

CONTENTS

Company Information	2
Third Quarterly Report to the Shareholders	3
Balance Sheet	5
Profit and Loss Account	6
Cash Flow Statement	7
Statement of Changes in Equity	8
Selected Notes to the Financial Statements	9



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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Majeed
Mr. Abrar Hasan
Mr. Waqar Hasan
Mr. Khawaja Munir Mashooqullah
Mr. Zahid Majeed
Mr. Ebrahim Qasim
Mr. Iqbal Alimohamed

Chairman
Managing Director / Chief Executive
Director
Director
Director
Director
Director

AUDIT COMMITTEE

Mr. Waqar Hasan
Mr. Ebrahim Qasim
Mr. Zahid Majeed

Chairman
Member
Member

COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE

Mr. Fayyaz Abdul Ghaffar

CHIEF FINANCIAL OFFICER

Mr. Muhammad Kashif Iqbal

INTERNAL AUDITORS

Messrs Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

COMPANY MANAGEMENT

Mr. Abrar Hasan
Mr. Shakaib Arif
Mr. Kamran Khan
Mr. Waqas Abrar Khan
Mr. M. Azher Ali
Mr. Saleem Khilji
Mr. Muhammad Iqbal
Mr. Arif Shaikh
Mr. Zahid Marghoob Sheikh
Mr. Muhammad Kashif Iqbal

Managing Director / Chief Executive
Chief Operating Officer
Chief Commercial Officer
General Manager Human Resource
Sr. Business Unit Manager – PQ Plant
Business Unit Manager – SITE Plant
Head of Supply Chain Management
Head of Quality, Research & Development
Head of Information Technology
Head of Finance

AUDITORS

A. F. Ferguson & Co.

Chartered Accountants
State Life Building, 1-C, I.I. Chundrigar Road, Karachi

SHARE REGISTRATION OFFICE

Noble Computer Services (Pvt.) Limited

2nd Floor, Sohni Centre, BS 5 & 6 Karimabad,
Block-4, Federal B. Area, Karachi-75950
Phone: 6801880 -82 (3 Lines) Fax: 6801129

PRINCIPAL BANKERS

Bank Al-Habib Limited

I.I. Chundrigar Road Branch, Karachi
S.I.T.E Branch, Karachi
New Garden Town Branch, Lahore.
Abdullah Haroon Road, Karachi

Royal Bank of Scotland (RBS)
(Formerly ABN AMRO Bank N.V.)

Muslim Commercial Bank

Clifton Corporate Branch, Karachi
Shaheen Complex Branch, Karachi

Habib Bank Limited

Citibank N.V.

Hub River Road Branch, Karachi
SITE Branch, Karachi

REGISTERED OFFICE

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



THIRD QUARTER REPORT

TO THE SHAREHOLDERS

On behalf of the Board of Directors of National Foods Limited, I am pleased to present you the unaudited financial statements of the third quarter and nine months ended March 31, 2009 along with certain performance indicators thereof. These financial statements are submitted in accordance with the Section 245 of the Companies Ordinance, 1984.

SUMMARY

Summary of the results are presented below:

	Jul 2008 to Mar 2009	Jul 2007 to Mar 2008	Growth	% of Net Sales		Variance (+/-)
				Jul-Mar 2008-09	2007-08	
Top Line Growth						
Corporate sales						
Gross sales	3,804,324	3,005,567	26.58%			
Net sales	2,830,339	2,222,570	27.35%			
Local sales						
Gross sales	3,513,788	2,775,565	26.60%			
Net sales	2,539,803	1,998,453	27.09%			
Export sales						
Gross sales	290,536	230,002	26.32%			
Net sales	290,536	224,117	29.64%			
Gross Profit	836,076	731,512	14.29%	29.54%	32.91%	(3.37%)
Bottom Line Growth						
Operating profit	223,786	172,551	29.69%	7.91%	7.76%	0.15%
Other income	12,434	6,122	103.10%	0.44%	0.28%	0.16%
Pre-tax profit	153,217	137,744	11.23%	5.41%	6.20%	(0.79%)
Net profit	100,086	95,230	5.10%	3.54%	4.28%	(0.74%)
Expense Control						
Selling expenses	172,888	129,491	33.51%	6.11%	5.83%	0.28%
Cartage and freight & forwarding	101,155	85,303	18.58%	3.57%	3.84%	(0.27%)
Advertising and sales promo	232,576	257,076	(9.53%)	8.22%	11.57%	(3.35%)
Administrative expenses	104,699	84,742	23.55%	3.70%	3.81%	(0.11%)
Other operating expenses	13,406	8,471	58.26%	0.47%	0.38%	0.09%
Financial expenses	70,569	34,807	102.74%	2.49%	1.57%	0.92%



