



National Foods Limited
www.nfoods.com

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National
Celebrating
A NATION OF FOOD
Connoisseurs



HALF
YEARLY
REPORT
2014



Our Story

National Foods Limited (NFL), founded in 1970, is Pakistan's leading Multi Category Food Company with over 250 different products in 12 categories. NFL holds ISO 9001, ISO 22000, and HACCP certifications along with SAP business technology to drive its strong commitment to quality and management excellence.

NFL is an international brand sold in over 35 countries and aims to become a Rs.50 billion company under its 20/20 plan.

NFL is dedicated to improving the well-being of society not only through the continuous development of innovative food products but also by means of its wide ranging corporate social responsibility program.

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Company Information

Board of Directors

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Waqar Hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohamed	Director

Audit Committee

Mr. Khawaja Munir Mashooqullah	Chairman
Mr. Abdul Majeed	Member
Mr. Zahid Majeed	Member
Mr. Ebrahim Qassim	Member
Mr. Iqbal Alimohamed	Member

Human Resource and Remuneration Committee

Mr. Khawaja Munir Mashooqullah	Chairman
Mr. Zahid Majeed	Member
Mr. Abdul Majeed	Member
Mr. Ebrahim Qassim	Member
Mr. Iqbal Alimohamed	Member

Chief Financial Officer

Mr. Rafiq ul Islam

Company Secretary

Mr. Farhan Latif

Head of Internal Audit and Secretary Audit Committee

Mr. Shahid Hussain

Internal Auditors

Messrs. Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants

Company Management

Mr. Abrar Hasan Chief Executive Officer
 Mr. Shakaib Arif Chief Operating Officer
 Mr. Rafiq ul Islam Chief Financial Officer

External Auditors

A. F. Ferguson & Co. Chartered Accountants, State Life Building,
 1-C, I.I. Chundrigar Road, Karachi

Share Registration Office

Central Depository Company of Pakistan Limited
 CDC House, 99-B, Block B, S.M.C.H.S., Main
 Shahrah-e-Faisal, Karachi-74400
 Tel: (92-21) 111-111-500
 Fax: (92-21) 34326031

Principal Bankers

Bank Al-Habib Limited Main Branch, Karachi. S.I.T.E. Branch, Karachi
 New Garden Town Branch, Lahore
 Bank Al Falah Limited (Islamic Banking Group) Port Qasim Authority Branch, Karachi
 Bank Islami Pakistan Limited S.I.T.E. Branch, Karachi
 Dubai Islamic Bank Pakistan Limited Clifton Branch, Karachi
 Faysal Bank Limited 16, Abdullah Haroon Road, Karachi
 Habib Bank Limited S.I.T.E. Branch, Karachi
 Habib Metropolitan Bank Limited Main Branch, Karachi
 MCB Bank Limited Shaheen Complex Branch, Karachi
 Meezan Bank Limited M.T. Khan Road Branch, Karachi
 Standard Chartered Bank (Pakistan) Limited Main Branch, Karachi
 United Bank Limited Main Branch, Karachi

REGISTERED OFFICE

12/CL-6 Claremont Road, Civil Lines,
 Karachi 75530 P.O. Box No. 15509
 Phone: (92-21) 35662687, 35670540, 35670585,
 35670793 & 35672268 Fax: (92-21) 35684870

PLANT SITES

SITE Mailing Address:
 F- 160/ C, F- 133, S.I.T.E., Karachi.
 Landline # 021-3257-7707 – 10
 Fax # 021-3257-2217
 E- Mail Address: info@nfoods.com

PORT QASIM

Mailing Address: A-13, North Western
 Industrial Zone, Bin Qasim, Karachi
 Landline # 021-3475-0373 – 7

MURIDKE SALT PLANT

Mailing Address: 5-A/1, New Muslim Town, Lahore
 Factory Address: G.T. Road, Manooabad Meer
 Muridke.
 Landline # 042-798-1427, 798-0808
 Fax # (92-42) 798-1427, 798-0808

WEB PRESENCE: Updated company information and the latest Annual Report can be accessed at : www.nfoods.com

Directors' Report To The Shareholders

FOR THE HALF YEAR ENDED DECEMBER 31, 2013

Fellow Shareholders,

The Directors present the reviewed financial statements of the company for the First Half ended December 31, 2013.

