



3RD

QUARTERLY  
REPORT  
2007-08



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# COMPANY INFORMATION

## BOARD OF DIRECTORS

Mr. Abdul Majeed  
Mr. Abrar Hasan  
Mr. Waqar Hasan  
Mr. Khawaja Munir Mashooqullah  
Mr. Zahid Majeed  
Mr. Ebrahim Qasim  
Mr. Iqbal Alimohamed

Chairman  
Managing Director / Chief Executive  
Director  
Director  
Director  
Director  
Director

## AUDIT COMMITTEE

Mr. Waqar Hasan  
Mr. Ebrahim Qasim  
Mr. Zahid Majeed  
Mr. Fayyaz Abdul Ghaffar

Chairman  
Member  
Member  
Secretary

## COMPANY SECRETARY

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  
Mr. Zaheer Ahmed  
Mr. M. Azher Ali  
Mr. Saleem Khilji  
Mr. Muhammad Iqbal  
Mr. Arif Shaikh  
Mr. Zahid Marghoob Shiekh  
Mr. Muhammad Kashif Iqbal

Managing Director / Chief Executive  
Chief Operating Officer  
Chief Commercial Officer  
General Manager Human Resource  
General Manager Sales  
Sr. Business Unit Manager – PQ Plant  
Business Unit Manager – SITE Plant  
Manager Supply Chain and Planning  
Head of Quality, Research & Development  
Head of Information Technology  
Head of Finance

## 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  
Block-4, Federal B. Area, Karachi-75950

2nd Floor, Sohni Centre, BS 5 & 6 Karimabad,  
Phone: 6801880 -82 (3 Lines) Fax: 6801129  
Email: nsl@noble-computers.com

## PRINCIPAL BANKERS

Bank AL-Habib Limited

I.I. Chundrigar Road Branch, Karachi  
S.I.T.E Branch, Karachi  
New Garden Town Branch, Lahore.

ABN AMRO Bank N.V.

Abdullah Haroon Road, Karachi

Muslim Commercial Bank

Clifton Corporate Branch, Karachi  
Shaheen Complex Branch, Karachi

Habib Bank Limited

Hub River Road Branch, Karachi

Citibank N.V.

SITE Branch, Karachi

## REGISTERED OFFICE

12/CL-6, Claremont Road, Civil Lines,  
Karachi 75530 P.O.Box No. 15509  
Phone: 5662687, 5670540, 5670585,  
5670793 & 5672268 Fax: 5684870

# NINE MONTHLY REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of National Foods Limited, I am pleased to present the un-audited accounts and main performance indicators for the nine months ended March 31, 2008.

The top line performances are healthy but the inflation has had an impact as previously estimated on the Gross profit levels. On the other hand, the decline in Gross Profit has been offset by reduction in various fixed costs thus resulting in a healthy bottom line.

The highlights of the financial performance are presented below:

	Jul 2007 to Mar 2008	Jul 2006 to Mar 2007	Growth	% of Net Sales		
				2008	Jul-Mar 2007	Variance (+/-)
<b>Top Line Growth</b>						
<b>Corporate Sales</b>						
Gross sales	3,005,567	2,464,083	21.98%			
Net sales	2,222,570	1,861,678	19.39%			
<b>Local sales</b>						
Gross sales	2,775,565	2,278,006	21.84%			
Net sales	1,998,453	1,675,601	19.27%			
<b>Export sales</b>						
Gross sales	230,002	186,077	23.61%			
Net sales	224,117	186,077	20.44%			
<b>Gross Profit</b>	731,512	651,073	12.35%	32.91%	34.97%	(2.06%)
<b>Bottom Line Growth</b>						
Operating profit	172,551	138,343	24.73%	7.76%	7.43%	0.33%
Other income	6,122	8,772	(30.21%)	0.28%	0.47%	(0.19%)
Pre-tax profit	137,744	104,226	32.16%	6.20%	5.60%	0.60%
Net profit	95,230	70,435	35.20%	4.28%	3.78%	0.50%
<b>Expense Control</b>						
Selling expenses	214,794	183,455	17.08%	9.66%	9.85%	(0.19%)
Advertising and sales promo	257,076	264,568	(2.83%)	11.57%	14.21%	(2.64%)
Administrative expenses	84,742	64,875	30.62%	3.81%	3.48%	0.33%
Other operating expenses	8,471	8,604	(1.55%)	0.38%	0.46%	(0.08%)
Financial expenses	34,807	34,117	2.02%	1.57%	1.83%	(0.26%)

