



## [3rd QUARTERLY REPORT 2011-12]



LEADING WITH RESPONSIBILITY

# National Foods Limited

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

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

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

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# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Managing Director/ CEO
Mr. Waqar Hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohammed	Director

## AUDIT COMMITTEE

Mr. Ebrahim Qassim	Chairman
Mr. Waqar Hasan	Member
Mr. Zahid Majeed	Member

## COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE

Mr. Fayyaz Abdul Ghaffar

## INTERNAL AUDITORS

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

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

## AUDITORS

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

Noble Computer Services (Pvt.) Limited	1st Floor, House of Habib Building Siddiqsons Towers, 3-Jinnah C.H. Society, Main Shahrah-e-Faisal, Karachi-75350 PABX: (92-21) 34325482-87 Fax: (92-21) 34325442
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## PRINCIPAL BANKERS

Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
Barclays Bank Plc, Pakistan	Dawood Center, M.T. Khan Road, Karachi
Habib Bank Limited	S.I.T.E. Branch, Karachi
Habib Metropolitan Bank Limited	Main Branch, Karachi
MCB Bank Limited	Shaheen Complex Branch, Karachi
United Bank Limited	I.I. Chundrigar Road, Karachi
Meezan Bank Limited	M.T. Khan Road, Karachi

## REGISTERED OFFICE

12/CL-6 Claremont Road, Civil Lines,  
Karachi 75530 P.O. Box No. 15509  
Phone: (92-21) 35662687, 35670540,  
35670585, 35670793 & 35672268  
Fax: (92-21) 35684870



# DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE PERIOD ENDED MARCH 31, 2012

On behalf of the Board of Directors of National Foods Pakistan Limited, I am pleased to present to you the Third Quarterly Report for 2012, along with condensed financial information of the company for the first nine months ended March 31, 2012.

National Foods continues to make excellent progress by leveraging on its competitive advantages, investing behind our growth drivers & excelling in operational efficiency & effectiveness. On an aggregate basis the company delivered an organic growth of 29.5%. We continue to invest behind our brands and the "Recipe Princess Cooking Contest" for college girls has also been extended to Lahore in the third quarter, after the overwhelming success in Karachi. In addition to the on ground activations, Recipe & Pickle thematic have greatly enhanced the brand image of the company. Our sales & distribution execution has been outstanding despite the difficult business environment & some of our important categories like Sauces, Pickles, Jams & Jelly, Desserts & Salt continue to show impressive volume growth.

Our exports business performance has also been outstanding with a double digit volumetric growth & top line value sales growth of 29.9%. Most of our key export markets like North America, USA & UK sales have shown good performance. The company participated in the Gulf Food Festival which provided a good platform to show case our brand portfolio in the international market. We are confident that the new business model that we have designed for our export business once executed will bear significant benefits to the company in the long run.

In the local & export business we have once again surpassed our expectations and our targets. The financial performance for the nine months under review is summarized below:

PKR Million	Jul- Mar 2011-12	Jul- Mar 2010-11	Change Percent
Sales	5399.65	4168.28	29.54
Gross Profit	1730.60	1187.40	45.75
% Sales	32.05	28.49	
Operating Profit	701.92	352.20	99.29
% Sales	13.00	8.45	
Profit Before Tax	642.95	252.91	154.22
% Sales	11.91	6.07	
Profit after tax	435.70	179.93	142.14
% Sales	8.07	4.32	
Earnings per share (EPS)	10.51	4.34	142.16

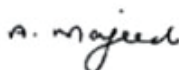
# DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE PERIOD ENDED MARCH 31, 2012

Overall gross margins have improved by 356 bps; due to improved sales mix and containment of fixed costs. The company is focused on controlling & managing costs; and the various initiatives that have been taken across the company have yielded in significant gains. In addition significant effort has been made to reduce the trading working capital, thus improving the cash flow significantly. The burden on borrowings has reduced significantly and in effect resulted in lowering the financing expense by 40.6% over the same period last year. Profit before tax is Rs 643 M which has more than doubled over the same period during the preceding year. EPS grew by a handsome 142.2% over last year to Rs. 10.51 per share.

