



NATIONAL FLOUR MILLS LIMITED

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

Chairman's Review

The adverse impact of COVID-19 on economic activity across the globe continued into the 3rd quarter weakening demand and disrupting economic activities in many business sectors. Local and regional economies have not escaped as evidenced by significant contractions in GDP as Governments struggle to contain the virus and save lives.

NFM prudently continued to focus on improving operational efficiency while managing grain purchases resulting in a Net Profit after Tax of \$20.1M from Sales of \$309.8M for the nine months ended September 30, 2020. The significant 406% year-on-year increase in Net Profit after Tax is due to a number of initiatives executed by our dedicated team of employees who grasped market opportunities while reducing the cost of operations. Sales increased by 2% while Gross Profit increased by \$19.5M or 30% as a result of good purchasing decisions and more efficient utilisation of raw materials inclusive of waste mitigation strategies. Overhead and financing costs were also lower than the prior year. Selling expenses were flat compared to prior year and would have been lower except for increased bad debt provisions occasioned by the impact of the pandemic on the ability of some customers to meet their obligations.

The capacity of the organisation was tested in the third quarter, in response to a few positive cases, we had to quarantine a large number of employees in compliance with all Ministry of Health and international pandemic protocols, which proactively included company administered private testing to ensure the safety of our team members and their families. The NFM team owned the challenge and kept the market adequately supplied ensuring continued high customer satisfaction levels during this very difficult period.

NFM continues its plant improvement program and is on schedule to upgrade key packaging equipment in the first quarter of 2021 to allow for increased efficiency through automation and the flexibility to expand our product range. The SQF certification audit scheduled for April 2020 was postponed due to the pandemic and a new date is expected once the situation returns to some level of normalcy.

Your Board is cognizant of the significant challenges facing the economy and remains committed to continuously improving the quality of our products and the experience of our customers when they interact with us. We will also remain laser focused on increasing our operational efficiency. While supply chains remain relatively robust the aggressive posture of China in the last two months has put a strain on logistics. China initially drew down its reserve stocks and has now become extremely active in the international grain markets, with purchases almost 75% greater than prior year. Therefore, while our various scenarios point to continued growth we continue to monitor these developments carefully.

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


Nigel Romano
Chairman

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, 2020	120,200	(3,125)	138,165	(1,322)	253,918
Total comprehensive income:					
Profit for the year	-	-	20,141	-	20,141
Other movements	-	-	201	-	201
Transactions with owners of the Company:					
Dividends declared	-	-	-	-	-
Balance as at September 30, 2020	120,200	(3,125)	158,507	(1,322)	274,260
Balance as at January 1, 2019 - Restated	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)
Balance as at December 31, 2019	120,200	(3,125)	138,165	(1,322)	253,918

Summary Consolidated Statement of Financial Position

	UNAUDITED NINE MONTHS ENDED 30-Sep-20 \$'000	30-Sep-19 \$'000	AUDITED 31-Dec-19 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	89,030	70,360	43,578
Accounts receivables and prepayments	60,741	73,772	74,149
Amounts due from the GORTT	15,770	15,897	18,274
Inventories	50,070	90,911	65,296
Restricted deposit	1,584	16,542	16,542
Tax recoverable	7,108	11,990	9,001
	224,303	279,472	226,840
Non-current assets			
Retirement benefit asset	27,295	9,997	23,178
Investment at fair value through OCI	1,248	1,758	1,248
Right of use asset	6,355	-	6,920
Property, plant and equipment	166,081	174,771	173,714
Intangible assets	4,417	6,232	5,773
Deferred tax	6,935	6,370	6,934
VAT bonds	5,460	-	-
	217,791	199,128	217,767
Total assets	442,094	478,600	444,607
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accruals	36,986	83,813	32,545
Amount due to the GORTT	17,861	17,055	17,321
Borrowings	34,755	60,074	64,645
Current portion of lease liability	1,038	-	1,038
	90,640	160,942	115,549
Non-current liabilities			
Deferred taxation	47,486	44,234	47,486
Medical and life insurance plan	23,589	20,304	21,833
Lease liability	6,119	-	5,821
Borrowings	-	8,591	-
	77,194	73,129	75,140
Shareholders' equity			
Stated capital	120,200	120,200	120,200
Treasury shares	(3,125)	(3,175)	(3,125)
Retained earnings	158,507	128,316	138,165
Other reserves	(1,322)	(812)	(1,322)
	274,260	244,529	253,918
Total liabilities and shareholders' equity	442,094	478,600	444,607

