



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

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**National**  
*Celebrating*  
A NATION OF FOOD  
*Connoisseurs*



THIRD  
QUARTERLY  
REPORT  
**2014**

# 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.

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	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



## External 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

## Principal Bankers

Bank Al-Habib Limited	Main Branch, Karachi. S.I.T.E. Branch, Karachi New Garden Town Branch, Lahore
Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
Bank Islami Pakistan Limited	S.I.T.E. Branch, Karachi
Dubai Islamic Bank Pakistan Limited	Clifton Branch, Karachi
Faysal Bank Limited	16, Abdullah Haroon 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
Meezan Bank Limited	M.T. Khan Road 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

## PLANT SITES

SITE Mailing Address:  
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

Mailing Address: A-13, North Western  
Industrial Zone, Bin Qasim, Karachi  
Landline # 021-3475-0373 – 7

## MURIDKE SALT PLANT

Mailing Address: 5-A/1, New Muslim Town, Lahore  
Factory Address: G.T. Road, Manooabad Meer  
Muridke.  
Landline # 042-798-1427, 798-0808  
Fax # (92-42) 798-1427, 798-0808

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

# Directors' Report To The Shareholders

FOR THE THIRD QUARTER ENDED MARCH 31, 2013

## Fellow Shareholders,

The Directors present the reviewed financial statements of the company for the Third Quarter ended March 31, 2014.

## Nine months (July 13 - March 14) Highlights:

- Underlying Sales Growth 10.5% (Q1: 5.4%, Q2: 7.6%, Q3: 20.4%) at PKR 6.7 billion
- Gross Margin sustained at 36%
- Earnings per share down to PKR 9.64 (July 12- March 13: PKR 11.35 )

## Summary of business performance:

Our business picked up the expected momentum yet again in the Third Quarter, recording a growth of 20.4%. This is a significant improvement over the first half of the year in which single digit growth was recorded. In a volatile and uncertain environment our key categories including Recipe Masala, Pickles and Jams and Jellies have helped accelerate the growth of our portfolio offering. We have successfully sustained our market position in the face of challenging external environmental pressures, unstable political conditions and deteriorating law and order. Gross Margin has been sustained at 36%, providing us fuel to invest in our brands.

During period under review, rising cost remained challenge for the business. Sharp hike in electricity tariff generally and increase in water costs in Port Qasim intensified cost pressure. To continue uninterrupted supply to our markets, we also incurred additional distribution costs during period where business was impacted by law and order situation.

With increasing competitive pressures to capture a share of the shrinking consumer wallet, we continued our pursuit of the same with renewed zeal and passion. During third quarter 2014, NFL became the first ever local food company to advertise its 60 second commercial in 3-D, engaging a wide range of cinema visiting audience. The launch of NFL Made Easy II web portal, containing a collection of delicious recipe videos was supported through digital and television advertisements. Furthermore, our mega campaigns including "Humare Khanay Humara Pyaar" and "National Ketchup Zaroori" were well received by our audience over the period.

Export operations will be a key catalyst in our future growth model; our progress in this area stands satisfactory. We have deployed human resources in some key market to facilitate better channel and distributor management. Moreover, our participation in the 2014 Gulf Foods Festival helped reinforce existing customer relationship and aided us in building new ones as well.

Operational superiority is vital to our success; driving cost and waste out of system and process simplification remains high on our agenda. These initiatives are now well embedded in our business model to deliver sustainable growth.

We realize the importance of having customer centric organization powered by right people in our organization to deliver sustainable growth for the business. We are building capability and leadership in our people and are attracting some of the best talent in the market place.

