



1st Half Yearly Report
2009-10

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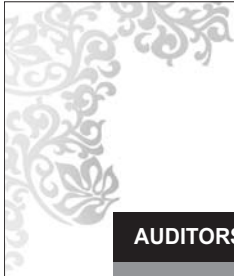
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COMPANY INFORMATION

BOARD OF DIRECTORS	
Mr. Abdul Majeed Mr. Abrar Hasan Mr. Waqar Hasan Mr. Khawaja Munir Mashooqullah Mr. Zahid Majeed Mr. Ebrahim Qassim Mr. Iqbal Alimohamed	Chairman Managing Director / Chief Executive Director Director Director Director Director
AUDIT COMMITTEE	
Mr. Waqar Hasan Mr. Ebrahim Qassim Mr. Zahid Majeed	Chairman Member Member
COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE	
Mr. Fayyaz Abdul Ghaffar	
CHIEF FINANCIAL OFFICER	
Mr. Muhammad Kashif Iqbal	
INTERNAL AUDITORS	
Messrs. Ford Rhodes Sidat Hyder & Co.	Chartered Accountants
COMPANY MANAGEMENT	
Mr. Abrar Hasan Mr. Shakaib Arif Mr. Kamran Khan Mr. Waqas Abrar Khan	Managing Director / Chief Executive Chief Operating Officer Chief Commercial Officer General Manager Human Resource

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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	Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah C.H. Society, Main Shahrah-e-Faisal, Karachi-75350. PABX: (92-21) 34325482-87 Fax: (92-21) 34325442
PRINCIPAL BANKERS	
Bank Al-Habib Limited	I.I. Chundrigar Road Branch, Karachi S.I.T.E Branch, Karachi New Garden Town Branch, Lahore
Royal Bank of Scotland (RBS) (Formerly ABN AMRO Bank)	16, Abdullah Haroon Road, Karachi
MCB Bank Limited	Shaheen Complex Branch, Karachi
United Bank Limited	I.I. Chundrigar Road, Karachi
Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
Barclays Bank Plc, Pakistan	Dawood Centre, M.T. Khan 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: 35662687, 35670540, 35670585, 35670793 & 35672268 Fax: 35684870

FIRST HALF YEARLY REPORT

TO THE SHAREHOLDERS

On behalf of the Board of Directors of National Foods Limited, I am pleased to present to you the un-audited financial statements of the first half year ended December 31, 2009 along with certain performance indicators thereof. These financial statements are submitted in accordance with the Section 245 of the Companies Ordinance, 1984.

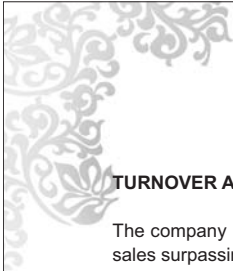
SUMMARY

Summary of the results are presented below:

	Jul 2009 to Dec 2009	Jul 2008 to Dec 2008	Growth	% of Net Sales		
				Jul-Dec 2009-10	Jul-Dec 2008-09	Variance (+/-)
Top Line Growth						
Corporate Sales						
Gross sales	3,076,210	2,713,494	13.37%			
Net sales	2,265,102	2,016,015	12.36%			
Local sales						
Gross sales	2,835,313	2,548,862	11.24%			
Net sales	2,024,205	1,851,383	9.33%			
Export sales						
Gross sales	240,897	164,632	46.32%			
Net sales	240,897	164,632	46.32%			
Gross Profit	690,818	607,020	13.80%	30.50%	30.11%	0.39%
Bottom Line Growth						
Operating profit	103,072	184,909	(44.26%)	4.55%	9.17%	(4.62%)
Other income	13,561	6,568	106.47%	0.60%	0.33%	0.27%
Pre-tax profit	64,340	142,692	(54.91%)	2.84%	7.08%	(4.24%)
Net profit	41,775	91,561	(54.37%)	1.84%	4.54%	(2.70%)
Expense Control						
Selling Expenses	144,532	110,435	30.88%	6.38%	5.48%	0.90%
Cartage and Freight & Forwarding	89,861	73,957	21.50%	3.97%	3.67%	0.30%
Advertising and Sales Promo	281,204	159,466	76.34%	12.41%	7.91%	4.50%
Administrative Expenses	77,510	73,198	5.89%	3.42%	3.63%	(0.21%)
Other Operating Expenses	8,200	11,623	(29.45%)	0.36%	0.58%	(0.22%)
Financial Expenses	38,732	42,217	(8.25%)	1.71%	2.09%	(0.38%)

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TURNOVER ANALYSIS

The company has finished the first half of the year with good growth figures for domestic and export sales surpassing the budgeted targets set for the period.

NEW DEVELOPMENTS

The period is marked by a couple of significant developments. One is the launch of Rice category in two different variants and the other is designing and introduction of new brand image and packaging, which has led to heavy but planned and budgeted investments in promoting it. This expense has also coincided with seasonal sales in the first half of the year.

