# NATIONAL FLOUR MILLS LIMITED

Unaudited Results as at June 30, 2018 • (Expressed in Trinidad and Tobago Dollars)

## Chairman's Review

For the six months ended June 30, 2018, National Flour Mills Limited earned an unaudited Profit before Tax of $21.8 million, a year-on-year decline of 8%. Net Profit after Tax declined by 16% versus the prior year. However, sales were up 6% over the prior year, driven by export sales, up 124%, with local sales increasing by 2%. As a result of the change in sales mix, export margins are lower while gross profit increased by only 0.5%.

Despite the increased costs of raw materials, of 11% year-on-year due to price and volume impacts, we continue to ensure that our products remain competitive through stringent management of conversion costs. Our continuous improvement programme, which increased plant utilisation and labour productivity, has resulted in a 2% decline in labour and production overheads as a percent of sales, offsetting the increasing share of raw material costs as a percent of sales (up 4%).

Grain prices continued to display greater volatility over the last few months, eroding the gross profit margins generated by increasing sales. However, our prudent debt management initiatives resulted in a reduction in our half-year finance costs of just under $2 million (44%) compared to the prior year.

Our focus for the rest of the year will be on diversification of our revenue streams and the completion of the SQF food safety programme, which will continue to create new market opportunities.

NFM's Board and Management remain confident that through our continuous improvement initiatives and strategic direction, NFM will continue to find a better way to create value for our customers and stakeholders each and every day, and to capture value for our shareholders as we continue on the path to sustainable profitability.

Nigel Romano
Chairman

## Statement of Financial Position

| | UNAUDITED SIX MONTHS ENDED 30-Jun-18 $'000 | UNAUDITED SIX MONTHS ENDED 30-Jun-17 $'000 | AUDITED 31-Dec-17 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 58,622 | 94,847 | 55,452 |
| Accounts receivables and prepayments | 80,251 | 66,968 | 74,067 |
| Amounts due from the GORTT | 17,680 | 13,623 | 17,137 |
| Inventories | 59,954 | 70,970 | 61,625 |
| Restricted deposit | 30,400 | 77,025 | 75,020 |
| Tax recoverable | 3,302 | - | 3,418 |
| | 250,209 | 323,433 | 286,719 |
| **Non-current assets** | | | |
| Retirement benefit asset | 23,315 | 22,809 | 20,914 |
| Property, plant and equipment | 178,138 | 169,081 | 175,757 |
| Deferred tax | 5,436 | 5,050 | 5,436 |
| Restricted deposit | 1,581 | 6,200 | 1,581 |
| | 208,470 | 203,140 | 203,688 |
| **Total assets** | 458,679 | 526,573 | 490,407 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Current tax payable | 767 | 949 | - |
| Accounts payable and accruals | 49,353 | 85,167 | 47,052 |
| Amount due to the GORTT | 15,153 | 13,016 | 14,448 |
| Loans and borrowings | 47,520 | 39,888 | 83,221 |
| Current portion of finance lease liability | 700 | 374 | 885 |
| | 113,493 | 139,394 | 145,606 |
| **Non-current liabilities** | | | |
| Deferred taxation | 45,910 | 43,667 | 45,910 |
| Medical and life insurance plan | 18,406 | 16,546 | 18,120 |
| Lease liability | - | 932 | - |
| Loans and borrowings | 35,540 | 93,603 | 37,293 |
| | 99,856 | 154,748 | 101,323 |
| **Shareholders' equity** | | | |
| Share capital | 120,200 | 120,200 | 120,200 |
| Treasury shares | (2,633) | (2,633) | (2,633) |
| Retained earnings | 127,763 | 114,864 | 125,911 |
| | 245,330 | 232,431 | 243,478 |
| **Total liabilities and shareholders' equity** | 458,679 | 526,573 | 490,407 |

## Statement of Changes in Equity

| | Share Capital $'000 | Other Equity $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|
| **Balance as at January 1, 2018** | 120,200 | (2,633) | 125,911 | 243,478 |
| Total comprehensive income: | | | | |
| Profit for the year | - | - | 13,872 | 13,872 |
| Transactions with owners of the Company: | | | | |
| Dividends declared | - | - | (12,020) | (12,020) |
| **Balance as at June 30, 2018** | 120,200 | (2,633) | 127,763 | 245,330 |
| **Balance as at January 1, 2017** | 120,200 | (2,633) | 110,349 | 227,916 |
| Total comprehensive income: | | | | |
| Profit for the year | - | - | 29,055 | 29,055 |
| Actuarial gain for the retirement benefit asset and medical and life insurance plan | - | - | (1,473) | (1,473) |
| Transactions with owners of the Company: | | | | |
| Dividends declared | - | - | (12,020) | (12,020) |
| **Balance as at December 31, 2017** | 120,200 | (2,633) | 125,911 | 243,478 |