## Business Risks and Future Outlook:

Notwithstanding the daunting challenges, your company is committed to endeavoring and motivated to deliver optimum value by focusing on best product mix strategy of our legacy. In the wake of all challenges, we stand 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

## Condensed Interim Balance Sheet

AS AT MARCH 31, 2014

		(Unaudited) March 31, 2014	(Re-stated) (Audited) June 30, 2013
		(Rupees in thousand)	
<b>ASSETS</b>			
	Note		
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1,224,079	1,048,957
Intangibles		28,469	23,086
Long term investment		31,719	31,719
Long term deposits		24,512	11,696
		1,308,779	1,115,458
<b>Current Assets</b>			
Stores, spare parts and loose tools		5,124	5,185
Stock in trade		2,266,012	1,912,425
Trade debts		492,984	652,142
Advances		36,112	49,076
Trade deposits and prepayments		37,170	17,055
Other receivables		14,555	16,700
Investments	6	450,373	327,908
Taxation - Provision less payments		-	4,160
Cash and bank balances		163,043	154,583
		3,465,373	3,139,234
		4,774,152	4,254,692
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		518,034	414,427
Unappropriated profit		1,484,223	1,254,320
		2,002,257	1,668,747
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		121,969	116,358
Retirement benefits obligations		23,186	23,929
		145,155	140,287
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	1,332,855	1,331,561
Accrued interest / mark up		18,284	23,536
Short term borrowings		914,102	950,968
Taxation - Provision less payments		275,258	-
Due to the government - sales tax payable		86,241	139,593
		2,626,740	2,445,658
<b>COMMITMENTS</b>			
	8	-	-
		4,774,152	4,254,692

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

*A. Majeed*

Director

*Zain Majeed*

Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.

Condensed Interim Financial Information  
March 31, 2014

## Condensed Interim Profit and Loss Account

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

Note	Quarter ended		Nine months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	(Rupees in thousand)			
Net sales				
Local	1,866,412	1,567,852	6,009,982	5,531,339
Export	272,717	209,512	717,618	558,487
	2,139,129	1,777,364	6,727,600	6,089,826
Cost of sales	(1,412,374)	(1,173,220)	(4,306,201)	(3,904,957)
Gross profit	726,755	604,144	2,421,399	2,184,869
Distribution cost	(387,576)	(284,444)	(1,315,378)	(1,101,421)
Administrative expenses	(93,170)	(81,928)	(268,034)	(212,963)
Other operating expenses	(15,586)	(10,089)	(59,083)	(57,270)
	(496,332)	(376,461)	(1,642,495)	(1,371,654)
	230,423	227,683	778,904	813,215
Other operating income	(308)	11,074	47,336	53,235
Profit from operations	230,115	238,757	826,240	866,450
Finance costs	(23,471)	(23,160)	(67,719)	(55,493)
Profit before taxation	206,644	215,597	758,521	810,957
Taxation	(73,628)	(66,731)	(259,239)	(222,760)
Profit after taxation	133,016	148,866	499,282	588,197
Other comprehensive income	-	-	-	-
Total comprehensive income	133,016	148,866	499,282	588,197
Earnings per share - Rupees	2.57	2.87	9.64	11.35

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

*A. Majeed*

Director

*Zaini Majeed*

Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

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## Condensed Interim Cash Flow Statement

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

Note	March 31, 2014	March 31, 2013
		(Rupees in thousand)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	666,908	472,644
Finance cost paid	(72,971)	(52,542)
Net increase in long term deposits	(12,816)	(4,654)
Retirement benefit obligation	(3,811)	(4,111)
Income tax refund / (paid)	25,790	(113,590)
<b>Net cash inflow from operating activities</b>	<b>603,100</b>	<b>297,747</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(287,302)	(148,155)
Purchase of intangible assets	(10,653)	-
Sale proceeds from disposal of property, plant & equipment	6,310	9,915
Sale proceeds of open ended mutual fund units	-	315,946
Purchased of open ended mutual fund units	(100,000)	(360,000)
Investment in National Foods DMCC, Dubai UAE	-	(33,044)
<b>Net cash used in investing activities</b>	<b>(391,645)</b>	<b>(215,338)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(166,129)	(243,962)
Net increase/(decrease) in cash and cash equivalents	45,326	(161,553)
Cash and cash equivalents at the beginning of the period	(796,385)	(464,244)
Cash and cash equivalents at the end of the period	(751,059)	(625,797)

