



[HALF YEARLY REPORT 2011 - 12]



LEADING WITH RESPONSIBILITY

National Foods Limited

National Foods Limited(NFL), founded in 1970, is Pakistan's Leading multi-category Food Company today with over 250 different products in 12 categories. NFL holds ISO 9001, ISO 22000 AND HACCP certifications along with SAP business technology to drive the Company's strong commitment to quality and management excellence.

NFL is an international brand sold in over 35 countries and it aims to be a Rs. 50 billion company under its Vision 20/20 plan.

NFL is dedicated to improving the well-being of society through continuous development of innovative products and through a wide-ranging corporate social responsibility program.

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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 Alimohammed	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

INTERNAL AUDITORS

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

Mr. Abrar Hasan	Managing Director/CEO
Mr. Shakaib Arif	Chief Operating Officer

AUDITORS

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

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE HALF YEAR ENDED DECEMBER 31, 2011

On behalf of the Board of Directors of National Foods Limited, I am pleased to present to you the Half Yearly Report, along with the reviewed financial information of the company for the first half ended December 31, 2011.

The company continues its growth trajectory delivering a solid value sales growth of 34.14%, in the backdrop of a difficult business environment. All our key categories like Recipe Mix, Sauces, Pickles, Desserts & Salt continue to show impressive volume growth. We once again surpassed our targets and record sales were delivered. The consolidation phase undertaken since the preceding six quarters has led to significant gains.

We continue to invest in our brands and the "Recipe Princess Cooking Contest" in Karachi for college girls; further enhancing the brand image of Recipe Mix-our star category. The contest created a lot of excitement, gained immense popularity and was an instant success. The launch of the 'National Cook Book' is another milestone in the history of the company. The culinary journey through popular occasions endeavored to revive and revitalize the celebration of Pakistani traditions with our recipes. In addition various trade led initiatives were also successfully executed in the market place. The investments made in Advertising, Sales Promotion & trade activities have reaped excellent results with an overall double digit volume growth in first half and a decisive market leadership.

Our exports business also grew impressively with a top line value sales growth of 29.61%. We continued our focus on brand building activities including advertising in print and television, shop promotions and taste trial activities leading to impressive double digit volume growth. Our key export markets like Middle East, North America, USA & UK sales have shown significant improvement & we believe that with the correct business model the export business can be truly transformed.

The financial performance for the six months under review is summarized below:

PKR Million	Jul-Dec 2011-12	Jul-Dec 2010-11	Change Percent
Sales	3793.79	2828.33	34.14
Gross Profit	1241.89	843.16	47.29
% Sales	32.73	29.81	
Operating Profit	476.98	244.27	95.27
% Sales	12.57	8.64	
Profit Before Tax	436.30	178.99	143.76
% Sales	11.50	6.33	
Profit after tax	289.99	118.58	144.55
% Sales	7.64	4.19	
Earnings per share (EPS)	7.00	2.86	144.76

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE HALF YEAR ENDED DECEMBER 31, 2011

Overall gross margins have improved by 292 bps; due to improved sales mix and containment of fixed costs. The company has undertaken some initiatives to reduce the working capital; lowering the burden on borrowings and in effect resulting in lower interest costs.

The extra ordinary increase in top & bottom line results includes an element of seasonality on account of two Eids falling in the first half year. In aggregate, the profit before tax is Rs 436.3 M which is 143.76% higher than same period during last year. EPS grew by 144.76% over last year to Rs. 7.0 per share.

I am extremely delighted with the direction and momentum of our progress. Our teams have truly delivered an excellent performance demonstrating a flawless execution of our business plan.

Business Risks & Future Outlook

The prevailing security conditions, power outages continue to pose challenges to the business. With strong brand equity and our market leadership in a number of key categories gives us a competitive advantage. Despite the odds we remain committed to all our stakeholders to deliver exceptional value. As mentioned above due to the impact of seasonality, revenues and profits for the year may not necessarily reflect the same extent of extraordinary increases.



A.Majeed
Chairman

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of National Foods Limited as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof 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 for interim financial reporting. 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, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 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, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Karachi

Dated:

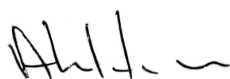
Name of the engagement partner: Syed Fahim ul Hasan

