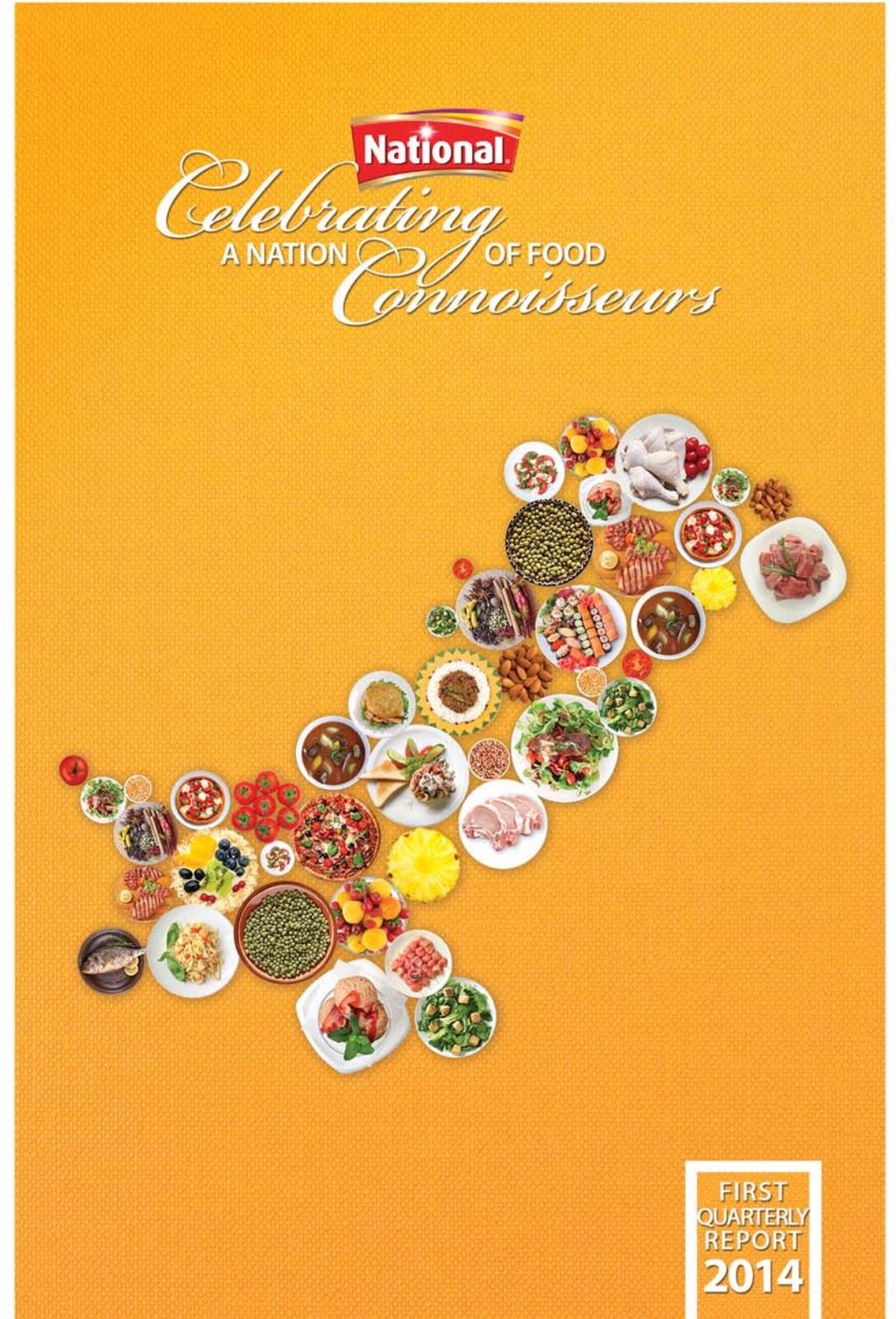




National Foods Limited
www.nfoods.com

Printed by HAGEEN UAN: 111-927-536



FIRST
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.

Contents

	DIRECTORS' REPORT 04	CONDENSED INTERIM PROFIT AND LOSS ACCOUNT 06	CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY 08	
COMPANY INFORMATION 02	CONDENSED INTERIM BALANCE SHEET 05	CONDENSED INTERIM STATEMENT OF CASH FLOWS 07	NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION 09	

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
Mrs. Tehmina Ali	General Manager Human Resources
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

Directors' Report To The Shareholders

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Fellow Shareholders,

The Directors present the reviewed financial statements of the company for the first quarter ended September 30, 2013.

