



# COMPLETING YOUR KITCHEN CABINET FOR GENERATIONS

Half  
Yearly 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

### GUJRANWALA PLANT

53-KM G.T. Road, Chainwala Mord  
Amanabad, Gujranwala near Gujranwala  
Kamoki Tool plaza  
Landline # 055-3409560, 3409660

WEB PRESENCE: Updated company information and the latest Annual Report can be accessed at: [www.nfoods.com](http://www.nfoods.com)

## Fellow Shareholders,

The Directors of the company are pleased to present the condensed interim financial statements of the company for the six months period ended December 31, 2014.

During the period July - December 2014, the stability in exchange rates and reduction in fuel prices provided support to the economy but the political deadlock and continued energy crises adversely offset the impact of these gains.

Despite all these challenges, we are pleased to report a double digit growth in Gross Sales of 22.93%, driven by volume growth of 17.89%.

Over half year 2014, we invested competitively and strategically behind our brands. Mega campaigns like “National ke saath har din khaas” and “Ketchup Zaroori” were well received by consumers. We are positioning ourselves through our marketing campaign for new market segments. “Asli te Khalis” targeted the rural population and multi food grade iodized salt with zinc and folic acid, aimed at improving health of women and children. Additionally, campaign like “National ka Pakistan” is our attempt to continue on our legacy to celebrate the rich heritage, culture and breathtaking landscape of Pakistan.

The success of all our efforts makes itself visible in the following statistics.

|                      | <b>July-Dec<br/>2014-15<br/>PKR Million</b> | <b>July-Dec<br/>2013-14<br/>PKR Million</b> | <b>Change<br/>%</b> |
|----------------------|---|---|---------------------|
| Net Sales            | 5,545                                       | 4,588                                       | 20.86%              |
| Gross Profit         | 1,954                                       | 1,695                                       | 15.28%              |
| % of Net sales       | 35.24%                                      | 36.94%                                      |                     |
| Operating Profit     | 698   | 596   | 17.11%              |
| % of Net sales       | 12.59%                                      | 12.99%                                      |                     |
| Net Profit After Tax | 462   | 366   | 26.28%              |
| % of Net Sales       | 8.33%                                       | 7.98%                                       |                     |
| Earnings per Share   | 4.46  | 3.54  | 25.99%              |

## Sales:

Gross Sales Revenue for the period stood at PKR 7.7 billion registering growth of 22.93% compared to same period last year. Growth was recorded in all key categories including Recipes and Ketchup.

**Gross Profit:**

Sharp increase in cost of agricultural crops, primarily red chili and increased investment in trade activities has resulted in decline of gross profits by 169 bps vs. corresponding period last year.

**Operating Profit:**

The operating profit reached PKR 0.7 billion recording growth of 17.11% vs. corresponding period last year. This was achieved through process simplification and cost optimization.

**Earnings per share:**

EPS has registered growth of 25.99% vs corresponding period last year reflecting combined impact of Sales growth and effective cost management.

**Future Outlook:**

With intensifying pressures in the external environment, we will continue to face familiar and unknown challenges in foreseeable future. However, we remain committed to 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  
February 23, 2015



# Auditors' Report to the Members on Review of Interim Financial Information

## **Introduction**

We have reviewed the accompanying unconsolidated condensed interim balance sheet of National Foods Limited as at 31 December 2014 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (hereinafter 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 unconsolidated condensed interim profit and loss account for the quarters ended 31 December 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2014.

## **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 31 December 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Dated: February 25, 2015

