



COMPLETING YOUR KITCHEN CABINET FOR GENERATIONS

First
Quarterly Report
2015



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Our Story

National Foods Limited (NFL), founded in 1970, is Pakistan's leading Multi Category Food Company with over 250 different products in 12 categories. NFL holds ISO 9001, ISO 22000 and HACCP certifications along with SAP business technology to drive its strong commitment to quality and management excellence.





Board of Directors

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Waqar Hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohamed	Director

Audit Committee

Mr. Khawaja Munir Mashooqullah	Chairman
Mr. Abdul Majeed	Member
Mr. Zahid Majeed	Member
Mr. Ebrahim Qassim	Member
Mr. Iqbal Alimohamed	Member

Human Resource and Remuneration Committee

Mr. Khawaja Munir Mashooqullah	Chairman
Mr. Zahid Majeed	Member
Mr. Abdul Majeed	Member
Mr. Ebrahim Qassim	Member
Mr. Iqbal Alimohamed	Member

Chief Financial Officer

Mr. Rafiq ul Islam

Company Secretary

Mr. Farhan Latif

Head of Internal Audit and Secretary Audit Committee

Mr. Shahid Hussain

Internal Auditors

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

Company Management

Mr. Abrar Hasan	Chief Executive Officer
Mr. Shakaib Arif	Chief Operating Officer
Mr. Rafiq ul Islam	Chief Financial Officer
Mr. Kamal Baig	Chief Operating Officer-International Division
Mr. Adnan Malik	Chief Commercial Officer-Local Division
Ms. Saira A. Khan	General Manager-HR, Admin & IR

Auditors

Messers. A.F. Ferguson & Co.

Chartered Accountants, State Life Building,
1-C, I.I. Chundrigar Road, Karachi

Share Registration Office

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B', S.M.C.H.S., Main
Shahra-e-Faisal, Karachi-74400
Tel: (92-21) 111-111-500
Fax: (92-21) 34326031

Principal Bankers

Bank Al-Habib Limited

Main Branch, Karachi.
S.I.T.E. Branch, Karachi
New Garden Town Branch, Lahore
Port Qasim Authority Branch, Karachi
S.I.T.E. Branch, Karachi
Clifton Branch, Karachi
16, Abdullah Haroon Road, Karachi
PNSC Building Branch, Karachi
S.I.T.E. Branch, Karachi
Main Branch, Karachi
Shaheen Complex Branch, Karachi
M.T. Khan Road Branch, Karachi
Main Branch, Karachi
Main Branch, Karachi

Bank Al Falah Limited (Islamic Banking Group)
BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
National Bank of Pakistan
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

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

SITE PLANT

F-160/ C, F-133, S.I.T.E., Karachi.
Landline # 021-3257-7707 – 10
Fax # 021-3257-2217
E-Mail Address: info@nfoods.com

PORT QASIM PLANT

A-13, North Western
Industrial Zone, Bin Qasim, Karachi
Landline # 021-3475-0373 – 7

MURIDKE PLANT

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 quarter ended September 30, 2014

Fellow Shareholders,

The Directors of National Foods Limited present the reviewed financial statements of the company for the first quarter ended September 30, 2014.

First Quarter Highlights:

- Underlying Net Sales Growth 22.9% at PKR 3.04 Billion
- Gross Margin at 38.1 % up by 27 bps
- Earnings per share at PKR 5.78 up by 38%

Summary of business performance:

Our strong Net Sales growth of 22.9% in the first quarter of FY 2015 has come from an aggressive and multi-dimensional focus on brand building and customer interception activities. This is despite the volatility of our operational environment, magnified by the recent floods and rising material costs, which has made the achievement of sustainable growth an uphill battle. To counter these challenges, supply chain has managed to deliver impressive customer service at optimal cost and was fully supported by the rest of the organization. Our concerted efforts have resulted in an overall improvement of 27bps in Gross Margin.

The main contribution to our strong growth came from our key categories including Recipe Masala, Pickles and Ketchups. Concentrated push and pull efforts from our teams, helped gear this momentum. Recipe Masala saw the launch of "National ke Saath Har Din Khaas", a functional campaign designed to project the bond between our Recipe Mixes and our consumers. While these TVCs showcased our BBQ, Salan and Rice ranges on all major TV Channels, extensive trade activations, including special float activation in Lahore, were undertaken to create consumer awareness and boost sales. This quarter also saw the relaunch of "National Ketchup Zaroori" campaign, reinforced with an extensive Muhalla and School activation designed to reach the target audience. Moreover, building on our patriotic theme, a special anthem "National ka Pakistan" was aired during the month of August. The company also extended its presence in the digital space through the use of social media and digital ads placement on several websites.

