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Company Information

Board of Directors

Mr. A. Majeed	Chairman
Mr. Abrar Hasan	Managing Director / Chief Executive
Mr. Waqar Hasan	Director
Mr. Khawar M. Butt	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qasim	Director
Mr. Jawaid Iqbal	Director

Audit Committee

Mr. Waqar Hasan	Chairman
Mr. Khawar M. Butt	Member
Mr. Ebrahim Qasim	Member

Company Secretary

Mr. Muhammad Kashif Iqbal

Chief Financial Officer

Mr. Shakaib Arif

Internal Auditor

Ford Rhodes Sidat Hyder & Co., Chartered Accountants

Auditors

A. F. Ferguson & Co., Chartered Accountants

Company Management

Mr. Abrar Hasan	Managing Director / Chief Executive
Mr. Waqas Abrar Khan	General Manager Human Resource
Mr. Syed Ahmed Iqbal	Sales and Marketing Manager - Family Foods Division
Mr. Zaheer Ahmed	Sales and Marketing Manager - Kitchen Foods Division
Mr. M. Azher Ali	Business Unit Manager - PQ Plant
Mr. Saleem Khilji	Business Unit Manager - SITE Plant
Mr. Muhammad Iqbal	Manager Supply Chain & Planning
Mr. Sohail Ahmed	Manager Material Management
Mr. Shakaib Arif	Head of Finance
Dr. Syed Asad Sayeed	Head of Research & Development
Mr. Arif Shaikh	Manager Quality Control

Share Registrar Office

Noble Computer Services (Pvt.) Limited
2nd Floor, Sohni Centre, BS 5 & 6 Karimabad,
Block-4, Federal B. Area, Karachi-75950
Phone: 6801880 - 82 (3 Lines)
Fax: 6801129 E-mail: ncs1@noble-computers.com

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	Abdullah Haroon Road, Karachi
Muslim Commercial Bank	Clifton Corporate Branch, Karachi Shaheen Complex Branch, Karachi
Habib Bank Limited	Hub River Road Branch, Karachi
CitiBank Limited	SITE Branch, Karachi

Registered Office

12/CL-6, Claremont Road, Civil Lines, Karachi 75530
P.O. Box No.15509 Phone: 5662687, 5670540,
5670585, 5670646, 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 2006.

	Jul 2006 to Sep 2006	Jul 2005 to Sep 2005	Growth	% of Net Sales		
				Jul-Aug 2006	2005	Variance (+/-)
Top Line Growth						
Corporate sales						
Gross sales	891,158	677,556	31.53%			
Net sales	674,669	501,490	34.53%			
Local sales						
Gross sales	819,782	628,286	30.48%			
Net sales	603,293	452,267	33.39%			
Export sales						
Gross sales	71,376	49,270	44.87%			
Net sales	71,376	49,223	45.01%			
Gross Profit	239,928	135,475	77.10%	35.56%	27.01%	8.55%
Bottom Line Growth						
Operating profit	42,645	31,371	35.94%	6.32%	6.26%	0.06%
Other operating income	2,980	46	100.00%	0.44%	0.01%	0.43%
Pre-tax profit	34,858	26,658	30.76%	5.17%	5.32%	(0.15%)
Net profit	24,400	19,658	24.13%	3.62%	3.92%	(0.30%)
Expense Control						
Distribution cost	174,170	87,868	98.22%	25.82%	17.52%	8.30%
Administrative expenses	17,663	14,691	20.23%	2.62%	2.93%	(0.31%)
Other operating expenses	5,450	1,545	252.75%	0.81%	0.31%	0.50%
Financial expenses	10,767	4,759	126.25%	1.60%	0.95%	0.65%

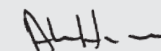
The company has performed well in terms of top line growth, finishing with a corporate growth rate of 31.53%. In this quarter, apart from a satisfactory growth in the local market mainly due to seasonal effect, Export division has registered a remarkable come back with a strong growth of 44.87%. As indicated in previous reports, the management has finalized distributional arrangements with strong distribution partners in the Gulf region. The management has also done some detailed research in international markets which revealed that globally and specially in Gulf region there has been a phenomenal increase in the mass grocery retail sector, including "super markets" and "convenience store". Accordingly, the Company is in process of getting listed with almost all the leading players of this sector.