First Half Highlights:

- Underlying Sales Growth 6.4% (Q1: 5.4%, Q2: 7.6%) at PKR 4.6 billion
- Gross Margin up 28 bps to 36.9%
- Earnings per share down to PKR 7.07 (FH 2012: PKR 8.48)

Summary of business performance:

National Foods' business model has shown encouraging resilience in this period despite challenging external environmental pressures and delayed onset of our consumers' seasonal buying patterns. Pakistan's operating environment was subject to grave deterioration over the period under review; while post-election turmoil augmented the already sensitive and unstable political conditions, poor law, order and security structure further worsened matters for industries. Moreover, with severe power and gas outages, along with rising fuel costs on account of rapid dollar depreciation, manufacturing companies like National Foods faced an uphill battle in the First Half of 2014.

Despite this, Underlying Sales Growth of 6.4% in HY 2014 is in line with our expectations; we have remained sturdy on our commitment for sustained Gross Margin delivery, which stands at 36.9%, a 28 bps improvement over last year. Moreover, we are confident that with the imminent onset of the peak selling trends of our flagship categories, our performance in the coming six months will be impressive.

In an environment where many competitors are playing for a share of the shrinking consumer wallet, cautious sales mix improvements and relentless focus on cost savings has helped us invest competitively and strategically behind our brands. We can proudly claim that the National Foods' Brand Equity fares strong, as we emerged victorious in the 2013 Brands Election.

Over HY'2014, mega campaigns like "ChittaKukkar" and "National Ketchup Zaroori" were well received by our audience and helped reinforce the Eid excitement created by our targeted in store activations and consumer promotions. Moreover, continuing on our legacy to celebrate the rich heritage and culture of Pakistan, the second season of "National Ka Pakistan" was launched during this period. Our Recipe Cookbook the "Taste of Pakistan" enticed a wide range of audience with its tantalizing collection of unique recipes, while "Made Easy" - a collection of our first ever Recipe Videos launched on facebook and as a Google application, helped us connect digitally with our customers.

Our progress on the development of Export business and the setup of overseas offices is on track. We have invested in the up gradation of our portfolio in the international market in order to help cater to the needs of a larger and more diverse consumer base.

