



# NATIONAL FLOUR MILLS LIMITED

UNAUDITED RESULTS AS AT JUNE 30, 2020 (Expressed in Trinidad and Tobago Dollars)

## Chairman's Review

The impact of COVID-19 on economies, businesses and lifestyles generally continued to command the attention of NFM's leadership team and your board during the second quarter. The measures put in place by our health professionals and our government have ensured that the number of cases and deaths are among the lowest in the world. However, the impact on business activity and travel are expected to continue to put a damper on economic activity for the rest of 2020.

Therefore, we must be prudent and continue our focus on improving operational efficiency and on managing our purchases of grain given the significant volatility in the grain markets influenced by the effects of climate change and geo-political tensions in addition to the pandemic.

The good news is that NFM's gross profit increased by 9% over the first six months of 2019 as a result of a 3% increase in revenues and a lower, 1%, increase in cost of sales. This is reflective of unintended consequences of the virus—increase in home cooking and baking and the very proactive response to this demand by our sales and marketing team. The team also focused on improving margins by buying at optimal prices while reducing material utilization. And our robust supply chain management ensured that there were no interruptions in raw materials supply. Also, cost of sales continues to benefit from an improved control environment in our milling, packaging and warehousing units.

Selling and distribution costs also declined by 8% driven by restrictions on in-store promotions imposed during the lockdown which prompted a shift to greater on-line marketing. Distribution expenses also benefitted from increased use of NFM's trucks for deliveries and extended delivery hours.

The combined effect of increased revenues, lower cost of sales, increased other operating income, reduced overhead expenses and finance costs resulted in an 83% year-on-year increase in Profit Before tax.

Our plant improvement program is a priority and the packaging equipment upgrade is scheduled for later this year to allow for product diversification, greater automation and improved efficiency. The SQF certification audit, which was postponed due to the pandemic, will be finalized once the situation returns to some level of normalcy.

NFM's leadership team and Board are cognizant of the significant challenges facing the economy and remain committed to continuously improving our performance and to delivering world class products to our customers while creating value for our shareholders. Given the very good results and the need for caution, your board is pleased to announce an interim dividend payment of 3 cents per share.

I would like to thank the leadership team and my fellow board members for their support, hard work, foresight and commitment to NFM. And I would also like to thank the entire team who kept the factory going during the lockdown. They remained committed and focused on ensuring that we delivered our very essential products to our customers.

Nigel Romano  
Chairman

## Summary Consolidated Statement of Changes in Equity

	Share Capital \$'000	Other Equity \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total \$'000
<b>Balance as at January 1, 2020</b>	120,200	(3,125)	138,165	(1,322)	253,918
Total comprehensive income: Profit for the year	-	-	13,685	-	13,685
Other movements	-	-	201	-	201
Transactions with owners of the Company:					
Dividends declared	-	-	-	-	-
<b>Balance as at June 30, 2020</b>	<u>120,200</u>	<u>(3,125)</u>	<u>152,051</u>	<u>(1,322)</u>	<u>267,804</u>
<b>Balance as at January 1, 2019 - Restated</b>	120,200	(3,175)	130,651	(812)	246,864
Total comprehensive income:					
Profit for the year	-	-	6,133	-	6,133
Loss on investment	-	-	-	(510)	(510)
Actuarial gain for the retirement benefit asset and medical and life insurance plan	-	-	10,155	-	10,155
Other movements			(360)		(360)
Movement in Treasury shares	-	50	-	-	50
Transactions with owners of the Company:					
Dividends declared	-	-	(8,414)	-	(8,414)
<b>Balance as at December 31, 2019</b>	<u>120,200</u>	<u>(3,125)</u>	<u>138,165</u>	<u>(1,322)</u>	<u>253,918</u>

## Summary Consolidated Statement of Financial Position

	UNAUDITED SIX MONTHS ENDED 30-Jun-20 \$'000	30-Jun-19 \$'000	AUDITED 31-Dec-19 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	111,599	47,277	43,578
Accounts receivables and prepayments	63,736	71,530	74,149
Amounts due from the GORTT	16,000	14,697	18,274
Inventories	63,133	91,222	65,296
Restricted deposit	1,584	16,540	16,542
Tax recoverable	5,751	8,314	9,001
	<u>261,804</u>	<u>249,580</u>	<u>226,840</u>
<b>Non-current assets</b>			
Retirement benefit asset	25,879	8,655	23,178
Investment at fair value through OCI	1,248	1,758	1,248
Right of use asset	6,543	-	6,920
Property, plant and equipment	168,832	177,423	173,714
Intangible assets	4,869	5,728	5,773
Deferred tax	6,934	6,370	6,934
	<u>214,306</u>	<u>199,934</u>	<u>217,767</u>
<b>Total assets</b>	<u>476,110</u>	<u>449,514</u>	<u>444,607</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accruals	63,964	42,291	32,545
Amount due to the GORTT	17,821	15,987	17,321
Borrowings	49,081	66,508	64,645
Current portion of lease liability	1,038	-	1,038
	<u>131,904</u>	<u>124,786</u>	<u>115,549</u>
<b>Non-current liabilities</b>			
Deferred taxation	47,486	44,234	47,486
Medical and Life Insurance Plan	22,896	19,723	21,833
Lease liability	6,020	-	5,821
Borrowings	-	12,671	-
	<u>76,402</u>	<u>76,628</u>	<u>75,140</u>
<b>Shareholders' equity</b>			
Stated capital	120,200	120,200	120,200
Treasury shares	(3,125)	(3,175)	(3,125)
Retained earnings	152,051	131,887	138,165
Other reserves	(1,322)	(812)	(1,322)
	<u>267,804</u>	<u>248,100</u>	<u>253,918</u>
<b>Total liabilities and shareholders' equity</b>	<u>476,110</u>	<u>449,514</u>	<u>444,607</u>

