



# Leadership Through Consumers



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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.

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

NFL is dedicated to improving the well-being of society not only through the continuous development of innovative food products but also by means of its wide ranging corporate social responsibility program.

# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Managing Director/ Chief Executive
Mr. Waqar Hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohamed	Director

## AUDIT COMMITTEE

Mr. Khawja Munir Mashooqullah	Chairman
Mr. Ebrahim Qassim	Member
Mr. Zahid Majeed	Member

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Khawaja Munir Mashooqullah	Chairman
Mr. Zahid Majeed	Member
Mr. Abrar Hasan	Member

## COMPANY SECRETARY AND ACTING CHIEF FINANCIAL OFFICER

Mr. Farhan Latif

## HEAD INTERNAL AUDIT AND SECRETARY AUDIT COMMITTEE

Mr. Shahid Hussain

## INTERNAL AUDITORS

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

Mr. Abrar Hasan	Managing Director/ Chief Executive
Mr. Shakaib Arif	Chief Operating Officer
Mrs. Tehmina Ali	General Manager Human Resources

## AUDITORS

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

Central Depository Company of Pakistan Limited	CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400. Tel: (92-21) 111-111-500 Fax: (92-21) 34326031
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## PRINCIPAL BANKERS

Bank Al-Habib Limited	Main Branch & S.I.T.E. Branch, Karachi New Garden Town Branch, Lahore Port Qasim Authority Branch, Karachi
Bank Al Falah Limited (Islamic)	S.I.T.E. Branch, Karachi
Bank Islami Pakistan Limited	Clifton Branch, Karachi
Dubai Islamic Bank Pakistan Limited	16, Abdullah Haroon Road, Karachi
Faysal Bank Limited	S.I.T.E. Branch, Karachi
Habib Bank Limited	Main Branch, Karachi
Habib Metropolitan Bank Limited	Shaheen Complex Branch, Karachi
MCB Bank Limited	M.T. Khan Road Branch, Karachi
Meezan Bank Limited	Main Branch, Karachi
Standard Chartered Bank (Pakistan) Limited	Main Branch, Karachi
United Bank Limited	Main Branch, 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, 2012

On behalf of the Board of Directors of National Foods Limited, I am pleased to present to you the reviewed financial statements of the company for the first half ended December 31, 2012.

The company has delivered a top line growth of 14%, for the first half amidst challenging times and a difficult business environment. Despite these adversities some of our key categories like Recipe, Ketchup & Sauces, Desserts and Salt have shown double digit volumetric growth as we continue our endeavor to build comradeship with our customers through the National Foods brands. We persistently invest behind our brands & the advertisement campaign "Rang bharti Jao" displays the versatility of our brand portfolio. Reinforcing the excitement of Eid we conducted the consumer promotional activities & released a series of functional TVC's. The re-launch of the "Recipe Princess Cooking Contest" in the top 6 cities of Pakistan proved to be huge success. All these activities were widely appreciated & had a far reaching effect in the hearts & minds of our consumers.

We are on track with our progress in implementing the new export model that we have designed as we converge into a Multi-national Company. Promotional campaigns & outdoor activities were carried out in some of our key export markets promoting the Recipe Pickle, Desserts & Ginger Garlic Paste. All this helped in enhancing the brand image as an icon for celebration & happiness and symbolizes our company as the provider of "The Complete Pakistani Food experience." The export business faces its own set of challenges due to the global recession but we are confident that we will overcome these and all these efforts will yield significant benefits to our shareholders in the long run.

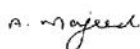
A snap shot of the half year performance is as follows:

PKR Million	Jul-Dec 2012-13	Jul-Dec 2011-12	Change
<b>Net sales</b>	<b>4,312.4</b>	<b>3,793.8</b>	<b>13.7%</b>
Gross Profit	1,580.7	1,241.9	
<b>% Sales</b>	<b>36.6</b>	<b>32.7</b>	<b>395 bps</b>
Operating Profit	627.7	476.9	
<b>% Sales</b>	<b>14.6</b>	<b>12.6</b>	<b>200 bps</b>
<b>Profit Before Tax</b>	<b>595.3</b>	<b>436.3</b>	<b>36.4%</b>
<b>% Sales</b>	<b>13.8</b>	<b>11.5</b>	<b>230 bps</b>
Profit after tax	439.3	289.9	
<b>% Sales</b>	<b>10.1</b>	<b>7.6</b>	<b>250 bps</b>
<b>Earnings per share (EPS)</b>	<b>10.6</b>	<b>7.00</b>	<b>51.4%</b>

Overall gross margins have improved by 395 bps; due to improved sales mix and containment of fixed costs. Financial charges are significantly lower due to efficient working capital & cash management. As a result profit before tax is Rs 595 M which is 36.4% higher than same period during last year. EPS grew by a handsome 51.4% over same period last year to Rs 10.6 per share.