OPERATING RESULTS AND COMPANY ANALYSIS

The company has maintained the trend of earlier sales growth in the last nine months in terms of generation of top line sales revenues. Inflation has contributed mainly in healthy rupee based growth domestically. Similarly in exports, devaluation of the Pakistani rupee has contributed along the similar lines. The nine months under review have sustained the trend established in two previous reports from the start of the year. Economic pressure continues and depressive effects on the financial rates and Gross Margins can be seen as is evident from the financial report. This however is in line with the budgeted figures. The expected strategy at the start of the year was of consolidation as opposed to chasing growth and the company has done well in containing costs which come under its operations.

In relation to last year nine months figures, the GP as a percentage to net sales has declined by 3.37%. Additional burden of increased financial expenditure due to high bank borrowing rates has stressed the operations by a further 0.92%.

On the other hand operational expenses have been curtailed for the period which has offset the inflationary trend partially with a resultant decline in pre tax profit to net sales by 0.79%.

FUTURE OUTLOOK

Pressure on the financial institutions due to a global financial meltdown has made it quite difficult to obtain credit. Internal cash generation has now become extremely important to keep interest costs sustained. It is prudent that inventory optimization and consolidation of operations and investment now take extreme priority. The Company, during the period under review, has generated additional cash flow of Rs. 211 Million from operations.

Global recession and domestic unrest are serious threat to Pakistan's economy. High inflation has resulted in decline of purchase power of consumer, and if unabated will result in lower disposable income of consumer. The Management is committed to respond to such challenges and continues to seek opportunities to drive growth in existing categories and through innovative new products. Although the sales volume growth is expected to contribute positively to the bottom line, growth in profitability will be largely dependent on, continued cost controls, and control of inflationary trend in the country.

In these difficult times, the company has invested heavily in its brand image and completely revamped the branding and packaging of its entire portfolio. The rollout is underway and is expected to be complete by the end of the financial year.

The company hopes to gain significantly in the future years through this investment in terms of new access to distribution channels and high and value added growth markets.



Abrar Hasan
Chief Executive



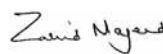
CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2009

	Note	(Un-audited) March 31, 2009	(Audited) June 30, 2008
(Rupees in thousand)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	653,663	635,325
Intangibles		30,656	2,194
Long term deposits		5,381	4,444
		689,700	641,963
Current Assets			
Stores, spare parts and loose tools		5,601	7,499
Stock in trade		766,384	755,259
Trade debts		214,710	259,091
Advances		34,526	18,965
Trade deposits and prepayments		21,117	2,333
Other receivables		2,413	1,446
Tax refunds due from / adjustable with the government		37,523	46,603
Cash and bank balances	5	15,565	13,496
		1,097,839	1,104,692
		1,787,539	1,746,655
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		331,542	55,257
Capital Reserves - Share premium		-	6,102
Unappropriated profit		284,469	454,566
		616,011	515,925
NON-CURRENT LIABILITIES			
Long term financing		70,000	100,000
Liabilities against assets subject to finance leases		33,413	26,262
Deferred liability - Retirement benefits	6.1	8,971	-
Deferred tax		65,824	70,758
		178,208	197,020
CURRENT LIABILITIES			
Trade and other payables		376,808	369,565
Accrued interest/ mark up		22,332	17,186
Short term borrowings	5	449,399	536,341
Current maturity of:			
Long term financing		40,000	43,000
Liabilities against assets subject to finance leases		22,300	12,341
Provision for income tax		60,198	42,000
Due to the government - Sales tax / Special excise duty		22,283	13,277
		993,320	1,033,710
COMMITMENTS			
	3		
		1,787,539	1,746,655

The annexed notes 1 to 8 form an integral part of these financial statements.