## Summary Consolidated Statement of Comprehensive Income

	UNAUDITED SIX MONTHS ENDED 30-Jun-20 \$'000	30-Jun-19 \$'000	AUDITED 31-Dec-19 \$'000
Turnover	206,774	200,501	412,476
Cost of sales	(150,747)	(149,032)	(321,112)
<b>Gross profit</b>	<u>56,027</u>	<u>51,469</u>	<u>91,364</u>
Selling and distribution expenses	(17,476)	(18,877)	(38,657)
Administrative expenses	(21,342)	(22,423)	(47,127)
Other operating income	4,343	3,242	9,214
<b>Operating profit</b>	<u>21,552</u>	<u>13,411</u>	<u>14,794</u>
Finance cost	(1,819)	(2,620)	(4,731)
<b>Profit before taxation</b>	<u>19,733</u>	<u>10,791</u>	<u>10,063</u>
Taxation	(6,048)	(3,237)	(3,930)
<b>Profit after taxation</b>	<u>13,685</u>	<u>7,554</u>	<u>6,133</u>
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss			
Remeasurement of retirement benefit asset	-	-	16,363
Remeasurement of medical and life insurance plan	-	-	(1,856)
Loss on investment at fair value through OCI	-	-	(510)
Deferred taxation	-	-	(4,352)
Other comprehensive income, net of tax	-	-	9,645
<b>Total comprehensive income for the period</b>	<u>13,685</u>	<u>7,554</u>	<u>15,778</u>

Earnings per share	11 cents	6 cents	5 cents
--------------------	----------	---------	---------

## Notes to the Summary Consolidated Financial Statements as at June 30, 2020

### 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 Cash Flows

	UNAUDITED SIX MONTHS ENDED 30-Jun-20 \$'000	30-Jun-19 \$'000	AUDITED 31-Dec-19 \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation	19,773	10,791	10,063
Adjustments for:			
Depreciation	7,877	7,643	15,472
Amortisation	904	831	2,494
Interest expense	419	411	4,780
Retirement benefit and medical plan expense	2,743	3,748	7,131
Lease interest expense	199	-	291
Interest income	(58)	(130)	(491)
Capitalised borrowings	154	290	658
Discounting of receivables	-	-	637
Non-cash movement	201	-	-
Dividend income	-	-	(481)
Gain or loss on foreign exchange	(97)	-	(322)
Increase in the provision for doubtful accounts	600	300	2,798
<b>Operating profit before working capital changes</b>	<u>32,675</u>	<u>23,884</u>	<u>43,030</u>
Changes in working capital	-	-	-
Increase/(decrease) in accounts receivable and prepayments	10,190	(1,543)	(7,387)
and restricted deposit	2,165	(11,629)	11,303
Decrease/(increase) in inventories			
Increase/(decrease) in accounts payable and accruals	30,041	7,242	(2,670)
Increase in amounts due to/from GORTT	<u>2,775</u>	<u>(3,219)</u>	<u>804</u>
Cash generated from operating activities	77,846	14,735	45,080
Interest paid	(1,790)	(2,470)	(4,838)
Taxes paid	(2,797)	(5,676)	(7,823)
<b>Net cash generated from operating activities</b>	<u>73,259</u>	<u>6,589</u>	<u>32,419</u>
<b>Cash flows from investing activities</b>			
Restricted deposit	14,958	15,442	15,439
Disposal of fixed asset	-	-	85
Purchase of property, plant and equipment	(2,995)	(6,328)	(6,961)
Dividend income	-	-	481
Retirement benefit asset & medical contributions paid	(1,638)	(2,820)	(7,857)
Interest received on loans	58	248	491
Purchase of intangible assets	-	(422)	(1,369)
<b>Net cash generated from/(used) in investing activities</b>	<u>10,383</u>	<u>6,120</u>	<u>309</u>
<b>Cash flows from financing activities</b>			
Borrowings repayment	(15,621)	(9,717)	(24,513)
Dividends paid	-	-	(8,414)
Lease interest paid	-	-	(217)
Lease liability repaid	-	-	(291)
<b>Net cash used in financing activities</b>	<u>(15,621)</u>	<u>(9,717)</u>	<u>(33,435)</u>
Net change in cash and cash equivalents	-	-	(508)
Cash and cash equivalents at the beginning of the year	43,578	44,285	44,285
Cash and cash equivalents at the end of the year	<u>111,599</u>	<u>47,277</u>	<u>43,578</u>

Director

Director