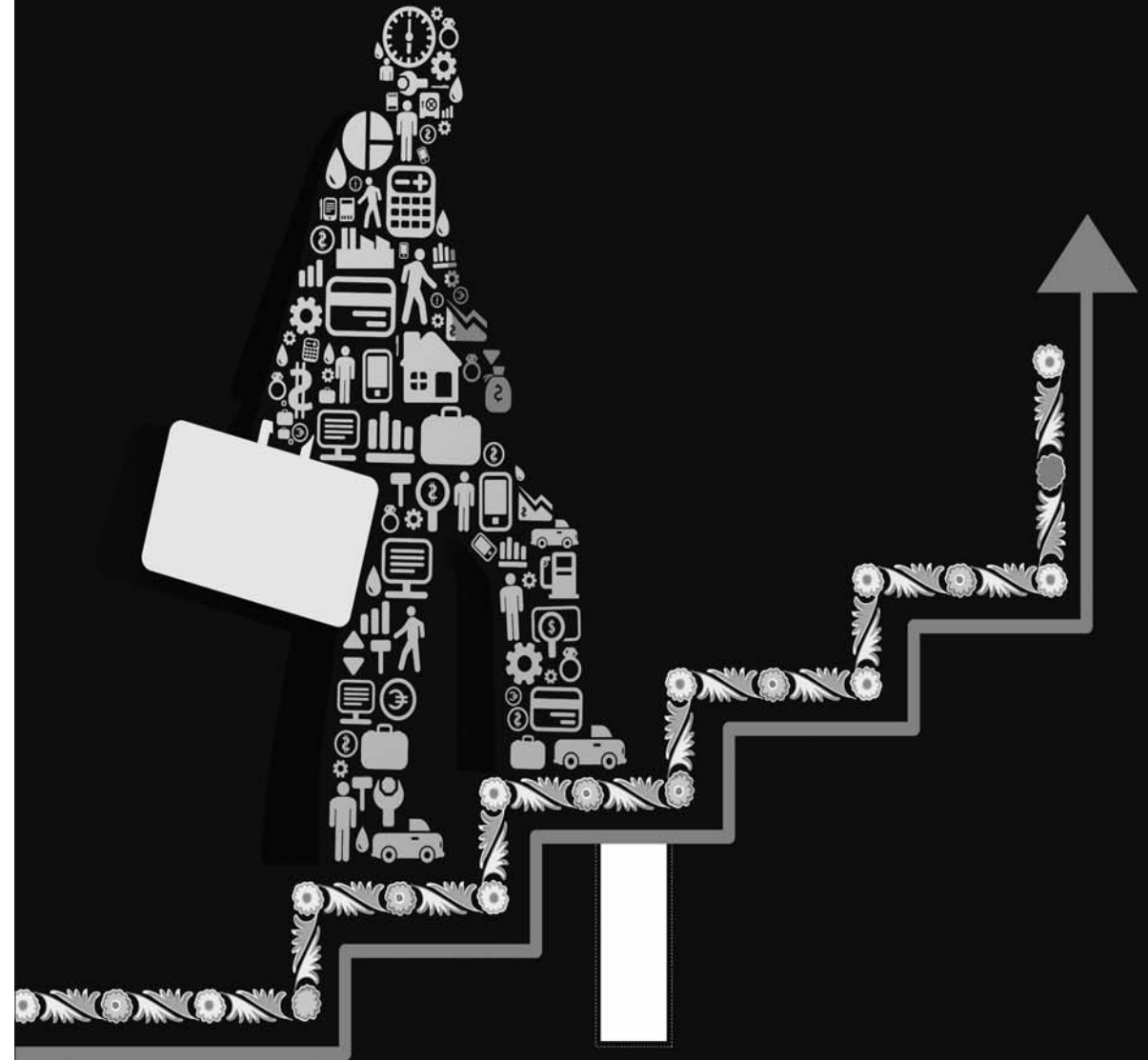
We recognize that operational excellence is critical to our success; therefore, we continue to monitor our progress on process simplification and improve our ability and agility to respond to market changes.

Business Risks and Future Outlook:

The volatility of environment will continue to test the resilience of our business and its people. In the wake of these challenges, we stand committed to continue to create value for our shareholders - as we have done in the past - by continually investing, innovating and improving our operations.

A. Majeed
Chairman

Karachi



Condensed Interim Financial Information
December 31, 2013

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of National Foods Limited as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F.Ferguson & Co.
Chartered Accountants
Karachi