CONDENSED INTERIM BALANCE SHEET

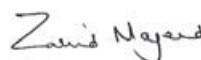
AS AT DECEMBER 31, 2011

	Note	(Unaudited) December 31, 2011	(Audited) June 30, 2011
ASSETS			
(Rupees in thousand)			
Non-Current Assets			
Property, plant and equipment	2	808,696	774,356
Intangibles		1,941	8,958
Long term deposits		5,867	4,380
		<u>816,504</u>	<u>787,694</u>
Current Assets			
Stores, spare parts and loose tools		4,158	5,213
Stock in trade		1,465,759	1,732,410
Trade debts		221,554	287,742
Advances		34,230	13,702
Trade deposits and prepayments		12,324	13,117
Other receivables		27	638
Investments		448,406	-
Cash and bank balances		77,536	14,225
		<u>2,263,994</u>	<u>2,067,047</u>
		<u>3,080,498</u>	<u>2,854,741</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		414,427	414,427
Unappropriated profit		694,763	508,384
		<u>1,109,190</u>	<u>922,811</u>
NON-CURRENT LIABILITIES			
Long term financing		139,250	169,750
Deferred tax		70,236	79,275
Retirement benefits obligations		6,547	4,627
		<u>216,033</u>	<u>253,652</u>
CURRENT LIABILITIES			
Trade and other payables	3	1,218,966	816,029
Accrued interest / mark up		12,915	25,717
Short term borrowings		275,126	727,940
Current maturity of:			
Long term financing		48,500	44,250
Liabilities against assets subject to finance lease		420	2,343
Taxation - provision less payments		153,437	48,301
Due to the government		45,911	13,698
		<u>1,755,275</u>	<u>1,678,278</u>
COMMITMENTS			
	4	<u>3,080,498</u>	<u>2,854,741</u>

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



Chief Executive



Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

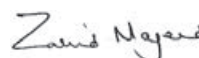
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Rupees in thousand)			
Net sales					
Local		1,615,213	1,222,187	3,454,237	2,566,353
Export		177,903	122,964	339,553	261,979
		1,793,116	1,345,151	3,793,790	2,828,332
Cost of sales		(1,163,805)	(926,459)	(2,551,901)	(1,985,176)
Gross profit		629,311	418,692	1,241,889	843,156
Distribution cost		(225,669)	(210,819)	(629,013)	(508,438)
Administrative expenses		(68,280)	(40,009)	(114,175)	(80,073)
Other operating expenses		(26,252)	(10,696)	(36,889)	(14,113)
		(320,201)	(261,524)	(780,077)	(602,624)
Other operating income		10,874	3,452	15,165	3,740
Profit from operations		319,984	160,620	476,977	244,272
Finance costs	5	(15,326)	(27,015)	(40,682)	(65,278)
Profit before taxation		304,658	133,605	436,295	178,994
Taxation		(103,694)	(42,871)	(146,309)	(60,412)
Profit after taxation		200,964	90,734	289,986	118,582
Earnings per share - Rupees	6	4.85	2.19	7.00	2.86

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



Chief Executive



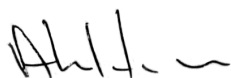
Director

CONDENSED INTERIM CASH FLOW STATEMENT

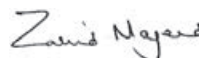
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 - UNAUDITED

	Note	December 31, 2011 (Rupees in thousand)	December 31, 2010 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	7	1,266,556	595,179
Finance cost paid		(53,484)	(75,470)
Income tax paid		(50,212)	(21,111)
Retirement benefit obligation paid		-	(10,707)
Net increase in long term deposits		(1,487)	(362)
Net cash from operating activities		<u>1,161,373</u>	<u>487,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(76,895)	(18,923)
Sale proceeds on disposal of property, plant and equipment		1,553	2,130
Purchase of open ended mutual fund units		(490,000)	-
Sale proceeds of open ended mutual fund units		51,270	-
Purchase of intangible assets		-	(250)
Net cash used in investing activities		<u>(514,072)</u>	<u>(17,043)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) / increase in long term financing - (net)		(26,250)	174,000
Liabilities against assets subject to finance leases - (net)		(1,923)	(6,414)
Dividend paid		(103,003)	(49,320)
Net cash (used in) / from financing activities		<u>(131,176)</u>	<u>118,266</u>
Net increase in cash and cash equivalents		516,125	588,752
Cash and cash equivalents at beginning of the period		(713,715)	(1,175,668)
Cash and cash equivalents at end of the period	8	<u>(197,590)</u>	<u>(586,916)</u>

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



Chief Executive



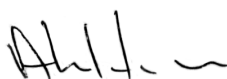
Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

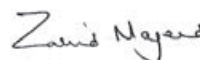
FOR THE HALF YEAR ENDED DECEMBER 31, 2011 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated profit	Total
	(Rupees in thousand)		
Balance as at June 30, 2010	414,427	327,518	741,945
Final dividend for the year ended June 30, 2010 @ Rs 1.20 per share	-	(49,731)	(49,731)
Profit for the half year ended December 31, 2010	-	118,582	118,582
Balance as at December 31, 2010	414,427	396,369	810,796
Profit for the half year ended June 30, 2011	-	112,015	112,015
Balance as at June 30, 2011	414,427	508,384	922,811
Final dividend for the year ended June 30, 2011 @ Rs 2.50 per share	-	(103,607)	(103,607)
Profit for the half year ended December 31, 2011	-	289,986	289,986
Balance as at December 31, 2011	414,427	694,763	1,109,190

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



Chief Executive



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE HALF YEAR ENDED DECEMBER 31, 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 Regulations 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, 2011.
- 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, 2011. 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.

