
(Increase)/decrease in accounts receivable and prepayments	595	2,527	(18,007)
(Increase)/decrease in inventories	(59,222)	(23,144)	(49,789)
(Increase)/decrease in accounts payable and accruals	8,583	52,996	73,601
(Increase)/decrease in amounts due to/from GORTT	1,788	1,525	(365)
Cash (used in)/generated from operating activities	(41,068)	45,867	26,380
Interest paid	(271)	(851)	(1,943)
Taxes paid	-	(8,055)	(8,216)
Net cash (used in)/generated from operating activities	(41,339)	36,961	16,221
Cash flows from investing activities			
Disposal of fixed asset	1,880	-	96
Sale of investment	-	-	6
Acquisition of property, plant and equipment	(13,442)	(3,426)	(8,649)
Dividend Income	83	24	24
Interest received on loans	10	25	34
Purchase of intangible assets	110	-	(930)
Net cash (used in) investing activities	(11,359)	(3,377)	(9,419)
Cash flows from financing activities			
Borrowings drawn	47,386	-	-
Borrowings repaid	-	(44,945)	(44,932)
Dividends paid	-	-	(3,606)
Lease interest paid	-	-	(407)
Lease liability repaid	-	-	(71)
Net cash generated from/(used in) financing activities	47,386	(44,945)	(49,016)
Net change in cash and cash equivalents	(5,312)	(11,361)	(42,214)
Cash and cash equivalents at the beginning of the period/year	50,581	92,795	92,795
Cash and cash equivalents at the end of the period/year	45,269	81,434	50,581

Director

Director