



NATIONAL FLOUR MILLS LIMITED

UNAUDITED RESULTS AS AT MARCH 31, 2019 (Expressed in Trinidad and Tobago Dollars)

Chairman's Review

Your Board commenced the execution of the new strategic plan towards the end of the first quarter of 2019. This includes the delayering at the top of the organisation and upskilling the entire workforce through a competency evaluation programme.

Some of the benefits of these initiatives will be experienced from the second quarter and should include improved productivity and lowered cost of operation per unit produced.

The first quarter sales were affected across all categories in the local market due mainly to continuing weak consumer demand. In addition, we experienced production issues with one of our main retail-oriented packaging lines, which was rectified in March 2019. Overall sales revenue declined by \$14.8M (13%) year-on-year. Approximately one third of this was attributed to new competition in the export markets.

The recent action taken to streamline all our business units has contributed to a more focused approach to delivering value for our

customers, with positive results in April. We are working with management to ensure that this trend continues to arrest the \$3.4M decline year-on-year in Q1 net profit after tax.

Gross profit margin declined by 3% due to declining productivity caused by declines in production, increases of raw material costs (up 6%) and of wages and salaries due to the settlement of the collective agreements with SWWTU and SWUTT in the last quarter of 2018.

Selling and distribution costs also increased mainly due to increased staff and advertising and promotional expenses. The latter focused on increasing sales.

As we navigate the transition to a leaner, more agile, learning organisation, your Board remains committed to executing the strategic initiatives required for the long-term sustainable profitability of the business.

Nigel Romano
Chairman

Summary Consolidated Statement of Financial Position

	UNAUDITED		AUDITED
	THREE MONTHS ENDED	THREE MONTHS ENDED	
	31-Mar-19	31-Mar-18	31-Dec-18
	\$'000	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	54,313	59,767	44,285
Accounts receivables and prepayments	65,763	81,863	69,987
Amounts due from the GORTT	13,420	15,974	17,935
Inventories	83,264	62,255	79,593
Restricted deposit	16,540	30,400	31,981
Tax recoverable	7,676	3,302	5,877
	<u>240,976</u>	<u>253,561</u>	<u>249,658</u>
Non-current assets			
Retirement benefit asset	7,314	22,102	5,644
Investment at fair value through OCI	1,758	-	1,758
Available for sale investments	-	-	-
Property, plant and equipment	180,613	177,038	182,784
Intangible assets	6,367	-	6,137
Deferred tax	6,370	5,436	6,369
Restricted deposit	-	1,581	-
	<u>202,422</u>	<u>206,157</u>	<u>202,692</u>
Total assets	<u>443,398</u>	<u>459,718</u>	<u>452,350</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current tax payable	-	-	-
Accounts payable and accruals	29,907	43,936	35,048
Amount due to the GORTT	15,977	15,146	15,968
Borrowings	72,982	47,600	72,782
Lease liability	-	799	-
	<u>118,866</u>	<u>107,481</u>	<u>123,798</u>
Non-current liabilities			
Deferred taxation	44,234	45,910	44,234
Medical and Life Insurance Plan	19,530	18,163	19,532
Lease liability	-	-	-
Borrowings	7,774	37,270	15,826
	<u>71,538</u>	<u>101,343</u>	<u>79,592</u>
Shareholders' equity			
Stated capital	120,200	120,200	120,200
Treasury shares	(3,175)	(2,633)	(3,175)
Retained earnings	136,781	133,327	132,747
Other reserves	(812)	-	(812)
	<u>252,994</u>	<u>250,894</u>	<u>248,960</u>
Total liabilities and shareholders' equity	<u>443,398</u>	<u>459,718</u>	<u>452,350</u>

Summary Consolidated Statement of Changes in Equity

	Share Capital	Other Equity	Retained Earnings	Other Reserves	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at January 1, 2019	120,200	(3,175)	132,747	(812)	248,960
Total comprehensive income:					
Profit for the year	-	-	4,034	-	4,034
Transactions with owners of the Company:					
Dividends declared	-	-	-	-	-
Balance as at March 31, 2019	120,200	(3,175)	136,781	(812)	253,806
Balance as at January 1, 2018-Restated	120,200	(2,633)	133,973	(403)	251,137
Total comprehensive income:					
Profit for the year	-	-	22,691	-	22,691
Gain on investment	-	-	-	(409)	(409)
Actuarial loss for the retirement benefit asset and medical and life insurance plan	-	-	(11,897)	-	(11,897)
Gain on remeasurement	-	(542)	-	-	(542)
Transactions with owners of the Company:					
Dividends declared	-	-	(12,020)	-	(12,020)
Balance as at December 31, 2018	120,200	(3,175)	132,747	(812)	248,960