Dated: February 24, 2014

Engagement Partner: Syed Fahim ul Hasan

Condensed Interim Balance Sheet

AS AT DECEMBER 31, 2013

		(Unaudited) December 31, 2013	(Re-stated) (Audited) June 30, 2013
(Rupees in thousand)			
ASSETS	Note		
Non-Current Assets			
Property, plant and equipment	5	1,195,002	1,048,957
Intangibles		30,507	23,086
Long term investment		31,719	31,719
Long term deposits		21,002	11,696
		1,278,230	1,115,458
Current Assets			
Stores, spare parts and loose tools		5,433	5,185
Stock in trade		1,998,262	1,912,425
Trade debts		410,035	652,142
Advances		65,975	49,076
Trade deposits and prepayments		18,146	17,055
Other receivables		48,051	16,700
Investments		441,748	327,908
Taxation - Provision less payments		-	4,160
Cash and bank balances		175,879	154,583
		3,163,529	3,139,234
		4,441,759	4,254,692
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		518,034	414,427
Unappropriated profit		1,351,207	1,254,320
		1,869,241	1,668,747
NON-CURRENT LIABILITIES			
Deferred tax		121,969	116,358
Retirement benefits obligations		25,975	23,929
		147,944	140,287
CURRENT LIABILITIES			
Trade and other payables		1,281,518	1,331,561
Accrued interest / mark up		11,981	23,536
Short term borrowings		811,874	950,968
Taxation - Provision less payments		256,101	-
Due to the government - sales tax payable		63,100	139,593
		2,424,574	2,445,658
COMMITMENTS	6	4,441,759	4,254,692

The annexed notes 1 to 12 form an integral part of this financial information.


Chief Executive


Director

Condensed Interim Profit and Loss Account

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

Note	Quarter ended		Half year ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in thousand)			
Net sales				
Local	1,858,860	1,790,689	4,143,570	3,963,487
Export	254,209	172,754	444,901	348,975
	2,113,069	1,963,443	4,588,471	4,312,462
Cost of sales	(1,353,696)	(1,211,907)	(2,893,827)	(2,731,737)
Gross profit	759,373	751,536	1,694,644	1,580,725
Distribution cost	(421,778)	(414,789)	(927,802)	(816,977)
Administrative expenses	(95,201)	(60,779)	(174,864)	(131,035)
Other operating expenses	(20,905)	(17,791)	(43,497)	(47,181)
	(537,884)	(493,359)	(1,146,163)	(995,193)
Other income	19,858	22,054	47,644	42,161
Profit from operations	241,347	280,231	596,125	627,693
Finance costs	(20,167)	(14,007)	(44,248)	(32,333)
Profit before taxation	221,180	266,224	551,877	595,360
Taxation	(72,570)	(26,715)	(185,611)	(156,029)
Profit after taxation	148,610	239,509	366,266	439,331
Other comprehensive income	-	-	-	-
Total comprehensive income	148,610	239,509	366,266	439,331
Earnings per share - Rupees	2.87	4.62	7.07	8.48

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Condensed Interim Cash Flow Statement

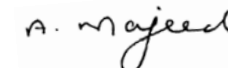
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

Note	December 31, 2013	December 31, 2012
		(Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	640,186	396,133
Finance cost paid	(55,803)	(27,094)
Income tax refund / (paid)	80,261	(76,731)
Net increase in long term deposits	(9,306)	(3,719)
Net cash from operating activities	655,338	288,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(218,002)	(72,361)
Sale proceeds on disposal of property, plant and equipment	242	3,348
Purchase of open ended mutual fund units	(100,000)	(360,000)
Sale proceeds of open ended mutual fund units	-	315,776
Purchase of intangible assets	(11,059)	(588)
Net cash used in investing activities	(328,819)	(113,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(166,129)	(243,961)
Net increase / (decrease) in cash and cash equivalents	160,390	(69,197)
Cash and cash equivalents at beginning of the period	(796,385)	(464,244)
Cash and cash equivalents at end of the period	(635,995)	(533,441)

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated profit	Total
----- (Rupees in thousand) -----			
Balance as at June 30, 2013 - as previously reported	414,427	1,267,598	1,682,025
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(13,278)	(13,278)
Balance as at June 30, 2013 (Re-stated)	414,427	1,254,320	1,668,747
Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share	-	(165,772)	(165,772)
Profit for the half year ended December 31, 2013	-	366,266	366,266
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-
Balance as at December 31, 2013	<u>518,034</u>	<u>1,351,207</u>	<u>1,869,241</u>
Balance as at June 30, 2012 - as previously reported	414,427	988,053	1,402,480
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(5,291)	(5,291)
Balance as at June 30, 2012 (Re-stated)	414,427	982,762	1,397,189
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	(248,656)	(248,656)
Profit for the half year ended December 31, 2012	-	439,331	439,331
Balance as at December 31, 2012	<u>414,427</u>	<u>1,173,437</u>	<u>1,587,864</u>