I am truly satisfied with our overall progress. Our teams have truly delivered an excellent performance executing the business plan flawlessly. I am also grateful to our shareholders for their support and confidence in our management.

## Business Risks & Future Outlook

The company has an ambitious growth strategy. The unstable economic and & operating environment continue to pose a threat to the business aspirations. With our strong local footprint, resilient brand portfolio, market leadership & excellent understanding of the consumers; we will strive to drive growth & give exciting offerings to our consumers. We remain committed to all our stakeholders to deliver exceptional value.



A.Majeed  
Chairman

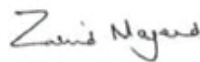
# CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2012

	Note	(Unaudited) March 31, 2012	(Audited) June 30, 2011
<b>ASSETS</b>			
<b>(Rupees in thousands)</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	835,310	774,356
Intangibles		1,459	8,958
Long term deposits		5,999	4,380
		<u>842,768</u>	<u>787,694</u>
<b>Current Assets</b>			
Stores, spare parts and loose tools		4,398	5,213
Stock in trade		1,399,147	1,732,410
Trade debts		292,137	287,742
Advances		34,231	13,702
Trade deposits and prepayments		16,941	13,117
Other receivables		307	638
Investments		251,148	-
Cash and bank balances		133,698	14,225
		<u>2,132,007</u>	<u>2,067,047</u>
		<u>2,974,775</u>	<u>2,854,741</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		414,427	414,427
Reserves		840,475	508,384
		<u>1,254,902</u>	<u>922,811</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		121,250	169,750
Deferred tax		70,236	79,275
Retirement benefits obligations		7,507	4,627
		<u>198,993</u>	<u>253,652</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	3	955,045	816,029
Accrued interest / mark up		7,379	25,717
Short term borrowings		276,416	727,940
Current maturity of:			
Long term financing		48,500	44,250
Liabilities against assets subject to finance lease		226	2,343
Taxation - provision less payments		182,738	48,301
Due to the government		50,576	13,698
		<u>1,520,880</u>	<u>1,678,278</u>
<b>COMMITMENTS</b>	4		
		<u>2,974,775</u>	<u>2,854,741</u>

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

  
Chief Executive


  
Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

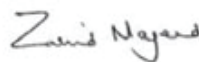
FOR THE PERIOD ENDED MARCH 31, 2012 (UNAUDITED)

	Note	Quarter ended		Nine months ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
(Rupees in thousands)					
Net sales					
Local		1,385,708	1,158,679	4,839,945	3,725,032
Export		220,150	181,268	559,703	443,247
		<b>1,605,858</b>	<b>1,339,947</b>	<b>5,399,648</b>	<b>4,168,279</b>
Cost of sales		1,117,150	995,702	3,669,051	2,980,878
Gross profit		<b>488,708</b>	<b>344,245</b>	<b>1,730,597</b>	<b>1,187,401</b>
Distribution cost		214,762	185,943	843,775	694,381
Administrative expenses		46,067	45,851	160,242	125,924
Other operating expenses		15,684	8,719	52,573	22,832
		276,513	240,513	1,056,590	843,137
Other operating income		12,752	4,200	27,917	7,940
Profit from operations		224,947	107,932	701,924	352,204
Finance costs	5	18,288	34,012	58,970	99,290
Profit before taxation		<b>206,659</b>	<b>73,920</b>	<b>642,954</b>	<b>252,914</b>
Taxation		60,947	12,569	207,256	72,981
Profit after taxation		<b>145,712</b>	<b>61,351</b>	<b>435,698</b>	<b>179,933</b>
Earnings per share - Rupees	6	3.51	1.48	10.51	4.34

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



Chief Executive



Director

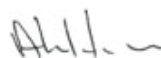


# CONDENSED INTERIM CASH FLOW STATEMENT

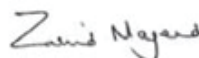
FOR THE PERIOD ENDED MARCH 31, 2012 (UNAUDITED)