PROFITABILITY ANALYSIS

Profitability has reduced in the first half of the year mainly due to a greater allocation of advertising expenditure compared to last year same period. This is normal and in line with our budgeted plans to promote the seasonal sales and also register the new brand image of the company through new packaging. Last year the same advertising expenditure was deferred to the later half of the year to manage the cost of design change and start of promotion. All other costs are as per budget set for the corresponding period.

Gross Margins have also improved despite inflationary trends. This has been managed by imparting timely price increases to offset the inflationary aspects. In spite of this increase, sales have registered a growth greater than the planned budget due to the greater allocation of advertising in the first half of the year.

The company will also close the year with the planned advertising budget thus making up the average in the second half.

FUTURE OUTLOOK

We are optimistic about our long-term growth prospects. Our strong balance sheet gives us the ability to grow organically. Leveraging our category leadership and investing in innovation; our rejuvenated brand image will help us to fuel our growth. Although inflation will continue to impact consumer behavior as well as our margins in the next half of the fiscal year 2010, we expect to meet our top and bottom line targets in line with budgetary expectations.

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Abrar Hasan
Chief Executive

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AUDITORS' REPORT TO THE MEMBERS

ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of National Foods Limited as at December 31, 2009 and the related condensed interim profit and loss account, condensed interim changes in equity and condensed interim cash flow statement for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2009.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants

Karachi

Dated: 18 February, 2010

Name of Engagement Partner: Syed Fahim ul Hasan

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CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2009

	Note	(Un-audited) Dec 31, 2009	(Audited) Jun 30, 2009
(Rupees in thousand)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	632,081	614,004
Intangibles		29,494	35,668
Long term deposits		5,150	5,163
		666,725	654,835
Current Assets			
Stores, spares and loose tools		5,222	5,432
Stock in trade		947,676	846,977
Trade debts		209,996	274,556
Advances		28,696	29,044
Trade deposits and prepayments		14,260	6,660
Other receivables		4,237	2,632
Tax refunds due from / adjustable with the government		101,479	76,435
Cash and bank balances	5	20,983	15,205
		1,332,549	1,256,941
		1,999,274	1,911,776
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		414,427	331,542
Unappropriated profit		282,734	323,844
		697,161	655,386
NON-CURRENT LIABILITIES			
Long term financing		40,000	60,000
Liabilities against assets subject to finance leases		6,875	13,700
Deferred liability - Retirement benefits		8,744	6,780
Deferred tax		59,564	59,999
		115,183	140,479
CURRENT LIABILITIES			
Trade and other payables		477,658	460,626
Accrued interest / mark up		13,960	17,764
Short term borrowings		513,162	485,536
Current maturity of:			
Long term financing		40,000	40,000
Liabilities against assets subject to finance leases		11,777	12,510
Provision for income tax		105,000	82,000
Due to the government - Sales tax/ Special excise duty		25,373	17,475
		1,186,930	1,115,911
COMMITMENTS			
	3	1,999,274	1,911,776

The annexed notes 1 to 8 form an integral part of this financial information.

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Abrar Hasan
Chief Executive


Zahid Majeed
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED
DECEMBER 31, 2009 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(Rupees in thousand)			
Net sales				
Local	964,407	851,332	2,024,205	1,851,383
Export	152,337	133,894	240,897	164,632
	1,116,744	985,226	2,265,102	2,016,015
Cost of sales	779,537	702,020	1,574,284	1,408,995
Gross profit	337,207	283,206	690,818	607,020
Distribution cost	266,345	191,375	515,597	343,858
Administrative expenses	38,879	32,755	77,510	73,198
Other operating expenses	3,600	2,721	8,200	11,623
	308,824	226,851	601,307	428,679
Other operating income	10,810	758	13,561	6,568
Profit from operations	39,193	57,113	103,072	184,909
Finance costs	18,272	23,495	38,732	42,217
Profit before taxation	20,921	33,618	64,340	142,692
Taxation	8,565	10,948	22,565	51,131
Profit after taxation	12,356	22,670	41,775	91,561
Earnings per share - Rupees	0.30	0.55	1.01	2.21

The annexed notes 1 to 8 form an integral part of this financial information.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

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CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED
DECEMBER 31, 2009 (UNAUDITED)

	Note	Dec 31, 2009	Dec 31, 2008
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	4	135,624	229,300
Finance cost paid		(42,536)	(37,659)
Income tax paid		(25,044)	(21,831)
Net decrease / (increase) in long term deposits		13	(765)
Net cash from operating activities		68,057	169,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(64,717)	(44,996)
Sale proceeds on disposal of property, plant and equipment		3,869	959
Purchase of intangible assets		(1,499)	(22,877)
Net cash used in investing activities		(62,347)	(66,914)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(20,000)	(23,000)
Liabilities against assets subject to finance lease - (Net)		(7,558)	(7,981)
Dividend paid		-	(173)
Net cash used in financing activities		(27,558)	(31,154)
Net (decrease) / increase in cash and cash equivalents		(21,848)	70,977
Cash and cash equivalents at the beginning of the period		(470,331)	(522,845)
Cash and cash equivalents at the end of the period	5	(492,179)	(451,868)

