



# NATIONAL FLOUR MILLS LIMITED

Unaudited Results as at June 30, 2017 • (Expressed in Trinidad and Tobago Dollars)

## Chairman's Review


Dear Shareholders,

National Flour Mills Limited reported an after-tax profit of \$16.5 million for the first six months of 2017 compared to \$21.2 million in the first half of 2016, a decline of 22% year-on-year. Earnings per share were 14 cents compared to 18 cents for the corresponding period in 2016. Revenue for the period decreased by 12.9% to \$206.8 million; gross profit by 11.1% to \$63.8 million and operating profit by 17.3% to \$28.3 million.

NFM's performance in the first six months of 2017 is indicative of the continued contraction in demand in the local and regional economies. Our bottom line was also impacted by the 24% increase in the effective tax rate from 25% to 31%. However, despite the recent increases in cost of key inputs, ongoing cost containment measures enabled us to realize a 3% increase in our gross profit margin. We also remain committed to providing safe quality food at affordable prices to the people of Trinidad and Tobago as evidenced by the fact that flour prices have remained constant since 2008.

In the second half of the year we will continue to focus on new product sales and increasing exports to Caribbean and Latin American markets supported by our ongoing SQF Level 3 certification initiative. Management will also be focused on mitigating the risks posed by price volatility in the international commodity markets and will be paying very close attention to accessing reliable supplies of the foreign exchange necessary for raw material purchases and settling supplier credit.

We usually perform better in the second half of the year due to the widely celebrated festivals of Divali and Christmas. Furthermore, while markets continue to be relatively depressed, our export sales initiatives are expected to provide an additional boost to revenues while we continue our disciplined management of expenses through continuous process improvement—finding a better way every day.

  
Nigel Romano  
Chairman

## Statement of Financial Position

	UNAUDITED		AUDITED
	30-Jun-17	30-Jun-16	
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	94,847	124,528	94,374
Accounts receivables and prepayments	66,968	70,971	70,714
Amounts due from the GORTT	13,623	14,416	14,901
Inventories	70,970	68,182	72,051
Restricted Deposit	77,025	-	54,728
	<u>323,433</u>	<u>278,097</u>	<u>306,768</u>
<b>Non-current assets</b>			
Retirement benefit asset	22,809	11,663	20,277
Property, plant and equipment	169,081	162,395	164,549
Trademarks	-	19	-
Deferred Tax	5,050	11,867	5,050
Restricted Deposit	6,200	6,200	6,200
	<u>203,140</u>	<u>192,144</u>	<u>196,076</u>
<b>Total assets</b>	<u>526,573</u>	<u>470,242</u>	<u>502,844</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Current Tax Payable	949	-	4,655
Accounts payable and accruals	85,167	72,064	47,013
Amount due to the GORTT	13,016	10,847	11,622
Loans and borrowings	39,888	113,338	125,254
Current portion of finance lease liability	374	974	603
	<u>139,394</u>	<u>197,223</u>	<u>189,147</u>
<b>Non-current liabilities</b>			
Deferred Taxation	43,667	39,229	43,564
Medical and Life Insurance Plan	16,546	17,062	16,833
Lease Liability	932	932	932
Loans and borrowings	93,603	-	24,452
	<u>154,748</u>	<u>57,223</u>	<u>85,781</u>
<b>Shareholders' equity</b>			
Share capital	120,200	120,200	120,200
Other Equity	(2,633)	-	(2,633)
Retained earnings	114,864	95,596	110,349
	<u>232,431</u>	<u>215,796</u>	<u>227,916</u>
<b>Total liabilities and shareholders' equity</b>	<u>526,573</u>	<u>470,242</u>	<u>502,844</u>