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

*A. Majeed*

Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

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*Zaini Majeed*

Director

## Condensed Interim Statement of Changes in Equity

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated profit	Total
(Rupees in thousand)			
<b>Balance as at June 30, 2012</b>	414,427	988,053	1,402,480
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(5,291)	(5,291)
Profit for the nine months ended March 31, 2013	-	588,197	588,197
<b>Balance as at March 31, 2013 (Re-stated)</b>	<b>414,427</b>	<b>1,570,959</b>	<b>1,985,386</b>
Profit for the three months ended June 30, 2013	-	85,054	85,054
Interim dividend for the year ended June 30, 2013 @ 3.50 per share	-	(145,050)	(145,050)
Final dividend for the year ended June 30, 2012 @ Rs. 6.00 per share	-	(248,656)	(248,656)
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(7,987)	(7,987)
<b>Balance as at June 30, 2013 (Re-stated)</b>	<b>414,427</b>	<b>1,254,320</b>	<b>1,668,747</b>
Profit for the nine months ended March 31, 2014	-	499,282	499,282
Final dividend for the year ended June 30, 2013 @ 4.00 per share	-	(165,772)	(165,772)
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-
<b>Balance as at March 31, 2014 (Re-stated)</b>	<b>518,034</b>	<b>1,484,223</b>	<b>2,002,257</b>

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

*A. Majeed*

Director

*Zain Majeed*

Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 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

2.1 The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards No. 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.

2.2 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, 2013.

### 3. ACCOUNTING POLICIES

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, 2013 except as described below.

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the company's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

Past service cost and amount arising as a result of remeasurements are recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

The change in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

Effects of this change in accounting policy have been summarized below:

	June 30, 2013	June 30, 2012
(Rupees in thousand)		
<b>Impact on Balance Sheet</b>		
Increase in retirement benefits - obligations	20,118	8,017
Decrease in deferred tax liability	6,840	2,726
Decrease in unappropriated profit	13,278	5,291
<b>Impact on Profit and Loss</b>		
Increase in profit before taxation	862	
Increase in taxation expense	293	
<b>Decrease in other comprehensive income - net of tax</b>	<b>8,556</b>	

The company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

#### 4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2013.

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, 2013.

#### 5. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited) March 31, 2014	Audited June 30, 2013
(Rupees in thousand)		
5.1 Operating assets at net book value	991,878	1,020,094
<b>Capital Work in Progress - at cost</b>		
Civil work in progress	4,040	6,937
Plant & machinery	129,302	3,722
Building	47,838	3,084
Advance against acquisition of Land	51,021	15,120
	<b>1,224,079</b>	<b>1,048,957</b>

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

#### 5.2 Additions & Disposals during the period

##### Additions

Leasehold land	35,326	-
Building on Leasehold land	5,764	2,956
Plant & machinery	20,147	28,273
Motor vehicles - Owned	3,267	1,897
Furniture & fittings	904	13,512
Computers	12,379	23,490
Others	6,620	10,103
	<b>84,407</b>	<b>80,231</b>

##### Disposals - Net Book Value

Building	1,979	-
Plant & Machinery	3,061	-
Furniture & Fixtures	8	-
Motor Vehicles	666	1,868
Computer equipment	194	153
	<b>5,908</b>	<b>2,021</b>

#### 6. INVESTMENTS - at fair value through profit or loss

These represent investment in open ended mutual funds (quoted). The details of investment are as follows:

HBL Money Market Fund	129,181	122,045
NAFA Money Market Fund	61,140	106,081
MCB Dynamic Cash Fund	53,286	50,000
MCB Dynamic Cash Optimizer	51,558	-
ABL Cash Fund	51,516	-
Primus Daily Reverse Fund	50,799	-
Askari Sovereign Yield Enhancer	52,893	49,782
	<b>450,373</b>	<b>327,908</b>

