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## Company Information

## Board of Directors

Mr. A. Majeed	Chairman
Mr. Abrar Hasan	Managing Director / Chief Executive
Mr. Waqar Hasan	Director
Mr. Khawar M. Butt	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qasim	Director
Mr. Jawaid Iqbal	Director

## Audit Committee

Mr. Waqar Hasan	Chairman
Mr. Khawar M. Butt	Member
Mr. Ebrahim Qasim	Member
Mr. Zahid Majeed	Member
Mr. Jawaid Iqbal	Member

## Company Secretary

Mr. Muhammad Kashif Iqbal

## Chief Financial Officer

Mr. Shakaib Arif

## Internal Auditor

Ford Rhodes Sidat Hyder &amp; Co., Chartered Accountants

## Auditors

A. F. Ferguson &amp; Co., Chartered Accountants

## Company Management

Mr. Abrar Hasan	Managing Director / Chief Executive
Mr. Waqas Abrar Khan	General Manager Human Resource
Mr. Syed Ahmed Iqbal	Sales and Marketing Manager - Family Foods Division
Mr. Zaheer Ahmed	Sales and Marketing Manager - Kitchen Foods Division
Mr. M. Azher Ali	Business Unit Manager - PQ Plant
Mr. Saleem Khilji	Business Unit Manager - SITE Plant
Mr. Muhammad Iqbal	Manager Supply Chain & Planning
Mr. Sohail Ahmed	Manager Material Management
Mr. Shakaib Arif	Head of Finance
Dr. Syed Asad Sayeed	Head of Research & Development
Mr. Arif Shaikh	Manager Quality Control

## Share Registrar Office

Noble Computer Services (Pvt.) Limited  
2nd Floor, Sohni Centre, BS 5 & 6 Karimabad,  
Block-4, Federal B. Area, Karachi-75950  
Phone: 6801880 - 82 (3 Lines)  
Fax: 6801129 E-mail: ncsl@noble-computers.com

## Bankers

Bank Al-Habib Limited	I.I. Chundrigar Road Branch, Karachi S.I.T.E Branch, Karachi New Garden Town Branch, Lahore
ABN AMRO Bank	Abdullah Haroon Road, Karachi
Muslim Commercial Bank	Clifton Corporate Branch, Karachi Shaheen Complex Branch, Karachi
Habib Bank Limited	Hub River Road Branch, Karachi
CitiBank Limited	SITE Branch, Karachi

## Registered Office

12/CL-6, Claremont Road, Civil Lines, Karachi 75530  
P.O. Box No.15509 Phone: 5662687, 5670540,  
5670585, 5670646, 5670793 & 5672268 Fax: 5684870

## Half Yearly Report to the Shareholders

On behalf of the Board of Directors of National Foods Limited, I am pleased to present the un-audited accounts and main performance indicators for the first six months ended December 31 2006

	Jul 2006 to Dec 2006	Jul 2005 to Dec 2005	Growth	% of Net sales Jul-Dec 2006      2005      Variance (+/-)		
Top Line Growth						
Corporate sales						
Gross sales	1,761,937	1,471,464	19.74%			
Net sales	1,322,449	1,086,207	21.75%			
Local sales						
Gross sales	1,649,832	1,370,822	20.35%			
Net sales	1,210,344	987,580	22.56%			
Export sales						
Gross sales	112,105	100,642	11.39%			
Net sales	112,105	98,627	13.67%			
Gross Profit	471,356	335,141	40.64%	35.64%	30.85%	4.79%
Bottom Line Growth						
Operating profit	113,858	80,047	42.24%	8.61%	7.37%	1.24%
Other Income	7,042	2,204	219.50%	0.53%	0.20%	0.33%
Pre-tax profit	91,365	67,746	34.86%	6.91%	6.24%	0.67%
Net profit	61,825	45,174	36.86%	4.68%	4.16%	0.52%
Expense Control						
Distribution Cost	313,026	218,228	43.44%	23.67%	20.09%	3.58%
Administrative Expenses	43,799	31,506	39.02%	3.31%	2.90%	0.41%
Other operating Expenses	7,715	5,360	43.94%	0.58%	0.49%	0.09%
Financial Expenses	22,493	14,505	55.07%	1.70%	1.34%	0.36%

The company has continued to perform reasonably well both in terms of top line growth as well as bottom line achievement, finishing with a corporate growth rate of 21.75% while earning profit before tax of 6.91% of net sales.

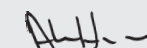
A steady growth in value terms is marked both in Local as well as Export markets. In the years to come the growth rate is expected to be far more than what is achieved mainly due to adequate investments on brand building in various product categories and effective below the line activities and merchandizing. Recently finalized distributional arrangements with a couple of well known distributors in ME region are now generating repeat orders and are in the process of regaining the market share, with absolute focus on mass grocery retail sector, including "super markets" and "convenience stores".