	Note	March 31, 2012	March 31, 2011
		(Rupees in thousands)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	7	1,246,033	575,557
Finance cost paid		(69,535)	(97,016)
Income Tax paid		(81,858)	(38,088)
Retirement benefit obligation paid		-	(10,707)
Net (increase) / decrease in long term deposits		(1,619)	(33)
<b>Net cash inflow from operating activities</b>		<b>1,093,021</b>	<b>429,713</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(144,925)	(56,804)
Sale proceeds of disposal of property, plant and equipment		8,999	5,231
Purchase of open ended mutual fund units		(490,000)	-
Sale proceeds of open ended mutual fund units		253,514	-
<b>Net cash outflow from investing activities</b>		<b>(372,412)</b>	<b>(51,573)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term financing - Net		(44,250)	164,000
Liability against assets subject to finance leases - Net		(2,117)	(9,050)
Dividend paid		(103,245)	(49,474)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(149,612)</b>	<b>105,476</b>
Net increase/(decrease) in cash and cash equivalents		570,997	483,616
Cash and cash equivalents at the beginning of the period		(713,715)	(1,175,668)
Cash and cash equivalents at the end of the period	8	(142,718)	(692,052)

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



Chief Executive



Director

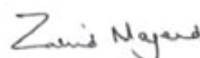
# CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED MARCH 31, 2012 (UNAUDITED)

	Issued subscribed and paid up capital	Unappropriated Profit	Total
	(Rupees in thousands)		
Balance as at June 30, 2010	414,427	327,518	741,945
Final dividend for the year ended June 30, 2010	-	(49,731)	(49,731)
Profit for the Nine months ended March 31, 2011	-	179,933	179,933
<b>Balance as at March 31, 2011</b>	<b>414,427</b>	<b>457,720</b>	<b>872,147</b>
Profit for the Three months ended June 30, 2011	-	50,664	50,664
<b>Balance as at June 30, 2011</b>	<b>414,427</b>	<b>508,384</b>	<b>922,811</b>
Final dividend for the year ended June 30, 2011	-	(103,607)	(103,607)
Profit for the nine months ended March 31, 2012		435,698	435,698
<b>Balance as at March 31, 2012</b>	<b>414,427</b>	<b>840,475</b>	<b>1,254,902</b>

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

  
Chief Executive

  
Director

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

## FOR THE PERIOD ENDED MARCH 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 Regulation of the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2 This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2011.
- 1.3 The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2011. During the period company has invested surplus funds in the units of mutual funds. These investments are classified as "investment-at fair value through profit and loss account". These are measured at fair value which is reassessed at each reporting date. In case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

### 2. PROPERTY, PLANT AND EQUIPMENT

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

#### Capital work in progress - at cost

	March 31, 2012	June 30, 2011
	(Rupees in thousands)	
Operating assets - at net book value - Note 2.2	728,629	752,018
Capital work in progress - at cost		
Civil work in progress	89,705	7,159
Plant and machinery	8,216	8,361
Advances to suppliers	4,268	4,018
Vehicles pending delivery	-	250
Computer Software	3,525	2,550
Office Equipment	967	
	<u>835,310</u>	<u>774,356</u>

#### Nine months ended

March 31, 2012	March 31, 2011
(Rupees in thousands)	

2. Additions and Disposals during the period

#### Additions

Building on leasehold land	3,949	6,236
Plant and machinery	29,727	22,562
Motor Vehicles - Owned	2,077	5,753
Others	18,681	13,114
	<u>54,434</u>	<u>47,665</u>

#### Disposals - Net Book Value

Plant and machinery	350	-
Motor Vehicles	1,035	697
Computer equipment	19	2
	<u>1,404</u>	<u>699</u>