## Business Risks and Future Outlook

NFL is on track in its ambitious pursuit of its 20/20 vision. Despite the uncertainty of local and global economic conditions it is imperative that we continue to invest & innovate. We stand committed to creating exceptional value for all our stake holders by continually investing in exciting opportunities and stream lining our operations to the highest possible standards of quality and equity.



**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, 2012 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, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2012.

## 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, 2012 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, 2013

Name of the engagement partner: Syed Fahim ul Hasan

# CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2012

	Note	(Unaudited) December 31, 2012 (Rupees in thousand)	(Audited) June 30, 2012
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	965,728	947,057
Intangibles		3,731	4,473
Long term deposits		9,531	5,812
		<u>978,990</u>	<u>957,342</u>
<b>Current Assets</b>			
Stores, spare parts and loose tools		4,640	3,936
Stock in trade		1,978,625	1,557,538
Trade debts		246,948	288,994
Advances		42,052	25,060
Trade deposits and prepayments		17,474	19,217
Other receivables		9,052	3,493
Investments		324,825	260,132
Cash and bank balances		69,925	44,057
		<u>2,693,541</u>	<u>2,202,427</u>
		<u>3,672,531</u>	<u>3,159,769</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		414,427	414,427
Unappropriated profit		1,178,728	988,053
		<u>1,593,155</u>	<u>1,402,480</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		94,421	103,248
Retirement benefits obligations		5,873	4,113
		<u>100,294</u>	<u>107,361</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,181,214	1,012,656
Accrued interest / mark up		17,181	11,991
Short term borrowings		603,366	508,301
Taxation - provision less payments		143,431	55,306
Due to the government		33,890	61,674
		<u>1,979,082</u>	<u>1,649,928</u>
COMMITMENTS	3	<u>3,672,531</u>	<u>3,159,769</u>

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

  
Chief Executive

  
Director



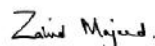
# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

## FOR THE HALF YEAR ENDED DECEMBER 31, 2012 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		(Rupees in thousand)			
Net sales					
Local		1,790,689	1,615,213	3,963,487	3,454,237
Export		172,754	177,903	348,975	339,553
		1,963,443	1,793,116	4,312,462	3,793,790
Cost of sales		(1,211,907)	(1,163,805)	(2,731,737)	(2,551,901)
Gross profit		751,536	629,311	1,580,725	1,241,889
Distribution cost		(414,789)	(225,669)	(816,977)	(629,013)
Administrative expenses		(60,779)	(68,280)	(131,035)	(114,175)
Other operating expenses		(17,791)	(26,252)	(47,181)	(36,889)
		(493,359)	(320,201)	(995,193)	(780,077)
Other operating income		22,054	10,874	42,161	15,165
Profit from operations		280,231	319,984	627,693	476,977
Finance costs		(14,007)	(15,326)	(32,333)	(40,682)
Profit before taxation		266,224	304,658	595,360	436,295
Taxation		(26,715)	(103,694)	(156,029)	(146,309)
Profit after taxation		239,509	200,964	439,331	289,986
Earnings per share - Rupees	4	5.78	4.85	10.60	7.00

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

  
Chief Executive

  
Director



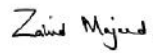
# CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2012 - UNAUDITED

	Note	December 31, 2012 (Rupees in thousand)	December 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	5	396,133	1,266,556
Finance cost paid		(27,094)	(53,484)
Income tax paid		(76,731)	(50,212)
Net increase in long term deposits		(3,719)	(1,487)
<b>Net cash from operating activities</b>		<u>288,589</u>	<u>1,161,373</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(72,361)	(76,895)
Sale proceeds on disposal of property, plant and equipment		3,348	1,553
Purchase of open ended mutual fund units		(360,000)	(490,000)
Sale proceeds of open ended mutual fund units		315,776	51,270
Purchase of intangible assets		(588)	-
<b>Net cash used in investing activities</b>		<u>(113,825)</u>	<u>(514,072)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in long term financing		-	(26,250)
Liabilities against assets subject to finance leases - (net)		-	(1,923)
Dividend paid		(243,961)	(103,003)
<b>Net cash used in financing activities</b>		<u>(243,961)</u>	<u>(131,176)</u>
Net (decrease) / increase in cash and cash equivalents		(69,197)	516,125
Cash and cash equivalents at beginning of the period		(464,244)	(713,715)
Cash and cash equivalents at end of the period	6	<u>(533,441)</u>	<u>(197,590)</u>

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

  
Chief Executive

  
Director

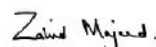
# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED DECEMBER 31, 2012 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated profit	Total
	(Rupees in thousand)		
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
Profit for the half year ended June 30, 2012	-	293,290	293,290
Balance as at June 30, 2012	414,427	988,053	1,402,480
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	(248,656)	(248,656)
Profit for the half year ended December 31, 2012	-	439,331	439,331
Balance as at December 31, 2012	414,427	1,178,728	1,593,155

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

  
Chief Executive

  
Director

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

## FOR THE HALF YEAR ENDED DECEMBER 31, 2012 - 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, 2012.
- 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, 2012.