Engagement Partner: Farrukh Rehman



**Unconsolidated Condensed Interim  
Financial Information  
December 31, 2014**


# Unconsolidated Condensed Interim Balance Sheet

As at December 31, 2014

|  | Note | (Unaudited)<br>December 31,<br>2014 | (Audited)<br>June 30,<br>2014 |
|--|------|-------------------------------------|-------------------------------|
| (Rupees in thousand)   |      |                                     |                               |
| <b>ASSETS</b>  |      |                                     |                               |
| <b>Non-Current Assets</b>  |      |                                     |                               |
| Property, plant and equipment  | 5    | 1,308,116                           | 1,239,996                     |
| Intangibles  |      | 39,468                              | 36,128                        |
| Long term investment - subsidiary  |      | 31,719                              | 31,719                        |
| Long term deposits   |      | 33,273                              | 22,125                        |
|  |      | <b>1,412,576</b>                    | <b>1,329,968</b>              |
| <b>Current Assets</b>  |      |                                     |                               |
| Stores, spare parts and loose tools  |      | 5,417                               | 5,534                         |
| Stock in trade   |      | 2,189,564                           | 2,226,562                     |
| Trade debts  |      | 573,800                             | 796,624                       |
| Advances   |      | 69,907                              | 52,307                        |
| Trade deposits and prepayments   |      | 27,030                              | 18,076                        |
| Other receivables  |      | 5,757                               | 13,375                        |
| Investments in mutual fund units - at<br>fair value through profit or loss |      | 374,050                             | 461,585                       |
| Cash and bank balances   |      | 140,810                             | 78,418                        |
|  |      | <b>3,386,335</b>                    | <b>3,652,481</b>              |
|  |      | <b>4,798,911</b>                    | <b>4,982,449</b>              |
| <b>SHARE CAPITAL AND RESERVES</b>  |      |                                     |                               |
| Issued, subscribed and paid-up capital                                     | 6    | 518,034                             | 518,034                       |
| Unappropriated profit  |      | 1,737,890                           | 1,689,884                     |
|  |      | <b>2,255,924</b>                    | <b>2,207,918</b>              |
| <b>NON-CURRENT LIABILITIES</b>   |      |                                     |                               |
| Deferred tax   |      | 118,945                             | 114,920                       |
| Retirement benefits obligations  |      | 34,732                              | 29,735                        |
|  |      | <b>153,677</b>                      | <b>144,655</b>                |
| <b>CURRENT LIABILITIES</b>   |      |                                     |                               |
| Trade and other payables   |      | 1,443,191                           | 1,372,410                     |
| Accrued interest / mark up   |      | 2,277                               | 11,341                        |
| Short term borrowings  | 7    | 390,271                             | 953,789                       |
| Taxation - Provision less payments   |      | 451,046                             | 168,004                       |
| Due to the government - sales tax payable                                  |      | 102,525                             | 124,332                       |
|  |      | <b>2,389,310</b>                    | <b>2,629,876</b>              |
|  |      | <b>2,542,987</b>                    | <b>2,774,531</b>              |
| <b>COMMITMENTS</b>   |      |                                     |                               |
|  | 8    | <b>4,798,911</b>                    | <b>4,982,449</b>              |

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

  
Chief Executive

  
Director

# Unconsolidated Condensed Interim Profit and Loss Account

For the half year ended December 31, 2014 - Unaudited

|   | Note | Quarter ended        |                      | Half year ended      |                      |
|---|------|----------------------|----------------------|----------------------|----------------------|
|   |      | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
|   |      | (Rupees in thousand) |                      |                      |                      |
| Sales   | 9    | 2,503,824            | 2,113,069            | 5,544,915            | 4,588,471            |
| Cost of sales                                   |      | (1,707,333)          | (1,353,696)          | (3,591,280)          | (2,893,827)          |
| Gross profit                                    |      | 796,491              | 759,373              | 1,953,635            | 1,694,644            |
| Distribution costs                              |      | (466,770)            | (421,778)            | (1,024,643)          | (927,802)            |
| Administrative expenses                         |      | (93,350)             | (95,201)             | (226,346)            | (174,864)            |
| Other expenses                                  |      | (25,165)             | (20,905)             | (59,297)             | (43,497)             |
| Other income                                    |      | 31,718               | 19,858               | 54,869               | 47,644               |
| Profit from operations                          |      | 242,924              | 241,347              | 698,218              | 596,125              |
| Finance costs                                   |      | (4,512)              | (20,167)             | (21,759)             | (44,248)             |
| Profit before taxation                          |      | 238,412              | 221,180              | 676,459              | 551,877              |
| Taxation  |      | (75,403)             | (72,570)             | (214,026)            | (185,611)            |
| Profit after taxation                           |      | 163,009              | 148,610              | 462,433              | 366,266              |
| Other comprehensive income                      |      | -                    | -                    | -                    | -                    |
| Total comprehensive income                      |      | 163,009              | 148,610              | 462,433              | 366,266              |
|   |      |                      |                      |                      |                      |
|   |      | (Re-stated)          |                      | (Re-stated)          |                      |
| Earnings per share - Basic and diluted (Rupees) | 10   | 1.57                 | 1.43                 | 4.46                 | 3.54                 |

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

  
Chief Executive

  
Director



|  | Note | December 31,<br>2014 | December 31,<br>2013 |
|--|------|----------------------|----------------------|
|  |      | (Rupees in thousand) |                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |      |                      |                      |
| Cash generated from operations                             | 11   | <b>1,064,086</b>     | 640,186              |
| Finance cost paid  |      | <b>(30,823)</b>      | (55,803)             |
| Income tax refund (net)                                    |      | <b>73,041</b>        | 80,261               |
| Net increase in long term deposits                         |      | <b>(11,148)</b>      | (9,306)              |
| <b>Net cash from operating activities</b>                  |      | <b>1,095,156</b>     | 655,338              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |      |                      |                      |
| Purchase of property, plant and equipment                  |      | <b>(158,802)</b>     | (218,002)            |
| Sale proceeds on disposal of property, plant and equipment |      | <b>7,048</b>         | 242                  |
| Purchase of open ended mutual fund units                   |      | -                    | (100,000)            |
| Sale proceeds of open ended mutual fund units              |      | <b>105,243</b>       | -                    |
| Purchase of intangible assets                              |      | <b>(11,675)</b>      | (11,059)             |
| <b>Net cash used in investing activities</b>               |      | <b>(58,186)</b>      | (328,819)            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |      |                      |                      |
| Short term borrowings obtained                             |      | <b>200,000</b>       | 150,000              |
| Repayment of short term borrowings                         |      | <b>(400,000)</b>     | (330,000)            |
| Dividend paid  |      | <b>(411,060)</b>     | (166,129)            |
| <b>Net cash used in financing activities</b>               |      | <b>(611,060)</b>     | (346,129)            |
| Net increase / (decrease) in cash and cash equivalents     |      | <b>425,910</b>       | (19,610)             |
| Cash and cash equivalents at beginning of the period       |      | <b>(475,345)</b>     | 33,640               |
| Cash and cash equivalents at end of the period             | 12   | <b>(49,435)</b>      | 14,030               |

