



1ST

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. Jawaid Iqbal

Chairman  
Managing Director / Chief Executive  
Director  
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. 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  
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

ABN AMRO Bank N.V.  
Muslim Commercial Bank

Habib Bank Limited  
Citibank N.V.

I.I. Chundrigar Road Branch, Karachi  
S.I.T.E Branch, Karachi  
New Garden Town Branch, Lahore.  
Abdullah Haroon Road, Karachi  
Clifton Corporate Branch, Karachi  
Shaheen Complex Branch, Karachi  
Hub River Road Branch, Karachi  
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 QUARTERLY 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 quarter ended September 30 2007.

	Jul 2007 to Sep 2007	Jul 2006 to Sep 2006	Growth	% of Net Sales		
				Jul-Sep 2007-08	2006-07	Variance (+/-)
<b>Top Line Growth</b>						
<b>Corporate Sales</b>						
Gross sales	1,108,114	892,155	24.21%			
Net sales	841,309	674,669	24.70%			
<b>Local sales</b>						
Gross sales	1,034,500	820,779	26.04%			
Net sales	767,695	603,293	27.25%			
<b>Export sales</b>						
Gross sales	73,614	71,376	3.14%			
Net sales	73,614	71,376	3.14%			
<b>Gross Profit</b>	293,452	239,928	22.31%	34.88%	35.56%	(0.68%)
<b>Bottom Line Growth</b>						
Operating profit	66,774	45,625	46.35%	7.94%	6.76%	1.18%
Other income	1,077	2,980	(63.86%)	0.13%	0.44%	(0.31%)
Pre-tax profit	55,889	34,858	60.33%	6.64%	5.17%	1.47%
Net profit	37,140	24,400	52.21%	4.41%	3.62%	0.79%
<b>Expense control</b>						
Selling expenses	78,638	59,327	32.55%	9.35%	8.79%	0.56%
Advertising and sales promo	116,619	114,843	1.55%	13.86%	17.02%	(3.16%)
Administrative expenses	27,973	17,663	58.37%	3.32%	2.62%	0.70%
Other operating expenses	4,525	5,450	(16.97%)	0.54%	0.81%	(0.27%)
Financial expenses	10,885	10,767	1.10%	1.29%	1.60%	(0.31%)

The Company is pleased to report a record gross sale of Rs.1 billion plus in the first quarter, capitalizing the positive aspects of changing environment of Pakistani Economy. Significant growth, in the first quarter, registered from the local market, while international division has also marked a 3 percent growth despite facing various challenges in the re-organized markets of Middle East.

Inflationary trend, specially in food related items, is on rise, affecting cost of certain agro based raw and petroleum based packaging materials in a significant manner. This trend, if continued, may force the margins down to some extent. However, the Company is continuously observing these trends and is geared up to take necessary actions.

Despite tough competition posed by these challenges, NFL continues to focus on the mission which is to align itself with the new business dynamics in line with our vision 20/20. Accordingly, our focal point will remain to attain increased market share through quality products and servicing.

Port Qasim project is now complete and expectedly production will be at full bloom from next quarter. Through the state of the art production facility, capacity will be significantly increased. However, in order to synchronize with Vision 20/20, new projects for technological improvements in our processes are inevitable.

The overall bullish economic indicators co-exist with an element of uncertainty. The market for branded food products, which is already competitive, is expected to be more competitive with the possibility of new entrants coming in. However your company is well positioned to meet these external developments and will continue to make new investments in improved technologies for food processing in order to attain future growth.



**Abrar Hasan**  
Chief Executive

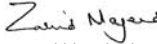
# BALANCE SHEET

AS AT SEPTEMBER 30, 2007

	Notes	(Un-audited) Sep 30, 2007	(Audited) June 30, 2006
		(Rupees in thousand)	
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	529,634	493,444
Intangibles		2,223	2,779
Long term deposits		4,319	2,766
		536,176	498,989
<b>Current Assets</b>			
Stores, spare parts and loose tools		6,226	4,322
Stock in trade		425,920	477,007
Trade debts		240,873	112,585
Advances		19,135	11,794
Deposits and prepayments		6,296	2,520
Other receivables		1,327	25,393
Tax refundable from / adjustable with the government		47,508	37,702
Cash and bank balances		45,297	18,146
		792,582	689,469
		1,328,758	1,188,458
<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		42,505	42,505
Reserves		354,014	325,375
		396,519	367,880
<b>NON-CURRENT LIABILITIES</b>			
Long term financing		131,500	143,000
Liabilities against assets subject to finance leases		13,171	15,406
Deferred tax		34,383	35,357
		179,054	193,763
<b>CURRENT LIABILITIES</b>			
Trade and other payables		425,215	315,318
Markup / Interest accrued on long term financing, short term borrowings and finance leases		11,329	10,184
Short term borrowings		206,087	211,272
Current portion of long term financing		46,000	46,000
Current portion of liabilities against assets subject to finance leases		6,831	6,041
Provision for income tax		57,723	38,000
		753,185	626,815
<b>COMMITMENTS</b>			
	3	1,328,758	1,188,458
		1,328,758	1,188,458

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


  
 Abrar Hasan  
 Chief Executive

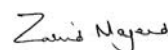
  
 Zahid Majeed  
 Director

**PROFIT AND LOSS ACCOUNT**  
FOR THREE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

	Sep 30, 2007	Sep 30, 2006
(Rupees in thousand)		
Net sales		
Local	767,695	603,293
Export	73,614	71,376
	841,309	674,669
Cost of sales	547,857	434,741
Gross profit	293,452	239,928
Operating expenses		
Distribution cost	195,257	174,170
Administrative expenses	27,973	17,663
Other operating expenses	4,525	5,450
	227,755	197,283
	65,697	42,645
Other income	1,077	2,980
Profit from operations	66,774	45,625
Finance cost	10,885	10,767
Profit before taxation	55,889	34,858
Taxation	18,749	10,458
Profit after taxation	37,140	24,400
Basic and diluted earnings per share	8.74	5.74