	December 31, 2012 (Rupees in thousand)	June 30, 2012
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
2.1 Operating assets - at net book value - Note 2.2	886,511	888,716
<b>Capital work in progress - at cost</b>		
Civil work in progress	41,303	19,837
Plant and machinery	26,877	22,831
Advances to suppliers	1,792	8,379
Vehicles pending delivery	-	-
Computer software under development	1,771	-
Office equipment	7,474	7,294
	<u>965,728</u>	<u>947,057</u>
	<b>Half year ended</b>	
	<b>December 31, 2012</b>	<b>December 31, 2011</b>
	<b>(Rupees in thousand)</b>	
<b>2.2 Additions and Disposals during the period</b>		
<b>Additions</b>		
Building on leasehold land	2,328	1,592
Plant and machinery	20,785	24,052
Motor vehicles - Owned	1,472	1,526
Furniture and fittings	12,984	246
Computers	8,965	6,013
Others	4,951	997
	<u>51,485</u>	<u>34,426</u>
<b>Disposals - Net Book Value</b>		
Motor vehicles	1,359	661
Computer equipment	141	-
	<u>1,500</u>	<u>661</u>

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

## 3. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2012 amounted to Rs 16.04 million (June 30, 2012: Rs 3.23 million).

## 4. EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at December 31, 2012 and 2011.

## 5. CASH GENERATED FROM OPERATIONS

	Half year ended	
	December 31, 2012	December 31, 2011
	(Rupees in thousand)	
Profit before taxation	595,360	436,295
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	52,190	41,894
Deferred liability - Retirement benefits	1,760	1,920
Amortisation of intangibles	1,330	7,017
Provision for stock obsolescence	2,147	45,241
Gain on re-measurement of fair value of open ended mutual fund units	(12,084)	(8,406)
Gain on sale of investments	(8,435)	(1,270)
Gain on disposal of property, plant and equipment	(1,848)	(892)
Finance cost	32,333	40,682
	<u>67,393</u>	<u>126,186</u>
Profit before working capital changes	662,753	562,481
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(704)	1,055
Stock in trade	(423,233)	221,410
Trade debts	42,046	66,188
Advances	(16,992)	(20,528)
Deposits and prepayments	1,743	793
Other receivables	(5,559)	611
	<u>(402,699)</u>	<u>269,529</u>
Increase / (decrease) in current liabilities		
Trade and other payables	163,863	402,333
Due to the government	(27,784)	32,213
	<u>396,133</u>	<u>1,266,556</u>



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

	December 31, 2012	December 31, 2011
<b>6. CASH AND CASH EQUIVALENTS</b>	<b>(Rupees in thousand)</b>	
Cash and bank balances	69,925	77,536
Short term borrowings	(603,366)	(275,126)
	<u>(533,441)</u>	<u>(197,590)</u>

## 7. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transactions	Half year ended	
		December 31, 2012	December 31, 2011
		<b>(Rupees in thousand)</b>	
Associated companies / Undertakings:			
	Reciprocal arrangements for sharing of services	553	325
	Sale of goods	491,664	490,290
	Purchase of goods	18,912	16,374
	Rent Payment	3,795	3,450
Staff retirement fund:	Expense charged for defined contribution plan	8,318	6,812
	Payments to retirement contribution plan	29,175	21,554
Directors	Technical advisory services	3,700	-
<b>Key management compensation:</b>			
	Salaries and other short-term employee benefits	121,030	43,678
	Contribution to Provident Fund	2,290	1,862
	Post retirement benefits of Executive Directors	1,760	2,727

## 8. 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.

## 9. FOREIGN SUBSIDIARY

The company has set up a subsidiary in Dubai, UAE. In this respect approval from the State Bank of Pakistan has been obtained to remit funds.

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

## 10. INTERIM DIVIDEND

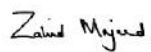
The Board of Directors in its meeting held on February 22, 2013 declared cash dividend in respect of half year ended December 31, 2012 of Rs. 3.50 per share amounting to Rs. 145.05 million.

This condensed interim financial information does not reflect the interim dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending June 30, 2013.

## 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, 2013

  
Chief Executive

  
Director



[www.nfoods.com](http://www.nfoods.com)