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

  
Chief Executive

  
Director



# Unconsolidated Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2014 - Unaudited

|   | Issued<br>subscribed<br>and paid up<br>capital | Unappropriated<br>Profit | Total            |
|---|--|--------------------------|------------------|
|   | (Rupees in thousand)                           |                          |                  |
| <b>Balance as at June 30, 2014</b>  | <b>518,034</b>                                 | <b>1,689,884</b>         | <b>2,207,918</b> |
| Final dividend for the year ended<br>June 30, 2014 @ Rs 8.00 per share    | -  | (414,427)                | (414,427)        |
| Total comprehensive income for the half year<br>ended December 31, 2014   |  |                          |                  |
| - Profit for the half year ended<br>December 31, 2014                     | -  | 462,433                  | 462,433          |
| - Other comprehensive income for the<br>half year ended December 31, 2014 | -  | -                        | -                |
|   | -  | 462,433                  | 462,433          |
| Balance as at December 31, 2014   | <b>518,034</b>                                 | <b>1,737,890</b>         | <b>2,255,924</b> |
| Balance as at June 30, 2013   | 414,427  | 1,254,320                | 1,668,747        |
| Final dividend for the year ended<br>June 30, 2013 @ Rs 4.00 per share    | -  | (165,772)                | (165,772)        |
| Total comprehensive income for the<br>half year ended December 31, 2013   |  |                          |                  |
| - Profit for the half year ended<br>December 31, 2013                     | -  | 366,266                  | 366,266          |
| - Other comprehensive income for the<br>half year ended December 31, 2013 | -  | -                        | -                |
|   | -  | 366,266                  | 366,266          |
| Issue of 2.5 bonus shares for every<br>10 shares held                     | 103,607  | (103,607)                | -                |
| <b>Balance as at December 31, 2013</b>                                    | <b>518,034</b>                                 | <b>1,351,207</b>         | <b>1,869,241</b> |

The annexed notes 1 to 14 form an integral part of this 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**

The unconsolidated condensed interim financial information of the Company for the half year ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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.

This unconsolidated 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.

**2.1 Changes in accounting standards, interpretations and pronouncements**

**a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

IFRIC 21, 'Levies' a new interpretation is applicable for the Company for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies so the impact on the Company is not material.

**b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

**c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continue to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard will have impact on the consolidated financial statements of the Company.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard may not have impact on financial statements of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted for the preparation of this unconsolidated 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.

### **4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

The preparation of this unconsolidated 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 unconsolidated 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.

|            |  | (Unaudited)<br>December 31,<br>2014     | (Audited)<br>June 30,<br>2014 |
|------------|--|---|-------------------------------|
|            |  | (Rupees in thousand)                    |                               |
| <b>5.</b>  | <b>PROPERTY, PLANT AND EQUIPMENT</b>                   |   |                               |
| <b>5.1</b> | <b>Operating assets - at net book value - Note 5.2</b> | <b>1,109,404</b>                        | <b>1,141,449</b>              |
|            | Capital work in progress - at cost                     |   |                               |
|            | Civil work in progress                                 | <b>79,781</b>                           | 31,575                        |
|            | Plant and machinery                                    | <b>48,554</b>                           | 31,139                        |
|            | Office equipment                                       | <b>546</b>                              | -                             |
|            | Advance against acquisition of land                    | <b>56,599</b>                           | 35,833                        |
|            | Advances to suppliers                                  | <b>13,232</b>                           | -                             |
|            |  | <b>1,308,116</b>                        | <b>1,239,996</b>              |
|            |  |   |                               |
|            |  | Half year ended<br>December 31,<br>2014 | December 31,<br>2013          |
|            |  | (Rupees in thousand)                    |                               |
| <b>5.2</b> | <b>Additions and Disposals during the period</b>       |   |                               |
|            | Additions  |   |                               |
|            | Leasehold land   | <b>100</b>                              | 35,326                        |
|            | Building on leasehold land                             | <b>2,301</b>                            | 5,764                         |
|            | Plant and machinery                                    | <b>24,479</b>                           | 14,809                        |
|            | Motor vehicles - Owned                                 | <b>10,745</b>                           | 1,630                         |
|            | Furniture and fittings                                 | <b>1,539</b>                            | 73                            |
|            | Computers  | <b>14,376</b>                           | 7,676                         |
|            | Others   | <b>5,102</b>                            | 5,003                         |
|            |  | <b>58,642</b>                           | <b>70,281</b>                 |
|            | Disposals - Net Book Value                             |   |                               |
|            | Motor vehicles   | <b>6,015</b>                            | 24                            |
|            | Computer equipment                                     | <b>61</b>                               | 130                           |
|            |  | <b>6,076</b>                            | <b>154</b>                    |

## 6. SHARE CAPITAL

During the period, the Company split its shares by decreasing the face value from Rs 10 per share to Rs 5 per share pursuant to special resolution passed by members at Annual General Meeting held on October 22, 2014.

