



Leadership Through Consumers

First Quarterly Report
2012-2013



www.nfoods.com

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar hasan	Managing Director/ Chief Executive
Mr. Waqar hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohamed	Director

AUDIT COMMITTEE

Mr. Ebrahim Qassim	Chairman
Mr. Waqar Hasan	Member
Mr. Zahid Majeed	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Khawaja Munir Mashooqullah	Chairman
Mr. Zahid Majeed	Member
Mr. Abrar Hasan	Member

COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE

Mr. Fayyaz Abdul Ghaffar

ACTING CHIEF FINANCIAL OFFICER

Mr. Farhan Latif

HEAD OF INTERNAL AUDIT

Mr. Shahid Hussain

INTERNAL AUDITORS

Messrs. Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants

COMPANY MANAGEMENT

Mr. Abrar Hasan	Managing Director/ Chief Executive
Mr. Shakaib Arif	Chief Operating Officer
Mrs. Tehmina Ali	General Manager Human Resources

AUDITORS

A. F. Ferguson & Co. Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi

SHARE REGISTRATION OFFICE

Noble Computer Services (Pvt.) Limited
First Floor, House of Habib Building
Siddiqsons Towers, 3-Jinnah C.H. Society,
Main Shahrah-e-Faisal, Karachi-75350
PABX: (92-21) 34325482-87
Fax: (92-21) 34325442

COMPANY INFORMATION

PRINCIPAL BANKERS

Bank Al-Habib Limited	Main Branch, Karachi S.I.T.E. Branch, Karachi New Garden Town Branch, Lahore
Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
Bank Islami Pakistan Limited	S.I.T.E. Branch, Karachi
Dubai Islamic Bank Pakistan Limited	Clifton Branch, Karachi
Faysal Bank Limited (Formerly Royal Bank of Scotland)	16, Abdullah Haroon Road, Karachi
Habib Bank Limited	S.I.T.E. Branch, Karachi
Habib Metropolitan Bank Limited	Main Branch, Karachi
MCB Bank Limited	Shaheen Complex Branch, Karachi
Meezan Bank Limited	M.T. Khan Road Branch, Karachi
Standard Chartered Bank (Pakistan) Limited	Main Branch, Karachi
United Bank Limited	Main Branch, Karachi

REGISTERED OFFICE

12/CL-6 Claremont Road, Civil Lines,
Karachi 75530 P.O. Box No. 15509
Phone: (92-21) 35662687, 35670540, 35670585,
35670793 & 35672268 Fax: (92-21) 35684870

PLANT SITES SITE

Mailing Address F- 160/ C, F- 133, S.I.T.E., Karachi
Landline # 021-257-7707 – 10
Fax # 021-257-2217
E- Mail Address: info@nfoods.com

PORT QASIM

Mailing Address: A-13, North Western Industrial Zone, Bin
Qasim, Karachi
Landline # 021-475-0373 – 7

MURIDKE SALT PLANT

Mailing Address: 5-A/1, New Muslim Town, Lahore
Factory Address: G.T. Road, Manooabad Meer Muridke
Landline # 042-798-1427, 798-0808
Fax # 042-798-1427, 798-0808

WEB PRESENCE

Updated company information and the latest Annual Report
can be accessed at www.nfoods.com

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE PERIOD ENDED SEPTEMBER 30, 2012

On behalf of the Board of Directors of National Foods Limited (NFL), I am pleased to present to you the financial statements for the First Quarter ended September 30, 2012.

NFL's impressive sales and profit growth momentum has been sustained in the First Quarter of the current financial year with sales growth of over 17% and profit growth of over 150%.

We continue to believe, innovate & invest in our brands, and the highlight of this Quarter being the re-launch in an important market; with the "Karachi Special" recipe range. Another pioneering marketing initiative was the celebration of Pakistani Food in the new Cooking Travel Show "National Ka Pakistan", which has proven to be immensely popular as well as critically acclaimed. We are confident that these brand building and activation measures will translate into even better results in future.