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Notes to and Forming Part of the Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the Companies Ordinance, 1984 by special resolution passed in the extra ordinary general meeting held on March 30, 1988. The company is principally engaged in the manufacture and sale of convenience based food products. It is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

2. BASIS OF PREPARATION

2.1 The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2013.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2013 except as described below.

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the company's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

- Past service cost and amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Notes to and Forming Part of the Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

Effects of this change in accounting policy have been summarised below:

	June 30, 2013	June 30, 2012
(Rupees in thousand)		
Impact on Balance Sheet		
Increase in retirement benefits - obligations	20,118	8,017
Decrease in deferred tax liability	6,840	2,726
Decrease in unappropriated profit	13,278	5,291
Impact on Profit and Loss		
Increase in profit before taxation	862	-
Increase in taxation expense	293	-
Decrease in other comprehensive income - net of tax	8,556	-

The company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND

FINANCIAL RISK MANGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2013.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2013.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Operating assets - at net book value - Note 5.2

Capital work in progress - at cost

	Unaudited December 31, 2013	Audited June 30, 2013
(Rupees in thousand)		
Operating assets - at net book value - Note 5.2	1,018,418	1,020,094
Capital work in progress - at cost		
Civil work in progress	2,555	6,937
Plant and machinery	126,032	3,722
Building	22,521	3,084
Advance against acquisition of land	25,476	15,120
	1,195,002	1,048,957

Notes to and Forming Part of the Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

5.2 Additions and Disposals during the period

Additions

	Half year ended	
	December 31, 2013	December 31, 2012
(Rupees in thousand)		
Leasehold land	35,326	-
Building on leasehold land	5,764	2,328
Plant and machinery	14,809	20,785
Motor vehicles - Owned	1,630	1,472
Furniture and fittings	73	12,984
Computers	7,676	8,965
Others	5,003	4,951
	70,281	51,485

Disposals - Net Book Value

Motor vehicles	24	1,359
Computer equipment	130	141
	154	1,500

6. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2013 amounted to Rs 1.7 million (June 30, 2013: Rs 64.8 million).

7. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholder

Weighted average number of shares

in issue during the period

Earnings per share - Rupees

	Half year ended	
	December 31, 2013	December 31, 2012
(Rupees in thousand)		
Profit after taxation attributable to ordinary shareholder	366,266	439,331
Weighted average number of shares in issue during the period	51,803	51,803
Earnings per share - Rupees	7.07	8.48

There were no convertible dilutive potential ordinary shares in issue as at December 31, 2013 and 2012.

Notes to and Forming Part of the Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

8. CASH GENERATED FROM OPERATIONS

	Half year ended	
	December 31, 2013	December 31, 2012
	(Rupees in thousand)	
Profit before taxation	551,877	595,360
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	71,803	52,190
Deferred liability - Retirement benefits	2,046	1,760
Amortisation of intangibles	3,638	1,330
Provision for stock obsolescence	-	2,147
Gain on re-measurement of fair value of open ended mutual fund units	(13,838)	(12,084)
Gain on sale of investments	-	(8,435)
Gain on disposal of property, plant and equipment	(88)	(1,848)
Exchange gain	(23,720)	-
Finance cost	44,248	32,333
	84,089	67,393
Profit before working capital changes	635,966	662,753
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(248)	(704)
Stock in trade	(85,837)	(423,233)
Trade debts	265,827	42,046
Advances	(16,899)	(16,992)
Deposits and prepayments	(1,091)	1,743
Other receivables	(31,351)	(5,559)
	130,401	(402,699)
(Decrease) / increase in current liabilities		
Trade and other payables	(49,688)	163,863
Due to the government	(76,493)	(27,784)
	640,186	396,133

