



Annual Report 09

year
of
change...



1st Quarterly Report
2009-10

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“change in all
things is sweet.”
Aristotle.



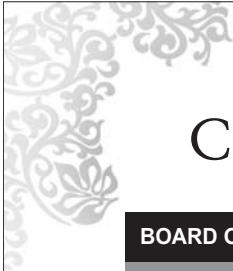
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NATIONAL FOODS LIMITED



COMPANY INFORMATION

BOARD OF DIRECTORS	
Mr. Abdul Majeed Mr. Abrar Hasan Mr. Waqar Hasan Mr. Khawaja Munir Mashooqullah Mr. Zahid Majeed Mr. Ebrahim Qassim Mr. Iqbal Alimohamed	Chairman Managing Director / Chief Executive Director Director Director Director Director
AUDIT COMMITTEE	
Mr. Waqar Hasan Mr. Ebrahim Qassim Mr. Zahid Majeed	Chairman Member Member
COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE	
Mr. Fayyaz Abdul Ghaffar	
CHIEF FINANCIAL OFFICER	
Mr. Muhammad Kashif Iqbal	
INTERNAL AUDITORS	
Messrs. Ford Rhodes Sidat Hyder & Co.	Chartered Accountants
COMPANY MANAGEMENT	
Mr. Abrar Hasan Mr. Shakaib Arif Mr. Kamran Khan Mr. Waqas Abrar Khan	Managing Director / Chief Executive Chief Operating Officer Chief Commercial Officer General Manager Human Resource

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AUDITORS	
A. F. Ferguson & Co.	Chartered Accountants State Life Building, 1-C, I.I. Chundrigar Road, Karachi
SHARE REGISTRATION OFFICE	
Noble Computer Services (Pvt.) Limited	Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah C.H. Society, Main Shahrah-e-Faisal, Karachi-75350. PABX: (92-21) 34325482-87 Fax: (92-21) 34325442
PRINCIPAL BANKERS	
Bank Al-Habib Limited	I.I. Chundrigar Road Branch, Karachi S.I.T.E Branch, Karachi New Garden Town Branch, Lahore
Royal Bank of Scotland (RBS) (Formerly ABN AMRO Bank)	16, Abdullah Haroon Road, Karachi
MCB Bank Limited	Shaheen Complex Branch, Karachi
United Bank Limited	I.I. Chundrigar Road, Karachi
Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
Barclays Bank Plc, Pakistan	Dawood Centre, M.T. Khan 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: 35662687, 35670540, 35670585, 35670793 & 35672268 Fax: 35684870



FIRST QUARTERLY REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of National Foods Limited, I am pleased to present to you the unaudited financial statements of the first quarter ended September 30, 2009 along with certain performance indicators thereof. These financial statements are submitted in accordance with the Section 245 of the Companies Ordinance, 1984.

SUMMARY

Summary of the results are presented below:

	Jul 2009 to Sep 2009	Jul 2008 to Sep 2008	Growth	% of Net Sales		
				Jul-Sep 2009-10	2008-09	Variance (+/-)
Top Line Growth						
Corporate Sales						
Gross sales	1,558,015	1,363,938	14.23%			
Net sales	1,148,358	1,030,789	11.41%			
Local sales						
Gross sales	1,469,455	1,333,200	10.22%			
Net sales	1,059,798	1,000,051	5.97%			
Export sales						
Gross sales	88,560	30,738	188.11%			
Net sales	88,560	30,738	188.11%			
Gross Profit	353,611	323,814	9.20%	30.79%	31.41%	(0.62%)
Bottom Line Growth						
Operating profit	63,879	127,796	(50.01%)	5.56%	12.04%	(6.84%)
Other income	2,751	5,810	(52.65%)	0.24%	0.56%	(0.32%)
Pre-tax profit	43,419	109,074	(60.19%)	3.78%	10.58%	(6.80%)
Net profit	29,419	68,891	(57.30%)	2.56%	6.68%	(4.12%)
Expense control						
Selling expenses	72,006	48,902	47.25%	6.27%	4.74%	1.53%
Cartage and freight & forwarding	42,707	29,968	42.51%	3.72%	2.91%	0.81%
Advertising and sales promo	134,539	73,613	82.77%	11.72%	7.14%	4.58%
Administrative expenses	38,631	40,443	(4.48%)	3.36%	3.92%	(0.56%)
Other operating expenses	4,600	8,902	(48.33%)	0.40%	0.86%	(0.46%)
Financial expenses	20,460	18,722	9.28%	1.78%	1.82%	(0.04%)

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OPERATING RESULTS

The company has now completed its new packaging launch which started in the last fiscal year and is now focusing on brand building and promotional activities by aggressively advertising the brand in all media segments. This has coincided with the ongoing seasonal sales and as part of strategy, the marketing spends have been higher in the first quarter compared to last year and this trend will further continue into the second quarter as well.