### Authorised share capital

As a result of above share split, the number of shares in authorised capital increased from 75,000,000 ordinary shares of Rs 10 each to 150,000,000 ordinary shares of Rs 5 each.

### Issued, subscribed and paid-up capital

The above share split also increased the number of shares issued, subscribed and paid-up capital from 51,803,429 ordinary shares of Rs 10 each to 103,606,858 ordinary shares of Rs 5 each.

## 7. SHORT TERM BORROWINGS

**7.1** During the period, the Company has utilised import murabaha finance facility from a bank carrying markup at the rate of KIBOR plus 0.1% per annum. The arrangement has a maximum term of 6 months and is secured by way of pari-passu charge over Company's movable assets and trade debts.

**7.2** During the period, the Company repaid its short term loan and obtained new loan from the same bank in December 2014 carrying markup at the rate of KIBOR plus 0.1% per annum. The arrangement has a maximum term of 6 months and is secured by way of pari-passu charge over Company's stocks and book debts.

## 8. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2014 amounted to Rs 139.3 million (June 30, 2014: Rs 38.1 million).

## 9. SALES

## Manufactured goods

17  
National Foods Limited



**10. EARNINGS PER SHARE - BASIC  
AND DILUTED**

Profit after taxation attributable to  
ordinary shareholder

**462,433**

366,266

Weighted average number of shares  
in issue during the period (in thousand)

**103,607**

(Re-stated)

103,607

Earnings per share - Basic and  
diluted (Rupees)

**4.46**

3.54

10.1 The weighted average number of shares as at December 31, 2013 have been increased to reflect share split during the period, as explained in note 6.

10.2 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2014 and 2013.

**11. CASH GENERATED FROM OPERATIONS**

|  | <b>Half year ended</b><br><b>December 31,</b><br><b>2014</b> | <b>December 31,</b><br><b>2013</b> |
|--|--|------------------------------------|
|  | (Rupees in thousand)   |                                    |
| Profit before taxation   | <b>676,459</b>   | 551,877                            |
| Adjustments for non-cash charges and other items                     |  |                                    |
| Depreciation on property, plant and equipment                        | <b>84,345</b>  | 71,803                             |
| Deferred liability - Retirement benefits                             | <b>4,997</b>   | 2,046                              |
| Amortisation of intangibles  | <b>8,335</b>   | 3,638                              |
| Gain on re-measurement of fair value of open ended mutual fund units | <b>(16,818)</b>  | (13,838)                           |
| Gain on sale of investments  | <b>(890)</b>   | -                                  |
| Gain on disposal of property, plant and equipment                    | <b>(972)</b>   | (88)                               |
| Property, plant and equipment written off                            | <b>261</b>   | -                                  |
| Exchange gain  | <b>(7,933)</b>   | (23,720)                           |
| Finance cost   | <b>21,759</b>  | 44,248                             |
|  | <b>93,084</b>  | 84,089                             |
| Profit before working capital changes                                | <b>769,543</b>   | 635,966                            |
| EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES                   |  |                                    |
| Decrease / (increase) in current assets                              |  |                                    |
| Stores, spare parts and loose tools                                  | <b>117</b>   | (248)                              |
| Stock in trade   | <b>36,998</b>  | (85,837)                           |
| Trade debts  | <b>230,757</b>   | 265,827                            |
| Advances   | <b>(17,600)</b>  | (16,899)                           |
| Deposits and prepayments   | <b>(8,954)</b>   | (1,091)                            |
| Other receivables  | <b>7,618</b>   | (31,351)                           |
|  | <b>248,936</b>   | 130,401                            |
| (Decrease) / increase in current liabilities                         |  |                                    |
| Trade and other payables   | <b>67,414</b>  | (49,688)                           |
| Due to the government  | <b>(21,807)</b>  | (76,493)                           |
|  | <b>1,064,086</b>   | 640,186                            |

**12. CASH AND CASH EQUIVALENTS**

Cash and bank balances  
Running finance under mark up arrangements

| December 31,<br>2014 | December 31,<br>2013 |
|----------------------|----------------------|
| (Rupees in thousand) |                      |
| <b>140,810</b>       | 175,879              |
| <b>(190,245)</b>     | (161,849)            |
| <b>(49,435)</b>      | 14,030               |

**13. TRANSACTIONS WITH RELATED PARTIES**

**Relationship with the Company**                      **Nature of transactions**

i) Subsidiary company

Commission expense

**25,139**

35,404

Sale of goods

**192,760**

-

ii) Associated companies / undertakings

Sale of goods

**482,399**

368,719

Purchase of goods

-

16,615

Rent Payment

**4,113**

4,175

iii) Staff retirement fund

Expense charged for defined contribution plan

**13,446**

10,839

Payments to retirement contribution plan

**34,847**

28,858

iv) Directors

Technical advisory services

**4,830**

7,200

v) Key Management Personnel

Salaries and other short-term employee benefits

**78,765**

79,889

Contribution to Provident Fund

**3,394**

2,919

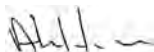
Post retirement benefits of Executive Directors

**4,997**

2,046

**14. DATE OF AUTHORISATION OF ISSUE**

This unconsolidated condensed interim financial information was authorised for issue by the Board of Directors of the Company on February 23, 2015.