First quarter Highlights:

- Underlying sales growth 5.4% at PKR 2.4 billion.
- Gross margin up 248 bps to 37.5%
- Earnings per share up 8.9% to PKR 5.25

Summary of business performance:

We continue to operate in a difficult business environment where deteriorating law and order situation, high inflation, weakening rupee, counterfeits and energy shortages test the resilience of the business and its people. However, despite such challenges, we delivered 5.4% sales growth with an improvement in Gross margin by 248 bps. Our focus on gross margin is clearly delivering the desired results as we are improving sales mix and continue to apply a rigorous approach to supply chain costs and savings. Cost rationalization initiatives across the entire spectrum of business will continue to remain our priority. Whilst the operating profit remained flat but this is on account of increased investment in our brands, as we supported our key categories before Eid to reinforce the excitement. The highlight of this quarter was "National Ka Pakistan" and TVC "Ketchup Zaroori Hai" as well as launch of Recipe "Cook Book". The National Foods Corporate video launched around 14th August, 2013 is our humble attempt to portray our softer image of Pakistan. We have taken several steps to realize the potential of rural markets through our Region specific campaign. We are confident that these brand building and activation measures will deliver better results and our future growth is contingent upon such investments.

Progress on development of Export business is on track. After establishing a subsidiary in Dubai we are now making good progress in setting up other offices overseas. We are exploring new markets as expansion in International market remains an important cornerstone towards the realization of our vision to become a 50 billion business by 2020.

Operational Excellence remains our priority as we are continuously striving to simplify our processes, accelerate the deployment of innovations in the market and leverage the full scale benefits of SAP. Our progress in this respect has remained satisfactory in the quarter.

Business Risks and Future Outlook:

NFL is on track in its ambitious pursuit of 20/20 vision. We expect the uncertainty in current local and Global environment to continue in the near future. However, the business is fully equipped to deal with these challenges and we will continue to invest, innovate and stand committed to creating value for our stakeholders.



A. Majeed
Chairman

Karachi
October 22, 2013

Condensed Interim Balance Sheet

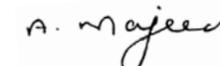
AS AT SEPTEMBER 30, 2013

	Note	(Unaudited) September 30, 2013	Audited June 30, 2013
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	1,163,744	1,048,957
Intangibles		23,607	23,086
Long term investment		31,719	31,719
Long term deposits		11,696	11,696
		1,230,766	1,115,458
CURRENT ASSETS			
Stores, spare parts and loose tools		5,843	5,185
Stock in trade		1,759,874	1,912,425
Trade debts		550,229	652,142
Advances		69,724	49,076
Trade deposits and prepayments		30,964	17,055
Other receivables		34,000	16,700
Investments	3	333,746	327,908
Taxation - Provision less payments		-	4,160
Cash and bank balances		399,185	154,583
		3,183,565	3,139,234
		4,414,331	4,254,692
SHARE CAPITAL AND RESERVES			
Authorized capital 75,000,000 Ordinary Shares of Rs. 10 each		750,000	750,000
Issued, subscribed and paid-up capital		414,427	414,427
Unappropriated profit		1,485,191	1,267,598
		1,899,618	1,682,025
NON-CURRENT LIABILITIES			
Deferred tax		123,198	123,198
Retirement benefits obligations		4,531	3,811
		127,729	127,009
CURRENT LIABILITIES			
Trade and other payables	4	1,190,255	1,331,561
Accrued interest / mark up		18,848	23,536
Short term borrowings		838,227	950,968
Taxation - Provision less payments		206,092	-
Due to the government - sales tax payable		133,562	139,593
		2,386,984	2,445,658
COMMITMENTS			
	5	-	-
		4,414,331	4,254,692

The annexed notes 1 to 13 form an integral part of this condensed interim financial information



