



NATIONAL FLOUR MILLS LIMITED

UNAUDITED RESULTS AS AT SEPTEMBER 30, 2022 (Expressed in Thousands of Trinidad and Tobago Dollars)

Chairman's Review

Dear Shareholders,

The Russia-Ukraine war, the slowdown of the Chinese economy and rising geopolitical tensions across the globe continued to impact global supply chains and the cost of food and fuel leading to surging inflation in almost every country in the world. In addition, the impact of climate change, in the form of increased rainfall in some areas and drought in others added more complexity to the operating landscape.

At The UN's World Climate Conference (COP27), currently underway in Egypt's Sharm El-Sheikh, it is being acknowledged that countries are not doing enough to prevent global temperatures from rising by the targeted 1.5 degrees Celsius above pre-industrial levels. If these targets are not met and the increase in global warming is not reversed in a very short space of time, it could be too late. Climate change has already adversely affected the global supply of wheat. Droughts and excessive heat in North America and India have resulted in demand exceeding supply for wheat which led to price escalations so far this year, a trend we expect to continue.

The issues above impacted our operations with cost of sales increasing by 21.4% year-on-year, up from \$256.7M to \$311.9M. The price increases implemented earlier this year helped to blunt this impact with revenue up by 16.1% from \$319.7M in Q3 2021 to \$371.2M. However, this was not sufficient to off-set the increased cost of sales, and even though our indirect expenses remained relatively stable over the period, operating profit decreased by 57.5% compared to the prior year. As at September 30, 2022, NFM recorded a loss of \$1.7M.

Notwithstanding these challenges, significant efforts were made to increase inventory levels to ensure a reliable supply to all our customers, with delivery of our products meeting all on time and in-full benchmarks. In addition, we continued to invest in the upgrade of our plant and equipment to ensure that we can continue to provide safe, quality food and feed products for our customers as we continue on the journey to SQF Level 3 Certification. The increase in accounts receivables was a direct result of the price increase implemented this year and the attendant increase in credit limits for our customers.

We wish to assure all our stakeholders that despite these challenges, we continue to explore additional avenues to serve our customers, add new customers, locally and regionally, diversify our product revenue streams and improve the efficiency of our operations.

Nigel Romano
Chairman

Summary Consolidated Statement of Financial Position

	UNAUDITED NINE MONTHS ENDED		AUDITED YEAR ENDED
	30-Sep-22	30-Sep-21	31-Dec-21
	\$'000	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	28,096	70,930	50,581
Accounts receivables and prepayments	84,418	60,809	79,568
Amounts due from the GORTT	19,328	20,350	19,726
Inventories	166,082	70,892	100,537
Restricted deposit	1,584	1,584	1,584
Tax recoverable	4,264	13,052	8,880
	<u>303,772</u>	<u>237,617</u>	<u>260,876</u>
Non-current Assets			
Retirement benefit asset	47,514	23,431	43,118
Investment at fair value through OCI	697	672	697
Right of use asset	5,509	6,520	6,264
Property, plant and equipment	158,719	158,564	159,036
Intangible assets	1,869	2,723	3,219
Deferred tax	9,704	7,483	9,704
Government bonds	5,460	5,460	5,460
	<u>229,472</u>	<u>204,853</u>	<u>227,498</u>
Total Assets	<u>533,244</u>	<u>442,470</u>	<u>488,374</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accruals	128,673	71,104	103,485
Amount due to the GORTT	19,158	20,220	18,928
Borrowings	19,195	-	-
Current portion of lease liability	1,200	1,201	2,425
	<u>168,226</u>	<u>92,525</u>	<u>124,838</u>
Non-current Liabilities			
Deferred taxation	48,377	44,501	48,378
Medical and Life Insurance Plan	32,608	25,620	30,837
Lease liability	7,268	6,968	5,850
	<u>88,253</u>	<u>77,089</u>	<u>85,065</u>
Shareholders' equity			
Stated Capital	120,200	120,200	120,200
Treasury shares	(3,003)	(4,815)	(3,003)
Retained earnings	161,436	157,559	163,142
Other reserves	(1,868)	(88)	(1,868)
	<u>276,765</u>	<u>272,856</u>	<u>278,471</u>
Total liabilities and shareholders' equity	<u>533,244</u>	<u>442,470</u>	<u>488,374</u>

Summary Consolidated Statement of Changes in Equity

	Share Capital	Treasury Shares	Other Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at January 1, 2022	120,200	(3,003)	(1,868)	163,142	278,471
Loss for the year	-	-	-	(1,706)	(1,706)
Balance as at September 30, 2022	<u>120,200</u>	<u>(3,003)</u>	<u>(1,868)</u>	<u>161,436</u>	<u>276,765</u>
Balance as at January 1, 2021	120,200	(4,815)	(88)	153,451	268,748
Profit for the year	-	-	-	4,084	4,084
Other movements	-	-	-	24	24
Balance as at September 30, 2021	<u>120,200</u>	<u>(4,815)</u>	<u>(88)</u>	<u>157,559</u>	<u>272,856</u>
Balance as 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 as at December 31, 2021	<u>120,200</u>	<u>(3,003)</u>	<u>(1,868)</u>	<u>163,142</u>	<u>278,471</u>