Abrar Hasan
Chief Executive


Zahid Majeed
Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS ENDED
MARCH 31, 2009 (UNAUDITED)

	Quarter ended		Nine Months ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	(Rupees in thousand)			
Net sales				
Local	688,420	570,765	2,539,803	1,998,453
Export	125,904	103,506	290,536	224,117
	814,324	674,271	2,830,339	2,222,570
Cost of sales	585,268	473,660	1,994,263	1,491,058
Gross profit	229,056	200,611	836,076	731,512
Distribution cost	162,761	141,027	506,619	471,870
Administrative expenses	31,501	30,221	104,699	84,742
Other operating expenses	1,783	(1,679)	13,406	8,471
	196,045	169,569	624,724	565,083
Other operating income	5,866	974	12,434	6,122
Profit from operations	38,877	32,016	223,786	172,551
Finance costs	28,352	12,720	70,569	34,807
Profit before taxation	10,525	19,296	153,217	137,744
Taxation	2,000	5,790	53,131	42,514
Profit after taxation	8,525	13,506	100,086	95,230
Earnings per share - Basic and Diluted - Rupees	7 0.26	0.41	3.02	2.87

The annexed notes 1 to 8 form an integral part of these financial statements.



Abbr Hasan
Abbr Hasan
Chief Executive

Zahid Majeed
Zahid Majeed
Director

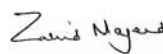
CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED
MARCH 31, 2009 (UNAUDITED)

	Note	(Un-audited) March 31, 2009	(Un-audited) March 31, 2008
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	4	302,819	69,562
Finance cost paid		(60,801)	(28,153)
Income tax paid		(30,787)	(27,383)
Net cash from operating activities		211,231	14,026
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(106,094)	(167,055)
Sale proceeds on disposal of property, plant and equipment		386	936
Return received on term deposit		492	3,039
Long term deposits - Net		(937)	(1,552)
Net cash used in investing activities		(106,153)	(164,632)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(33,000)	(34,500)
Liability against assets subject to finance leases - (net)		17,110	19,824
Dividend paid		(177)	(8,243)
Net cash used in financing activities		(16,067)	(22,919)
Net increase / (Decrease) in cash and cash equivalents		89,011	(173,525)
Cash and cash equivalents at the beginning of the period		(522,845)	(193,126)
Cash and cash equivalents at the end of the period	5	(433,834)	(366,651)

The annexed notes 1 to 8 form an integral part of these financial statements.


Abrar Hasan
Chief Executive


Zahid Majeed
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED
MARCH 31, 2009 (UNAUDITED)

	Issued subscribed and paid up capital	Capital reserve - share premium	Unappropriated profit	Total
	← (Rupees in thousand) →			
Balance as at June 30, 2007	42,505	6,102	319,273	367,880
Final dividend for the year ended June 30, 2007 (Rs 2 per share)	-	-	(8,501)	(8,501)
Issue of 3 bonus share for every 10 shares held	12,752	-	(12,752)	-
Profit for the nine months ended March 31, 2008	-	-	95,230	95,230
Balance as at March 31, 2008	55,257	6,102	393,250	454,609
Balance as at June 30, 2008	55,257	6,102	454,566	515,925
Issue of 5 bonus share for every 1 share held	276,285	(6,102)	(270,183)	-
Profit for the nine months ended March 31, 2009	-	-	100,086	100,086
Balance as at March 31, 2009	331,542	-	284,469	616,011

The annexed notes 1 to 8 form an integral part of these financial statements.



