



1st

HALF YEARLY  
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. Jawaid Iqbal

Chairman  
Managing Director / Chief Executive  
Director  
Director  
Director  
Director

### AUDIT COMMITTEE

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

Chairman  
Member  
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 & Marketing – Kitchen Foods Division  
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

# FIRST HALF YEARLY 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 first half ended December 31, 2007.

	Jul 2007 to Dec 2007	Jul 2006 to Dec 2006	Growth	% of Net Sales		
				2007	Jul-Dec 2006	Variance (+/-)
<b>Top Line Growth</b>						
<b>Corporate Sales</b>						
Gross sales	2,109,791	1,763,349	19.65%			
Net sales	1,548,299	1,322,449	17.08%			
<b>Local sales</b>						
Gross sales	1,983,295	1,651,244	20.11%			
Net sales	1,427,688	1,210,344	17.96%			
<b>Export sales</b>						
Gross sales	126,496	112,105	12.84%			
Net sales	120,611	112,105	7.59%			
<b>Gross Profit</b>	530,901	471,358	12.63%	34.29%	35.64%	(1.35%)
<b>Bottom Line Growth</b>						
Operating profit	140,535	113,859	23.43%	9.08%	8.61%	0.47%
Other income	5,148	7,042	(26.90%)	0.33%	0.53%	(0.20%)
Pre-tax profit	118,448	91,366	29.64%	7.65%	6.91%	0.74%
Net profit	81,706	61,826	32.15%	5.28%	4.68%	0.60%
<b>Expense control</b>						
Selling expenses	146,583	124,281	17.94%	9.47%	9.40%	0.07%
Advertising and sales promo	184,260	188,745	(2.38%)	11.90%	14.27%	(2.37%)
Administrative expenses	54,521	43,798	24.48%	3.52%	3.31%	0.21%
Other operating expenses	10,150	7,715	31.56%	0.66%	0.58%	0.08%
Financial expenses	22,087	22,493	(1.81%)	1.43%	1.70%	(0.27%)

Performance of the company has remained healthy for the cumulative 6 months. Highlights of the performance has been the Rs 2 billion sales in these 6 months with an impressive bottom line figure as planned. Inflationary trends have impacted the Gross Margins of the company despite price increases. They have been offset by better pre tax margins through curtailed and smart spending to control fixed costs. While the GP ratio in relation to last period has trimmed off by 1.35%, the pre tax profits have improved by 0.74%.

While major economies have already descended into stagflation, with negative consumer growth and high inflation, Pakistan's consumer growth remains positive at the moment. However, with pretty strong inflation effecting the material prices and shortages being faced in the yields of essential commodities, the inflationary pressures will continue unabated.

Recent tightening of the monetary policy is a clear indication to tame the inflation, however the effects of this remain to be seen. In light of the prevailing conditions, the company's performance would be faced with many challenges, specially sustaining present cost levels pertaining to supply chain.

Expansion at Port Qasim is now complete. Recent accomplishments have been in the supply of electricity through KESC and also Gas fired generators. It is expected that the costs of the current usage of electricity would be reasonably reduced thus adding further value to the operations. The company plans its next expansion in Punjab and for this purpose land in Lahore's Sundar Industrial Estate has been identified and allocated to us and possession will be granted to us after relevant documentation. Taking the vision 20/20 forward, the company has also invested in the SAP ERP applications which are currently being deployed to manage its aggressive growth plans for the future.

The company's long term financial rating has again been renewed at A+, further endorsing the solid financial and enterprise management. The company is well placed to look at new avenues of expansion in the coming years subject to economic stability and sustainability in line with vision 20/20.



