

Flour Mills of Fiji Limited – 6 months ended 31 December 2008

	Dec-08	Jun-08	Dec-07
PROFIT & LOSS (F\$000)			
Total Operating Revenue	87,976	155,848	72,652
Net Profit/Loss before Tax	1,473	6,527	2,272
Income Tax	(521)	(2,017)	(65)
Net Profit/Loss after Tax	952	4,510	2,207
OEI	(262)	(636)	(470)
Net Profit/Loss after Tax & OEI	690	3,874	1,737
BALANCE SHEET (F\$000)			
Current Assets	67,751	57,545	60,911
Non - Current Assets	63,445	63,436	62,874
Total Assets	131,196	120,981	123,785
Current Liabilities	47,418	42,692	62,554
Non - Current Liabilities	47,543	43,006	24,779
Total Liabilities	94,961	85,698	87,333
Net Assets	36,235	35,283	36,452
Contributed Equity	6,000	6,000	6,000
Reserves	43	43	43
Retained Profits/Loss	27,236	26,546	27,546
Outside Equity Interest	2,956	2,694	2,863
Total Equity	36,235	35,283	36,452
CASHFLOW (F\$000)			
Net cashflow from Operating Activities	(4,460)	3,574	(9,958)
Net cashflow from Investing Activities	(3,065)	(2,452)	(251)
Net cashflow from Financing Activities	1,673	9,958	1,243
Net Increase/(Decrease) in Cash held	(5,852)	11,079	(8,966)
Cash / (Overdraft) at year end.	(28,098)	22,246	(42,291)

Comments

- The Group recorded a decline of 60.28% in its profit after tax as operating and income tax expenses increased by more than the increase in operating revenue.
- The reduction in the profits was due to the untimely reduction in the price of flour by 11% and the sudden appreciation of USD by 20% which is not catered for in the flour template.

- Total Assets growth was due to trade receivables, other receivables, inventories, term deposits, future income tax benefits and intangibles while cash and property, plant & equipment decreased.
- Total Liabilities also increased due to increases in trade payables, current and deferred tax liabilities, and term loan deposits while other payables & accruals and bank overdraft reduced.
- Shareholder's Equity noted slight variations, as the Retained Earnings declined and Outside Equity Interest increased.

	Dec-08	Jun-08	Dec-07
PROFITABILITY RATIOS (%)			
Ann. ROE	4.15	11.89	5.17
Ann. ROA	5.04	11.05	3.37
Net Profit Margin	1.12	2.99	3.20
MARKET PERFORMANCE RATIOS			
Earnings per share (cents)	0.46	2.58	1.16
Price Earnings Ratio (times)	184.78	28.27	69.08
Dividend per share (\$)	0.00	0.02	0.00
Dividend Yield (%)	0.00	3.05	0.00
Net Tangible Asset per share (\$)	0.22	0.22	0.22
Price to Book (times)	3.90	3.36	3.63
Cash flow per share (cents)	(0.88)	5.87	(4.90)

Profitability

The lower net profit contributed to the lower return on equity as well as the net profit margin in comparison with December 2007 while return on assets increased.

Market Performance

The earnings per share (EPS) fell due to the 60% decline in reported profits and it stood at 0.46 cents per share. The price earnings ratio (PER) increased to 184.78 times indicating that investments in Flour Mills are considered "risky" since a high PER signifies higher investor expectations.

Conclusion

Overall, FMF's operation for the first half of its financial year ended 31 December 2008 was greatly affected by forces beyond its control, namely the drop in flour prices and appreciation of the US dollar. However, the company expects to return to normal profitability from April 2009. The company has also noted that it usually performs better in the second half of the year. Share price stood at \$0.85 as at December 2008 compared with \$0.80 last year.