Chief Executive



Director



**Consolidated Condensed Interim Financial Information  
December 31, 2014**




# Consolidated Condensed Interim Balance Sheet

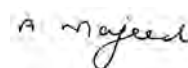
As at December 31, 2014

|  | Note | (Unaudited)<br>December 31,<br>2014 | (Audited)<br>June 30,<br>2014 |
|--|------|-------------------------------------|-------------------------------|
| (Rupees in thousand)   |      |                                     |                               |
| <b>ASSETS</b>  |      |                                     |                               |
| <b>Non-Current Assets</b>  |      |                                     |                               |
| Property, plant and equipment  | 5    | 1,308,323                           | 1,240,154                     |
| Intangibles  |      | 39,468                              | 36,128                        |
| Long term deposits   |      | 34,048                              | 22,125                        |
|  |      | <b>1,381,839</b>                    | <b>1,298,407</b>              |
| <b>Current Assets</b>  |      |                                     |                               |
| Stores, spare parts and loose tools  |      | 5,417                               | 5,534                         |
| Stock in trade   |      | 2,190,248                           | 2,230,385                     |
| Trade debts  |      | 575,829                             | 800,356                       |
| Advances   |      | 74,042                              | 54,131                        |
| Trade deposits and prepayments   |      | 27,030                              | 18,836                        |
| Other receivables  |      | 5,757                               | 11,090                        |
| Investments in mutual fund units - at<br>fair value through profit or loss |      | 374,050                             | 461,585                       |
| Cash and bank balances   |      | 215,883                             | 98,775                        |
|  |      | <b>3,468,256</b>                    | <b>3,680,692</b>              |
|  |      | <b>4,850,095</b>                    | <b>4,979,099</b>              |
| <b>SHARE CAPITAL AND RESERVES</b>  |      |                                     |                               |
| Issued, subscribed and paid-up capital                                     | 6    | 518,034                             | 518,034                       |
| Unappropriated profit  |      | 1,750,784                           | 1,721,912                     |
| Exchange revaluation reserve   |      | 221                                 | (1,129)                       |
|  |      | <b>2,269,039</b>                    | <b>2,238,817</b>              |
| <b>NON-CURRENT LIABILITIES</b>   |      |                                     |                               |
| Deferred tax   |      | 118,945                             | 114,920                       |
| Retirement benefits obligations  |      | 34,732                              | 29,735                        |
|  |      | <b>153,677</b>                      | <b>144,655</b>                |
| <b>CURRENT LIABILITIES</b>   |      |                                     |                               |
| Trade and other payables   |      | 1,442,575                           | 1,336,682                     |
| Accrued interest / mark up   |      | 2,277                               | 11,341                        |
| Short term borrowings  | 7    | 428,956                             | 955,268                       |
| Taxation - Provision less payments   |      | 451,046                             | 168,004                       |
| Due to the government - sales tax payable                                  |      | 102,525                             | 124,332                       |
|  |      | <b>2,427,379</b>                    | <b>2,595,627</b>              |
|  |      | <b>2,581,056</b>                    | <b>2,740,282</b>              |
| <b>COMMITMENTS</b>   |      |                                     |                               |
|  | 8    | <b>4,850,095</b>                    | <b>4,979,099</b>              |

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



Chief Executive



Director

# Consolidated Condensed Interim Profit and Loss Account

For the half year ended December 31, 2014 - Unaudited



|   | Note | Quarter ended        |                   | Half year ended   |                   |
|---|------|----------------------|-------------------|-------------------|-------------------|
|   |      | December 31, 2014    | December 31, 2013 | December 31, 2014 | December 31, 2013 |
|   |      | (Rupees in thousand) |                   |                   |                   |
| Sales   | 9    | 2,523,626            | 2,113,069         | 5,568,556         | 4,588,471         |
| Cost of sales   |      | (1,710,342)          | (1,353,696)       | (3,596,757)       | (2,893,827)       |
| Gross profit  |      | 813,284              | 759,373           | 1,971,799         | 1,694,644         |
| Distribution costs  |      | (486,407)            | (407,766)         | (1,059,092)       | (913,790)         |
| Administrative expenses                                       |      | (93,350)             | (95,201)          | (226,346)         | (174,864)         |
| Other expenses  |      | (24,783)             | (20,957)          | (59,297)          | (43,549)          |
| Other income  |      | 31,718               | 19,858            | 54,869            | 47,644            |
| Profit from operations  |      | 240,462              | 255,307           | 681,933           | 610,085           |
| Finance costs   |      | (5,140)              | (20,351)          | (24,608)          | (44,432)          |
| Profit before taxation  |      | 235,322              | 234,956           | 657,325           | 565,653           |
| Taxation  |      | (75,403)             | (72,570)          | (214,026)         | (185,611)         |
| Profit after taxation   |      | 159,919              | 162,386           | 443,299           | 380,042           |
| Other comprehensive income:                                   |      |                      |                   |                   |                   |
| Items that will not be reclassified to Profit or Loss         |      | -                    | -                 | -                 | -                 |
| Items that may be subsequently reclassified to Profit or Loss |      |                      |                   |                   |                   |
| Exchange differences on translation of foreign operations     |      | (837)                | -                 | 1,350             | 2,926             |
| Total comprehensive income                                    |      | 159,082              | 162,386           | 444,649           | 382,968           |
|   |      |                      | (Re-stated)       |                   | (Re-stated)       |
| Earnings per share - Basic and diluted (Rupees)               | 10   | 1.54                 | 1.57              | 4.28              | 3.67              |