Chief Executive



Chairman

Condensed Interim Profit and Loss Account

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	(Unaudited) September 30, 2013	(Unaudited) September 30, 2012
(Rupees in thousand)			
Net sales			
Local		2,284,710	2,172,798
Export		190,692	176,221
		2,475,402	2,349,019
Cost of sales		1,540,131	1,519,830
Gross profit		935,271	829,189
Distribution cost		506,024	402,188
Administrative expenses		79,663	70,256
Other operating expenses		22,592	29,390
		608,279	501,834
		326,992	327,355
Other operating income		27,723	20,107
Profit from operations		354,715	347,462
Finance cost	6	24,081	18,326
Profit before taxation		330,634	329,136
Taxation		113,041	129,314
Profit after taxation		217,593	199,822
Earnings per share	7	5.25	4.82

The annexed notes 1 to 13 form an integral part of this condensed interim financial information



Chief Executive



Chairman

Condensed Interim Statement of Cash Flows

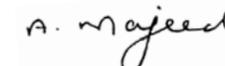
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Note	(Unaudited) September 30, 2013	(Unaudited) September 30, 2012
(Rupees in thousand)			
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	8	445,070	606,495
Finance cost paid		(28,769)	(16,247)
Income tax paid		97,210	(43,626)
Net cash inflow from operating activities		513,511	546,622
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(158,851)	(39,437)
Purchase of intangible assets		-	-
Sale proceeds from disposal of property, plant and equipment		2,683	10,583
Purchase of open ended mutual fund units		-	(160,000)
Net cash used in investing activities		(156,168)	(188,854)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		-	(8)
Net cash used in financing activities		-	(8)
Net increase/(decrease) in cash and cash equivalents		357,343	357,760
Cash and cash equivalents at the beginning of the period		(796,385)	(464,244)
Cash and cash equivalents at the end of the period	9	(439,042)	(106,484)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information



Chief Executive



Chairman

Condensed Interim Statement of Changes in Equity

FOR THE QUARTER ENDED SEPTEMBER 30, 2013 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated Profit	Total
	(Rupees in thousand)		
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 three months ended September 30, 2012	-	199,822	199,822
Balance as at September 30, 2012	414,427	939,219	1,353,646
Profit for the nine months ended June 30, 2013	-	473,429	473,429
Balance as at June 30, 2013	414,427	1,412,648	1,827,075
Interim dividend for the year ended June 30, 2013 @ 3.50 per share	-	(145,050)	(145,050)
Profit for the three months ended September 30, 2013	-	217,593	217,593
Balance as at September 30, 2013	414,427	1,485,191	1,899,618

The annexed notes 1 to 13 form an integral part of this condensed interim financial information



Chief Executive



Chairman

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2013 - UNAUDITED

1. BASIS OF PREPARATION

- This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standards (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. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 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.
- 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.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Operating assets - at net book value - Note 2.2

Capital Work in Progress - at cost

Civil work in progress	3,833	6,937
Plant & machinery	99,986	3,722
Advances to suppliers	15,120	-
Office equipment	-	-
Building	7,016	3,084
Computer software	975	-
Advance against acquisition of Land	35,000	15,120
	1,163,744	1,048,957

2.2 Additions & Disposals during the period

Additions

Plant & machinery	1,178	8,723
Office equipment	1,015	837
Laboratory equipment	2,639	-
Furniture & fittings	74	116
Motor vehicles	15,437	11,152
Computers	3,533	3,500
	23,876	24,328

Disposals - Net Book Value

Motor Vehicles	67	1,986
Computers	130	826
	197	2,812

(Unaudited) September 30, 2013	(Audited) June 30, 2013
(Rupees in thousand)	
1,001,814	1,020,094

(Unaudited) September 30, 2013	(Unaudited) September 30, 2012
(Rupees in thousand)	
1,178	8,723
1,015	837
2,639	-
74	116
15,437	11,152
3,533	3,500
23,876	24,328
67	1,986
130	826
197	2,812