#### 7. TRADE AND OTHER PAYABLES

Creditors	233,126	276,969
Accrued liabilities	875,985	815,110
Workers' Profits Participation Fund	41,480	52,591
Workers' Welfare Fund	66,678	50,357
Advances from customers	41,603	40,231
Payable to provident fund	4,440	4,541
Security deposits from customers	1,398	1,397
Tax deducted at source	7,244	7,583
Due to related parties - directors	63	2,850
- others	130	40,053
Advances from employees against sale of vehicles	42,603	30,898
Unclaimed dividend	4,520	4,877
Other liabilities	13,585	4,104
	<b>1,332,855</b>	<b>1,331,561</b>



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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 8. COMMITMENTS

Aggregate commitments for capital expenditure as at March 31, 2014 amounted to Rs. 33 million (June 30, 2013 : Rs. 64.8 million)

### 9. EARNING PER SHARE

Profit after taxation attributable to ordinary shareholders

Weighted average number of shares in issue during the period

Earning per share - Rupees

	(Unaudited) March 31, 2014	(Unaudited) March 31, 2013
	(Rupees in thousand)	
	499,282	588,197
	51,803	51,803
	9.64	11.35

For the purpose of calculating earning per share, number of shares outstanding as at June 30, 2013 have been increased to reflect the bonus shares issued during the period.

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

### 10. CASH GENERATED FROM OPERATIONS

Profit before taxation

Adjustments for non-cash charges and other items

Depreciation on property, plant and equipment

Amortization on intangibles

Finance cost

Gain on disposal of property, plant and equipment

Bad Debt Expense

Open Ended mutual fund units

of investment in mutual fund units

Deferred Liability - Retirement benefits

Exchange gain

Working capital changes

note 10.1

Cash generated from operations

	(Unaudited) March 31, 2014	(Unaudited) March 31, 2013
	(Rupees in thousand)	
	758,521	810,957
	106,271	86,167
	5,270	2,018
	67,719	55,493
	(401)	(3,781)
	-	1,141
	(22,465)	(26,856)
	3,068	1,760
	(11,652)	-
	(239,423)	(454,255)
	(91,613)	(338,313)
	666,908	472,644

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 10.1 Effect on cash flow due to working capital changes (Increase) / Decrease in current assets

Stores, spares and loose tools

Stock in trade

Trade debts

Advances

Deposits and prepayments

Other receivables

Increase / (Decrease) in current liabilities

Trade and other payables

Due to the government

### 11. CASH AND CASH EQUIVALENTS

Cash and bank balances

Short term borrowings

	(Unaudited) March 31, 2014	(Unaudited) March 31, 2013
	(Rupees in thousand)	
	61	(437)
	(353,587)	(507,594)
	170,810	28,995
	12,964	(9,522)
	(20,115)	(329)
	2,145	3,493
	(187,722)	(485,394)
	1,651	32,446
	(53,352)	(1,307)
	(51,701)	31,139
	(239,423)	(454,255)
	163,043	173,351
	(914,102)	(799,148)
	(751,059)	(625,797)

### Nine Months Ended

	(Unaudited) March 31, 2014	(Unaudited) March 31, 2013
	(Rupees in thousand)	

### 12. TRANSACTIONS WITH RELATED PARTIES

Relationship with the Company

Nature of transaction

Subsidiary Company:  
Associated Companies /  
Undertakings:

Commission expense

Sale of goods

Reciprocal arrangements for  
sharing of services

Purchase of goods

Rent payment

Staff retirement funds:

Expense charged for  
defined contribution plan

Payments to retirement  
contribution plan

Directors:

Technical advisory services

**Key management personnel compensation:**

Salaries and other short-term employee benefits

Contribution to provident funds

Post retirement benefits of Executive Directors

	56,349	-
	541,958	687,808
	-	764
	32,329	31,552
	6,262	5,693
	16,465	12,609
	40,790	38,863
	10,800	8,500
	110,763	160,843
	4,471	4,209
	3,068	2,640

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 13. SEASONALITY

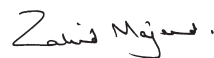
The company's business is subject to seasonal fluctuation, with demand of its products increasing in the months of Ramadan and two Eids. Therefore, revenues and profits are not necessarily indicative of results to be expected for the full year.