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

  
Chief Executive

  
Director



# Consolidated Condensed Interim Cash Flow Statement

For the half year ended December 31, 2014 - Unaudited



|   | Note | December 31,<br>2014 | December 31,<br>2013 |
|---|------|----------------------|----------------------|
|   |      | (Rupees in thousand) |                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                      |                      |
| Cash generated from operations                                | 11   | <b>1,085,288</b>     | 652,145              |
| Finance cost paid   |      | <b>(33,672)</b>      | (55,987)             |
| Income tax refund (net)                                       |      | <b>73,041</b>        | 80,261               |
| Net increase in long term deposits                            |      | <b>(11,923)</b>      | (10,118)             |
| <b>Net cash from operating activities</b>                     |      | <b>1,112,734</b>     | 666,301              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                      |                      |
| Purchase of property, plant and equipment                     |      | <b>(158,870)</b>     | (218,002)            |
| Sale proceeds on disposal of property,<br>plant and equipment |      | <b>7,048</b>         | 242                  |
| Purchase of open ended mutual fund units                      |      | -                    | (100,000)            |
| Sale proceeds of open ended mutual fund units                 |      | <b>105,243</b>       | -                    |
| Purchase of intangible assets                                 |      | <b>(11,675)</b>      | (11,059)             |
| <b>Net cash used in investing activities</b>                  |      | <b>(58,254)</b>      | (328,819)            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                      |                      |
| Short term borrowings obtained                                |      | <b>200,000</b>       | 150,000              |
| Repayment of short term borrowings                            |      | <b>(400,000)</b>     | (330,000)            |
| Dividend paid   |      | <b>(411,060)</b>     | (166,129)            |
| <b>Net cash used in financing activities</b>                  |      | <b>(611,060)</b>     | (346,129)            |
| Net increase / (decrease) in cash and cash equivalents        |      | <b>443,420</b>       | (8,647)              |
| Cash and cash equivalents at beginning of the period          |      | <b>(456,467)</b>     | 50,426               |
| Cash and cash equivalents at end of the period                | 12   | <b>(13,047)</b>      | 41,779               |

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

  
Chief Executive

  
Director

# Consolidated Condensed Interim Statement of Changes in Equity

For the half year ended December 31, 2014 - Unaudited



|   | Issued<br>subscribed<br>and paid up<br>capital | Unappropriated<br>profit | Exchange<br>Revaluation<br>Reserve | Total            |
|---|--|--------------------------|------------------------------------|------------------|
|   | (Rupees in thousand)                           |                          |                                    |                  |
| Balance as at June 30, 2014   | 518,034  | 1,721,912                | (1,129)                            | 2,238,817        |
| Final dividend for the year ended<br>June 30, 2014 @ Rs 8.00 per share    | -  | (414,427)                | -                                  | (414,427)        |
| Total comprehensive income for the<br>half year ended December 31, 2014   |  |                          |                                    |                  |
| - Profit for the half year ended<br>December 31, 2014                     | -  | 443,299                  | -                                  | 443,299          |
| - Other comprehensive income for the<br>half year ended December 31, 2014 | -  | -                        | 1,350                              | 1,350            |
|   | -  | 443,299                  | 1,350                              | 444,649          |
| <b>Balance as at December 31, 2014</b>                                    | <b>518,034</b>                                 | <b>1,750,784</b>         | <b>221</b>                         | <b>2,269,039</b> |
| Balance as at June 30, 2013   | 414,427  | 1,260,240                | 33                                 | 1,674,700        |
| Final dividend for the year ended<br>June 30, 2013 @ Rs 4.00 per share    | -  | (165,772)                | -                                  | (165,772)        |
| Total comprehensive income for<br>the half year ended December 31, 2013   |  |                          |                                    |                  |
| - Profit for the half year ended<br>December 31, 2013                     | -  | 380,042                  | -                                  | 380,042          |
| - Other comprehensive income for<br>the half year ended December 31, 2013 | -  | -                        | 2,926                              | 2,926            |
|   | -  | 380,042                  | 2,926                              | 382,968          |
| Issue of 2.5 bonus shares for every<br>10 shares held                     | 103,607  | (103,607)                | -                                  | -                |
| <b>Balance as at December 31, 2013</b>                                    | <b>518,034</b>                                 | <b>1,370,903</b>         | <b>2,959</b>                       | <b>1,891,896</b> |

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

  
Chief Executive

  
Director



## **1. THE GROUP AND ITS OPERATIONS**

### **1.1 The Group consists of:**

- i) Holding Company - National Foods Limited
- ii) Subsidiary Company - National Foods DMCC, Dubai

#### **National Foods Limited**

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**

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. 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**

The consolidated condensed interim financial information of the Group for the half year ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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.