## Statement of Changes in Equity

	Share Capital	Other Equity	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
<b>Balance as at January 1, 2017</b>	120,200	(2,633)	110,349	227,916
Total Comprehensive Income:				
Profit for the year	-	-	16,535	16,535
Transactions with owners of the Company:				
Dividends declared	-	-	(12,020)	(12,020)
<b>Balance as at June 30, 2017</b>	<u>120,200</u>	<u>(2,633)</u>	<u>114,864</u>	<u>232,431</u>
<b>Balance as at January 1, 2016</b>	120,200	-	75,604	195,804
Total Comprehensive Income:				
Profit for the year	-	-	34,685	34,685
Actuarial gain for the retirement benefit asset and medical and life insurance plan	-	-	9,677	9,677
Treasury Shares	-	(2,633)	-	(2,633)
Transactions with owners of the Company:				
Dividends declared	-	-	(9,617)	(9,617)
<b>Balance as at December 31, 2016</b>	<u>120,200</u>	<u>(2,633)</u>	<u>110,349</u>	<u>227,916</u>

## Statement of Comprehensive Income

	UNAUDITED		AUDITED
	30-Jun-17	30-Jun-16	
	\$'000	\$'000	\$'000
Turnover	206,824	237,526	470,509
Cost of sales	(143,043)	(165,791)	(330,518)
<b>Gross profit</b>	<u>63,781</u>	<u>71,735</u>	<u>139,991</u>
Selling and distribution expense	(15,898)	(16,562)	(35,625)
Administrative expense	(22,545)	(24,090)	(43,682)
Other operating income	2,922	3,079	5,909
<b>Operating profit</b>	<u>28,260</u>	<u>34,162</u>	<u>66,593</u>
Financial cost	(4,462)	(5,945)	(10,962)
<b>Profit before taxation</b>	<u>23,798</u>	<u>28,217</u>	<u>55,631</u>
Taxation	(7,263)	(7,000)	(20,946)
<b>Profit after Taxation</b>	<u>16,535</u>	<u>21,217</u>	<u>34,685</u>
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of retirement benefit asset	-	-	12,387
Remeasurement of medical and life insurance plan	-	-	1,437
Related tax	-	-	(4,147)
Other comprehensive income, net of tax	-	-	9,677
<b>Total comprehensive income for the period</b>	<u>16,535</u>	<u>21,217</u>	<u>44,362</u>
Earnings per share	14 cents	18 cents	29 cents

## Statement of Cash Flows

	UNAUDITED		AUDITED
	30-Jun-17	30-Jun-16	
	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Profit before taxation	23,798	28,217	55,631
Adjustments for:			
Depreciation charge for the year	6,974	6,171	12,929
Interest expense	857	-	6,258
Retirement benefit and medical plan	(2,818)	(2,736)	2,245
Amortization of trademarks	-	513	533
Other non-cash movements	-	-	901
Increase in the provision for doubtful accounts	-	300	2,517
	<u>28,811</u>	<u>32,465</u>	<u>81,014</u>
Changes in working capital:			
Accounts receivable and prepayments	3,438	4,195	5,025
Inventories	1,081	10,758	6,889
Accounts payable and accruals	29,598	9,944	(15,107)
Amounts due to GORTT	2,670	2,219	2,237
	<u>65,598</u>	<u>59,581</u>	<u>80,058</u>
Interest paid	(2,861)	-	(8,552)
Taxes paid	(10,786)	(2,155)	(5,389)
<b>Net cash from operating activities</b>	<u>51,951</u>	<u>57,426</u>	<u>66,117</u>
<b>Cash flows from investing activities</b>			
Restricted deposit	(20,258)	-	(54,728)
Purchase of property, plant and equipment for the year	(11,506)	(2,047)	(10,960)
<b>Net cash used in investing activities</b>	<u>(31,764)</u>	<u>(2,047)</u>	<u>(65,688)</u>
<b>Cash flows from financing activities</b>			
Net repayment of loans and borrowings	(16,215)	5,725	38,930
Finance lease liability payments	(230)	(373)	(743)
Payments for treasury share purchases by trust	-	-	(1,100)
Dividends Paid	(3,269)	(1,226)	(8,164)
<b>Net cash used in financing activities</b>	<u>(19,714)</u>	<u>4,126</u>	<u>28,923</u>
Net change in cash and cash equivalents	473	59,505	29,352
Cash and cash equivalents, beginning of the year	94,374	65,022	65,022
Cash and cash equivalents, end of the year	<u>94,847</u>	<u>124,528</u>	<u>94,374</u>

  
Director

  
Director

## Notes to the Financial Statements for the Quarter ended June 30, 2017

### 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.