Notes to and Forming Part of the Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

9. CASH AND CASH EQUIVALENTS

	Half year ended	
	December 31, 2013	December 31, 2012
	(Rupees in thousand)	
Cash and bank balances	175,879	69,925
Short term borrowings	(811,874)	(603,366)
	(635,995)	(533,441)

10. TRANSACTIONS WITH RELATED PARTIES

Relationship with the company	Nature of transactions	Half year ended	
		December 31, 2013	December 31, 2012
(Rupees in thousand)			
Associated companies / Undertakings:	Reciprocal arrangements for sharing of services	-	553
	Commission expense	35,404	-
	Sale of goods	368,719	491,664
	Purchase of goods	16,615	18,912
	Rent Payment	4,175	3,795
Staff retirement fund:	Expense charged for defined contribution plan	10,839	8,318
	Payments to retirement contribution plan	28,858	29,175
Directors	Technical advisory services	7,200	3,700
Key management compensation:			
	Salaries and other short-term employee benefits	79,889	121,030
	Contribution to Provident Fund	2,919	2,290
	Post retirement benefits of Executive Directors	2,046	1,760

Notes to and Forming Part of the Condensed Interim Financial Information

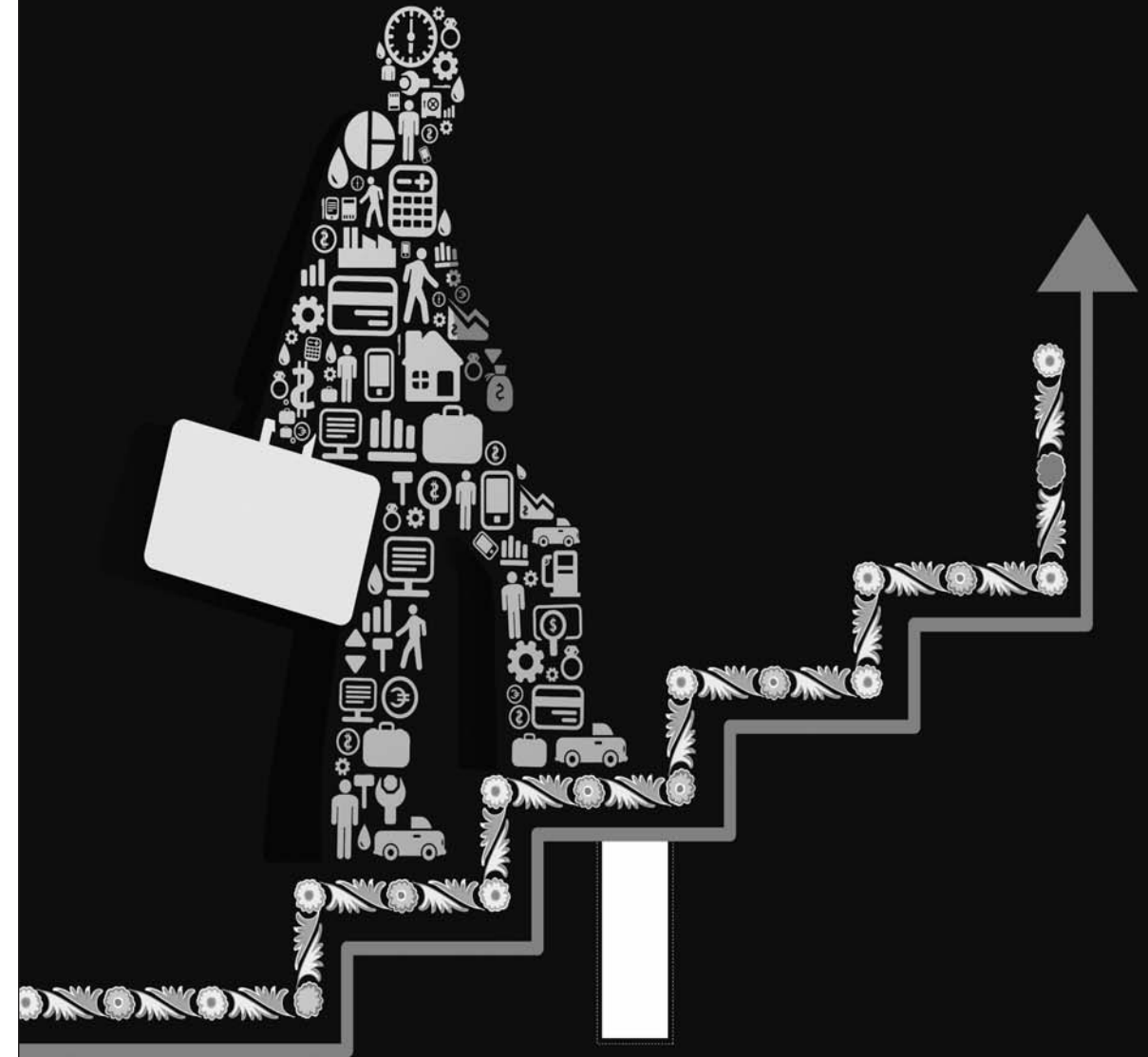
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