Alongside consolidation and allocation of resources to our Regional Export Hubs, greater attention was paid on enhancing consumer awareness in the International markets during this period. Our Recipe and Pickles campaigns were aired during Pre-Ramzan and Ramzan seasons in the Middle Eastern, European, North American and African markets alongside the launch of our Radio jingles for the Rice and Recipe categories. Our Export Marketing Team participated in the North American Eid Mela, 14th August festivals in the Middle East and the World Food Moscow exhibition in Russia.

We realize the importance of having a customer-centric organization powered by the right people in delivering sustainable growth for the business. We are building the capabilities and leadership capacity of our people while attracting the best talent in the marketplace.

Business Risks and Future Outlook:

Despite the daunting challenges afflicting Pakistan's operational environment, the team at National Foods Limited is committed and motivated to delivering optimum value for all its stakeholders and building on its current growth momentum by focusing on the right performance levers. In the wake of all challenges, we stand confident that we can continue to create value for our shareholders – as we have done in the past – by continually investing, innovating and improving our operations.



A. Majeed
Chairman

Karachi



Condensed Interim Financial Information
September 30, 2014

Condensed Interim Balance Sheet

As at September 30, 2014

	Note	(Unaudited) September 30, 2014	Audited June 30, 2014
(Rupees in thousands)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	1,284,023	1,239,996
Intangibles		36,042	36,128
Long term investment		31,719	31,719
Long term deposits		23,911	22,125
		1,375,695	1,329,968
Current Assets			
Stores, spare parts and loose tools		6,164	5,534
Stock in trade		1,944,813	2,226,562
Trade debts		720,596	796,624
Advances		107,425	52,307
Trade deposits and prepayments		37,987	18,076
Other receivables		12,533	13,375
Investments	5	363,583	461,585
Cash and bank balances		855,270	78,418
		4,048,371	3,652,481
		5,424,066	4,982,449
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		518,034	518,034
Unappropriated profit		1,989,308	1,689,884
		2,507,342	2,207,918
NON-CURRENT LIABILITIES			
Long term financing			
Deferred tax		114,920	114,920
Retirement benefits obligations		32,234	29,735
		147,154	144,655
CURRENT LIABILITIES			
Trade and other payables	6	1,634,275	1,372,410
Accrued interest / mark up		8,798	11,341
Short term borrowings		530,314	953,789
Taxation - Provision less payments		395,943	168,004
Due to the government - sales tax payable		200,240	124,332
		2,769,570	2,629,876
COMMITMENTS			
	7	-	-
		5,424,066	4,982,449

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Profit and Loss Account

For the quarter ended September 30, 2014 - Unaudited

	Note	September 30, 2014	September 30, 2013
		(Rupees in thousand)	
Net sales			
Local		2,811,724	2,284,710
Export		229,367	190,692
		3,041,091	2,475,402
Cost of sales		(1,883,947)	(1,540,131)
Gross profit		1,157,144	935,271
Distribution cost		(557,873)	(506,024)
Administrative expenses		(132,996)	(79,663)
Other operating expenses		(34,132)	(22,592)
		(725,001)	(608,279)
		432,143	326,992
Other operating income		23,151	27,723
Profit from operations		455,294	354,715
Finance costs		(17,247)	(24,081)
Profit before taxation		438,047	330,634
Taxation		(138,623)	(113,041)
Profit after taxation		299,424	217,593
Other comprehensive income		-	-
Total comprehensive income		299,424	217,593
Basic and diluted earnings per share	8	5.78	4.20

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Statement of Cash Flows

For the quarter ended September 30, 2014 - Unaudited

	Note	September 30, 2014	September 30, 2013
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	9	1,116,837	445,070
Financial cost paid		(19,790)	(28,769)
Net increase in long term deposits		(1,786)	-
Income tax refund / (paid)		89,316	97,210
Net cash inflow from operating activities		1,184,577	513,511
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(85,686)	(158,851)
Purchase of intangible assets		(3,918)	-
Sale proceeds from disposal of property, plant and equipment		216	2,683
Sale proceeds of open ended mutual fund units		105,242	-
Net cash used in investing activities		15,854	(156,168)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(104)	-
Net increase/(decrease) in cash and cash equivalents		1,200,327	357,343
Cash and cash equivalents at the beginning of the period		(875,371)	(796,385)
Cash and cash equivalents at the end of the period	10	324,956	(439,042)