## Statement of Comprehensive Income

| | UNAUDITED SIX MONTHS ENDED 30-Jun-18 $'000 | UNAUDITED SIX MONTHS ENDED 30-Jun-17 $'000 | AUDITED 31-Dec-17 $'000 |
|---|---|---|---|
| Turnover | 219,994 | 206,824 | 435,493 |
| Cost of sales | (155,909) | (143,043) | (304,697) |
| **Gross profit** | 64,085 | 63,781 | 130,796 |
| Selling and distribution expenses | (18,895) | (15,898) | (34,822) |
| Administrative expenses | (23,766) | (22,545) | (47,441) |
| Other operating income | 2,886 | 2,922 | 5,718 |
| **Operating profit** | 24,310 | 28,260 | 54,251 |
| Finance cost | (2,490) | (4,462) | (9,485) |
| **Profit before taxation** | 21,820 | 23,798 | 44,766 |
| Taxation | (7,948) | (7,259) | (15,711) |
| **Profit after taxation** | 13,872 | 16,539 | 29,055 |
| Other comprehensive income | - | - | - |
| Items that will never be reclassified to profit or loss | | | |
| Remeasurement of retirement benefit asset | - | - | (1,478) |
| Remeasurement of medical and life insurance plan | - | - | (626) |
| Deferred taxation | - | - | 631 |
| Other comprehensive income, net of tax | - | - | (1,473) |
| **Total comprehensive income for the period** | 13,872 | 16,539 | 27,582 |
| Earnings per share | 12 cents | 14 cents | 24 cents |

## Statement of Cash Flows

| | UNAUDITED SIX MONTHS ENDED 30-Jun-18 $'000 | UNAUDITED SIX MONTHS ENDED 30-Jun-17 $'000 | AUDITED 31-Dec-17 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | 21,820 | 23,798 | 44,766 |
| Adjustments for: | | | |
| Depreciation charge for the year | 7,565 | 6,974 | 15,298 |
| Interest expense | 2,665 | 857 | 8,149 |
| Retirement benefit and medical plan | (2,115) | (2,818) | 650 |
| Other non-cash movements | 488 | - | (293) |
| Increase in the provision for doubtful accounts | 1,000 | - | 642 |
| | 31,423 | 28,811 | 69,212 |
| Changes in working capital: | - | - | - |
| Accounts receivable and prepayments | (6,184) | 3,438 | (3,353) |
| Inventories | 1,671 | 1,081 | 10,426 |
| Accounts payable and accruals | (2,301) | 29,598 | (39) |
| Amounts due (from) / to GORTT | 162 | 2,670 | 590 |
| | 24,771 | 65,598 | 76,836 |
| Interest paid | (3,707) | (2,861) | (7,871) |
| Taxes paid | (7,181) | (10,786) | (21,243) |
| **Net cash from operating activities** | 13,883 | 51,951 | 47,722 |
| **Cash flows from investing activities** | | | |
| Restricted deposit | 44,620 | (20,258) | (15,673) |
| Purchase of property, plant and equipment for the year | (9,947) | (11,506) | (26,506) |
| **Net cash used in investing activities** | 34,673 | (31,764) | (42,179) |
| **Cash flows from financing activities** | | | |
| Net repayment of loans and borrowings | (37,454) | (16,215) | (29,192) |
| Finance lease liability payments | (185) | (230) | (650) |
| Dividends paid | (7,747) | (3,269) | (14,623) |
| **Net cash used in financing activities** | (45,386) | (19,714) | (44,465) |
| Net change in cash and cash equivalents | 3,170 | 473 | (38,922) |
| Cash and cash equivalents, beginning of the year | 55,452 | 94,374 | 94,374 |
| Cash and cash equivalents, end of the year | 58,622 | 94,847 | 55,452 |

Director Director

## Notes to the Financial Statements for the Quarter ended June 30, 2018

**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.

NFM Financial results available at www. nfm.co.tt