### 14. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on April 23, 2014 by the Board of Directors of the company.



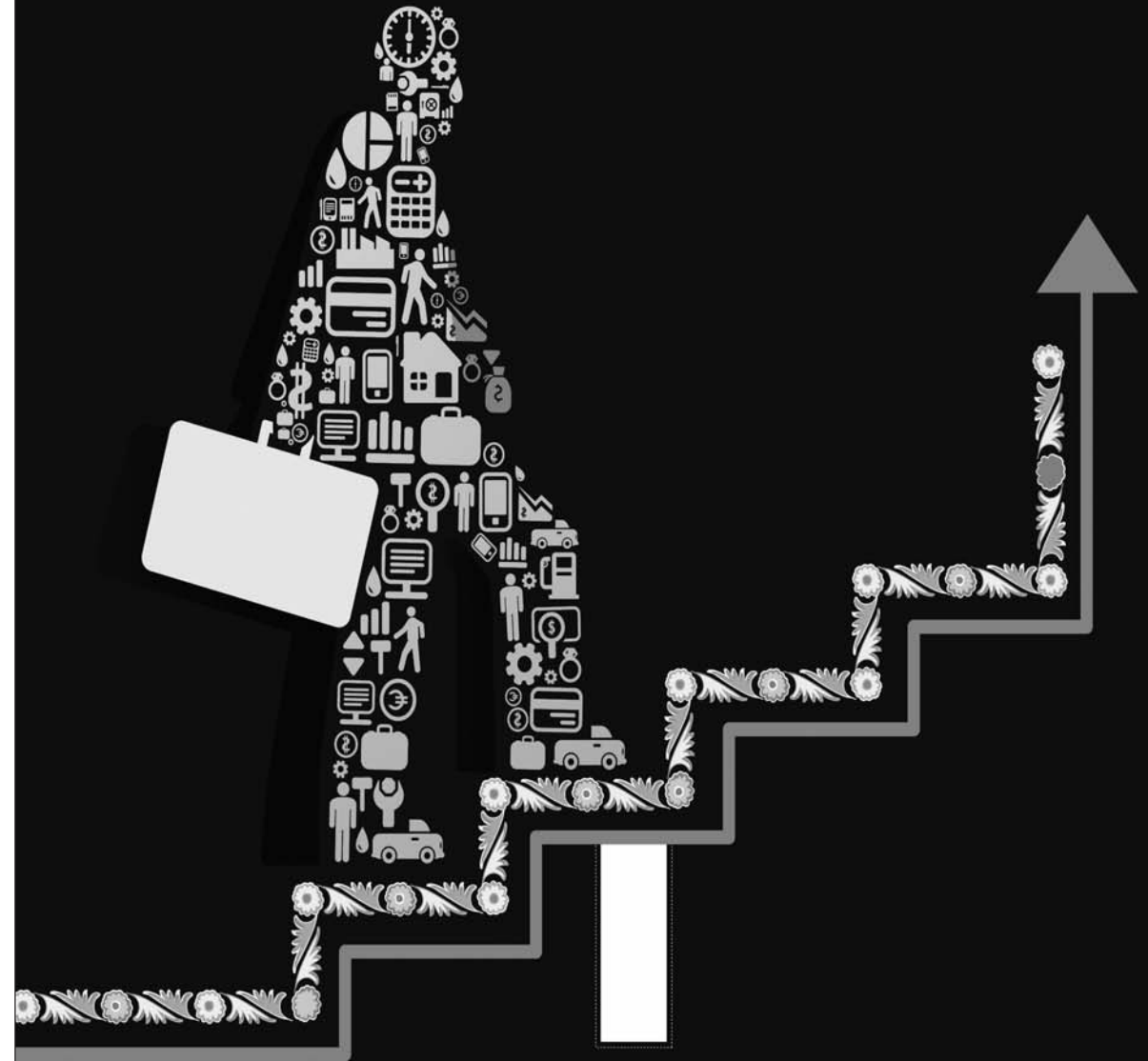
Director



Director

#### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.