As we enter the last quarter, inflation is expected to further rise and impact material costs. Prudent purchasing of stocks at the start of the year has basically impacted the results quite positively as the net effect is lower than the inflation rate. Due to a shortage in the yields of essential commodities globally, it is expected that prices of materials will increase further in the coming year and the company may have to adopt a consolidation strategy to combat this uncertain period.

Competing in the export market has become an increasing challenge as margins continue to decline and new markets require continuous heavy investments. The company is already looking at revamping its export policy and is actively developing a new export business model, which will help us in strategically developing this side of the business.

On a positive note, the company has formalized its master plan of vision 20/20 and has forecasted capacities in line with macroeconomic indicators until the year 2020.

This has helped us in being proactive with our decisions towards further capacity enhancements and new projects. Also the focus on marketing and brand development has been given a priority towards the accomplishment of this vision.

It is expected to finish the last quarter of the fiscal year in line with budgetary expectations.



**Abrar Hasan**  
Chief Executive

# CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2008

	Note	Unaudited March 31, 2008	Audited June 30, 2007
<b>ASSETS</b>		(Rupees in thousand)	
<b>Non-Current Assets</b>			
Property, plant and equipment	2	623,234	493,444
Intangibles		1,836	2,779
Long term deposits		4,318	2,766
		<b>629,388</b>	<b>498,989</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools		6,835	4,322
Stock in trade		643,074	477,007
Trade debts		197,709	112,585
Advances		26,420	11,794
Deposits and prepayments		3,753	2,520
Other receivables		2,211	25,393
Tax refunds due from / adjustable with the government		26,183	37,702
Cash and bank balances		25,491	18,146
		<b>931,676</b>	<b>689,469</b>
		<b>1,561,064</b>	<b>1,188,458</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 10,000,000 Ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up capital		55,257	42,505
Reserves		399,352	325,375
		<b>454,609</b>	<b>367,880</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		108,500	143,000
Liabilities against assets subject to finance leases		28,583	15,406
Deferred tax		43,081	35,357
		<b>180,164</b>	<b>193,763</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		427,697	315,318
Markup / Interest accrued on long term financing, short term borrowings and finance leases		13,876	10,184
Short term borrowings		392,142	211,272
Current portion of long term financing		46,000	46,000
Current portion of liabilities against assets subject to finance leases		12,688	6,041
Provision for income tax		33,888	38,000
		<b>926,291</b>	<b>626,815</b>
<b>COMMITMENTS</b>			
	3	<b>1,561,064</b>	<b>1,188,458</b>

The annexed notes 1 to 7 form an integral part of these financial information.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS ENDED MARCH 31, 2008 (UNAUDITED)

	Nine Months ended		Quarter ended	
	March 31, 2008	March 31 2007	March 31, 2008	March 31 2007
	(Rupees in thousand)			
Net sales				
Local	1,998,453	1,675,601	570,765	465,257
Export	224,117	186,077	103,506	73,972
	<b>2,222,570</b>	1,861,678	<b>674,271</b>	539,229
Cost of sales	<b>1,491,058</b>	1,210,605	<b>473,660</b>	359,512
Gross profit	<b>731,512</b>	651,073	<b>200,611</b>	179,717
Operating expenses				
Distribution cost	471,870	448,023	141,027	134,997
Administrative expenses	84,742	64,875	30,221	21,077
Other operating expenses	8,471	8,604	(1,679)	889
	<b>565,083</b>	521,502	<b>169,569</b>	156,963
	<b>166,429</b>	129,571	<b>31,042</b>	22,754
Other operating income	<b>6,122</b>	8,772	<b>974</b>	1,730
Profit from operations	<b>172,551</b>	138,343	<b>32,016</b>	24,484
Finance costs	<b>34,807</b>	34,117	<b>12,720</b>	11,624
Profit before taxation	<b>137,744</b>	104,226	<b>19,296</b>	12,860
Taxation	<b>42,514</b>	33,791	<b>5,790</b>	4,251
Profit after taxation	<b>95,230</b>	70,435	<b>13,506</b>	8,609
Earnings per share - Rupees	<b>17.23</b>	12.75	<b>2.44</b>	1.56