As indicated earlier, due to inflationary pressures, the cost of agro based raw materials have increased significantly and may impact the margins in the second half of the year. However, this adverse effect on margins is continuously monitored and countered through technological improvements, product research, product trimming and price adjustments in certain cases.

Strategic planning in line with the new long term vision statement entitled VISION 20/20 is underway focusing the convenience packaged food segment.

Two portions of Bin Qasim project are now operational and production of certain products and SKUs has been started. The third portion of this project is also expected to be operational before the year end.

The general outlook remains bullish with increased consumer spending and good macro economic support figures. The management continues to work hard and is expected to deliver a company performance in line with budgetary expectations.



Abrar Hasan  
Chief Executive  
National Foods Limited

## Review Report to the Members

We have reviewed the annexed condensed interim balance sheet of National Foods Limited as at December 31, 2006 and the related condensed interim profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial statements"), for the half year then ended. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2005 and 2006 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: February 9, 2007

## Condensed Interim Balance Sheet

As at December 31, 2006

Note	Unaudited December 31, 2006 (Rupees in thousand)	Audited June 30, 2006 (Rupees in thousand)
<b>Assets</b>		
<b>Non-Current Assets</b>		
2	432,060	365,874
Property, plant and equipment	3,131	4,064
Intangibles	2,504	2,504
Long term deposits	437,695	372,442
<b>Current Assets</b>		
	4,037	3,463
Stores, spare parts and loose tools	407,429	367,235
Stock in trade	149,060	101,940
Trade debts	34,783	13,586
Advances	10,996	4,290
Trade deposits and prepayments	2,290	1,637
Accrued interest / markup	2,418	1,063
Other receivables	8,945	19,279
Tax refunds due from / adjustable with the government	100,578	83,025
Cash and bank balances	720,536	595,518
	<u>1,158,231</u>	<u>967,960</u>
<b>Share Capital and Reserves</b>		
	42,505	42,505
Issued, subscribed and paid-up capital	6,102	6,102
Capital Reserve - Share premium	251,807	198,482
Unappropriated profit	300,414	247,089
<b>Non-current Liabilities</b>		
	166,000	189,000
Long term financing	14,808	5,694
Liabilities against assets subject to finance leases	13,967	11,467
Deferred tax	194,775	206,161
<b>Current Liabilities</b>		
	379,583	244,988
Trade and other payables	9,435	8,491
Accrued interest / mark up	196,597	195,925
Short term borrowings		
Current maturity of:		
Long term financing	46,000	26,000
Liabilities against assets subject to finance leases	4,927	2,306
Provision for income tax	26,500	37,000
	663,042	514,710
<b>Commitments</b>	<u>1,158,231</u>	<u>967,960</u>

The annexed notes form an integral part of these financial statements.

  
Abrar Hasan  
Chief Executive


  
Zahid Majeed  
Director

**Condensed Interim Profit and Loss Account**

For the Half Year ended December 31, 2006 - unaudited

	Quarter ended		Half year ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
	(Rupees in thousand)			
Net sales				
Local	607,051	535,313	1,210,344	987,580
Export	40,729	49,404	112,105	98,627
	647,780	584,717	1,322,449	1,086,207
Cost of sales	416,352	385,051	851,093	751,066
Gross profit	231,428	199,666	471,356	335,141
Distribution cost	138,856	130,360	313,026	218,228
Administrative expenses	26,135	16,815	43,798	31,506
Other operating expenses	2,265	3,815	7,715	5,360
	167,256	150,990	364,539	255,094
Other operating income	4,062	2,158	7,042	2,204
Profit from operations	68,234	50,834	113,859	82,251
Finance costs	11,726	9,746	22,493	14,505
Profit before taxation	56,508	41,088	91,366	67,746
Taxation	19,082	15,572	29,540	22,572
Profit after taxation	37,426	25,516	61,826	45,174
Earnings per share - basic and diluted - Rupees	8.81	6.00	14.55	10.63

The annexed notes form an integral part of these financial statements.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director

**Condensed Interim Cash Flow Statement**

For the Half Year ended December 31, 2006 - unaudited

	Note	2006 (Rupees in thousand)	2005 (Rupees in thousand)
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	4	143,453	194,800
Finance cost paid		(21,549)	(10,106)
Income tax paid		(27,206)	(5,864)
Net increase in long term deposits		-	(218)
Net cash from operating activities		94,698	178,612
<b>Cash Flows from Investing Activities</b>			
Fixed capital expenditure		(82,552)	(74,551)
Sale proceeds on disposal of motor vehicles		897	2,040
Return received on term deposits		2,641	-
Net cash used in investing activities		(79,014)	(72,511)
<b>Cash Flows from Financing Activities</b>			
Long term financing - net		(3,000)	65,000
Liabilities against assets subject to finance leases - net		11,735	(892)
Dividend paid		(7,538)	(5,898)
Net cash from financing activities		1,197	58,210
Net increase in cash and cash equivalents		16,881	164,311
Cash and cash equivalents at the beginning of the period		(112,900)	( 265,139)
Cash and cash equivalents at the end of the period	5	(96,019)	(100,828)

The annexed notes form an integral part of these financial statements.