Consolidated Condensed Interim Financial Information  
March 31, 2014

## Consolidated Condensed Interim Balance Sheet

AS AT MARCH 31, 2014

ASSETS	Note	(Unaudited)	(Re-stated)
		March 31, 2014	(Audited) June 30, 2013
(Rupees in thousand)			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1,224,079	1,048,957
Intangibles		28,469	23,086
Long term deposits		25,266	11,696
		<b>1,277,814</b>	1,083,739
<b>Current Assets</b>			
Stores, spare parts and loose tools		5,124	5,185
Stock in trade		2,266,012	1,912,425
Trade debts		493,898	652,142
Advances		36,423	49,110
Trade deposits and prepayments		37,170	17,816
Other receivables		14,555	15,489
Investments		450,373	327,908
Taxation - Provision less payments		-	4,160
Cash and bank balances		195,687	171,369
		<b>3,499,242</b>	3,155,604
		<b>4,777,056</b>	4,239,343
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		518,034	414,427
Unappropriated profit		1,510,172	1,260,240
Exchange revaluation reserve		(1,257)	33
		<b>2,026,949</b>	1,674,700
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		121,969	116,358
Retirement benefits obligations		23,186	23,929
		<b>145,155</b>	140,287
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,311,067	1,310,259
Accrued interest / mark up		18,284	23,536
Short term borrowings		914,102	950,968
Taxation - Provision less payments		275,258	-
Due to the government - sales tax payable		86,241	139,593
		<b>2,604,952</b>	2,424,356
<b>COMMITMENTS</b>	6	<b>4,777,056</b>	4,239,343

The annexed notes 1 to 12 form an integral part of this financial information.

*A. Majeed*

Director

*Zain Majeed*

Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.

## Consolidated Condensed Interim Profit and Loss Account

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

	Note	Quarter ended		Nine Months Ended	
		March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
(Rupees in thousand)					
Net sales					
Local		1,866,412	1,567,852	6,009,982	5,531,339
Export		272,717	209,512	717,618	558,487
		<b>2,139,129</b>	1,777,364	<b>6,727,600</b>	6,089,826
Cost of sales		(1,412,374)	(1,173,220)	(4,306,201)	(3,904,957)
Gross profit		<b>726,755</b>	604,144	<b>2,421,399</b>	2,184,869
Distribution cost		(380,828)	(284,444)	(1,294,618)	(1,101,421)
Administrative expenses		(93,170)	(81,928)	(268,034)	(212,963)
Other operating expenses		(15,586)	(10,089)	(59,083)	(57,270)
		<b>(489,584)</b>	(376,461)	<b>(1,621,735)</b>	(1,371,654)
Other income		(714)	11,074	46,878	53,235
Profit from operations		<b>236,457</b>	238,757	<b>846,542</b>	866,450
Finance costs		(23,560)	(23,160)	(67,992)	(55,493)
Profit before taxation		<b>212,897</b>	215,597	<b>778,550</b>	810,957
Taxation		(73,628)	(66,731)	(259,239)	(222,760)
Profit after taxation		<b>139,269</b>	148,866	<b>519,311</b>	588,197
Other comprehensive income		(4,216)	-	(1,290)	-
Total comprehensive income		<b>135,053</b>	148,866	<b>518,021</b>	588,197
Earnings per share - Rupees	7	<b>2.69</b>	2.87	<b>10.02</b>	11.35

The annexed notes 1 to 12 form an integral part of this financial information.

*A. Majeed*

Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.

*Zain Majeed*

Director

## Consolidated Condensed Interim Cash Flow Statement

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

Note	March 31, 2014	March 31, 2013	
	(Rupees in thousand)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	8	683,792	472,644
Finance cost paid		(73,244)	(52,542)
Income tax refund / (paid)		25,790	(113,590)
Retirement benefit obligation paid		(3,811)	(4,111)
Net increase in long term deposits		(13,570)	(4,654)
<b>Net cash from operating activities</b>		<b>618,957</b>	<b>297,747</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(287,302)	(148,155)
Sale proceeds on disposal of property, plant and equipment		6,310	9,915
Purchase of open ended mutual fund units		(100,000)	(360,000)
Sale proceeds of open ended mutual fund units		-	315,946
Investment in Subsidiary		-	(33,044)
Purchase of intangible assets		(10,653)	-
<b>Net cash used in investing activities</b>		<b>(391,645)</b>	<b>(215,338)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(166,129)	(243,962)
Net increase / (decrease) in cash and cash equivalents		61,184	(161,553)
Cash and cash equivalents at beginning of the period		(779,599)	(464,244)
Cash and cash equivalents at end of the period	9	<u>(718,415)</u>	<u>(625,797)</u>

The annexed notes 1 to 12 form an integral part of this financial information.