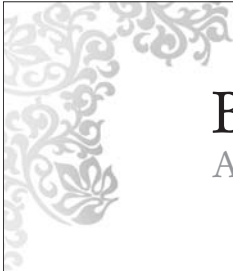
The heavy marketing spends have resulted in a depressed bottom line figure compared to the first quarter results of last year, however the second half of the year will see comparatively lesser spends and the company is expected to achieve its budgetary profit and revenue targets as planned.

FUTURE OUTLOOK

In line with our vision 2020 objectives, the first phase of rejuvenating the brand and enhancing the packaging is complete. The management has now developed concrete execution plans for brand and category diversification for the next decade which will help us achieve our objectives towards vision 2020. Quality and speed of execution is extremely important in helping us achieve our vision to become a Rs 50 billion company. This will largely depend on an organizational infrastructure consisting of excellent human resources. A major human resource capacity building exercise is being carried out at the moment to structure and address these needs.

We are definitely on track to meet our goals and we recognize that there could be continued challenges to our business as a result of the turbulent global economy. We however believe our strong consumer focus; with continued innovative offerings will help our strong management team in accomplishing its goals.

Abrar Hasan
Chief Executive



BALANCE SHEET

AS AT SEPTEMBER 30, 2009

	Note	(Un-audited) Sep 30, 2009	(Audited) Jun 30, 2009
(Rupees in thousand)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	614,356	614,004
Intangibles		31,514	35,668
Long term deposits		5,150	5,163
		651,020	654,835
Current Assets			
Stores, spare parts and loose tools		5,856	5,432
Stock in trade		859,597	846,977
Trade debts		303,746	274,556
Advances		20,898	29,044
Trade deposits and prepayments		13,344	6,660
Other receivables		3,049	2,632
Tax refunds due from / adjustable with the government		88,275	76,435
Cash and bank balances		27,477	15,205
		1,322,242	1,256,941
		1,973,262	1,911,776
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		331,542	331,542
Unappropriated profit		353,263	323,844
		684,805	655,386
NON-CURRENT LIABILITIES			
Long term financing		50,000	60,000
Liabilities against assets subject to finance lease		6,370	13,700
Deferred tax		59,999	59,999
Retirement benefits obligations	6.2	6,780	6,780
		123,149	140,479
CURRENT LIABILITIES			
Trade and other payables		538,021	460,626
Accrued interest / mark up		15,734	17,764
Short term borrowings		432,157	485,536
Current portion of:			
Long term financing		40,000	40,000
Liabilities against assets subject to finance lease		12,769	12,510
Provision for income tax		96,000	82,000
Due to the government		30,627	17,475
		1,165,308	1,115,911
COMMITMENTS			
	3		
		1,973,262	1,911,776

The annexed notes 1 to 9 form an integral part of these financial statements.

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Abrar Hasan
Chief Executive


Zahid Majeed
Director

PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Note	Sep 30, 2009	Sep 30, 2008
(Rupees in thousand)			
Net sales			
Local		1,059,798	1,000,051
Export		88,560	30,738
		1,148,358	1,030,789
Cost of sales		794,747	706,975
Gross profit		353,611	323,814
Operating expenses			
Distribution cost		249,252	152,483
Administrative expenses		38,631	40,443
Other operating expenses		4,600	8,902
		292,483	201,828
		61,128	121,986
Other income		2,751	5,810
Profit from operations		63,879	127,796
Finance cost		20,460	18,722
Profit before taxation		43,419	109,074
Taxation		14,000	40,183
Profit after taxation		29,419	68,891
Earnings per share - Basic and diluted - Rupees	7	0.89	2.08

The annexed notes 1 to 9 form an integral part of these financial statements.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

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CASH FLOW STATEMENT

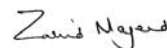
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 (UNAUDITED)

	Note	Sep 30, 2009	Sep 30, 2008
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	4	139,313	199,656
Finance cost paid		(21,064)	(11,663)
Income tax paid		(11,840)	(11,430)
Net cash inflow from operating activities		106,409	176,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(23,700)	(38,600)
Long term deposits - Net		13	(937)
Net cash used in investing activities		(23,687)	(39,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - Net		(10,000)	(10,000)
Liability against assets subject to finance lease - Net		(7,071)	(3,393)
Dividend paid		-	(173)
Net cash used in financing activities		(17,071)	(13,566)
Net increase in cash and cash equivalents		65,651	123,460
Cash and cash equivalents at the beginning of the period		(470,331)	(522,845)
Cash and cash equivalents at the end of the period	5	<u>(404,680)</u>	<u>(399,385)</u>

The annexed notes 1 to 9 form an integral part of these financial statements.