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

	March 31, 2012	June 30, 2011
	(Rupees in thousands)	
<b>3. TRADE AND OTHER PAYABLES</b>		
Creditors	215,997	414,039
Accrued liabilities	588,601	292,809
Workers' Profits Participation Fund	34,198	1,611
Workers' Welfare Fund	25,119	11,679
Advances from customers	42,211	52,700
Payable to provident fund	3,444	2,818
Security deposits from customers	6,590	4,285
Tax deducted at source	3,476	4,946
Due to related parties - directors	-	6
- others	310	364
Advances from employees against sale of vehicles	30,716	26,166
Unclaimed dividend	1,367	1,005
Other liabilities	3,016	3,601
	<u>955,045</u>	<u>816,029</u>

## 4. COMMITMENTS

Aggregate commitments for capital expenditure as at March 31, 2012 amounted to Rs 5.59 million (June 30, 2011 : Rs 1.99 million)

	Nine months ended	
	March 31, 2012	March 31, 2011
	(Rupees in thousands)	
<b>5. FINANCE COSTS</b>		
Mark up on long term finance	19,741	22,426
Mark up on running finance under		
mark up arrangements	6,685	45,840
Mark up on export re-finance	22,362	18,969
Mark up on money market loan	-	124
Mark up on finance lease	2,320	2,833
Mark up on other loans	89	3,748
Bank charges	7,773	5,350
	<u>58,970</u>	<u>99,290</u>

## 6. EARNINGS PER SHARE

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

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

Note	Nine months ended	
	March 31, 2012	March 31, 2011
	(Rupees in thousands)	

## 7 CASH FLOW FROM OPERATIONS

Profit before taxation	642,954	252,914
Adjustments of non-cash charges and other items		
Depreciation on property, plant and equipment	76,419	63,691
Amortisation of intangibles	7,499	12,781
Inventory written down	45,241	-
Deferred Liability - Retirement benefits	7,507	3,693
Finance cost	51,197	93,940
Gain on re-measurement of fair value of investment in mutual funds units	(11,197)	-
Gain on Sale of investments	(3,465)	-
Gain on disposal of property, plant and equipment	(1,447)	(5,231)
	171,754	168,874

Profit before working capital changes	814,708	421,788
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## EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (increase) in current assets		
Stores, spare parts and loose tools	815	(304)
Stock in trade	288,022	(136,032)
Trade debts	(11,902)	41,196
Advances	(20,529)	11,649
Deposits and prepayments	(3,824)	444
Other receivables	331	14,250
	252,913	(68,797)

Increase in current liabilities		
Trade and other payables	141,534	211,979
Due to the government	36,878	10,587
	178,412	222,566
	1,246,033	575,557

## 8 CASH AND CASH EQUIVALENTS

Cash and bank balances	133,698	8,690
Short term borrowings	(276,416)	(700,742)
	(142,718)	(692,052)

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

## 9. TRANSACTIONS WITH RELATED PARTIES

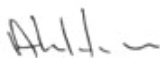
TRANSACTIONS WITH RELATED PARTIES		Nine months ended	
		March 31, 2012	March 31, 2011
Relationship with the Company	Nature of transaction	(Rupees in thousands)	
Associated Companies / Undertakings:	Reciprocal arrangements for sharing of services	480	1,072
	Sale of goods	677,147	536,554
	Purchase of goods	26,682	23,934
Staff retirement funds:	Expense charged for defined contribution plan	10,243	8,981
	Payments to retirement contribution plan	34,649	20,609
Key management compensation:			
	Salaries and other short-term employee benefits	54,612	56,398
	Post-employment benefits-Provident fund	2,372	2,404
	Post retirement benefits of Executive Directors	3,687	4,100

## 10. SEASONALITY

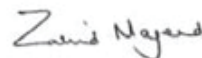
The company's business is subject to seasonal fluctuation, with demand of its products increasing in the months of Ramazan and two Eids. Therefore, revenues and profits are not necessarily indicative of results to be expected for the full year.

## 11. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information was authorised for issue on April 24, 2012 by the Board of Directors of the company.



Chief Executive



Director



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