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive


Director

Condensed Interim Statement of Changes in Equity

For the quarter ended September 30, 2014 - Unaudited

	Issued subscribed and paid up capital	Unappropriated Profit	Total
	Rupees in thousands		
Balance as at June 30, 2013 (Re-stated)	414,427	1,254,320	1,668,747
Profit for the three months ended September 30, 2013	-	217,593	217,593
Balance as at September 30, 2013	414,427	1,471,913	1,886,340
Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share	-	(165,771)	(165,771)
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-
Profit for the nine months ended June 30, 2014	-	490,899	490,899
Other comprehensive income for the year ended June 30, 2014	-	(3,550)	(3,550)
Balance as at June 30, 2014	518,034	1,689,884	2,207,918
Profit for the year ended September 30, 2014	-	299,424	299,424
Balance as at September 30, 2014	518,034	1,989,308	2,507,342

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive


Director

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the Companies Ordinance, 1984 by special resolution passed in the extra ordinary general meeting held on March 30, 1988. The company is principally engaged in the manufacture and sale of convenience based food products. It is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

2. BASIS OF PREPARATION

2.1 The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 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, 2014.

3. ACCOUNTING POLICIES

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, 2014.

**ACCOUNTING ESTIMATES, JUDGEMENTS AND
FINANCIAL RISK MANGEMENT**

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2014.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.

4. PROPERTY, PLANT AND EQUIPMENT

(Unaudited) September 30, 2014	(Audited) June 30, 2014
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(Rupees in thousand)

4.1 Operating assets - at net book value - Note 2.2

1,134,537	1,141,449
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Capital Work in Progress - at cost

Civil work in progress	69,120	31,575
Plant & machinery	34,177	31,139
Advance against acquisition of Land	46,189	35,833
	1,284,023	1,239,996

(Unaudited) September 30, 2014	(Unaudited) September 30, 2013
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(Rupees in thousand)

4.2 Additions & Disposals during the period

Additions

Leasehold Land	10,456	-
Building on Leasehold land	37,707	-
Plant & machinery	21,932	1,178
Motor vehicles - Owned	6,824	15,437
Furniture & fittings	838	74
Computers	4,175	3,533
Others	3,726	3,654
	85,658	23,876

Disposals - Net Book Value

Motor Vehicles	19	67
Office Equipment	61	-
Computer equipment	4	130
	84	197

5. INVESTMENTS - at fair value through profit or loss

These represent investment in open ended mutual funds (quoted).

The details of investment are as follows:

	(Unaudited) September 30, 2014	(Audited) June 30, 2014
(Rupees in thousand)		
HBL Money Market Fund	134,000	131,928
NAFA Money Market Fund	64,200	62,929
MCB Dynamic Cash Fund	56,800	55,417
MCB Dynamic Cash Optimizer	53,763	52,671
ABL Cash Fund	-	52,619
Primus Daily Reverse Fund	-	51,976
Askari High Yield Scheme	54,820	54,045
	363,583	461,585

6. TRADE AND OTHER PAYABLES

	(Unaudited) September 30, 2014	(Audited) June 30, 2014
(Rupees in thousand)		
Creditors	306,487	253,454
Accrued liabilities	1,054,067	889,812
Workers' Profits Participation Fund	24,359	-
Workers' Welfare Fund	82,310	72,558
Advances from customers	48,071	45,822
Payable to provident fund	1,422	3,414
Tax deducted at source	9,910	13,463
Due to related parties - directors	43	260
- others	31,667	39,809
Advances from employees against sale of vehicles	52,057	42,454
Unclaimed dividend	3,763	3,867
Other liabilities	20,119	7,497
	1,634,275	1,372,410

7. COMMITMENTS

Aggregate commitments for capital expenditure as at September 30, 2014 amounted to Rs. 108.5 million (June 30, 2014 : Rs. 38.1 million)

8. EARNING PER SHARE

Profit after taxation attributable to ordinary shareholders

Weighted average number of shares
in issue during the period

Earning per share - basic and diluted (Rs.)

(Unaudited) September 30, 2014	(Unaudited) September 30, 2013
(Rupees in thousand)	
299,424	217,593
51,803	51,803
5.78	4.20

For the purpose of calculating earning per share, number of shares outstanding as at September 30, 2013 have been increased to reflect the bonus shares issued during the period.