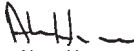
**Abrar Hasan**  
Chief Executive

# CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2007

	Note	(Un-audited) December 31, 2007	(Audited) June 30, 2007
		(Rupees in thousand)	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	598,565	493,444
Intangibles		2,401	2,779
Long term deposits		4,319	2,766
		<b>605,285</b>	<b>498,989</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools		6,349	4,322
Stock in trade		612,412	477,007
Trade debts		170,350	112,585
Advances		21,814	11,794
Deposits and prepayments		4,021	2,520
Other receivables		1,880	25,393
Tax refunds due from / adjustable with the government		56,915	37,702
Cash and bank balances		38,570	18,146
		<b>912,311</b>	<b>689,469</b>
		<b>1,517,596</b>	<b>1,188,458</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		55,257	42,505
Capital Reserve - Share premium		6,102	6,102
Unappropriated profit		379,744	319,273
		<b>441,103</b>	<b>367,880</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		120,000	143,000
Liabilities against assets subject to finance leases		21,986	15,406
Deferred tax		43,081	35,357
		<b>185,067</b>	<b>193,763</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		529,347	315,318
Accrued interest / mark up		10,284	10,184
Short term borrowings		229,887	211,272
Current maturity of:			
Long term financing		46,000	46,000
Liabilities against assets subject to finance leases		8,908	6,041
Provision for income tax		67,000	38,000
		<b>891,426</b>	<b>626,815</b>
<b>COMMITMENTS</b>			
	3	<b>1,517,596</b>	<b>1,188,458</b>

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

  
 Abrar Hasan  
 Chief Executive

  
 Zahid Majeed  
 Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT

FOR THE HALF YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

	Quarter ended		Half year ended	
	December 31, 2007	December 31 2006	December 31, 2007	December 31 2006
Note	(Rupees in thousand)			
Net sales				
Local	<b>659,993</b>	607,051	<b>1,427,688</b>	1,210,344
Export	<b>46,997</b>	40,729	<b>120,611</b>	112,105
	<b>706,990</b>	647,780	<b>1,548,299</b>	1,322,449
Cost of sales	<b>469,541</b>	416,352	<b>1,017,398</b>	851,093
Gross profit	<b>237,449</b>	231,428	<b>530,901</b>	471,356
Distribution cost	<b>135,586</b>	138,856	<b>330,843</b>	313,026
Administrative expenses	<b>26,548</b>	26,135	<b>54,521</b>	43,798
Other operating expenses	<b>5,625</b>	2,265	<b>10,150</b>	7,715
	<b>167,759</b>	167,256	<b>395,514</b>	364,539
Other operating income	<b>4,071</b>	4,062	<b>5,148</b>	7,042
Profit from operations	<b>73,761</b>	68,234	<b>140,535</b>	113,859
Finance costs	<b>11,202</b>	11,726	<b>22,087</b>	22,493
Profit before taxation	<b>62,559</b>	56,508	<b>118,448</b>	91,366
Taxation	<b>17,975</b>	19,082	<b>36,724</b>	29,540
Profit after taxation	<b>44,584</b>	37,426	<b>81,724</b>	61,826
Earnings per share - Rupees	<b>8.07</b>	6.77	<b>14.79</b>	11.19

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

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director

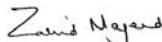
# CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED DECEMBER 31, 2007 (UNAUDITED)

	Note	2007 (Rupees in thousand)	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	4	194,682	143,453
Finance cost paid		(21,987)	(21,549)
Income tax paid		(19,213)	(27,206)
Net increase in long term deposits		(1,553)	-
<b>Net cash from operating activities</b>		<b>151,929</b>	<b>94,698</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(128,349)	(82,552)
Sales proceeds on disposal of property, plant and equipment		664	897
Purchase of intangible assets		(640)	-
Return received on term deposits		-	2,641
<b>Net cash used in investing activities</b>		<b>(128,325)</b>	<b>(79,014)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		(23,000)	(3,000)
Liabilities against assets subject to finance leases - (net)		9,447	11,735
Dividend paid		(8,242)	(7,538)
<b>Net cash (used in) / from financing activities</b>		<b>(21,795)</b>	<b>1,197</b>
Net increase in cash and cash equivalents		1,809	16,881
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>(191,317)</u>	<u>(96,019)</u>

