



# Leadership Through Consumers

Third Quarterly Report  
2012-2013



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

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.

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## 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. Khawaja Munir Mashooqullah	(Chairman)	Mr. Ebrahim Qassim	(Member)
Mr. Abdul Majeed	(Member)	Mr. Zahid Majeed	(Member)
Mr. Iqbal Alimohamed	(Member)		

### HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Khawaja Munir Mashooqullah	(Chairman)	Mr. Iqbal Alimohamed	(Member)
Mr. Abdul Majeed	(Member)	Mr. Ebrahim Qassim	(Member)
Mr. Zahid Majeed	(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

### 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
Bank Al Falah Limited (Islamic)	New Garden Town Branch, Lahore
Bank Islami Pakistan Limited	Port Qasim Authority Branch, Karachi
Dubai Islamic Bank Pakistan Limited	S.I.T.E. Branch, Karachi
Faysal Bank Limited	Clifton Branch, Karachi
Habib Bank Limited	16, Abdullah Haroon Road, Karachi
Habib Metropolitan Bank Limited	S.I.T.E. Branch, Karachi
MCB Bank Limited	Main Branch, Karachi
Meezan Bank Limited	Shaheen Complex Branch, Karachi
Standard Chartered Bank (Pakistan) Limited	M.T. Khan Road 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 NINE MONTHS ENDED MARCH 31, 2013

On behalf of the Board of Directors of National Foods Limited, I am pleased to present to you the un-audited financial statements of the company for the nine months ended March 31, 2013.

The company has once again delivered outstanding results with over increase in Profits by 26%. The Turnover for nine months at Rs 6,090 Million has grown by 13% over last year & this growth is mainly volumetric growth. Our Categories like Recipe Masala, Ketchups & Custards continue to deliver double digit volume growth, as we continue to invest in our Advertisement & Promotional activities.

'National Ka Pakistan' which is ranked amongst the Top 10 Television Program, is an exciting cooking reality show; giving viewers a rare opportunity to appreciate the local taste and cuisine in various cities across Pakistan. Recipe Princess continues to be widely acclaimed amongst college girls, as our programs continue to discover Pakistan's ultimate cooking expert. The Real Tomato Experience thematic advertisement and the consumer promotions have inspired consumer confidence; that our Ketchup brand is made from fresh and pure real tomatoes. In addition various in store activities have been undertaken with tower displays, sachet hangars & merchandising drives to attract shoppers attention.

A snap shot of the nine months performance is as follows:

PKR Million	Jul-Mar 2012-13	Jul-Mar 2011-12	Change
<b>Net sales</b>	<b>6,090</b>	<b>5,400</b>	<b>12.78%</b>
Gross Profit	2,185	1,731	
<b>% Sales</b>	<b>35.88</b>	<b>32.06</b>	<b>382 bps</b>
Operating Profit	866	702	
<b>% Sales</b>	<b>14.22</b>	<b>13.00</b>	<b>122 bps</b>
<b>Profit Before Tax</b>	<b>811</b>	<b>643</b>	<b>26.13%</b>
<b>% Sales</b>	<b>13.32</b>	<b>11.91</b>	<b>141 bps</b>
Profit after tax	588	436	
<b>% Sales</b>	<b>9.66</b>	<b>8.07</b>	<b>158 bps</b>
<b>Earnings per share (EPS)</b>	<b>14.19</b>	<b>10.51</b>	<b>35.01%</b>

The Export business has also made steady progress as we continue to implement the export model to help National Foods Limited to scale the next echelon; and being amongst the very few companies- 'A Pakistani Multi-National Company'. The wholly owned subsidiary of National Foods Limited has been formed in Dubai with the objective of enhancing strong global presence of our brands and in addition we have also deployed human resources in some key markets to facilitate better distributor & channel management.

Likewise we have stepped up our Marketing & Promotional activities in major export markets and we believe that these investments will have handsome payoff's in the long run. In addition our participation in Gulf Foods Festival 2013 helped us to reinforce existing customer relationship and build new ones as well 2013. During the quarter under review we continued our focus on promotional campaigns & outdoor activities, for Recipe Pickle, Desserts & Ginger Garlic Paste.

Overall gross margins have improved by 382 bps; due to improved sales mix and containment of fixed costs. Financial charges are significantly lower due to efficient working capital & cash management efforts. Profit before tax is Rs 811M which is 26% higher than same period during last year. EPS grew by a handsome 35% over same period last year to Rs 14.19 per share.