Abrar Hasan
Abrar Hasan
Chief Executive

Zahid Majeed
Zahid Majeed
Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2009 (UNAUDITED)

1. BASIS FOR 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 The accounting policies and methods of computation adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2008.

	March 31, 2009	June 30, 2008
2. PROPERTY, PLANT AND EQUIPMENT	(Rupees in thousand)	
2.1 Operating assets - at net book value - note 2.2	581,080	564,514
Capital work in progress - at cost		
Civil work in progress	3,453	686
Plant and machinery	18,750	14,484
Advance against acquisition of land	27,417	27,417
Advance to suppliers	-	3,439
Vehicles pending delivery	12,243	1,314
Computer software	10,720	23,471
	653,663	635,325
	Nine Months ended	
	March 31, 2009	March 31, 2008
	(Rupees in thousand)	
2.2 Additions and Disposals during the period		
Additions		
Building on leasehold land	6,224	132,666
Plant and machinery including generators	37,390	74,729
Motor vehicles	21,300	11,876
Others	7,085	45,203
	71,999	264,474
Disposals - Net Book Value		
Motor Vehicles	599	1,112



3. COMMITMENTS

3.1 Aggregate commitments for capital expenditures amounted to Rs.3.0 million. (June 30, 2008: Rs 5.4 million).

	Nine Months ended	
	March 31, 2009	March 31, 2008
	(Rupees in thousand)	
4. CASH GENERATED FROM OPERATIONS		
Profit before taxation	153,217	137,744
Adjustments of non-cash charges and other items		
Depreciation / Amortisation on property, plant and equipment	59,294	38,208
Deferred liability - Retirement benefits	8,971	-
Finance cost	65,947	31,845
Gain on disposal of motor vehicles	(386)	(936)
Return on term deposit	(492)	(3,039)
Provision for slow moving stock in trade (net)	30,013	1,499
	163,347	67,577
Profit before working capital changes	316,564	205,321
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
Decrease / (Increase) in current assets		
Stores, spares parts and loose tools	1,898	(2,513)
Stock in trade	(41,138)	(167,566)
Trade debts	35,410	(85,124)
Advances	(15,561)	(14,626)
Deposits and prepayments	(18,784)	(1,233)
Other receivables	(967)	23,182
	(39,142)	(247,880)
Increase in current liabilities		
Trade and other payables	16,391	101,733
Due to the government	9,006	10,388
	25,397	112,121
	302,819	69,562
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,565	25,491
Running finance under markup arrangements	(449,399)	(392,142)
	(433,834)	(366,651)



Nine Months ended
March 31, 2009 **March 31, 2008**
 (Rupees in thousand)

6. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transactions		
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	1,599	1,442
	Sale of goods	522,417	403,206
Employee benefit plan	Contribution to employees provident fund	6,505	4,742
Key management compensation:			
Salaries and other short term employee benefits		43,579	38,755
Contribution to Provident Fund		1,925	1,172
Post retirement benefits of Executive Directors - note 6.1		8,971	-

6.1 The Chief Executive Officer and Executive Directors are being provided with retirement benefits through a Defined Benefit Plan of Pension Scheme, a Defined Contribution Plan of Provident Fund and Post Retirement Medical Benefits. The charge is based on actuarial assumptions and valuation reports.

7. EARNINGS PER SHARE

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

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

8. DATE OF ISSUE

This condensed interim financial information was authorised for issue on April 28, 2009 by the Board of Directors of the Company.


Abrar Hasan
 Chief Executive


Zahid Majeed
 Director



NATIONAL FOODS LIMITED

National Foods Limited (NFL), founded in 1970, is today Pakistan's leading multi-category Food Company with over 250 different products in 12 categories. It is the only food Company in Pakistan to have ISO 9001 and HACCP certifications along with SAP business technology to drive the Company's strong commitment to quality and management excellence. NFL is an international brand sold in over 35 countries and it aims to be a Rs. 50 billion company under its Vision 20/20. NFL is dedicated to improving the well-being of society through continuous development of innovative food products and through a wide-ranging corporate social responsibility program.