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

  
 Abrar Hasan  
 Chief Executive

  
 Zahid Majeed  
 Director

**CONDENSED INTERIM STATEMENT  
OF CHANGES IN EQUITY**  
FOR THE HALF YEAR ENDED DECEMBER 31, 2007 (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 per share)	-	-	(8,501)	(8,501)
Profit for the half year ended December 31, 2006	-	-	61,826	61,826
<b>Balance as at December 31, 2006</b>	<b>42,505</b>	<b>6,102</b>	<b>251,807</b>	<b>300,414</b>
Balance as at June 30, 2007	42,505	6,102	319,273	367,880
Final dividend for the year ended June 30, 2007 (Rs 2 per share)	-	-	(8,501)	(8,501)
Issue of 3 bonus shares for every 10 shares held	12,752	-	(12,752)	-
Profit for the half year ended December 31, 2007	-	-	81,724	81,724
<b>Balance as at December 31, 2007</b>	<b>55,257</b>	<b>6,102</b>	<b>379,744</b>	<b>441,103</b>

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

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director





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

FOR THE HALF YEAR ENDED DECEMBER 31, 2007 (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 February 16, 2008 by the Board of Directors of the company.

	December 31, 2007	June 30, 2007
	(Rupees in thousand)	
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
2.1 Operating assets - at net book value	486,407	342,696
Capital work in progress - at cost	112,158	150,748
	<u>598,565</u>	<u>493,444</u>

	Half year ended	
	December 31, 2007	December 31, 2006
	(Rupees in thousand)	
<b>2.2 Additions and Disposals during the period</b>		

Additions		
Leasehold land	2,200	-
Building on leasehold land	122,964	88,587
Plant and machinery including generators	26,373	27,772
Furniture and fittings	1,447	237
Motor vehicles	11,294	14,604
Office and other equipments	1,270	681
Computers	1,289	1,481
Laboratory equipment	70	32
	<u>166,907</u>	<u>133,394</u>
Disposals - Net Book Value		
Motor vehicles	<u>468</u>	<u>644</u>

### 3. COMMITMENTS

3.1 The commitments for capital expenditure amounted to Rs 45.39 million (June 30, 2007: Rs 8.97 million).

	Half year ended	
	December 31, 2007	December 31, 2006
	(Rupees in thousand)	
<b>4. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	<b>118,448</b>	91,366
Adjustments of non-cash charges and other items		
Depreciation on property, plant and equipment	<b>22,760</b>	15,736
Amortisation of intangibles	<b>1,018</b>	919
Bad debts expense	-	549
Finance cost	<b>22,087</b>	22,493
Gain on disposal of motor vehicles	<b>(196)</b>	(253)
Stock in trade written off	-	166
Provision for slow moving stock in trade (net)	<b>1,655</b>	12,583
Mark up on term deposit	-	(3,294)
	<b>47,324</b>	48,899
Profit before working capital changes	<b>165,772</b>	140,265
<b>EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES</b>		
Decrease / (increase) in current assets		
Stores, spares parts and loose tools	<b>(2,027)</b>	(574)
Stock in trade	<b>(137,060)</b>	(52,943)
Trade debts	<b>(57,765)</b>	(47,669)
Advances	<b>(10,020)</b>	(21,197)
Deposits and prepayments	<b>(1,501)</b>	(6,706)
Other receivables	<b>23,513</b>	(1,355)
	<b>(184,860)</b>	(130,444)
Increase in current liabilities		
Trade and other payables	<b>213,770</b>	133,632
	<b>194,682</b>	143,453
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>38,570</b>	100,578
Short term borrowings	<b>(229,887)</b>	(196,597)
	<b>(191,317)</b>	(96,019)



Half year ended  
**December 31, 2007**    **December 31, 2006**  
(Rupees in thousand)

**6. TRANSACTIONS WITH RELATED PARTIES**

Relationship with the company	Nature of transactions		
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	<b>800</b>	675
	Sale of goods	<b>324,600</b>	345,187
Employee benefit plan	Contribution to employees provident fund	<b>3,191</b>	2,555
Key management compensation:			
Salaries and other short-term employee benefits		<b>23,788</b>	14,021
Contribution to Provident Fund		<b>786</b>	476

**7. EARNINGS PER SHARE**

There were no convertible dilutive potential ordinary shares in issue as at December 31, 2006 and 2007.

For the purposes of calculating earnings per share, number of shares outstanding as at December 31, 2006 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)