This consolidated 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.

## **2.1 Changes in accounting standards, interpretations and pronouncements**

### **a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

IFRIC 21, 'Levies' a new interpretation is applicable for the Group for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

### **b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2014 are considered not to be relevant for Group's financial statements and hence have not been detailed here.

### **c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Group.



IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement'; it continue to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard will have impact on the consolidated financial statements of the Group.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard may not have impact on financial statements of the Group.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Group.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Group.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted for the preparation of this consolidated 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 MANAGEMENT**

The preparation of this consolidated condensed interim financial information is 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 consolidated 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.



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

For the half year ended December 31, 2014 - Unaudited



|            |  | (Unaudited)<br>December 31,<br>2014     | (Audited)<br>June 30,<br>2014 |
|------------|--|---|-------------------------------|
|            |  | (Rupees in thousand)                    |                               |
| <b>5.</b>  | <b>PROPERTY, PLANT AND EQUIPMENT</b>                   |   |                               |
| <b>5.1</b> | <b>Operating assets - at net book value - Note 5.2</b> | <b>1,109,611</b>                        | <b>1,141,607</b>              |
|            | Capital work in progress - at cost                     |   |                               |
|            | Civil work in progress                                 | <b>79,781</b>                           | 31,575                        |
|            | Plant and machinery                                    | <b>48,554</b>                           | 31,139                        |
|            | Office equipment                                       | <b>546</b>                              | -                             |
|            | Advance against acquisition of land                    | <b>56,599</b>                           | 35,833                        |
|            | Advances to suppliers                                  | <b>13,232</b>                           | -                             |
|            |  | <b>1,308,323</b>                        | <b>1,240,154</b>              |
|            |  |   |                               |
|            |  | Half year ended<br>December 31,<br>2014 | December 31,<br>2013          |
|            |  | (Rupees in thousand)                    |                               |
| <b>5.2</b> | <b>Additions and Disposals during the period</b>       |   |                               |
|            | <b>Additions</b>                                       |   |                               |
|            | Leasehold land   | <b>100</b>                              | 35,326                        |
|            | Building on leasehold land                             | <b>2,301</b>                            | 5,764                         |
|            | Plant and machinery                                    | <b>24,479</b>                           | 14,809                        |
|            | Motor vehicles - Owned                                 | <b>10,745</b>                           | 1,630                         |
|            | Furniture and fittings                                 | <b>1,539</b>                            | 73                            |
|            | Computers  | <b>14,455</b>                           | 7,676                         |
|            | Others   | <b>5,102</b>                            | 5,003                         |
|            |  | <b>58,721</b>                           | <b>70,281</b>                 |
|            | <b>Disposals - Net Book Value</b>                      |   |                               |
|            | Motor vehicles   | <b>6,015</b>                            | 24                            |
|            | Computer equipment                                     | <b>61</b>                               | 130                           |
|            |  | <b>6,076</b>                            | <b>154</b>                    |

## 6. SHARE CAPITAL

During the period, the Group split its shares by decreasing the face value from Rs 10 per share to Rs 5 per share pursuant to special resolution passed by members at Annual General Meeting held on October 22, 2014.

### Authorised share capital

As a result of above share split, the number of shares in authorised capital increased from 75,000,000 ordinary shares of Rs 10 each to 150,000,000 ordinary shares of Rs 5 each.

### Issued, subscribed and paid-up capital

The above share split also increased the number of shares issued, subscribed and paid-up capital from 51,803,429 ordinary shares of Rs 10 each to 103,606,858 ordinary shares of Rs 5 each.

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

For the half year ended December 31, 2014 - Unaudited



## 7. SHORT TERM BORROWINGS

Running finance under mark up arrangements  
Murabaha loan - note 7.1  
Export re-finance  
Short term loan - note 7.2

| (Unaudited)<br>December 31,<br>2014 | (Audited)<br>June 30,<br>2014 |
|-------------------------------------|-------------------------------|
| (Rupees in thousand)                |                               |
| 228,930                             | 555,242                       |
| 100,026                             | 26                            |
| -                                   | 300,000                       |
| 100,000                             | 100,000                       |
| <b>428,956</b>                      | <b>955,268</b>                |

7.1 During the period, the Group has utilised import murabaha finance facility from a bank carrying markup at the rate of KIBOR plus 0.1% per annum. The arrangement has a maximum term of 6 months and is secured by way of pari-passu charge over Group's movable assets and trade debts.

7.2 During the period, the Group repaid its short term loan and obtained new loan from the same bank in December 2014 carrying markup at the rate of KIBOR plus 0.1% per annum. The arrangement has a maximum term of 6 months and is secured by way of pari-passu charge over Group's stocks and book debts.

## 8. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2014 amounted to Rs 139.3 million (June 30, 2014: Rs 38.1 million).