Despite inflationary pressure due to recent rains in interior Sindh, the cost of agro based raw materials are increasing which may have its effect on the margins in next quarters. However, the process of technological improvements, product research, product trimming and price adjustments in certain cases continues and has contributed significantly in improving the overall gross margins. This results in exceeding the pre-tax benchmark of 5% set in its budget.

A new long term vision statement entitled VISION 20/20 has also been finalized. Our main focus is to target the convenience packaged food segment and claim a significant market share in terms of sale by the year 2020 in it. We are in the beginning stages of implementing a brand strategy designed to synchronize our brand messages to both internal and external audiences.

The first phase of Bin Qasim project is now operational and production of certain products and SKUs has been started.

The general outlook remains bullish with increased consumer spending and good macro economic support figures. The management continues to work hard and is expected to deliver a company performance in line with budgetary expectations.



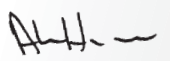
Abrar Hasan
Chief Executive

Balance Sheet

As at September 30, 2006

	Note	Un-Audited September 30, 2006 (Rupees in thousand)	Audited June 30, 2006
Assets			
Non Current Assets			
Property, plant and equipment	2	393,812	365,874
Intangible assets		3,912	4,064
Long term deposits		2,504	2,504
		<u>400,228</u>	<u>372,442</u>
Current Assets			
Stores, spare parts and loose tools		3,562	3,463
Stock in trade		343,659	367,235
Trade debts		201,186	101,940
Advances		28,582	13,586
Deposits and prepayments		4,342	4,290
Accrued interest/markup		1,637	1,637
Other receivables		927	1,063
Tax refundable due from / adjustable with the government		22,270	19,279
Cash and bank balances		181,961	83,025
		<u>788,126</u>	<u>595,518</u>
		<u>1,188,354</u>	<u>967,960</u>
Share Capital and Reserves			
Authorised capital			
10,000,000 Ordinary shares of Rs. 10 each		100,000	100,000
		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up capital		42,505	42,505
Capital reserve - Share premium		6,102	6,102
Unappropriated profit		222,882	198,482
		<u>271,489</u>	<u>247,089</u>
Non-current Liabilities			
Long term financing		177,500	189,000
Liabilities against assets subject to finance leases		12,561	5,694
Deferred tax		11,467	11,467
		<u>201,528</u>	<u>206,161</u>
Current Liabilities			
Trade and other payables		429,515	244,988
Accrued interest / mark up		8,197	8,491
Short term borrowings		191,858	195,925
Current maturity of:			
Long term financing		36,000	26,000
Liabilities against assets subject to finance leases		2,309	2,306
Provision for income tax		47,458	37,000
		<u>715,337</u>	<u>514,710</u>
Commitments			
	3	<u>1,188,354</u>	<u>967,960</u>

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



Abrar Hasan
Chief Executive



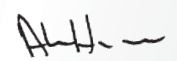
Zahid Majeed
Director

Profit and Loss Account

For the three months ended September 30, 2006 - (unaudited)

	September 30, 2006 (Rupees in thousand)	September 30, 2005
Sales	674,669	501,490
Cost of sales	(434,741)	(366,015)
Gross profit	<u>239,928</u>	<u>135,475</u>
Distribution cost	(174,170)	(87,868)
Administrative expenses	(17,663)	(14,691)
Other operating expenses	(5,450)	(1,545)
Other operating income	2,980	46
Profit from operations	<u>45,625</u>	<u>31,417</u>
Finance cost	(10,767)	(4,759)
Profit before taxation	<u>34,858</u>	<u>26,658</u>
Taxation	(10,458)	(7,000)
Profit after taxation	<u>24,400</u>	<u>19,658</u>
Earnings per Share - basic and diluted - Rupees	<u>5.74</u>	<u>4.62</u>

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



Abrar Hasan
Chief Executive



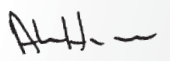
Zahid Majeed
Director

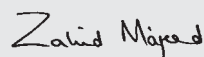
Cash Flow Statement

For the three months ended September 30, 2006 - (unaudited)