Summary Consolidated Statement of Comprehensive Income

	UNAUDITED NINE MONTHS ENDED 30-Sep-20 \$'000	30-Sep-19 \$'000	AUDITED 31-Dec-19 \$'000
Turnover	309,798	303,558	412,476
Cost of sales	(224,617)	(237,843)	(321,112)
Gross profit	85,181	65,715	91,364
Selling and distribution expenses	(28,477)	(28,285)	(38,657)
Administrative expenses	(32,728)	(33,828)	(47,127)
Other operating income	7,536	5,393	9,214
Operating profit	31,512	8,995	14,794
Finance cost	(2,557)	(3,305)	(4,731)
Profit before taxation	28,955	5,690	10,063
Taxation	(8,814)	(1,707)	(3,930)
Profit after taxation	20,141	3,983	6,133
Other comprehensive income			
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
Total comprehensive income for the period	20,141	3,983	15,778
Earnings per share	17 cents	3 cents	5 cents

Notes to the Summary Consolidated Financial Statements as at Sept. 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 NINE MONTHS ENDED 30-Sep-20 \$'000	30-Sep-19 \$'000	AUDITED 31-Dec-19 \$'000
Cash flows from operating activities			
Profit before taxation	28,955	5,690	10,063
Adjustments for:			
Depreciation	11,620	11,615	15,472
Amortisation	1,356	1,274	2,494
Interest expense	3,017	4,227	4,780
Retirement benefit and medical plan expense	6,672	4,034	7,131
Lease interest expense	-	-	291
Interest income	(111)	(371)	(491)
Capitalised borrowings	62	474	658
Discounting of receivables	-	0	637
Non cash movement	201	-	-
Dividend income	(119)	(174)	(481)
Gain or loss on foreign exchange	-	-	(322)
Increase in the provision for doubtful accounts	1,900	300	2,798
Operating profit before working capital changes	53,553	27,069	43,030
Changes in working capital:			
Decrease (increase) in accounts receivable and prepayments and restricted deposit	12,073	(3,785)	(7,387)
Decrease/(increase) in inventories	15,228	(11,315)	11,303
Increase/(decrease) in accounts payable and accruals	896	48,764	(2,670)
Increase in amounts due to/from GORTT	3,045	(950)	804
Cash generated from operating activities	84,795	59,784	45,080
Interest paid	(1,900)	(4,899)	(4,838)
Taxes paid	(6,942)	(7,821)	(7,823)
Net cash generated from operating activities	75,953	47,064	32,419
Cash flows from investing activities			
Restricted deposit	14,958	15,439	15,439
Disposal of fixed asset	-	-	85
Purchase of property, plant and equipment	(3,987)	(14,133)	(6,961)
Dividend income	-	174	481
Retirement benefit asset & medical contributions paid	(6,170)	(7,220)	(7,857)
Interest received on loans	111	371	491
VAT bonds	(5,460)	-	-
Purchase of intangible assets	-	(1,369)	(1,369)
Net cash generated from/ (used in) investing activities	(548)	(6,738)	309
Cash flows from financing activities			
Borrowings drawn	-	14,710	-
Borrowings repayment	(29,952)	(20,547)	(24,513)
Dividends paid	-	(8,414)	(8,414)
Lease interest paid	-	-	(217)
Lease liability repaid	-	-	(291)
Net cash used in financing activities	(29,952)	(14,251)	(33,435)
Net change in cash and cash equivalents	45,453	26,075	(707)
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	89,030	70,360	43,578



Director



Director