Notes to the Summary Consolidated Financial Statements for the nine months ended September 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 NINE MONTHS ENDED		AUDITED YEAR ENDED
	30-Sep-22	30-Sep-21	31-Dec-21
	\$'000	\$'000	\$'000
Turnover	371,259	319,726	441,652
Cost of sales	(311,923)	(256,761)	(362,854)
Gross profit	<u>59,336</u>	<u>62,965</u>	<u>78,798</u>
Selling and distribution expenses	(28,341)	(29,129)	(37,514)
Administrative expenses	(33,537)	(31,774)	(43,230)
Other operating income	5,370	4,589	6,579
Operating profit	<u>2,828</u>	<u>6,651</u>	<u>4,633</u>
Finance cost	(2,202)	(815)	(2,119)
Profit/(loss) before taxation	<u>626</u>	<u>5,836</u>	<u>2,514</u>
Taxation	(2,332)	(1,752)	(1,137)
Profit/(loss) after taxation	<u>(1,706)</u>	<u>4,084</u>	<u>1,377</u>
Other comprehensive income/(loss):	-	-	-
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of retirement benefit asset	-	-	22,753
Remeasurement of medical and life insurance plan	-	-	(6,260)
Gain/loss on investment at fair value through OCI	-	-	25
Gain on revaluation of treasury shares	-	-	-
Changes to deferred taxes related to remeasurements	-	-	(4,947)
Reversal of gain on revaluation of treasury shares	-	-	(1,805)
Other comprehensive income, net of tax	-	-	9,766
Total comprehensive income/(loss) for the period	<u>(1,706)</u>	<u>4,084</u>	<u>11,143</u>
Earnings per share	-	3 cents	1 cent

Summary Consolidated Statement of Cash Flows

	UNAUDITED NINE MONTHS ENDED		AUDITED YEAR ENDED
	30-Sep-22	30-Sep-21	31-Dec-21
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Profit before taxation	626	5,836	2,514
Adjustments for:			
Depreciation	11,196	11,652	14,582
Amortisation	2,215	1,991	2,681
Interest expense	1,580	1,542	1,686
Retirement benefit and medical plan expense	-	-	7,373
Retirement benefit and medical plan contributions	(2,625)	(2,175)	(7,525)
Lease interest expense	252	261	407
Interest Income	(16)	(30)	(34)
Capitalised Borrowings	-	-	-
Discounting of Receivables	-	-	-
Non Cash movement	-	-	-
Dividend income	(359)	(24)	(24)
Gain or loss on foreign exchange	-	-	26
(Decrease)/Increase in the provision for doubtful accounts	-	-	(746)
Operating profit before working capital changes	<u>12,869</u>	<u>19,053</u>	<u>20,940</u>
Changes in working capital:			
(Increase) / decrease in accounts receivable and prepayments	(5,100)	42	(18,007)
(Increase) / decrease in inventories	(65,545)	(20,144)	(49,789)
(Increase)/decrease in accounts payable and accruals	24,897	40,480	73,601
(Increase)/decrease in amounts due to/from GORTT	628	303	(365)
Cash generated from operating activities	<u>(32,251)</u>	<u>39,734</u>	<u>26,380</u>
Interest paid	(1,289)	(1,140)	(1,943)
Taxes paid	2,284	(10,423)	(8,216)
Net cash generated from operating activities	<u>(31,256)</u>	<u>28,171</u>	<u>16,221</u>
Cash flows from investing activities			
Restricted deposit	-	-	-
Disposal of fixed asset	4,513	-	96
Sale of investment	-	-	6
Acquisition of property, plant and equipment	(15,297)	(5,151)	(8,649)
Dividend Income	359	24	24
Interest received on loans	16	30	34
Purchase of intangible assets	(15)	-	(930)
Net cash generated from/(used) in investing activities	<u>(10,424)</u>	<u>(5,097)</u>	<u>(9,419)</u>
Cash flows from financing activities			
Borrowings drawn	19,195	-	-
Borrowings repaid	-	(44,939)	(44,932)
Dividends paid	-	-	(3,606)
Lease interest paid	-	-	(407)
Lease liability repaid	-	-	(71)
Net cash generated from/(used) in financing activities	<u>19,195</u>	<u>(44,939)</u>	<u>(49,016)</u>
Net change in cash and cash equivalents	(22,485)	(21,865)	(42,214)
Cash and cash equivalents at the beginning of the year	50,581	92,795	92,795
Cash and cash equivalents at the end of the period/year	<u>28,096</u>	<u>70,930</u>	<u>50,581</u>

Director

Director