There were no convertible dilutive potential ordinary shares in issue as at September 30, 2013 and 2014.

9. CASH FLOW FROM OPERATIONS

Profit before taxation

Adjustments for non-cash charges and other items

Depreciation on property, plant and equipment

Amortization on intangibles

Finance cost

Gain on disposal of property, plant and equipment

Gain on re-measurement of fair value

of investment in mutual fund units

Deferred Liability - Retirement benefits

Exchange gain

Working capital changes

Cash generated from operations

(Unaudited) September 30, 2014	(Unaudited) September 30, 2013
(Rupees in thousand)	
438,047	330,634
41,575	41,964
4,004	1,383
17,247	24,081
(132)	(2,486)
(7,240)	(5,838)
2,499	720
(13,934)	(14,841)
634,771	69,453
678,790	114,436
1,116,837	445,070

9.1 Effect on cash flow due to working capital changes

(Increase) / Decrease in current assets

Stores, spares and loose tools

Stock in trade

Trade debts

Advances

Deposits and prepayments

Other receivables

Increase / (Decrease) in current liabilities

Trade and other payables

Due to the government

(630)	(658)
281,749	152,551
89,962	101,913
(55,118)	(20,648)
(19,911)	(13,909)
842	(2,459)
296,894	216,790
261,969	(141,306)
75,908	(6,031)
337,877	(147,337)
634,771	69,453

CASH AND CASH EQUIVALENTS

Cash and bank balances	855,270	399,185
Short term borrowings	(530,314)	(838,227)
	<u>324,956</u>	<u>(439,042)</u>

11.	TRANSACTIONS WITH RELATED PARTIES		(Unaudited) September 30, 2014	(Unaudited) September 30, 2013
			(Rupees in thousand)	
	Relationship with the Company	Nature of transaction		
	Subsidiary Company:	Commission expense	18,405	15,239
	Associated Companies / Undertakings:	Sale of goods	272,054	218,457
		Purchase of goods	17,364	8,475
		Rent payment	2,296	2,087
	Staff retirement funds:	Expense charged for defined contribution plan	6,731	5,331
		Payments to retirement contribution plan	16,709	14,798
	Directors:	Technical advisory services	2,100	3,600
	Key management personnel compensation:			
	Salaries and other short-term employee benefits		36,319	31,599
	Retirement benefits		1,586	-
	Post retirement benefits of Executive Directors		2,499	720

12. DIVIDEND

The Board of Directors in its meeting held on September 04, 2014 proposed a cash dividend for the year ended June 30, 2014 of Rs. 8 per share amounting to Rs. 414.43 million (2013: cash dividend of Rs. 4 per share amounting to Rs. 165.77 million) subject to the approval of the company in the Annual General Meeting to be held on October 22, 2014.

13. 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.

14. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on October 22, 2014 by the Board of Directors of the company.


Chief Executive


Director



Consolidated Condensed Interim Financial Information
September 30, 2014

Consolidated Condensed Interim Balance Sheet

As at September 30, 2014

	Note	(Unaudited) September 30, 2014	Audited June 30, 2014
(Rupees in thousands)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,284,170	1,240,154
Intangibles		36,042	36,128
Long term deposits		24,702	22,125
		1,344,914	1,298,407
Current Assets			
Stores, spare parts and loose tools		6,164	5,534
Stock in trade		1,946,137	2,230,385
Trade debts		726,280	800,356
Advances		108,864	54,131
Trade deposits and prepayments		37,987	18,836
Other receivables		12,533	11,090
Investments		363,583	461,585
Cash and bank balances		937,243	98,775
		4,138,791	3,680,692
		5,483,705	4,979,099
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		518,034	518,034
Unappropriated profit		2,005,292	1,721,912
Exchange revaluation reserve		1,058	(1,129)
		2,524,383	2,238,817
NON-CURRENT LIABILITIES			
Deferred tax		114,920	114,920
Retirement benefits obligations		32,234	29,735
		147,154	144,655
CURRENT LIABILITIES			
Trade and other payables		1,618,948	1,336,682
Accrued interest / mark up		8,798	11,341
Short term borrowings		588,239	955,268
Taxation - Provision less payments		395,943	168,004
Due to the government - sales tax payable		200,240	124,332
		2,812,168	2,595,627
COMMITMENTS			
	6	5,483,705	4,979,099