Notes to the Summary Consolidated Financial Statements as at March 31, 2019

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 Comprehensive Income

	UNAUDITED		AUDITED
	THREE MONTHS ENDED	THREE MONTHS ENDED	
	31-Mar-19	31-Mar-18	31-Dec-18
	\$'000	\$'000	\$'000
Turnover	96,117	110,693	432,119
Cost of sales	(70,940)	(78,535)	(311,128)
Gross profit	<u>25,177</u>	<u>32,158</u>	<u>120,991</u>
Selling and distribution expenses	(9,268)	(8,762)	(40,226)
Administrative expenses	(10,597)	(11,763)	(49,587)
Other operating income	1,677	1,384	7,362
Operating profit	<u>6,989</u>	<u>13,017</u>	<u>38,540</u>
Finance cost	(1,227)	(1,414)	(3,810)
Profit before taxation	<u>5,762</u>	<u>11,603</u>	<u>34,730</u>
Taxation	(1,728)	(4,187)	(12,039)
Profit after taxation	<u>4,034</u>	<u>7,416</u>	<u>22,691</u>
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of retirement benefit asset	-	-	(15,856)
Remeasurement of medical and life insurance plan	-	-	(613)
Loss on investment at fair value through OCI	-	-	(409)
Deferred taxation	-	-	4,572
Other comprehensive income, net of tax	-	-	(12,306)
Total comprehensive income for the period	<u>4,034</u>	<u>7,416</u>	<u>10,385</u>
Earnings per share	3 cents	6 cents	19 cents

Summary Consolidated Statement of Cash Flows

	UNAUDITED		AUDITED
	THREE MONTHS ENDED	THREE MONTHS ENDED	
	31-Mar-19	31-Mar-18	31-Dec-18
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Profit before taxation	5,762	11,603	34,730
Adjustments for:			
Depreciation	3,829	3,610	14,516
Amortisation	411	-	601
Interest expense	1,400	1,401	5,274
Retirement benefit and medical plan expense	6,359	(1,145)	6,359
Gain on disposal of lease liability	-	-	(411)
Interest income	(130)	-	(732)
Capitalised borrowings	119	-	578
Remeasurement of Treasury shares	-	-	(542)
Dividend income	-	-	(678)
Gain or loss on foreign exchange	-	-	(53)
Increase in the provision for doubtful accounts	300	400	3,706
Operating profit before working capital changes	18,050	15,869	63,348
Changes in working capital:			
Increase in accounts receivable and prepayments and restricted deposit	(3,526)	(7,796)	(3,351)
(Increase)/decrease in inventories	(3,671)	630	(17,968)
(Decrease) in accounts payable and accruals	(4,060)	(1,331)	(9,081)
Increase in amounts due to GORTT	4,525	1,861	722
Cash generated from operating activities	11,318	9,233	33,670
Interest paid	(1,395)	(3,108)	(6,278)
Taxes paid	(3,529)	(3,953)	(11,911)
Net cash generated from operating activities	<u>6,394</u>	<u>2,172</u>	<u>15,481</u>
Cash flows from investing activities			
Restricted deposit	15,442	44,620	44,620
Purchase of property, plant and equipment	(2,069)	(4,891)	(18,823)
Dividend income	-	-	678
Retirement benefit asset & medical contributions paid	(1,668)	-	(6,146)
Interest received on loans	130	-	732
Purchase of intangible assets	(230)	-	(2,373)
Net cash generated from investing activities	<u>11,605</u>	<u>39,729</u>	<u>18,688</u>
Cash flows from financing activities			
Borrowings drawn	-	(35,644)	37,455
Borrowings repayment	(7,971)	(87)	(68,440)
Dividends paid	-	(1,855)	(13,879)
Finance lease liability repaid	-	-	(472)
Net cash used in financing activities	<u>(7,971)</u>	<u>(37,586)</u>	<u>(45,336)</u>
Net change in cash and cash equivalents	10,028	4,315	(11,167)
Cash and cash equivalents at the beginning of the year	44,285	55,452	55,452
Cash and cash equivalents at the end of the year	<u>54,313</u>	<u>59,767</u>	<u>44,285</u>

Director

Director