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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Managing Director/ CEO
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

### COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE

Mr. Fayyaz Abdul Ghaffar

### CHIEF FINANCIAL OFFICER

Mr. Muhammad Kashif Iqbal

### 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
Mr. Ismail Tahir Ahmed	General Manager Human Resource

### 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  
1st Floor, House of Habib  
Building Siddiqsons Towers,  
3-Jinnah C.H. Society, Main  
Shahrah-e-Faisal, Karachi-75350  
PABX: (92-21) 3432582-87  
Fax: (92-21) 34325442

### PRINCIPAL BANKERS

Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
Barclays Bank Plc, Pakistan	Dawood Center, M.T. Khan 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
United Bank Limited	I.I. Chundrigar Road, Karachi
Meezan Bank Limited	M.T. Khan Road, 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

## FIRST QUARTERLY DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of National Foods Pakistan Limited, I am pleased to present the condensed interim financial statements for the quarter ended September 30, 2011. The company continues its growth trajectory for the fifth consecutive quarter; delivering a double digit volume growth despite the challenging economic backdrop and recent floods that has adversely affected the economy.

In the first quarter the company has delivered a strong underlying sales growth of 35% and continues to remain focused in delivering its strategy. All our key categories like Receipe Mix, Sauces & Pickles have shown excellent performances. The investments that we have made behind our brands in Advertising & Sales Promotion activities are yielding good returns & we have a decisive market leadership in all our star categories. Our exports business performance is on track and also continues to deliver good results; with Asia Pacific & North America achieving strong growth.

A brief analysis is presented as follows:

PKR Million	Jul-Sep 2011-12	Jul-Sep 2010-11	Change Percent
Sales	2,000.7	1,483.2	+ 34.9
Gross Profit	612.6	424.5	+ 44.3
% Sales	30.6%	28.6%	
Operating Profit	157.0	83.7	+ 87.6
% Sales	7.8%	5.6%	
Profit Before Tax	131.6	45.4	+ 189.9
% Sales	6.6%	3.1%	
Profit after tax	89.0	27.8	+ 220.1
% Sales	4.4%	1.9%	
Earnings per share	2.15	0.67	+ 220.9

Overall gross margins have improved by 200 bps, due to effective product mix and containment of fixed costs. Lower financing costs; due to efficient working capital management has helped to improve the bottom line.

Overall we finished the first quarter way ahead of our targets and surpassed all records set earlier. We continue our efforts to drive out unnecessary costs and grow our business. As a result profit before tax is Rs 89 M which is 220% higher than last year.

I am very pleased with the direction and momentum of our consolidation phase with clear strategic alignment backed by operational excellence. It was an outstanding effort by our team in the backdrop of a difficult consumer environment.

### BUSINESS RISKS FUTURE OUTLOOK

The impact of floods is likely have a negative impact in the economy posing tough challenges for the agricultural sector; and may lead to further inflation and adversely impact consumer spending. I believe with our strong management team; we will be able to surpass these challenges.



A Majeed  
Chairman

# [ CONDENSED INTERIM BALANCE SHEET ]

AS AT SEPTEMBER 30, 2011

	NOTE	(Unaudited) September 30, 2011 (Rupees in thousand)	(Audited) June 30, 2011
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	788,158	774,356
Intangibles		4,857	8,958
Long term deposits		6,040	4,380
		<u>799,055</u>	<u>787,694</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		4,500	5,213
Stock in trade		1,298,260	1,732,410
Trade debts - considered good		258,399	287,742
Advances		19,601	13,702
Trade deposits and prepayments		12,614	13,117
Other receivables		3,134	638
Investments	3	150,721	-
Cash and bank balances		48,876	14,225
		<u>1,796,105</u>	<u>2,067,047</u>
		<u>2,595,160</u>	<u>2,854,741</u>
<b>SHARE CAPITAL AND RESERVES</b>			
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		493,798	508,384
		<u>908,225</u>	<u>922,811</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		145,500	169,750
Deferred tax		79,275	79,275
Retirement benefits obligations		5,587	4,627
		<u>230,362</u>	<u>253,652</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	986,877	816,029
Accrued interest / mark up		15,313	25,717
Short term borrowings		277,203	727,940
Current maturity of:			
Long term financing		58,500	44,250
Liabilities against assets subject to finance lease		1,568	2,343
Taxation - provision less payments		65,325	48,301
Due to the government		51,787	13,698
		<u>1,456,573</u>	<u>1,678,278</u>
<b>COMMITMENTS</b>	5	<u>2,595,160</u>	<u>2,854,741</u>

The annexed notes 1 to 11 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, 2011 - UNAUDITED