The annexed notes 1 to 7 form an integral part of these financial information.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT

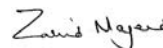
FOR THE NINE MONTHS ENDED MARCH 31, 2008 (UNAUDITED)

	Note	Unaudited March 31, 2008	Audited March 31, 2007
		(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	4	69,562	146,324
Finance cost paid		(28,153)	(32,401)
Income tax paid		(27,383)	(33,014)
<b>Net cash from operating activities</b>		<b>14,026</b>	<b>80,909</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(167,055)	(106,449)
Sales proceeds on disposal of property, plant and equipment		936	3,737
Return received on term deposits		3,039	4,039
Purchase of intangible assets		(1,552)	(462)
<b>Net cash used in investing activities</b>		<b>(164,632)</b>	<b>(99,135)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(34,500)	(14,500)
Liabilities against assets subject to finance leases - (net)		19,824	(3,042)
Dividend paid		(8,243)	(8,469)
<b>Net cash used in financing activities</b>		<b>(22,919)</b>	<b>(26,011)</b>
Net (Decrease) in cash and cash equivalents		(173,525)	(44,237)
Cash and cash equivalents at the beginning of the period		(193,126)	(112,900)
Cash and cash equivalents at the end of the period	5	<u>(366,651)</u>	<u>(157,137)</u>

The annexed notes 1 to 7 form an integral part of these financial information.



Abrar Hasan  
Chief Executive



Zahid Majeed  
Director

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2008 (UNAUDITED)


	Issued subscribed and paid up capital	Capital reserve share premium	Unappro- priated profit	Total
← (Rupees in thousand) →				
Balance as at June 30, 2006	42,505	6,102	198,482	247,089
Final dividend for the year ended June 30, 2006 (Rs 2.00 per share)	-	-	(8,501)	(8,501)
Profit for the nine months ended March 31, 2007	-	-	70,435	70,435
Balance as at March 31, 2007	42,505	6,102	260,416	309,023
Balance as at June 30, 2007	42,505	6,102	319,273	367,880
Final dividend for the year ended June 30, 2006 (Rs 2.00 per share)	-	-	(8,501)	(8,501)
Transfer to bonus shares reserve to Ord Shares Dec 31, 2007 (3 share for every 10 share held)	12,752	-	(12,752)	-
Profit for the nine months ended March 31, 2008	-	-	95,230	95,230
<b>Balance as at March 31, 2008</b>	<b>55,257</b>	<b>6,102</b>	<b>393,250</b>	<b>454,609</b>

The annexed notes 1 to 7 form an integral part of these financial information.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director





# CONDENSED INTERIM SELECTED NOTES TO THE FINANCIAL INFORMATION

FOR THE NINE MONTHS ENDED MARCH 31, 2008 (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 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 and methods of computation adopted for the preparation of this condensed interim financial information is the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2007.

### 1.3 Amendments to published standards and new interpretations that are effective in 2007 and relevant

- |  |  |
|--|--|
| i) IAS 1 - Presentation of Financial Statement – Capital Disclosures | Effective from accounting period starting on or after January 01, 2007 |
|--|--|

The adoption of above standard will require disclosure in respect of capital management in the annual financial statements and does not otherwise impact the amounts recognised in this condensed interim financial information.

