



# NATIONAL FLOUR MILLS LIMITED

UNAUDITED YTD RESULTS AS AT 31st MARCH 2010

## CHAIRMAN'S REVIEW

Fellow Shareholders

During the first quarter of 2010, the company operated in an environment where headline inflation increased from 1.3% at the end of 2009 to 5.1 % in March 2010. This was primarily due to increased food prices caused by the record dry season experienced in the country. Whilst the outlook for the global economy is that the recovery will be sluggish at best, the economies of our regional neighbours are not expected to show any significant improvement in 2010. The Central Bank however suggests that the local economy may see some modest improvement in 2010.

Against this backdrop, the flour market shrank due to the increased importation of flour-based products. Consequently our sales volume declined and this along with the reductions in our selling prices caused our revenues to decrease by 13% over the comparative period. Nevertheless, our gross profit for the period increased by 6.9% over the comparative period in 2009 and by 1.3% over the year to date figure at the end of 2009. This positive trend in our gross profit position is as a direct result of effective purchasing, improved efficiencies and cost reduction strategies. Our course of action in effective cost control has also resulted in significant savings in selling, distribution and administrative expenses. As a result of all our efforts, we are pleased to report that our earnings per share from normal operations (after adjusting for the retirement benefit income recorded in 2009) has almost doubled from 2.6 cents per share in 2009 to 5.1 cents per share.

Throughout the remainder of the year, our focus will be on improving sustainable revenue growth while continuing our proven strategies even more aggressively. We have no doubt that these efforts will continue to impact positively on our bottom line, and strengthen our Balance Sheet.

I wish to thank my fellow Directors, Management, Staff and our Shareholders for their continued loyalty, support and commitment.

Ganesh Sahadeo  
Chairman

## STATEMENT OF FINANCIAL POSITION

	UNAUDITED 31-Mar-10 \$'000	UNAUDITED 31-Mar-09 \$'000	AUDITED 31-Dec-09 \$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	161,188	176,188	164,503
Trademarks	8,038	9,274	8,346
Retirement benefit	60,610	46,059	60,610
Investments	15	15	15
	<b>229,851</b>	<b>231,536</b>	<b>233,474</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	6,508	4,780	20,299
Accounts Receivables and Prepayments	96,516	99,119	100,920
Inventories	70,759	142,244	57,970
	<b>173,783</b>	<b>246,143</b>	<b>179,189</b>
<b>Total Assets</b>	<b>403,634</b>	<b>477,679</b>	<b>412,663</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Bank Overdraft and short term borrowings	100,617	190,751	139,851
Accounts payable and accruals	52,667	14,157	23,647
Bank Loan current portion	26,201	60,803	21,501
Tax payable	687	985	682
	<b>180,172</b>	<b>266,696</b>	<b>185,681</b>
<b>Non Current Liabilities</b>			
Bank Loan non current portion	28,608	14,640	38,267
<b>Deferred Taxes</b>	<b>11,397</b>	<b>13,132</b>	<b>11,397</b>
	<b>40,005</b>	<b>27,772</b>	<b>49,664</b>
<b>Capital And Reserves</b>			
Share capital	120,200	120,200	120,200
Capital Reserve	23,035	23,035	23,035
Proposed dividends	0	0	0
Retained Earnings	40,221	39,976	34,083
<b>SHAREHOLDERS' EQUITY</b>	<b>183,456</b>	<b>183,211</b>	<b>177,318</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>403,634</b>	<b>477,679</b>	<b>412,663</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY UNAUDITED THREE MONTHS ENDED 31ST MARCH 2010

	Share Capital \$'000	Capital Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at January 1st, 2010</b>	120,200	23,035	34,083	<b>177,318</b>
Profit/(Loss) After Taxation	-	-	6,138	<b>6,138</b>
<b>Balance as at March 31st 2010</b>	<b>120,200</b>	<b>23,035</b>	<b>40,221</b>	<b>183,456</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31ST MARCH 2010

### Note 1 Basis of Preparation

These Financial Statements for the quarter ended 31st March 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS).

### Note 2 Significant accounting policies

The accounting policies adopted in the preparation of these Financial Statements are consistent with those used in the Annual Financial Statements for the year ended 31st December 2009

## STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED Three months Ended 31-Mar-10 \$'000	UNAUDITED 31-Mar-09 \$'000	AUDITED Year ended 31-Dec-09 \$'000
Turnover	109,428	125,625	494,635
Cost of Sales	88,380	110,217	406,137
<b>Gross Profit</b>	<b>21,048</b>	<b>15,408</b>	<b>88,498</b>
Selling and Distribution Exp	5,056	5,973	26,098
Administrative Expense	7,109	8,585	37,052
<b>Operating Profit</b>	<b>8,883</b>	<b>850</b>	<b>25,348</b>
Financial Expense	(4,027)	(2,795)	-23,019
Retirement benefit	-	-	14,551
Other Income / (expense)	1,621	1,413	8,865
<b>Net Income/(Loss) before Tax</b>	<b>6,477</b>	<b>(532)</b>	<b>25,745</b>
Taxation	(339)	(379)	(8,071)
<b>Net Income/(Loss) after Tax</b>	<b>6,138</b>	<b>(911)</b>	<b>17,674</b>
Earnings per share	0.05	(0.01)	0.15

## STATEMENT OF CASH FLOWS

	UNAUDITED Three months Ended 31-Mar-10 \$'000	UNAUDITED 31-Mar-09 \$'000	AUDITED Year ended 31-Dec-09 \$'000
<b>Cash Flows from Operating Activities</b>			
Profit before taxation	6,477	(532)	25,745
Adjustments to reconcile income before taxation to net cash provided by operating activities:			
Non cash items:			
Depreciation/Amortisation	3,655	4,541	20,845
(Gain)/Loss on disposal of Fixed Asset	(110)	0	(975)
Retirement benefit/(surplus) cost	1,238	1,219	(12,386)
<b>Operating Profit before working capital changes</b>	<b>11,260</b>	<b>5,228</b>	<b>33,229</b>
Net Change in operating assets and Liabilities	23,002	13,579	95,826
Taxes paid	(339)	(379)	(1,555)
Retirement Benefit Paid	(3,599)	(858)	(2,165)
<b>Net cash flows from Operating Activities</b>	<b>30,324</b>	<b>17,570</b>	<b>125,335</b>
<b>Investing Activities</b>			
Additions to Fixed Assets	(32)	(192)	(3,501)
Proceeds from sale of Fixed assets	110	0	1,077
Net change in investments	78	(192)	(2,424)
Net cash used in investing activities	78	(192)	(2,424)
<b>Financing Activities</b>			
Bank Loan Repayments	(4,959)	(27,702)	(22,580)
Net cash used in Financing Activities	(4,959)	(27,702)	(22,580)
Net Change in cash resources	25,443	(10,324)	100,331
Cash resources, beginning of the year	(119,552)	(127,140)	(219,883)
Cash resources, end of the year	<b>(94,109)</b>	<b>(137,464)</b>	<b>(119,552)</b>
Represented by:			
Cash and Cash equivalents	6,508	4,780	20,299
Bank Overdraft and short-term borrowings	(100,617)	(142,244)	(139,851)
	<b>(94,109)</b>	<b>(137,464)</b>	<b>(119,552)</b>