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2013 - UNAUDITED

	(Unaudited) September 30, 2013	(Audited) June 30, 2013
(Rupees in thousand)		
3. 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	124,150	122,045
NAFA Money Market Fund	108,010	106,081
MCB Dynamic Cash Fund	50,883	50,000
Askari Sovereign Yield Enhancer	50,703	49,782
	<u>333,746</u>	<u>327,908</u>
4. TRADE AND OTHER PAYABLES		
Creditors	278,252	276,969
Accrued liabilities	748,764	815,110
Workers' Profits Participation Fund	15,104	52,591
Workers' Welfare Fund	56,940	50,357
Advances from customers	31,544	40,231
Payable to provident fund	4,480	4,541
Security deposits from customers	1,398	1,397
Tax deducted at source	12,506	7,583
Due to related parties - directors	3	2,850
- others	-	40,053
Advances from employees against sale of vehicles	32,057	30,898
Unclaimed dividend	4,877	4,877
Other liabilities	4,330	4,104
	<u>1,190,255</u>	<u>1,331,561</u>

5. COMMITMENTS

Aggregate commitments for capital expenditure as at September 30, 2013 amounted to Rs. Nil (June 30, 2013 : Rs. 75 million)

	(Unaudited) September 30, 2013	(Unaudited) September 30, 2012
(Rupees in thousand)		
6. FINANCE COSTS		
Mark up on running finance under mark up arrangements	9,839	5,812
Mark up on export re-finance	9,003	7,625
Mark up on other loan	1,424	810
Mark up on finance lease	2,226	1,241
Bank charges	1,589	2,838
	<u>24,081</u>	<u>18,326</u>

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2013 - UNAUDITED

7. EARNING PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at September 30, 2012 and 2013.

	(Unaudited) September 30, 2013	(Unaudited) September 30, 2012
(Rupees in thousand)		
8. CASH FLOW FROM OPERATIONS		
Profit before taxation	330,634	329,136
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	41,963	28,759
Amortization on intangibles	1,384	702
Finance cost	24,081	15,488
Gain on disposal of property, plant and equipment	(2,486)	(1,212)
Gain on re-measurement of fair value of investment in mutual fund units	(5,838)	(9,807)
Deferred Liability - Retirement benefits	720	5,073
Exchange gain	(14,841)	-
Working capital changes	69,453	238,356
	<u>114,436</u>	<u>277,359</u>
Cash generated from operations	<u>445,070</u>	<u>606,495</u>
8.1 Effect on cash flow due to working capital changes		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(658)	(606)
Stock in trade	152,551	84,842
Trade debts	101,913	(28,328)
Advances	(20,648)	(21,246)
Deposits and prepayments	(13,909)	(1,611)
Other receivables	(2,459)	(934)
	<u>216,790</u>	<u>32,117</u>
Increase / (Decrease) in current liabilities		
Trade and other payables	(141,306)	186,427
Due to the government	(6,031)	19,812
	<u>(147,337)</u>	<u>206,239</u>
	<u>69,453</u>	<u>238,356</u>
9. CASH AND CASH EQUIVALENTS		
Cash and bank balances	399,185	351,087
Short term borrowings	(838,227)	(457,571)
	<u>(439,042)</u>	<u>(106,484)</u>

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

FOR THE QUARTER ENDED SEPTEMBER 30, 2013 - UNAUDITED

		(Unaudited) September 30, 2013	(Unaudited) September 30, 2012
		(Rupees in thousand)	
10.	TRANSACTIONS WITH RELATED PARTIES		
	Relationship with the Company	Nature of transaction	
	Subsidiary Company:	Commission expense	15,239
	Associated Companies / Undertakings:	Sale of goods	218,457
		Reciprocal arrangements for sharing of services	-
		Purchase of goods	8,475
		Rent charges paid/payable	2,087
	Staff retirement funds:	Expense charged for defined contribution plan	5,331
		Payments to retirement contribution plan	14,798
	Directors:	Technical advisory services	3,600
	Key management personnel compensation:		
	Salaries and other short-term employee benefits		31,599
	Retirement benefits		720
			116,262
			960

11. DIVIDEND

The Board of Directors in its meeting held on September 06, 2013 proposed a cash dividend for the year ended June 30, 2013 of Rs. 4 per share amounting to Rs. 165.77 million (2012: cash dividend of Rs. 6 per share amounting to Rs. 248.66 million) and proposed a transfer of Rs. 103.61 million from 'Unappropriated profit' to "reserve for bonus shares" (2012: Nil) for issuance of 2.5 bonus shares for every 10 shares held (2012: Nil) subject to the approval of the company in the annual general meeting to be held on October 22, 2013.

12. 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.

13. DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on October 22, 2013 by the Board of Directors of the company.



Chief Executive



Chairman