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Abrar Hasan
Chief Executive


Zahid Majeed
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2009 (UNAUDITED)

	Issued subscribed and paid up capital	Capital reserve		Unappropriated profit	Total
		Share premium	Bonus share		
	(Rupees in thousand)				
Balance as at June 30, 2008	55,257	6,102	-	454,566	515,925
Transfer to bonus share reserve June 30, 2008 (5 share for every 1 share held)	-	(6,102)	276,285	(270,183)	-
Profit for the three months ended September 30, 2008	-	-	-	68,891	68,891
Balance as at September 30, 2008	55,257	-	276,285	253,274	584,816
Balance as at June 30, 2009	331,542	-	-	323,844	655,386
Profit for the three months ended September 30, 2009	-	-	-	29,419	29,419
Balance as at September 30, 2009	331,542	-	-	353,263	684,805

The annexed notes 1 to 9 form an integral part of these financial statements.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

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SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2009 (UNAUDITED)

1. BASIS FOR PREPARATION

- 1.1 These financial statements have been prepared in accordance with the requirements of International Accounting Standard No. 34, Interim Financial Reporting and are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2 The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2009.

**Sep 30,
2009** **Jun 30,
2009**

(Rupees in thousand)

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Operating Assets	542,475	565,799
Capital work in progress - at Cost		
Civil work in progress	16,530	5,341
Plant & machinery	22,671	8,737
Advance against acquisition of land	27,417	27,417
Advance to suppliers	-	4,296
Vehicles pending delivery	1,260	897
Computer software	4,003	1,517
	<hr/> 614,356 <hr/>	<hr/> 614,004 <hr/>

**Sep 30,
2009** **Sep 30,
2008**

(Rupees in thousand)

2.2 Additions during the period

Building	-	972
Plant and machinery	565	2,844
Furniture and fixtures	10	1,587
Motor vehicles	427	986
Office and other equipments	1,587	143
Computers	723	1,327
	<hr/> 3,312 <hr/>	<hr/> 7,859 <hr/>

3. COMMITMENTS

- 3.1 Aggregate commitments for capital expenditure amounted to Rs 30.39 million (June 30, 2009: Rs 4.14 million).

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Sep 30, 2009 Sep 30, 2008
(Rupees in thousand)

4. CASH FLOW FROM OPERATIONS

Profit before taxation	43,419	109,074
Adjustments of non-cash charges and other items		
Depreciation / Amortisation on fixed assets	27,502	17,166
Finance cost	19,034	17,572
Retirement benefits	6,780	8,971
	53,316	43,709
Profit before working capital changes	96,735	152,783

EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHARGES

(Increase) / Decrease in current assets		
Stores, spares parts and loose tools	(424)	2,223
Stock in trade	(12,620)	(45,057)
Trade debts	(29,190)	(67,633)
Advances	8,146	(3,443)
Trade deposits and prepayments	(6,684)	(1,772)
Other receivables	(417)	(644)
	(41,189)	(116,326)
Increase in current liabilities		
Trade and other payables	70,615	139,551
Due to the government	13,152	23,648
	83,767	163,199
	139,313	199,656

5. CASH AND CASH EQUIVALENTS

Cash and bank balances	27,477	23,583
Short term borrowings	(432,157)	(422,968)
	(404,680)	(399,385)

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Sep 30, 2009 **Sep 30, 2008**
(Rupees in thousand)

6. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transaction		
Associated companies / Undertakings:	Sale of goods	198,714	199,396
	Purchase of goods	3,353	-
	Reciprocal arrangements for sharing of services	955	652
Staff retirement funds:	Expense charged for retirement benefits	2,675	1,841
	Payment to retirement benefit plans	8,298	7,261
Key management compensation:			
	Salaries and other short-term employee benefits	16,856	13,727
	Post-employment benefits - Provident fund	932	520
	Post retirement benefits of Executive Directors - note 6.2	-	8,971

6.1 The related party status of outstanding balances as at September 30, 2009 is included in trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

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

7. EARNINGS PER SHARE

There were no convertible dilutive potential ordinary shares in issue as at September 30, 2008 and 2009.

For the purposes of calculating earnings per share, number of shares outstanding as at September 30, 2008 have been increased to reflect the bonus shares issued during the period.

8. CORRESPONDING FIGURES

The following prior year figure has been reclassified for the purpose of better presentation and comparison. Change made during the period is as follows:

Reclassification from component	Reclassification to component	Amount (Rupees in thousand)
Trade and other payables	Retirement benefits	8,971

9. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on October 22, 2009 by the Board of Directors of the company.

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Abrar Hasan
Chief Executive


Zahid Majeed
Director





National Foods Limited
www.nfoods.com



As part of National Foods' sustainability strategy,
this report has been printed on recycled paper to help save the environment.