  
Abrar Hasan  
Chief Executive


  
Zahid Majeed  
Director


### Condensed Interim Statement of Changes in Equity

For the Half Year ended December 31, 2006 - unaudited

	Issued subscribed and paid up capital	Capital reserve share premium	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2005	42,505	6,102	134,494	183,101
Final dividend for the year ended June 30, 2005 (Rs 1.5 per share)	-	-	(6,376)	(6,376)
Profit for the half year ended December 31, 2005	-	-	45,174	45,174
Balance as at December 31, 2005	42,505	6,102	173,292	221,899
Balance as at June 30, 2006	42,505	6,102	198,482	247,089
Final dividend for the year ended June 30, 2006 (Rs 2 per share)	-	-	(8,501)	(8,501)
Profit for the half year ended December 31, 2006	-	-	61,826	61,826
Balance as at December 31, 2006	42,505	6,102	251,807	300,414

The annexed notes form an integral part of these financial statements.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director

### Condensed Interim Selected Notes to the Financial Statements

For the Half Year ended December 31, 2006 - unaudited

#### 1. Basis of Preparation

- 1.1 These financial statements have been prepared in accordance with the requirements of International Accounting Standard No. 34, Interim Financial Reporting and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2 The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2006.

#### Standards, amendments and interpretations effective in 2006

New accounting standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2006 are considered not to be relevant or have any significant effect to the Company's operations.

#### Relevant standards or interpretations not yet effective

Following amendment to existing standard have been published that are mandatory for the Company's accounting periods beginning on the date mentioned below:

IAS 1 Presentation of Financial Statements  
– Capital Disclosures

effective from January 1, 2007

Adoption of the above amendment may only impact the extent of disclosures presented in the financial statements.

December 31,  
2006                      June 30,  
2006  
(Rupees in thousand)

#### 2. Property, Plant and Equipment

- 2.1 Operating Assets  
Capital work in progress

309,304	192,285
122,756	173,589
<u>432,060</u>	<u>365,874</u>

Half year ended  
December 31,                      December 31,  
2006                      2005  
(Rupees in thousand)

- 2.2 Additions and Disposals during the period

##### Additions

Building on leasehold land  
Plant and machinery including generators  
Furniture and Fittings  
Motor Vehicles  
Office and other equipments  
Computers  
Laboratory equipment

88,587	-
27,772	18,466
237	259
14,604	3,093
681	1,411
1,481	1,997
32	32
<u>133,394</u>	<u>25,258</u>

##### Disposals - Net Book Value

Plant and machinery including generators  
Motor Vehicles

-	71
644	1,689
<u>644</u>	<u>1,760</u>

#### 3. Commitments

- 3.1 Aggregate commitments for capital expenditure amounted to Rs 19.90 million (June 30, 2006 : Rs 53.50 million).



Half year ended  
December 31,      December 31,  
2006                      2005  
(Rupees in thousand)

#### 4. Cash Generated from Operations

Profit before taxation	91,366	67,746
Adjustments of non-cash charges and other items		
Depreciation on property, plant and equipment	15,736	13,717
Amortisation of intangibles	919	751
Bad debts expense	549	-
Finance cost	22,493	14,505
Gain on disposal of motor vehicles	(253)	(280)
Stock in trade written off	166	2,565
Provision for slow moving stock in trade (net)	12,583	12,624
Mark up on term deposit	(3,294)	-
	48,899	43,882
Profit before working capital changes	140,265	111,628
Effect on cash flows due to working capital changes		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(574)	(793)
Stock in trade	(52,943)	72,154
Trade debts	(47,669)	(97,756)
Advances	(21,197)	(23,011)
Deposits and prepayments	(6,706)	(1,589)
Other receivables	(1,355)	(1,171)
	(130,444)	(52,166)
Increase in current liabilities		
Trade and other payables	133,632	135,338
	143,453	194,800

#### 5. Cash and Cash Equivalents

Cash and bank balances	100,578	111,829
Short term borrowings	(196,597)	(212,657)
	(96,019)	(100,828)

#### 6. Transactions with Related Parties

Relationship with the company      Nature of transactions

Associated companies /

Undertakings:

Reciprocal arrangements  
for sharing of services  
Sale of goods

675	1,217
345,187	224,927

Employee benefit plan

Contribution to employees  
provident fund

2,555	2,281
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Key management compensation:

Salaries and other short-term employee benefits

Contribution to Provident Fund


9,651	6,491
476	316

#### 7. Seasonality Impact

The company's results are affected by seasonal sales due to the occurring of Ramazan and two Eids during a particular period of the year where company's products are sold in a larger number.

#### 8. Date of Authorisation

These financial statements were authorised for issue on February 9, 2007 by the Board of Directors of the company.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director