*A. Majeed*  
Director

*Zahid Majeed*  
Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.

## Consolidated Condensed Interim Statement of Changes in Equity

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated profit	Exchange Revaluation Reserve	Total
(Rupees in thousand)				
<b>Balance as at June 30, 2012 (Re-stated)</b>	414,427	988,053	-	1,402,480
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(5,291)	-	(5,291)
Profit for the Nine Months ended March 31, 2013	-	588,197	-	588,197
<b>Balance as at March 31, 2013 (Re-stated)</b>	<u>414,427</u>	<u>1,570,959</u>	<u>-</u>	<u>1,985,386</u>
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(7,987)	-	(7,987)
Interim dividend for the year ended June 30, 2012 @ Rs 3.5 per share	-	(145,050)	-	(145,050)
Final dividend for the year ended June 30, 2012 @ Rs 6 per share	-	(248,656)	-	(248,656)
Other comprehensive income for the year ended June 30, 2013	-	-	33	33
Profit for the Three Months ended June 30, 2013	-	90,974	-	90,974
<b>Balance as at June 30, 2013 (Re-stated)</b>	<u>414,427</u>	<u>1,260,240</u>	<u>33</u>	<u>1,674,700</u>
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-	-
Final dividend for the year ended June 30, 2013 @ Rs 4 per share	-	(165,772)	-	(165,772)
Other comprehensive income for the Nine Months ended March 31, 2014	-	-	(1,290)	(1,290)
Profit for the Nine Months ended March 31, 2014	-	519,311	-	519,311
<b>Balance as at March 31, 2014 (Re-stated)</b>	<u>518,034</u>	<u>1,510,172</u>	<u>(1,257)</u>	<u>2,026,949</u>

The annexed notes 1 to 12 form an integral part of this financial information.

*A. Majeed*  
Director

*Zahid Majeed*  
Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 1. THE GROUP AND ITS OPERATIONS

#### 1.1 The group consists of:

- i) National Foods Limited (the Parent Company)
- ii) National Foods DMCC (the Subsidiary Company)

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 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. 01 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.

#### 1.2 Basis of consolidation

The consolidated financial statements include the financial statements of National Foods Limited and National Foods DMCC, Dubai, UAE. 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

2.1 The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards No. 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.

2.2 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, 2013.

### 3. ACCOUNTING POLICIES

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 group for the year ended June 30, 2013 except as described below.

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognized in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the group's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

- Past service cost and amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Effects of this change in accounting policy have been summarised below:

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
<b>Impact on Balance Sheet</b>		
Increase in retirement benefits - obligations	<b>20,118</b>	8,017
Decrease in deferred tax liability	<b>6,840</b>	2,726
Decrease in unappropriated profit	<b>13,278</b>	5,291
<b>Impact on Profit and Loss</b>		
Increase in profit before taxation	<b>862</b>	
Increase in taxation expense	<b>293</b>	
<b>Decrease in other comprehensive income - net of tax</b>	<b>8,556</b>	

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

The group follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

### 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANGEMENT

The preparation of this 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 condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2013.

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, 2013.