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


Chief Executive


Director



	Note	September 30, 2014	September 30, 2013
(Rupees in thousand)			
Net sales			
Local		2,811,724	2,284,710
Export		233,206	190,692
		3,044,930	2,475,402
Cost of sales		(1,886,415)	(1,540,131)
Gross profit		1,158,515	935,271
Distribution cost		(572,685)	(502,113)
Administrative expenses		(132,996)	(79,663)
Other operating expenses		(34,514)	(22,592)
		(740,195)	(604,368)
		418,320	330,903
Other income		23,151	27,739
Profit from operations		441,471	358,642
Finance costs		(19,468)	(24,189)
Profit before taxation		422,003	334,453
Taxation		(138,623)	(113,041)
Profit after taxation		283,380	221,412
Other comprehensive income		2,187	2,576
Total comprehensive income		285,567	223,988
Earnings per share - Rupees	7	5.47	4.27

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


Chief Executive


Director



Consolidated Condensed Interim Cash Flow Statement

For the quarter ended September 30, 2014 - Unaudited



	Note	September 30, 2014	September 30, 2013
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	8	1,125,022	442,713
Finance cost paid		(22,011)	(28,877)
Income tax refund / (paid)		89,316	97,210
Net increase in long term deposits		(2,577)	(813)
Net cash from operating activities		1,189,750	510,233
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(85,689)	(158,852)
Sale proceeds on disposal of property, plant and equipment		216	2,683
Sale proceeds of open ended mutual fund units		105,242	-
Purchase of intangible assets		(3,918)	-
Net cash used in investing activities		15,851	(156,169)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(104)	-
Net increase / (decrease) in cash and cash equivalents		1,205,497	354,064
Cash and cash equivalents at beginning of the period		(856,493)	(779,599)
Cash and cash equivalents at end of the period	9	349,004	(425,535)

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


Chief Executive


Director

Consolidated Condensed Interim Statement of Changes in Equity

For the quarter ended September 30, 2014 - Unaudited

	Issued subscribed and paid up capital	Unappropriated profit	Exchange Revaluation Reserve	Total
	(Rupees in thousand)			
Balance as at June 30, 2013 (Re-stated)	414,427	1,260,240	33	1,674,700
Profit for the quarter ended September 30, 2013	-	221,412	-	221,412
Other comprehensive income for the quarter ended September 30, 2013	-	-	2,576	2,576
Balance as at September 30, 2013	414,427	1,481,652	2,609	1,898,688
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-	-
Final dividend for the year ended June 30, 2013 @ Rs 4 per share	-	(165,771)	-	(165,771)
Other comprehensive income for the nine months ended June 30, 2014	-	(3,550)	(3,738)	(7,288)
Profit for nine months ended June 30, 2014	-	513,188	-	513,188
Balance as at June 30, 2014	518,034	1,721,912	(1,129)	2,238,817
Other comprehensive income for the quarter ended September 30, 2014	-	-	2,187	2,187
Profit for the quarter ended September 30, 2014	-	283,380	-	283,380
Balance as at June 30, 2014 (Re-stated)	518,034	2,005,292	1,058	2,524,383

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


Chief Executive


Director

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

- i) National Foods Limited (the Parent Company)
- ii) National Foods DMCC (the Subsidiary Company)

National Foods Limited was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the Companies Ordinance, 1984 by special resolution passed in the extra ordinary general meeting held on March 30, 1988. The company is principally engaged in the manufacture and sale of convenience based food products. It is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

National Foods DMCC was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC. The registered address of the company is Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. O1 Jumeirah Lakes Towers Dubai, United Arab Emirates. The company is a wholly owned subsidiary of National Foods Limited, Pakistan.

The company's primary objective is to boost export sales of its parent company through trading in food stuff and other services.

National Foods DMCC also has following two wholly owned subsidiaries:

a) National Epicure Inc.

National Epicure Inc. was incorporated in Canada on 16 October 2013 under the Canada Business Corporations Act. The company is principally engaged in the trading of food products. The registered office of the company is situated at 193 Maxome Avenue, Toronto, Ontario, Canada. The company is a wholly owned subsidiary of National Foods DMCC.

b) National Foods Pakistan (UK) Limited

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the Companies Act, 2006. The company is principally engaged in the trading of food products. The registered office of the company is situated at 27 Second Floor, Gloucester Place, London, United Kingdom. The company is a wholly owned subsidiary of National Foods DMCC.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of National Foods Limited and National Foods DMCC, Dubai, UAE. The financial statements of the subsidiary company have been consolidated on a line by line basis.