The Export Business has made excellent progress and activities to set up the HUB have been expedited significantly. The International Division has not only reorganized itself but has adopted a more aggressive marketing stance this quarter with the launch of various "Below the Line activities" along with projects focusing on visibility and enhancement of NFL products internationally.

Overall on account of a profitable Sales Mix, better absorption of fixed costs through margins and turnover and various Cost Management Initiatives, our Gross Profit Margin has improved by 470 bps as compared to first quarter of last year. During the current quarter the majority of expenses remained within budget, which helped generate an extremely healthy bottom line. Tight working capital management has improved our cash flow and the surplus cash has been invested to yield attractive returns for the Company. These measures have resulted in a PBT of 8.5% of Sales.

A snap shot of the quarterly financial performance is as follows:

PKR Million	Jul-Sept 2012-2013	Jul-Sept 2011-2012	% Change
Sales	2349.0	2000.7	17.4%
Gross Profit	829.2	612.6	35.4%
% Sales	35.3	30.6	
Operating Profit	347.5	157.0	121.3%
% Sales	14.8	7.8	
Profit Before Tax	329.1	131.6	150.1%
% Sales	14.0%	6.6	
Profit After Tax	199.8	89.0	124.5%
% Sales	8.5%	4.4	
Earnings per Share (EPS)	4.8	2.2	124.2%

Business Risks and Future Outlook

NFL is ambitiously pursuing its 20/20 vision. However, with the volatility of local and global economic conditions, it is imperative that we continue to innovate. We stand committed to creating exceptional value for all our stake holders by continually investing in exciting opportunities and stream lining our operations to the highest possible standards of quality and equity.



A. Majeed
Chairman


CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2012

	Note	(Unaudited) September 30, 2012 (Rupees in thousand)	(Audited) June 30, 2012
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	947,743	947,057
Intangibles		4,391	4,473
Long term deposits		5,812	5,812
		<u>957,946</u>	<u>957,342</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		4,542	3,936
Stock in trade		1,472,696	1,557,538
Trade debts - considered good		312,249	288,994
Advances		46,306	25,060
Trade deposits and prepayments		20,828	19,217
Other receivables		4,427	3,493
Investments	3	429,940	260,132
Cash and bank balances		351,087	44,057
		<u>2,642,075</u>	<u>2,202,427</u>
		<u>3,600,021</u>	<u>3,159,769</u>
SHARE CAPITAL AND RESERVES			
Authorized capital			
75,000,000 Ordinary shares of Rs. 10 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital		414,427	414,427
Unappropriated profit		<u>939,219</u>	<u>988,053</u>
		<u>1,353,646</u>	<u>1,402,480</u>
NON-CURRENT LIABILITIES			
Deferred tax		103,248	103,248
Retirement benefits obligations		5,073	4,113
		<u>108,321</u>	<u>107,361</u>
CURRENT LIABILITIES			
Trade and other payables	4	1,446,771	1,012,656
Accrued interest / mark up		11,232	11,991
Short term borrowings		457,571	508,301
Taxation - provision less payments		140,994	55,306
Due to the government		81,486	61,674
		<u>2,138,054</u>	<u>1,649,928</u>
COMMITMENTS			
	5	<u>3,600,021</u>	<u>3,159,769</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information


Chief Executive


Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 UNAUDITED

	Note	September 30, 2012 (Rupees in thousand)	September 30, 2011 (Rupees in thousand)
Net sales			
Local		2,172,798	1,839,024
Export		176,221	161,650
		2,349,019	2,000,674
Cost of sales		1,519,830	1,388,096
Gross profit		829,189	612,578
Distribution cost		402,188	403,344
Administrative expenses		70,256	45,895
Other operating expenses		29,390	10,637
		501,834	459,876
Other operating income		20,107	4,291
Profit from operations		347,462	156,993
Finance cost	6	18,326	25,356
Profit before taxation		329,136	131,637
Taxation		129,314	42,615
Profit after taxation		199,822	89,022
Earnings per share - Rupees	7	4.82	2.15

