

DANGOTE FLOUR MILLS PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	30.09.2013	30.09.2012		31.12.2012
	Current	Prior Period	% Change	Prior Year
	N'000	N'000	%	N'000
Revenue	29,960,419	31,801,982	-5.8%	41,472,599
Cost of Sales	(29,317,791)	(29,503,855)	0.6%	(39,310,274)
Gross Profit	642,628	2,298,127	-72.0%	2,162,325
Distribution/Admin and Other Expenses	(6,873,868)	(3,603,415)	-90.8%	(4,810,501)
Other Income	233,975	344,061	-32.0%	486,573
Impairment of Trade Receivables	-	(1,409,450)	-100.0%	(1,409,450)
Operating Profit/ (Loss)	(5,997,265)	(2,370,677)	-153.0%	(3,571,053)
Finance Costs	(2,364,956)	(1,531,293)	-54.4%	(2,085,169)
Interest Received	19,927	70,668	-71.8%	53,250
Profit/(Loss) before Tax	(8,342,294)	(3,831,302)	-117.7%	(5,602,972)
Income Tax expense	1,577,990	815,322	93.5%	1,258,659
Profit/Loss After Tax From Continuing Operations	(6,764,304)	(3,015,980)	-124.3%	(4,344,313)
Profit/Loss After Tax From Discontinuing Operations	(452,697)	1,161,490	-139.0%	2,080,976
Profit/Loss After Tax	(7,217,001)	(1,854,490)	-289.2%	(2,263,337)
Attributable to Owners of the Company:				
Owners of the parent	(7,932,996)	(2,170,541)	-265.5%	(2,840,713)
Fully Diluted Earnings per Share	(211.5)	(56.0)	-277.8%	(55.4)
Profit/ (Loss) for the year	(7,217,001)	(1,854,490)	-289.2%	(2,263,337)
Actuarial Gains/ (Loss) - Assumption	-	2,382	0.0%	2,382
Actuarial Gains/ (Loss) - Experience	-	68,608	0.0%	68,608
Total Comprehensive Income/ (loss) for the year	(7,217,001)	(1,783,500)	-304.7%	(2,192,347)
Attributable to:				
Owners of the parent	(7,932,996)	(2,099,551)	-277.8%	(2,769,723)
Non-Controlling Interest	715,995	316,051	126.5%	577,377
	(7,217,001)	(1,783,500)	-304.7%	(2,192,346)
Basic and diluted earnings per share	(211.5)	(56.0)	-277.8%	(55.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.09.2013	30.09.2012		31.12.2012
	Current Period	Prior Period	% Change	Prior Year
	N'000	N'000	%	N'000
Property, plant and equipment	30,002,456	44,912,381	-33.2%	44,048,647
Deferred Tax Assets	2,896,528	1,361,659	112.7%	1,621,122
Non-current asset held for sale and disposal groups	8,209,803	12,422	65990.8%	3,894
Total Non Current Assets	41,108,787	46,286,462	-11.2%	45,673,663
Inventories	9,372,457	15,997,510	-41.4%	12,946,862
Debtors and Other Receivables	7,789,466	10,542,836	-26.1%	11,927,694
Short Term loans	6,183,288	2,877,162	114.9%	5,083,533
Cash and cash equivalents	1,423,664	2,682,749	-46.9%	1,817,266
Total Current Assets	24,768,875	32,100,257	-22.8%	31,775,355
Trade and Other Payables	11,992,772	12,998,800	-7.7%	10,433,756
Current Financial liabilities	23,440,364	25,462,085	-7.9%	26,488,798
Current Tax Liabilities	238,447	572,786	-58.4%	401,155
Total Current Liabilities	35,671,583	39,033,671	-8.6%	37,323,709
Non-Current Financial liabilities	9,646,302	9,163,781	5.3%	10,692,375
Provisions	-	1,254,330	100.0%	1,254,329
Deferred Tax Liabilities	2,453,251	3,202,565	-23.4%	2,855,079
Total Non-Current Liabilities	12,099,553	13,620,676	-11.2%	14,801,783
Working Capital	(10,902,709)	(6,933,414)	-57.2%	(5,548,354)
Net Assets	18,106,525	25,732,372	-29.6%	25,323,526
Non Controlling Interest	1,795,343	818,022	119.5%	1,079,348
Attributable to Owners of the Company	16,311,182	24,914,350	-34.5%	24,244,178

STATEMENT OF CHANGES IN EQUITY										
	Share Capital	Capital Reserve	PPE Revaluation Surplus	Available for Sale Fin. Assets			Retained Earnings	Total	Non- Controlling Interest	Total Equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at Beginning of the Prior Year (1 Jan 2012)	2,500,000	18,116,249	-	-			6,897,652	27,513,901	501971	28,015,872
Changes in Accounting Policy								-	0	-
Restated Balance								-	0	-
Changes in Equity for the Prior Year:							-	-	0	-
Issued Share Capital								-	0	-
Dividend	-						(500,000)	(500,000)	0	(500,000)
Total Comprehensive Income							(2,769,723)	(2,769,723)	577377	(2,192,346)
Balance as at End of the Prior Year (31 Dec 2012)	2,500,000	18,116,249					3,627,929	24,244,178	1,079,348	25,323,526
Changes in Equity Current year: 2013								-	0	-
Issued Share Capital								-	0	-
Dividend	-						-	-	0	-
Total Comprehensive Income	-						(7,932,996)	(7,932,996)	715,995	(7,217,001)
Balance as at End of the Current Year (30 Sept 2013)	2,500,000	18,116,249					(4,305,067)	16,311,182	1,795,343	18,106,525