All inter-company balances and transactions have been eliminated.

2. BASIS OF PREPARATION

- 2.1** The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2** 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, 2014.

3. ACCOUNTING POLICIES

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 group for the year ended June 30, 2014.

**4. ACCOUNTING ESTIMATES, JUDGEMENTS AND
FINANCIAL RISK MANGEMENT**

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2014.

The group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.

September 30, 2014	June 30, 2014
(Rupees in thousand)	
1,134,684	1,141,607
69,120	31,575
34,177	31,139
46,189	35,833
1,284,170	1,240,154

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Operating assets - at net book value - Note 5.2

Capital work in progress - at cost
 Civil work in progress
 Plant and machinery
 Advance against acquisition of land

Quarter Ended	
September 30, 2014	September 30, 2013
(Rupees in thousand)	
10,456	-
37,707	-
21,932	1,178
6,824	15,437
838	74
4,175	3,533
3,726	3,654
85,658	23,876
61	-
19	67
4	130
84	197

5.2 Additions and Disposals during the period

Additions

Leasehold land
 Building on leasehold land
 Plant and machinery
 Motor vehicles - Owned
 Furniture and fittings
 Computers
 Others

Disposals - Net Book Value

Office equipment
 Motor vehicles
 Computer equipment

6. COMMITMENTS

Aggregate commitments for capital expenditure as at September 30, 2014 amounted to Rs 108.5 million (June 30, 2014: Rs 38.1 million).

Selected Notes to and Forming Part of the Consolidated Condensed Interim Financial Information

For the quarter ended September 30, 2014 - Unaudited

7. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholder

Weighted average number of shares in issue during the period

Earnings per share - Rupees

Quarter Ended	
September 30, 2014	September 30, 2013
(Rupees in thousand)	
283,380	221,412
51,803	51,803
5.47	4.27

For the purpose of calculating earning per share, number of shares outstanding as at September 30, 2013 have been increased to reflect the bonus shares issued during the period.

There were no convertible dilutive potential ordinary shares in issue as at September 30, 2013 and 2014.

8. CASH GENERATED FROM OPERATIONS

Profit before taxation

Adjustments for non-cash charges and other items

Depreciation on property, plant and equipment

Retirement benefits expense

Amortisation of intangibles

Profit on disposal of property, plant and equipment

Gain on re-measurement of fair value of open

ended mutual fund units

Unrealised foreign exchange gains - net

Exchange gain

Finance cost

Profit before working capital changes

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (increase) in current assets

Stores, spare parts and loose tools

Stock in trade

Trade debts

Advances

Deposits and prepayments

Other receivables

(Decrease) / increase in current liabilities

Trade and other payables

Due to the government

Quarter Ended	
September 30, 2014	September 30, 2013
(Rupees in thousand)	
422,003	334,453
41,589	41,964
2,499	720
4,004	1,383
(132)	(2,486)
(7,240)	(5,838)
2,187	2,576
(13,727)	(14,841)
19,468	24,189
48,648	47,667
470,651	382,120
(630)	(658)
284,248	152,551
88,010	116,754
(54,733)	(20,826)
(19,151)	(13,148)
(1,443)	(18,511)
296,301	216,162
282,162	(149,538)
75,908	(6,031)
1,125,022	442,713

9. CASH AND CASH EQUIVALENTS

Cash and bank balances
Short term borrowings

September 30, 2014	September 30, 2013
(Rupees in thousand)	
937,243	412,692
(588,239)	(838,227)
349,004	(425,535)

10. TRANSACTIONS WITH RELATED PARTIES

**Relationship with
the group**

Nature of transactions

Quarter Ended	
September 30, 2014	September 30, 2013
(Rupees in thousand)	
Associated companies / Undertakings:	
Sale of goods	218,457
Purchase of goods	8,475
Rent Payment	2,087
Staff retirement fund:	
Expense charged for defined contribution plan	5,331
Payments to retirement contribution plan	14,798
Directors	
Technical advisory services	3,600
Key management compensation:	
Salaries and other short-term employee benefits	31,599
Contribution to Provident Fund	-
Post retirement benefits of Executive Directors	720

11. SEASONALITY

The group 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 by the Board of Directors of the group on October 22, 2014.



Chief Executive



Director



National Foods Limited
Website: nfoods.com