## Business Risks and Future Outlook

I am confident with the foot print that we have designed & the manner in which we continue to execute our path of growth. The combination of focused strategy, investment on brand imaging and the appropriate re-investment in the business has built a solid platform for future growth. Despite the uncertainty of local and global economic conditions; it is imperative that we continue to invest & innovate and forge ahead with our business plans. We stand committed to creating exceptional value for all our stake holders by continually investing in exciting opportunities and stream lining our business to the highest possible standards of equity & quality.

*A. Majeed*

A. Majeed  
Chairman

# CONDENSED INTERIM BALANCE SHEET

## AS AT MARCH 31, 2013

Note	(Unaudited) March 31, 2013	(Audited) June 30, 2012
	(Rupees in thousand)	
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	2 998,237	947,057
Intangibles	7,129	4,473
Long term deposits	10,466	5,812
Investment in Subsidiary - at cost	33,044	-
	<u>1,048,876</u>	<u>957,342</u>
<b>Current Assets</b>		
Stores, spare parts and loose tools	4,373	3,936
Stock in trade	2,065,132	1,557,538
Trade debts	258,858	288,994
Advances	34,582	25,060
Trade deposits and prepayments	19,546	19,217
Other receivables	-	3,493
Investments	331,042	260,132
Cash and bank balances	173,351	44,057
	<u>2,886,884</u>	<u>2,202,427</u>
	<u>3,935,760</u>	<u>3,159,769</u>
<b>SHARE CAPITAL AND RESERVES</b>		
Issued, subscribed and paid-up capital	414,427	414,427
Unappropriated profit	1,182,544	988,053
	<u>1,596,971</u>	<u>1,402,480</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax	94,421	103,248
Retirement benefits obligations	1,762	4,113
	<u>96,183</u>	<u>107,361</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,194,846	1,012,656
Accrued interest / mark up	14,942	11,991
Short term borrowings	799,148	508,301
Taxation - provision less payments	173,303	55,306
Due to the government	60,367	61,674
	<u>2,242,606</u>	<u>1,649,928</u>
<b>COMMITMENTS</b>	3	
	<u>3,935,760</u>	<u>3,159,769</u>

The annexed notes 1 to 9 form an integral part of this financial information.

*Ahmed*  
Chief Executive

*Zaid Majeed*  
Director



# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED MARCH 31, 2013 - UNAUDITED

	Note	Quarter ended		Nine month ended	
		March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
		← (Rupees in thousand) →			
Net sales					
Local		1,567,852	1,385,708	5,531,339	4,839,945
Export		209,512	220,150	558,487	559,703
		1,777,364	1,605,858	6,089,826	5,399,648
Cost of sales		1,173,220	1,117,150	3,904,957	3,669,051
Gross profit		604,144	488,708	2,184,869	1,730,597
Distribution cost		284,444	214,762	1,101,421	843,775
Administrative expenses		81,928	46,067	212,963	160,242
Other operating expenses		10,089	15,684	57,270	52,573
		376,461	276,513	1,371,654	1,056,590
Other operating income		11,074	12,752	53,235	27,917
Profit from operations		238,757	224,947	866,450	701,924
Finance costs		(23,160)	(18,288)	(55,493)	(58,970)
Profit before taxation		215,597	206,659	810,957	642,954
Taxation		66,731	60,947	222,760	207,256
Profit after taxation		148,866	145,712	588,197	435,698
Earnings per share - Rupees	4	3.59	3.51	14.19	10.51

The annexed notes 1 to 9 form an integral part of this financial information.

  
Chief Executive

  
Director

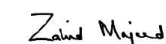
# CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED MARCH 31, 2013 - UNAUDITED

	Note	March 31, 2013 (Rupees in thousand)	March 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	5	472,644	1,246,033
Finance cost paid		(52,542)	(69,535)
Net (increase) / decrease in long term deposits		(4,654)	(1,619)
Retirement Benefit Obligation paid		(4,111)	-
Income tax paid		(113,590)	(81,858)
<b>Net cash from operating activities</b>		297,747	1,093,021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(148,155)	(144,925)
Sale proceeds on disposal of property, plant and equipment		9,915	8,999
Purchase of open ended mutual fund units		(360,000)	(490,000)
Sale proceeds of open ended mutual fund units		315,946	253,514
Investment in subsidiary		(33,044)	-
<b>Net cash used in investing activities</b>		(215,338)	(372,412)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase / (decrease) in long term financing - net		-	(44,250)
Liabilities against assets subject to finance leases - (net)		-	(2,117)
Dividend paid		(243,962)	(103,245)
<b>Net cash (used in) / generated from financing activities</b>		(243,962)	(149,612)
Net (decrease) / increase in cash and cash equivalents		(161,553)	570,997
Cash and cash equivalents at beginning of the period		(464,244)	(713,715)
Cash and cash equivalents at end of the period	6	(625,797)	(142,718)

The annexed notes 1 to 9 form an integral part of this financial information.