### 1.4 Standards, interpretations and amendments to published approved accounting standards that are relevant but not yet effective

- |   |  |
|---|--|
| i) IAS 1 (Revised) - Presentation of Financial Statements | Effective from accounting period starting on or after January 01, 2009 |
|---|--|

Adoption of IAS - 1 (Revised) will require changes in the presentation of financial statements and does not otherwise impact the amounts recognised in this condensed interim financial information.

- |                                       |  |
|---------------------------------------|--|
| ii) IAS 23 (Revised) - Borrowing Cost | Effective from accounting period starting on or after January 01, 2009 |
|---------------------------------------|--|

The above revised standard requires capitalisation of borrowing costs incurred in the relation to qualifying assets and withdraws the current option of expensing these out in the period of incurrence.

1.5 Other standards, interpretations and amendments to approved accounting standards effective from accounting periods beginning on or after January 2007, are either not relevant or considered to have any significant effect on the company's financial statements.

1.6 This condensed interim financial information was authorised for issue on April 18, 2008 by the Board of Directors of the company.

	<b>March 31, 2008</b>	<b>June 30, 2007</b>
	(Rupees in thousand)	
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
2.1 Operating assets - at net book value	<b>555,560</b>	342,696
Capital work in progress - at cost	<b>67,674</b>	150,748
	<b>623,234</b>	493,444

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	(Rupees in thousand)	
<b>2.2 Additions and Disposals during the period</b>		
Additions		
Building	<b>132,666</b>	-
Plant and machinery including generators	<b>74,729</b>	32,249
Furniture and fittings	<b>10,150</b>	387
Motor vehicles	<b>11,876</b>	19,206
Office and other equipments	<b>20,619</b>	828
Laboratory equipment	<b>70</b>	-
Computers	<b>14,364</b>	2,972
	<b>264,474</b>	55,642
Disposals - net book value		
Plant and machinery	-	944
Motor vehicles	<b>1,112</b>	6,786
Computers	-	78
	<b>1,112</b>	7,808

### 3. COMMITMENTS

3.1 Aggregate commitments for capital expenditure amounted to Rs. 6.33 million (June 30, 2007: Rs 8.97 million).

	March 31, 2008	March 31, 2007
	(Rupees in thousand)	
<b>4. CASH FLOW FROM OPERATIONS</b>		
Profit before taxation	137,744	104,226
Adjustments of non cash charges and other items		
Depreciation / amortisation of property, plant and equipment	38,208	26,719
Finance cost	31,845	34,117
Gain on disposal of property, plant and equipment	(936)	(1,402)
Return on term desposit	(3,039)	(4,692)
Bad debts expense	-	547
Provision for slow moving stock in trade (net)	1,499	11,697
	<u>205,321</u>	<u>171,212</u>
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / Decrease in current assets		
Stores, spares parts tools	(2,513)	(953)
Stock in trade	(167,566)	(82,060)
Trade debts	(85,124)	(23,909)
Advances	(14,626)	(10,042)
Deposits and prepayments	(1,233)	(1,618)
Other receivables	23,182	(216)
	<u>(247,880)</u>	<u>(118,798)</u>
Increase in current liabilities		
Trade and other payables	112,121	93,910
	<u>69,562</u>	<u>146,324</u>
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	25,491	60,149
Short term borrowings	(392,142)	(217,286)
	<u>(366,651)</u>	<u>(157,137)</u>



March 31, 2008      March 31, 2007  
(Rupees in thousand)

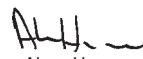
**6. TRANSACTIONS WITH RELATED PARTIES**

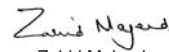
Relationship with the company	Nature of transactions		
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	1,442	2,176
	Sale of goods	403,206	428,354
Employee benefit plan	Contributions to employees' provident fund	4,742	3,863
Key management compensation:	Salaries and other short-term employee benefits	38,755	15,627
	Contribution to employees' Provident Fund	1,172	683

**7. EARNINGS PER SHARE**

There were no convertible dilutive potential ordinary shares in issue as at March 31, 2007 and 2008.

For the purposes of calculating earnings per share, number of shares outstanding as at March 31, 2007 have been increased to reflect the bonus shares issued during the period.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director



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