The annexed notes 1 to 8 form an integral part of this financial information.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED
DECEMBER 31, 2009 (UNAUDITED)

	Issued subscribed and paid up capital	Capital reserve - share premium	Unappropriated profit	Total
	← (Rupees in thousand) →			
Balance as at June 30, 2008	55,257	6,102	454,566	515,925
Issue of 5 bonus shares for every 1 share held	276,285	(6,102)	(270,183)	-
Profit for the half year ended December 31, 2008	-	-	91,561	91,561
Balance as at December 31, 2008	331,542	-	275,944	607,486
Profit for the half year ended June 30, 2009	-	-	47,900	47,900
Balance as at June 30, 2009	331,542	-	323,844	655,386
Issue of 1 bonus shares for every 4 shares held	82,885	-	(82,885)	-
Profit for the half year ended December 31, 2009	-	-	41,775	41,775
Balance as at December 31, 2009	414,427	-	282,734	697,161

The annexed notes 1 to 8 form an integral part of this financial information.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2009 (UNAUDITED)

1. BASIS OF PREPARATION

- 1.1 This condensed interim 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 Regulations 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, 2009.

	Dec 31, 2009	Jun 30, 2009
(Rupees in thousand)		
2. PROPERTY, PLANT AND EQUIPMENT		
2.1 Operating assets - at net book value - note 2.2	533,324	565,799
Capital work in progress - at cost		
Civil work in progress	28,174	5,341
Plant and machinery	36,120	8,737
Advance against acquisition of land	27,417	27,417
Advance to suppliers	-	4,296
Vehicles pending delivery	2,920	897
Computer software	4,126	1,517
	632,081	614,004
	Half year ended	
	Dec 31, 2009	Dec 31, 2008
	(Rupees in thousand)	
2.2 Additions and Disposals during the period		
Additions		
Building on leasehold land	-	1,186
Plant and machinery including generators	1,265	23,689
Motor vehicles		
- Leased	-	17,701
- Owned	1,167	840
Others	5,556	5,808
	7,988	49,224
Disposals - Net Book Value		
Plant and machinery	670	-
Motor Vehicles	1,302	587
	1,972	587

3. COMMITMENTS

3.1 Aggregate commitments for capital expenditure as at December 31, 2009 amounted to Rs 17.6 million (June 30, 2009: Rs 4.14 million).

	Half year ended	
	Dec 31, 2009	Dec 31, 2008
	(Rupees in thousand)	
4. CASH GENERATED FROM OPERATIONS		
Profit before taxation	64,340	142,692
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	44,668	35,488
Deferred liability - Retirement benefits	1,964	8,971
Amortisation of intangibles	7,673	1,632
Finance cost	38,732	41,208
Gain on disposal of property, plant and equipment	(1,897)	(372)
Provision for slow moving stock in trade (net)	-	30,013
	91,140	116,940
Profit before working capital changes	155,480	259,632
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (Increase) in current assets		
Stores, spares and loose tools	210	2,225
Stock in trade	(100,699)	(152,949)
Trade debts	64,560	37,324
Advances	348	(39,942)
Deposits and prepayments	(7,600)	(8,094)
Other receivables	(1,605)	(754)
	(44,786)	(162,190)
Increase in current liabilities		
Trade and other payables	17,032	131,014
Due to the government	7,898	844
	135,624	229,300
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	20,983	33,738
Running finance under markup arrangements	(513,162)	(485,606)
	(492,179)	(451,868)

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Half year ended
Dec 31, 2009 **Dec 31, 2008**
(Rupees in thousand)

6. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transactions		
Associated companies / Undertakings:			
	Reciprocal arrangements for sharing of services	1,598	1,263
	Sale of goods	392,290	388,558
	Purchase of goods	6,542	-
Employee benefit plan	Contribution to employees provident fund	5,310	3,724
Key management compensation:			
	Salaries and other short term employee benefits	36,199	30,481
	Contribution to Provident Fund	1,759	1,196
	Post retirement benefits of Executive Directors	1,964	8,971

7. EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at December 31, 2008 and 2009.

For the purposes of calculating earnings per share, number of shares outstanding as at December 31, 2008 have been increased to reflect the bonus shares issued during the period.

8. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information was authorised for issue on February 18, 2010 by the Board of Directors of the Company.

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Abrar Hasan
Chief Executive

Zahid Majeed
Director

*A chilli field in Kunri, Sindh,
where National Foods is carrying out
Aflatoxin-reduction research.*





National Foods Limited
www.nfoods.com



As part of National Foods' sustainability strategy,
this report has been printed on recycled paper to help save the environment.