	Note	September 30, 2006 (Rupees in thousand)	September 30, 2005 (Rupees in thousand)
Cash Flow from Operating Activities			
Cash generated from operations	4	147,490	124,551
Financial charges paid		(11,061)	(5,446)
Income Tax paid		(2,990)	(3,059)
Net cash from operating activities		133,439	116,046
Cash Flow from Investing Activities			
Fixed capital expenditure		(35,629)	(41,137)
Sale proceeds of fixed assets		104	53
Net cash used in investing activities		(35,525)	(41,084)
Cash Flow from Financing Activities			
Long term financing - net		(1,500)	35,500
Liability against assets subject to finance leases - net		6,870	(456)
Dividend paid		(281)	(321)
Net cash from financing activities		5,089	34,723
Net increase/(decrease) in cash and cash equivalents		103,003	109,685
Cash and cash equivalents at the beginning of the period		(112,900)	(265,139)
Cash and cash equivalents at the end of the period	5	(9,897)	(155,454)

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


Abrar Hasan
Chief Executive

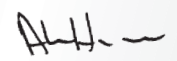

Zahid Majeed
Director

Statement of Changes in Equity

For the three months ended September 30, 2006 - (unaudited)

	Issued subscribed and paid up capital	Capital reserve share premium	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2005	42,505	6,102	134,494	183,101
Profit for the period ended September 30, 2005	-	-	19,658	19,658
Final dividend for the year ended June 30, 2005 (Rs.1.50 per share)	-	-	(6,376)	(6,376)
Balance as at September 30, 2005	42,505	6,102	147,776	196,383
Balance as at June 30, 2006	42,505	6,102	198,482	247,089
Profit for the period ended September 30, 2006	-	-	24,400	24,400
Balance as at September 30, 2006	42,505	6,102	222,882	271,489

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 the three months ended September 30, 2006 - (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, 2006.

2. Property, Plant and Equipment

	Note	September 30 2006 (Rupees in thousand)	June 30, 2006 (Rupees in thousand)
2.1 Operating Assets	2.2	192,822	192,285
Capital work in progress		200,990	173,589
		<u>393,812</u>	<u>365,874</u>
2.2 Additions and Disposals : during the period			
Additions :			
Plant and machinery		4,876	11,679
Furniture and fixtures		137	50
Motor Vehicles		2,521	1,016
Office and other equipments		442	1,118
Laboratories equipments		-	32
Computers		445	1,402
		<u>8,421</u>	<u>15,297</u>
Disposals:			
Motor Vehicles		466	956

3. Commitments

- 3.1 Aggregate commitments for capital expenditure amounted to Rs.41 million (June 30, 2006: Rs.53.50 million).

4. Cash Flow from Operations

Note	September 30 2006 (Rupees in thousand)	September 30, 2005 (Rupees in thousand)
	34,858	26,658
Profit before taxation		
Adjustments of non cash charges and other items		
Depreciation / amortisation on fixed assets	7,843	5,360
Financial charges	10,767	4,759
Gain on disposal of fixed assets	(104)	(10)
Working capital changes	94,126	87,784
	<u>147,490</u>	<u>124,551</u>
Cash generated from operations		
4.1 Working Capital Changes		
(Increase) / Decrease in current assets		
Stores, spares and tools	(101)	(304)
Stock in trade	23,576	58,051
Trade debts	(99,246)	(68,528)
Advances	(14,996)	(16,635)
Deposits and prepayments	(52)	(2,431)
Other receivables	136	(3,016)
	<u>(90,683)</u>	<u>(32,863)</u>
Increase in current liabilities		
Trade and other payables	184,809	120,647
	<u>94,126</u>	<u>87,784</u>

5. Cash and Cash Equivalents

Cash and bank balances	181,961	68,946
Short term borrowings	(191,858)	(224,400)
	<u>(9,897)</u>	<u>(155,454)</u>

6. Transactions with Related Parties

Significant related parties transactions are as follows:		
Common expenses charged to related parties	330	1,393
Sales of goods	167,696	104,961
Company's contributions to employees' provident fund	1,283	1,148

7. Seasonality Impact

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

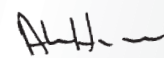
8. Proposed Dividend

At the Board Meeting on September 7, 2006 a final dividend in respect of 2006 of Rs.2.00 per share amounting to a total dividend of Rs.8.501 million is proposed (2005:Rs.6.376 million).

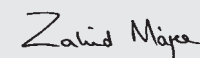
These financial statements do not reflect the proposed final dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending June 30, 2007.

9. Date of Authorisation

These financial statements were authorised for issue on October 14, 2006 by the Board of Directors of the company.



Abrar Hasan
Chief Executive



Zahid Majeed
Director