## 9. SALES

### Manufactured goods

Gross sales  
Local sales  
Export sales

Sales tax

Less:

Discount, rebates and allowances  
Sales return

| Half year ended      |                      |
|----------------------|----------------------|
| December 31,<br>2014 | December 31,<br>2013 |
| (Rupees in thousand) |                      |
| 7,223,958            | 5,828,595            |
| 532,621              | 457,302              |
| <b>7,756,579</b>     | <b>6,285,897</b>     |
| (956,724)            | (781,564)            |
| <b>6,799,855</b>     | <b>5,504,333</b>     |
| 1,161,384            | 842,039              |
| 69,915               | 73,823               |
| <b>1,231,299</b>     | <b>915,862</b>       |
| <b>5,568,556</b>     | <b>4,588,471</b>     |



**10. EARNINGS PER SHARE - BASIC  
AND DILUTED**

Profit after taxation attributable to  
ordinary shareholder

**443,299**

380,042

Weighted average number of shares  
in issue during the period (in thousand)

**103,607**

(Re-stated)

103,607

Earnings per share - Basic and  
diluted (Rupees)

**4.28**

3.67

10.1 The weighted average number of shares as at December 31, 2013 have been increased to reflect share split during the period, as explained in note 6.

10.2 There were no convertible dilutive potential ordinary shares in issue as at December 31, 2014 and 2013.



**11. CASH GENERATED FROM OPERATIONS**

|  | <b>Half year ended</b>       |                              |
|--|------------------------------|------------------------------|
|  | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|  | <b>(Rupees in thousand)</b>  |                              |
| Profit before taxation   | <b>657,325</b>               | 565,653                      |
| Adjustments for non-cash charges and other items                     |                              |                              |
| Depreciation on property, plant and equipment                        | <b>84,364</b>                | 71,803                       |
| Deferred liability - Retirement benefits                             | <b>4,997</b>                 | 2,046                        |
| Amortisation of intangibles  | <b>8,335</b>                 | 3,638                        |
| Gain on re-measurement of fair value of open ended mutual fund units | <b>(16,818)</b>              | (13,840)                     |
| Gain on sale of investments  | <b>(890)</b>                 | -                            |
| Gain on disposal of property, plant and equipment                    | <b>(972)</b>                 | (88)                         |
| Property, plant and equipment written off                            | <b>261</b>                   | -                            |
| Unrealised foreign exchange (loss) / gain - net                      | <b>1,350</b>                 | 2,926                        |
| Exchange gain  | <b>(6,847)</b>               | (23,720)                     |
| Finance cost   | <b>24,608</b>                | 44,432                       |
|  | <b>98,388</b>                | 87,197                       |
| Profit before working capital changes                                | <b>755,713</b>               | 652,850                      |
| EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES                   |                              |                              |
| Decrease / (increase) in current assets                              |                              |                              |
| Stores, spare parts and loose tools                                  | <b>117</b>                   | (248)                        |
| Stock in trade   | <b>40,137</b>                | (85,837)                     |
| Trade debts  | <b>231,374</b>               | 265,827                      |
| Advances   | <b>(19,911)</b>              | (20,194)                     |
| Deposits and prepayments   | <b>(8,194)</b>               | (330)                        |
| Other receivables  | <b>5,333</b>                 | (32,562)                     |
|  | <b>248,856</b>               | 126,656                      |
| (Decrease) / increase in current liabilities                         |                              |                              |
| Trade and other payables   | <b>102,526</b>               | (50,868)                     |
| Due to the government  | <b>(21,807)</b>              | (76,493)                     |
|  | <b>1,085,288</b>             | 652,145                      |



**12. CASH AND CASH EQUIVALENTS**

Cash and bank balances  
Running finance under mark up arrangements

| December 31,<br>2014 | December 31,<br>2013 |
|----------------------|----------------------|
| (Rupees in thousand) |                      |
| <b>215,883</b>       | 203,628              |
| <b>(228,930)</b>     | (161,849)            |
| <b>(13,047)</b>      | 41,779               |

**13. TRANSACTIONS WITH RELATED PARTIES**

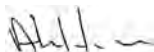
**Relationship with the Group**                      **Nature of transactions**

| Half year ended                                 |                      |
|---|----------------------|
| December 31,<br>2014                            | December 31,<br>2013 |
| (Rupees in thousand)                            |                      |
| i) Associated companies / undertakings          |                      |
| Sale of goods                                   | <b>482,399</b>       |
| Purchase of goods                               | -                    |
| Rent Payment                                    | <b>4,113</b>         |
| ii) Staff retirement fund                       |                      |
| Expense charged for defined contribution plan   | <b>13,446</b>        |
| Payments to retirement contribution plan        | <b>34,847</b>        |
| iii) Directors                                  |                      |
| Technical advisory services                     | <b>4,830</b>         |
| iv) Key Management Personnel                    |                      |
| Salaries and other short-term employee benefits | <b>78,765</b>        |
| Contribution to Provident Fund                  | <b>3,394</b>         |
| Post retirement benefits of Executive Directors | <b>4,997</b>         |

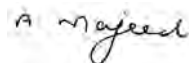


**14. DATE OF AUTHORISATION OF ISSUE**

This consolidated condensed interim financial information was authorised for issue by the Board of Directors of the Group on February 23, 2015.



Chief Executive



Director





**National Foods Limited**  
Website: [nfoods.com](http://nfoods.com)