	December 31, 2011 (Rupees in thousand)	June 30, 2011
2. PROPERTY, PLANT AND EQUIPMENT		
2.1 Operating assets - at net book value - Note 2.2	743,889	752,018
Capital work in progress - at cost		
Civil work in progress	40,020	7,159
Plant and machinery	10,753	8,361
Advances to suppliers	9,542	4,018
Vehicles pending delivery	-	250
Computer software under development	3,525	2,550
Office Equipment	967	-
	<u>808,696</u>	<u>774,356</u>
	Half year ended	
	December 31, 2011	December 31, 2010
	(Rupees in thousand)	
2.2 Additions and Disposals during the period		
Additions		
Building on leasehold land	1,592	579
Plant and machinery	24,052	13,096
Motor vehicles - Owned	1,526	342
Others	7,256	7,147
	<u>34,426</u>	<u>21,164</u>
Disposals - Net Book Value		
Motor vehicles	661	159
Computer equipment	-	2
	<u>661</u>	<u>161</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

December 31, June 30,
2011 2011
(Rupees in thousand)

3. TRADE AND OTHER PAYABLES

Creditors	228,277	414,039
Accrued liabilities	856,079	292,809
Workers' Profits Participation Fund	22,995	1,611
Workers' Welfare Fund	20,638	11,679
Advances from customers	43,198	52,700
Payable to provident fund	3,448	2,818
Security deposits from customers	4,496	4,285
Tax deducted at source	5,426	4,946
Due to related parties - directors	161	6
- others	495	364
Advances from employees against sale of vehicles	28,023	26,166
Unclaimed dividend	1,609	1,005
Other liabilities	4,121	3,601
	<u>1,218,966</u>	<u>816,029</u>

4. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2011 amounted to Rs 10.02 million (June 30, 2011: Rs 1.99 million).

Half year ended
December 31, December 31,
2011 2010
(Rupees in thousand)

5. FINANCE COSTS

Mark up on long term finance	14,384	14,435
Mark up on running finance under mark up arrangements	5,633	32,428
Mark up on export re-finance	14,820	10,813
Mark up on money market loan	-	124
Mark up on finance lease	587	572
Mark up on foreign currency import finance	-	500
Bank charges	5,258	6,406
	<u>40,682</u>	<u>65,278</u>

6. EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at December 31, 2011 and 2010.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

7. CASH GENERATED FROM OPERATIONS

	Half year ended	
	December 31, 2011	December 31, 2010
	(Rupees in thousand)	
Profit before taxation	436,295	178,994
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	41,894	39,656
Deferred liability - Retirement benefits	1,920	2,734
Amortisation of intangibles	7,017	8,514
Inventory written down	45,241	-
Gain on re-measurement of fair value of open ended mutual fund units	(8,406)	-
Gain on sale of investments	(1,270)	-
Gain on disposal of property, plant and equipment	(892)	(1,969)
Finance costs	40,682	65,278
	126,186	114,213
Profit before working capital changes	562,481	293,207

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (increase) in current assets		
Stores, spare parts and loose tools	1,055	(797)
Stock in trade	221,410	(39,372)
Trade debts	66,188	71,674
Advances	(20,528)	2,565
Trade deposits and prepayments	793	(8,827)
Other receivables	611	19,774
	269,529	45,017
Increase in current liabilities		
Trade and other payables	402,333	238,060
Due to the government	32,213	18,895
	1,266,556	595,179

8. CASH AND CASH EQUIVALENTS

Cash and bank balances	77,536	24,582
Short term borrowings	(275,126)	(611,498)
	(197,590)	(586,916)

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

9. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transactions	December 31, 2011 (Rupees in thousand)	December 31, 2010
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	325	881
	Sale of goods	490,290	361,380
	Purchase of goods	16,374	9,967
Staff retirement fund:	Expense charged for defined contribution plan	6,812	6,037
	Payments to retirement contribution plan	21,554	12,510
Key management compensation:			
	Salaries and other short-term employee benefits	43,678	39,487
	Contribution to Provident Fund	1,862	1,689
	Post retirement benefits of Executive Directors	2,727	2,734

10. SEASONALITY

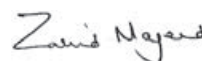
The company's business is subject to seasonal fluctuation, with demand of its products increasing in the months of Ramazan and two Eids. Therefore, revenues and profits are not necessarily indicative of results to be expected for the full year.

11. DATE OF AUTHORISATION OF ISSUE

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



Chief Executive



Director



www.nfoods.com