  
Chief Executive

  
Director

# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED MARCH 31, 2013 - 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 nine months ended March 31, 2012	-	435,698	435,698
Balance as at March 31, 2012	414,427	840,475	1,254,902
Profit for the three months ended June 30, 2012	-	147,578	147,578
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 nine months ended March 31, 2013	-	588,197	588,197
Interim dividend @ Rs. 3.5 per share	-	(145,050)	(145,050)
Balance as at March 31, 2013	414,427	1,182,544	1,596,971

The annexed notes 1 to 9 form an integral part of this financial information.

  
Chief Executive

  
Director

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

FOR THE PERIOD ENDED MARCH 31, 2013 - 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.

## 2. PROPERTY, PLANT AND EQUIPMENT

- 2.1 Operating assets - at net book value - Note 2.2

### Capital work in progress - at cost

	March 31, 2013 (Rupees in thousand)	June 30, 2012 (Rupees in thousand)
Civil work in progress	39,506	19,837
Plant and machinery	53,870	22,831
Advances to suppliers	4,721	8,379
Vehicles pending delivery	-	-
Computer software under development	2,937	-
Office equipment	7,474	7,294
	<u>998,237</u>	<u>947,057</u>

### Nine months ended

	March 31, 2013 (Rupees in thousand)	March 31, 2012 (Rupees in thousand)
2.2 Additions and Disposals during the period		
Additions		
Building on leasehold land	2,956	3,949
Plant and machinery	28,273	29,727
Motor vehicles - Owned	1,898	2,077
Furniture and fittings	13,512	-
Computers	23,490	-
Others	10,103	18,681
	<u>80,231</u>	<u>54,434</u>
Disposals - Net Book Value		
Plant and machinery	-	350
Motor vehicles	1,868	1,035
Computer equipment	153	19
	<u>2,021</u>	<u>1,404</u>

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

### 3. COMMITMENTS

Aggregate commitments for capital expenditure as at March 31, 2013 amounted to Rs 75.36 million (June 30, 2012: Rs 3.23 million).

### 4. EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at March 31, 2013 and 2012.

### 5. CASH GENERATED FROM OPERATIONS

	Nine months ended	
	March 31, 2013	March 31, 2012
	(Rupees in thousand)	
Profit before taxation	810,957	642,954
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	86,167	76,419
Retirement benefits expense	1,760	7,507
Amortisation of intangibles	2,018	7,499
Bad Debt Expense	1,141	-
Inventory written down	-	45,241
Gain on re-measurement of fair value of open ended mutual fund units	(26,856)	(11,197)
Gain on sale of investments	-	(3,465)
Gain on disposal of property, plant and equipment	(3,781)	(1,447)
Finance cost	55,493	51,197
	<u>115,942</u>	<u>171,754</u>
Profit before working capital changes	926,899	814,708
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(437)	815
Stock in trade	(507,594)	288,022
Trade debts	28,995	(11,902)
Advances	(9,522)	(20,529)
Deposits and prepayments	(329)	(3,824)
Other receivables	3,493	331
	<u>(485,394)</u>	<u>252,913</u>
Increase / (decrease) in current liabilities		
Trade and other payables	32,446	141,534
Due to the government	<u>(1,307)</u>	<u>36,878</u>
	<u>472,644</u>	<u>1,246,033</u>

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

### 6. CASH AND CASH EQUIVALENTS

March 31, 2013  
March 31, 2012  
(Rupees in thousand)

Cash and bank balances	173,351	133,698
Short term borrowings	(799,148)	(276,416)
	<u>(625,797)</u>	<u>(142,718)</u>

### 7. TRANSACTIONS WITH RELATED PARTIES

TRANSACTIONS WITH RELATED PARTIES		Nine months ended	
Relationship with the company	Nature of transactions	March 31, 2013	March 31, 2012
		(Rupees in thousand)	
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	764	480
	Sale of goods	687,808	677,147
	Purchase of goods	31,552	26,682
	Rent Payment	5,693	-
Staff retirement fund:	Expense charged for defined contribution plan	12,609	10,243
	Payments to retirement contribution plan	38,863	34,649
Directors	Technical advisory services	8,500	-
<b>Key management compensation:</b>			
	Salaries and other short-term employee benefits	160,843	54,612
	Contribution to Provident Fund	4,209	2,372
	Post retirement benefits of Executive Directors	2,640	3,687

### 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. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the company on April 23, 2013.