### 5. PROPERTY, PLANT AND EQUIPMENT

#### 5.1 Operating assets - at net book value - Note 5.2

#### Capital work in progress - at cost

Civil work in progress  
Plant and machinery  
Building  
Advance against acquisition of land

	March 31, 2014	June 30, 2013
	(Rupees in thousand)	
	<b>991,878</b>	1,020,094
	<b>4,040</b>	6,937
	<b>129,302</b>	3,722
	<b>47,838</b>	3,084
	<b>51,021</b>	15,120
	<b>1,224,079</b>	1,048,957

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 5.2 Additions and Disposals during the period

#### Additions

Leasehold land  
Building on leasehold land  
Plant and machinery  
Motor vehicles - Owned  
Furniture and fittings  
Computers  
Others

#### Disposals - Net Book Value

Building  
Plant & Machinery  
Furniture & Fixtures  
Motor vehicles  
Computer equipment

Nine Months ended	
March 31, 2014	March 31, 2013
(Rupees in thousand)	
<b>35,326</b>	-
<b>5,764</b>	2,956
<b>20,147</b>	28,273
<b>3,267</b>	1,898
<b>904</b>	13,512
<b>12,379</b>	23,490
<b>6,620</b>	10,102
<b>84,407</b>	80,231
<b>1,979</b>	-
<b>3,061</b>	-
<b>8</b>	-
<b>666</b>	1,868
<b>194</b>	153
<b>5,908</b>	2,021

### 6. COMMITMENTS

Aggregate commitments for capital expenditure as at March 31, 2014 amounted to Rs 33 million (June 30, 2013: Rs 64.8 million).

### 7. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholder

Weighted average number of shares in issue during the period

Earnings per share - Rupees

Nine Months ended	
March 31, 2014	March 31, 2013
(Rupees in thousand)	
<b>519,311</b>	588,197
<b>51,803</b>	51,803
<b>10.02</b>	11.35

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

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 8. CASH GENERATED FROM OPERATIONS

	Nine Months ended	
	March 31, 2014	March 31, 2013
	(Rupees in thousand)	
Profit before taxation	778,550	810,957
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	106,271	86,167
Deferred liability - Retirement benefits	3,068	1,760
Amortisation of intangibles	5,270	2,018
Bad Debt Expense	-	1,141
Gain on re-measurement of fair value of open ended mutual fund units	(22,465)	(26,856)
Gain on disposal of property, plant and equipment	(401)	(3,781)
Unrealised foreign exchange gains - net	(1,290)	-
Exchange gain	(11,652)	-
Finance cost	67,992	55,493
	146,792	115,942
Profit before working capital changes	925,342	926,899
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	61	(437)
Stock in trade	(353,587)	(507,594)
Trade debts	169,896	28,995
Advances	12,687	(9,522)
Deposits and prepayments	(19,354)	(329)
Other receivables	934	3,493
	(189,363)	(485,394)
(Decrease) / increase in current liabilities		
Trade and other payables	1,165	32,446
Due to the government	(53,352)	(1,307)
Cash generated from operation	683,792	472,644
9. CASH AND CASH EQUIVALENTS		
Cash and bank balances	195,687	173,351
Short term borrowings	(914,102)	(799,148)
	(718,415)	(625,797)

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

FOR THE NINE MONTHS ENDED MARCH 31, 2014 - UNAUDITED

### 10. TRANSACTIONS WITH RELATED PARTIES

Relationship with the group	Nature of transactions	Nine Months ended	
		March 31, 2014	March 31, 2013
		(Rupees in thousand)	
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	-	764
	Sale of goods	541,958	687,808
	Purchase of goods	32,329	31,552
	Rent Payment	6,262	5,693
Staff retirement fund:	Expense charged for defined contribution plan	16,465	12,609
	Payments to retirement contribution plan	40,790	38,863
Directors	Technical advisory services	10,800	8,500
<b>Key management compensation:</b>			
	Salaries and other short-term employee benefits	110,763	160,843
	Contribution to Provident Fund	4,471	4,209
	Post retirement benefits of Executive Directors	3,068	2,640

### 11. SEASONALITY

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

### 12. DATE OF AUTHORISATION OF ISSUE

This consolidated Condensed interim financial information was authorized for issue by the Board of Directors of the group on April 23, 2014

*A. Majeed*  
Director

*Zainab Majeed*  
Director

### STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the chief executive is for the time being not in Pakistan, therefore, these financial statements have been signed by two directors as required under section 241(2) of the companies Ordinance, 1984.