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

  
Abrar Hasan  
Chief Executive


  
Zahid Majeed  
Director

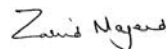
# CASH FLOW STATEMENT

FOR THREE MONTHS ENDED SEPTEMBER 30, 2007 (UNAUDITED)

	Note	Sep 30, 2007	Sep 30, 2006
		(Rupees in thousand)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	4	112,156	147,491
Financial charges paid		(8,684)	(11,061)
Income Tax paid		(9,806)	(2,990)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>93,666</u>	<u>133,440</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(46,848)	(35,629)
Sale proceeds of fixed assets		16	104
Long term deposits - Net		(1,553)	-
<b>Net cash outflow from investing activities</b>		<u>(48,385)</u>	<u>(35,525)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term financing - Net		(11,500)	(1,500)
Liability against assets subject to finance leases - Net		(1,445)	6,870
Dividend paid		-	(281)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(12,945)</u>	<u>5,089</u>
Net increase/(decrease) in cash and cash equivalents		32,336	103,004
Cash and cash equivalents at the beginning of the period		<u>(193,126)</u>	<u>(112,900)</u>
Cash and cash equivalents at the end of the period	5	<u><u>(160,790)</u></u>	<u><u>(9,896)</u></u>

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

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director


# STATEMENT OF CHANGES IN EQUITY

FOR THREE MONTHS ENDED  
SEPTEMBER 30, 2007 (UNAUDITED)

	Issued subscribed and paid up capital	Capital reserve			Total
		Share premium	Bonus share	Unappropriated profit	
(Rupees in thousand)					
Balance as at June 30, 2006	42,505	6,102	-	198,482	247,089
Profit for the three months ended September 30, 2006	-	-	-	24,400	24,400
Balance as at September 30, 2006	42,505	6,102	-	222,882	271,489
Balance as at June 30, 2007	42,505	6,102	-	319,273	367,880
Profit for the three months ended September 30, 2007	-	-	-	37,140	37,140
Final dividend for the year ended June 30, 2007 (Rs 2.00 per share)	-	-	-	(8,501)	(8,501)
Transfer to bonus share reserve June 30, 2007 (3 share for every 10 share held)	-	-	12,752	(12,752)	-
<b>Balance as at September 30, 2007</b>	<b>42,505</b>	<b>6,102</b>	<b>12,752</b>	<b>335,160</b>	<b>396,519</b>

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

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director



# SELECTED NOTES TO THE FINANCIAL STATEMENTS

FOR THREE MONTHS ENDED  
SEPTEMBER 30, 2007 (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 Stocks 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, 2007.

	Sep 30, 2007	June 30, 2007
	(Rupees in thousand)	
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
2.1 Operating Assets	339,036	342,696
Capital work in progress	190,042	150,748
	<u>529,078</u>	<u>493,444</u>
2.2 Additions and Disposals during the period		
Additions		
Building	672	-
Plant and machinery	985	4,876
Furniture and fixtures	1,076	137
Motor vehicles	3,027	2,521
Office and other equipments	679	442
Computers	1,573	445
	<u>8,012</u>	<u>8,421</u>
Disposals		
Motor vehicles	<u>247</u>	<u>466</u>

### 3. COMMITMENTS

3.1 Aggregate commitments for capital expenditure amounted to Rs.14.40 million (June 30, 2007: Rs. 8.97 million).

	Note	Sep 30, 2007	Sep 30, 2006
<b>4. CASH FLOW FROM OPERATIONS</b>			
Profit before taxation		55,889	34,858
Adjustments of non cash charges and other items			
Depreciation / amortisation on fixed assets		11,214	7,843
Financial charges		9,829	10,767
Gain on disposal of fixed assets		(16)	(104)
Working capital changes	4.1	35,240	94,127
Cash generated from operations		<u>112,156</u>	<u>147,491</u>
<b>4.1 Working Capital Changes</b>			
(Increase) / Decrease in current assets			
Stores, spares and tools		(1,904)	(99)
Stock in trade		51,087	23,576
Trade debts		(128,288)	(99,246)
Advances		(7,341)	(14,996)
Deposits and prepayments		(3,776)	(52)
Other receivables		24,066	136
		<u>(66,156)</u>	<u>(90,681)</u>
Increase in current liabilities		101,396	184,808
Trade and other payables		<u>35,240</u>	<u>94,127</u>
<b>5. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		45,297	181,962
Short term borrowings		(206,087)	(191,858)
		<u>(160,790)</u>	<u>(9,896)</u>



Sep 30, 2007      Sep 30, 2006  
(Rupees in thousand)

**6. TRANSACTIONS WITH RELATED PARTIES**

Significant related parties transactions are as follows:


Common expenses charged to related parties	564	330
Sales of goods	180,056	168,844
Key management compensation:		
Salaries and other short term employee benefits	13,207	6,095
Post employment benefits	437	314

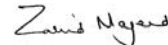
**7. SEASONALITY IMPACT**

The company's results are affected by seasonal sales due to occurring of Ramazan Eid during a particular period of the year where company's products are sold in larger number comparatively.

**8. DATE OF AUTHORISATION**

These financial statements were authorised for issue on October 26, 2007 by the Board of Directors of the company.

  
Abrar Hasan  
Chief Executive

  
Zahid Majeed  
Director



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