STATEMENT OF CASH FLOW	30.09.2013	31.12.2012	
	Current Year	Prior Year	% Change
	N'000	N'000	%
Cash Flow from Operating Activities	6,547	4,471,455	-99.9%
Operating Cash Flow before Working Capital Changes	6,547	4,471,455	-99.9%
Net Cash Generated from Operating Activities	1,161,039	(4,029,419)	128.8%
Cash Flow from Investing Activities	(545,657)	(1,830,744)	70.2%
Cash Flow from Financing Activities	(3,680,590)	13,406,295	-127%
Net Increase/Decrease Cash and Cash Equivalent	(3,065,208)	7,546,132	-141%
Transfer To Assets Held For Sale	2,196,855	-	-
Cash and Cash Equivalent Beginning of the Year	(107,896)	(7,654,028)	98.6%
Cash and Cash Equivalent End of the Year	(976,249)	(107,896)	-804.8%
CORPORATE ACTION			
Proposed Bonus	NIL		
Proposed Dividend	NIL		
Closure Date	NOT APPLICABLE		
Date of Payment	NOT APPLICABLE		
AGM Date	TO BE ADVISED		
AGM Venue	TO BE ADVISED		

DANGOTE FLOUR MILLS PLC

Commentary: Financial performance for the nine months ending Sept 2013

Overview

The group has changed its accounting reference date to 30 September 2013 to align with the year-end of its controlling shareholder, Tiger Brands Limited. Accordingly, these results reflect the trading performance of the Group for the nine month period ended 30 September 2013.

The Group's trading performance for the period under review is disappointing. Turnover of N29.96billion was 5.8% below the corresponding prior year period. Group profitability was negatively affected by ongoing volume pressures, as well as significant input cost inflation, which could not be fully recovered through price increases. Operating loss before interest and tax of N6.0billion included non-recurring abnormal costs of N1.8billion relating to retrenchment costs, stock write-offs and increased provisions against long outstanding debtors and historical liabilities. The net financing cost of N2.3billion is reflective of the group's increased debt and high cost of borrowing, which is currently under review.

Turnover was adversely affected by the continued moderation of credit extension in the Flour business, a three-week shutdown of the Pasta manufacturing facility in order to re-establish Good Manufacturing Practices (GMP), as well as a slowdown in sales volumes that resulted from price increases implemented on Pasta and Noodles during the last quarter of the financial year. The Group's performance is also a reflection of the challenges arising from the existing excess capacity across particularly the wheat milling industry, which limits pricing power for the Flour business.

As part of the integration process, additional costs were also incurred in improving the business' supply chain infrastructure, enhancing the internal control environment as well as strengthening the business' management team.

Subsequent to the year-end, agreement has been reached to sell the group's interest in its packaging subsidiary, Dangote Agrosacks, to Dangote Industries Limited for N7.55billion. The sale of this non-core asset will reduce the group's overall debt, which currently accrues interest at 15%. The results of Dangote Agrosacks for the nine month period ended 30 September 2013 have been reflected as a single line item in the income statement as relating to a discontinued operation and consequently have been excluded from group turnover and group operating income. Furthermore, the assets and liabilities of Dangote Agrosacks have been reflected as held for sale as at 30 September 2013. The remeasurement of the net assets of Dangote Agrosacks to fair value of N7.55billion as at 30 September 2013 has resulted in an abnormal loss of N2.6billion, which is included in the loss from discontinued operations of N453million.

Divisional Performance

Flour

Sales volumes dropped by 4.7% relative to the previous corresponding period, and the gross profit was adversely affected by the raw material cost push that could not be immediately recovered through price increases. Significant improvements in manufacturing efficiencies and plant maintenance standards have been attained, and this has resulted in better consistency in product quality and customer service levels. However, sales volumes have remained under pressure as the business continues to contend with a highly intense competitive landscape and limited pricing power on the current product and brand portfolio.

Dangote Pasta

The Pasta business experienced significant challenges during the period that arose from product quality and supply chain issues. The manufacturing facility was shut down for a three-week period during the year in order to address production inefficiencies and to ensure consistent product quality and service levels. Consequently, sales volumes were negatively affected during the period and turnover declined by 34.1% relative to the corresponding prior period. Good sales volume growth momentum was achieved following the interventions and into the third quarter but a price increase during the fourth quarter resulted in a significant slowdown in sales momentum.

Dangote Noodles

The Noodles business delivered a 17.8% growth in turnover on the back of positive sales volumes and an improved sales mix. During the period under review, the Noodles manufacturing facility in Calabar, which had previously been moth-balled, was re-commissioned in order to supplement market demand.

Outlook

The group is achieving steady progress in transitioning its business in a challenging trading environment. A significant amount of management's attention has been focused on stabilizing the delivery platform of the business during the year under review. This has resulted in significant improvements in supply chain efficiencies, consistency of product quality and customer service levels.

However, much work is still required in order to complete the full integration process. Focus is now shifting towards optimizing the business' infrastructure and enhancing competitiveness for future growth.