The annexed notes 1 to 12 form an integral part of this condensed interim financial information


Chief Executive


Director

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 - UNAUDITED

	Note	September 30, 2012 (Rupees in thousand)	September 30, 2011 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	8	606,495	744,888
Finance cost paid		(16,247)	(33,373)
Income Tax paid		(43,626)	(25,592)
Net (increase) / decrease in long term deposits		-	(1,660)
Net cash from operating activities		546,622	684,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(39,437)	(40,545)
Purchase of open ended mutual fund units		(160,000)	(150,000)
Sale proceeds of disposal of property, plant and equipment		10,583	2,468
Net cash used in investing activities		(188,854)	(188,077)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - Net		-	(10,000)
Liability against assets subject to finance leases - Net		-	(775)
Dividend paid		(8)	(23)
Net cash (used in) / from financing activities		(8)	(10,798)
Net increase in cash and cash equivalents		357,760	485,388
Cash and cash equivalents at the beginning of the period		(464,244)	(713,715)
Cash and cash equivalents at the end of the period	9	(106,484)	(228,327)

The annexed notes 1 to 12 form an integral part of this condensed interim financial information


Chief Executive


Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated Profit (Rupees in thousand)	Total
Balance as at June 30, 2011	414,427	508,384	922,811
Final dividend for the year ended June 30, 2011 @ 2.50 per share	-	(103,607)	(103,607)
Profit for the three months ended September 30, 2011	-	89,022	89,022
Balance as at September 30, 2011	414,427	493,799	908,226
Profit for the nine month ended June 30, 2012	-	494,254	494,254
Balance as at June 30, 2012	414,427	988,053	1,402,480
Final dividend for the year ended June 30, 2012 @ 6.00 per share	-	(248,656)	(248,656)
Profit for the three months ended September 30, 2012	-	199,822	199,822
Balance as at September 30, 2012	414,427	939,219	1,353,646

The annexed notes 1 to 12 form an integral part of this condensed interim financial information


Chief Executive


Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

- 1.1 This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2 This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2012.
- 1.3 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2012. During the period company has invested surplus funds in the units of mutual funds. These investments are classified as "investment-at fair value through profit and loss account". These are measured at fair value which is reassessed at each reporting date. In case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Operating assets - at net book value - Note 2.2

Capital work in progress - at cost

	(Unaudited) September 30, 2012 (Rupees in thousand)	(Audited) June 30, 2012
Operating assets - at net book value - Note 2.2	881,473	888,716
Civil work in progress	34,280	19,837
Plant and machinery	23,541	22,831
Advance to suppliers	-	8,379
Office Equipment	7,474	7,294
Computer Software	975	-
	947,743	947,057

	(Unaudited) September 30, 2012 (Rupees in thousand)	(Unaudited) September 30, 2011
Operating assets - at net book value - Note 2.2	881,473	888,716

2.2 Additions and Disposals during the period

Additions

Building	-	174
Plant and machinery	8,723	13,510
Furniture and fixtures	116	93
Motor Vehicles	11,152	11,107
Office and other equipments	837	699
Computers	3,500	2,036
	24,328	27,619