	NOTE	September 30, 2011 (Rupees in thousand)	September 30, 2010
Net sales			
Local		1,839,024	1,344,166
Export		161,650	139,015
		<u>2,000,674</u>	<u>1,483,181</u>
Cost of sales		1,388,096	1,058,717
Gross profit		<u>612,578</u>	<u>424,464</u>
Distribution cost		403,344	297,619
Administrative expenses		45,895	40,064
Other operating expenses		10,637	3,417
		<u>459,876</u>	<u>341,100</u>
Other operating income		4,291	288
Profit from operations		<u>156,993</u>	<u>83,652</u>
Finance cost	6	25,356	38,263
Profit before taxation		<u>131,637</u>	<u>45,389</u>
Taxation		42,615	17,541
Profit after taxation		<u>89,022</u>	<u>27,848</u>
Earnings per share - Rupees	7	<u>2.15</u>	<u>0.67</u>

The annexed notes 1 to 11 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, 2011 - UNAUDITED

	NOTE	September 30, 2011 (Rupees in thousand)	September 30, 2010 (Rupees in thousand)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	8	744,888	510,251
Finance cost paid		(33,373)	(34,091)
Income Tax paid		(25,592)	(23,898)
Net (increase) / decrease in long term deposits		(1,660)	344
<b>Net cash from operating activities</b>		<b>684,263</b>	<b>452,606</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(40,545)	(14,711)
Purchase of open ended mutual fund units		(150,000)	-
Sale proceeds of disposal of property, plant and equipment		2,468	-
<b>Net cash used in investing activities</b>		<b>(188,077)</b>	<b>(14,711)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing - Net		(10,000)	184,000
Liability against assets subject to finance leases - Net		(775)	689
Dividend paid		(23)	(8)
<b>Net cash (used in) / from financing activities</b>		<b>(10,798)</b>	<b>184,681</b>
Net increase in cash and cash equivalents		<b>485,388</b>	<b>622,576</b>
Cash and cash equivalents at the beginning of the period		<b>(713,715)</b>	<b>(1,175,668)</b>
Cash and cash equivalents at the end of the period	9	<b>(228,327)</b>	<b>(553,092)</b>

The annexed notes 1 to 11 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, 2011 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated Profit (Rupees in thousand)	Total
Balance as at June 30, 2010	414,427	327,518	741,945
Final dividend for the year ended June 30, 2010	-	(49,731)	(49,731)
Profit for the three months ended September 30, 2010	-	27,848	27,848
<b>Balance as at September 30, 2010</b>	<b>414,427</b>	<b>305,635</b>	<b>720,062</b>
Profit for the nine month ended June 30, 2011	-	202,749	202,749
<b>Balance as at June 30, 2011</b>	<b>414,427</b>	<b>508,384</b>	<b>922,811</b>
Final dividend for the year ended June 30, 2011	-	(103,608)	(103,608)
Profit for the three months ended September 30, 2011	-	89,022	89,022
<b>Balance as at September 30, 2011</b>	<b>414,427</b>	<b>493,798</b>	<b>908,225</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information

  
Chief Executive

  
Director

## NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 - UNAUDITED

### 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 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, 2011 except as stated in note 1.3 below.

### 1.3 Investments

The company determines the appropriate classification of its investment at the time of purchase as follows:

#### 1.3.1 Long-term investments

The investment in associated company is stated at cost. Impairment loss is recognised whenever the carrying amount of investment exceeds its recoverable amount. An impairment loss is recognised in income currently. The equity method of accounting has not been followed as the effect of applying this method is immaterial.

#### 1.3.2 Investments - held to maturity

These are investments with fixed or determinable payments and fixed maturity with the company having positive intent and ability to hold till maturity. These are stated at amortised cost.

#### 1.3.3 Investments - at fair value through profit or loss

Investments held for trading are classified at fair value through profit or loss account. These are measured at fair value which is re-assessed 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.

## NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 - UNAUDITED

	(Unaudited) September 30, 2011 (Rupees in thousand)	(Audited) June 30, 2011
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
2.1 Operating assets - at net book value - Note 2.2	<b>752,893</b>	752,018
<b>Capital work in progress - at cost</b>		
Civil work in progress	<b>10,147</b>	7,159
Plant and machinery	<b>17,325</b>	8,361
Advance to suppliers	<b>4,268</b>	4,018
Vehicles pending delivery	-	250
Computer Software	<b>3,525</b>	2,550
	<b>788,158</b>	774,356
	(Unaudited) September 30, 2011 (Rupees in thousand)	(Unaudited) September 30, 2010
<b>2.2 Additions and Disposals during the period</b>		
<b>Additions</b>		
Building	<b>174</b>	106
Plant and machinery	<b>13,510</b>	8,842
Furniture and fixtures	<b>93</b>	3,091
Motor Vehicles	<b>11,107</b>	342
Office and other equipments	<b>699</b>	1,609
Computers	<b>2,036</b>	759
	<b>27,619</b>	14,749
<b>Disposals - Net Book Value</b>		
Motor Vehicles	<b>1,835</b>	-
	<b>1,835</b>	-
	(Unaudited) September 30, 2011 (Rupees in thousand)	(Audited) June 30, 2011
<b>3. INVESTMENTS - at fair value through profit or loss</b>		
These represent investements in open ended mutual funds (quoted).		
The details of investment are as follows:		
IGI Money Market Fund (499,082 units)	<b>50,140</b>	-
HBL Money Market Fund (975,746 units)	<b>100,581</b>	-
	<b>150,721</b>	-

## [ NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION ]

### FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 - UNAUDITED

	(Unaudited) September 30, 2011	(Audited) June 30, 2011
	(Rupees in thousand)	
<b>4. TRADE AND OTHER PAYABLES</b>		
Creditors	168,750	414,039
Accrued liabilities	600,579	292,809
Workers' Profits Participation Fund	7,598	1,611
Workers' Welfare Fund	14,717	11,679
Advances from customers	41,803	52,700
Payable to provident fund	3,606	2,818
Security deposits from customers	4,285	4,285
Tax deducted at source	7,336	4,946
Due to related parties - directors	-	6
- others	229	364
Advances from employees against sale of vehicles	27,710	26,166
Unclaimed dividend	104,589	1,005
Other liabilities	5,675	3,601
	<u>986,877</u>	<u>816,029</u>

### 5. COMMITMENTS

Aggregate commitments for capital expenditure as at September 30, 2011 amounted to Rs.12.24 million (June 30, 2011 : Rs. 1.99 million)

	(Unaudited) September 30, 2011	(Unaudited) June 30, 2011
	(Rupees in thousand)	

### 6. FINANCE COSTS

Mark up on long term finance	7,500	5,676
Mark up on running finance under mark up arrangements	5,543	21,590
Mark up on export re-finance	7,195	5,335
Mark up on money market loan	-	124
Mark up on finance lease	2,259	1,544
Mark up on other loans	472	2,048
Bank charges	2,387	1,946
	<u>25,356</u>	<u>38,263</u>

### 7. EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at September 30, 2010 and 2011.

## [ NOTES TO AND FORMING PART OF THE CONDESED INTERIM FINANCIAL INFORMATION ]

### FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 - UNAUDITED

	(Unaudited) September 30, 2011	(Unaudited) September 30, 2010
	(Rupees in thousand)	
<b>8. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	131,637	45,389
Adjustments of non-cash charges and other items		
Depreciation on property, plant and equipment	24,908	22,301
Amortisation of intangibles	4,101	4,254
Deferred Liability - Retirement benefits	5,587	-
Finance cost	22,969	36,317
Gain on disposal of property, plant and equipment	(633)	-
Gain on re-mesareumment of fair value of investment in mutual funds units	(721)	-
	<u>56,211</u>	<u>62,872</u>
Profit before working capital changes	187,848	108,261
<b>EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES</b>		
Decrease / (increase) in current assets		
Stores, spares parts and loose tools	713	(1,117)
Stock in trade	434,150	182,138
Trade debts - considered good	23,756	61,869
Advances	(5,899)	(13,533)
Trade deposits and prepayments	503	(9,349)
Other receivables	(2,496)	20,664
	<u>450,727</u>	<u>240,672</u>
Increase in current liabilities		
Trade and other payables	68,224	141,129
Due to the government	38,089	20,189
	<u>106,313</u>	<u>161,318</u>
	<u>744,888</u>	<u>510,251</u>
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	48,876	8,254
Short term borrowings	(277,203)	(561,346)
	<u>(228,327)</u>	<u>(553,092)</u>

# [ NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION ]

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 - UNAUDITED

(Unaudited) (Unaudited)  
September 30, September 30,  
2011 2010  
(Rupees in thousand)

## 10. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transaction		
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	131	304
	Sale of goods	261,171	195,087
	Purchase of goods	10,004	5,986
	Rent Payment	1,725	-
Staff retirement funds:	Expense charged for defined contribution plan	3,336	3,081
	Payments to retirement contribution plan	10,900	7,850
<b>Key management compensation:</b>			
	Salaries and other short-term employee benefits	23,496	28,029
	Contribution to Provident Fund	614	1,470
	Post retirement benefits of Executive Directors	960	960

## 11. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information was authorised for issue on October 27, 2011 by the Board of directors of the company.

  
Chief Executive

  
Director