Disposals - Net Book Value

Motor Vehicles	1,986	1,835
Computers	826	-
	2,812	1,835

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

	(Unaudited) September 30, 2012 (Rupees in thousand)	(Audited) June 30, 2012
3. INVESTMENTS - at fair value through profit or loss		
These represent investments in open ended mutual funds (quoted). The details of investment are as follows:		
HBL Money Market Fund	114,747	111,698
Al-Meezan Sovereign Fund	108,997	106,241
PICIC Cash Fund	103,150	21,092
UBL Islamic Savings Fund	103,046	21,101
	<u>429,940</u>	<u>260,132</u>
4. TRADE AND OTHER PAYABLES		
Creditors	298,117	241,691
Accrued liabilities	686,185	571,327
Workers' Profits Participation Fund	25,248	44,960
Workers' Welfare Fund	37,650	29,320
Advances from customers	73,167	65,153
Payable to provident fund	3,791	2,542
Security deposits from customers	5,095	4,710
Tax deducted at source	25,835	8,251
Due to related parties - directors	47	516
- others	435	1,885
Advances from employees against sale of vehicles	32,952	33,077
Unclaimed dividend	250,021	1,373
Other liabilities	8,228	7,851
	<u>1,446,771</u>	<u>1,012,656</u>
5. COMMITMENTS		
Aggregate commitments for capital expenditure as at September 30, 2012 amounted to Rs 8.44 million (June 30, 2012 : Rs. 3.23 million)		
	(Unaudited) September 30, 2012	(Unaudited) September 30, 2011
6. FINANCE COSTS		
Mark up on long term finance	-	7,500
Mark up on running finance under mark up arrangements	5,812	5,543
Mark up on export re-finance	7,625	7,195
Mark up on finance lease	1,241	2,259
Mark up on other loans	810	472
Bank charges	2,838	2,387
	<u>18,326</u>	<u>25,356</u>
7. EARNINGS PER SHARE		
There were no convertible dilutive potential ordinary shares in issue as at September 30, 2011 and 2012.		

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

	(Unaudited) September 30, 2012 (Rupees in thousand)	(Unaudited) September 30, 2011
8 CASH FLOW FROM OPERATIONS		
Profit before taxation	329,136	131,637
Adjustments of non-cash charges and other items		
Depreciation on property, plant and equipment	28,759	24,908
Amortisation of intangibles	702	4,101
Deferred Liability - Retirement benefits	5,073	5,587
Finance cost	15,488	22,969
Gain on disposal of property, plant and equipment	(1,212)	(633)
Gain on re-mesurement of fair value of investment in mutual funds units	(9,807)	(721)
	<u>39,003</u>	<u>56,211</u>
Profit before working capital changes	368,139	187,848
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares parts and loose tools	(606)	713
Stock in trade	84,842	434,150
Trade debts - considered good	(28,328)	23,756
Advances	(21,246)	(5,899)
Trade deposits and prepayments	(1,611)	503
Other receivables	(934)	(2,496)
	<u>32,117</u>	<u>450,727</u>
Increase in current liabilities		
Trade and other payables	186,427	68,224
Due to the government	19,812	38,089
	<u>206,239</u>	<u>106,313</u>
	<u>606,495</u>	<u>744,888</u>
9 CASH AND CASH EQUIVALENTS		
Cash and bank balances	351,087	48,876
Short term borrowings	(457,571)	(277,203)
	<u>(106,484)</u>	<u>(228,327)</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

		(Unaudited) September 30, 2012 (Rupees in thousand)	(Unaudited) September 30, 2011
10 TRANSACTIONS WITH RELATED PARTIES			
Relationship with the company	Nature of transaction		
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	278	131
	Sale of goods	257,099	261,171
	Purchase of goods	10,803	10,004
	Rent Payment	1,725	1,725
Staff retirement funds:	Expense charged for defined contribution plan	4,097	3,336
	Payments to retirement contribution plan	10,907	10,900
Key management compensation:			
	Salaries and other short-term employee benefits	115,195	23,496
	Contribution to Provident Fund	1,067	614
	Post retirement benefits of Executive Directors	960	960

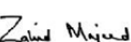
11 SEASONALITY

The company's business is subject to seasonal fluctuation, with demand of its products increasing in the months of Ramazan and two Eids. Therefore, revenues and profits are not necessarily indicative of results to be expected for the full year.

12 DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information was authorised for issue on October 22, 2012 by the Board of directors of the company.


Chief Executive


Director