11. SEASONALITY

The company's business is subject to seasonal fluctuation, with demand of its products increasing in the months of Ramazan and two Eids. Therefore, revenues and profits are not necessarily indicative of results to be expected for the full year.

12. DATE OF AUTHORISATION OF ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the company on February 21, 2014.



Consolidated Condensed Interim Financial Information
December 31, 2013

Chief Executive

Director

Consolidated Condensed Interim Balance Sheet

AS AT DECEMBER 31, 2013

	Note	(Unaudited)	(Re-stated)
		December 31, 2013	(Audited) June 30, 2013
(Rupees in thousand)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	1,195,002	1,048,957
Intangibles		30,507	23,086
Long term deposits		21,814	11,696
		1,247,323	1,083,739
Current Assets			
Stores, spare parts and loose tools		5,433	5,185
Stock in trade		1,998,262	1,912,425
Trade debts		410,035	652,142
Advances		69,304	49,110
Trade deposits and prepayments		18,146	17,816
Other receivables		48,051	15,489
Investments		441,748	327,908
Taxation - Provision less payments		-	4,160
Cash and bank balances		203,628	171,369
		3,194,607	3,155,604
		4,441,930	4,239,343
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		518,034	414,427
Unappropriated profit		1,370,903	1,260,240
Exchange revaluation reserve		2,959	33
		1,891,896	1,674,700
NON-CURRENT LIABILITIES			
Deferred tax		121,969	116,358
Retirement benefits obligations		25,975	23,929
		147,944	140,287
CURRENT LIABILITIES			
Trade and other payables		1,259,034	1,310,259
Accrued interest / mark up		11,981	23,536
Short term borrowings		811,874	950,968
Taxation - Provision less payments		256,101	-
Due to the government - sales tax payable		63,100	139,593
		2,402,090	2,424,356
COMMITMENTS	6	4,441,930	4,239,343

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Consolidated Condensed Interim Profit and Loss Account

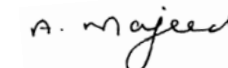
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

	Note	Quarter ended		Half year ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
(Rupees in thousand)					
Net sales					
Local		1,858,860	1,790,689	4,143,570	3,963,487
Export		254,209	172,754	444,901	348,975
		2,113,069	1,963,443	4,588,471	4,312,462
Cost of sales					
		(1,353,696)	(1,211,907)	(2,893,827)	(2,731,737)
Gross profit					
		759,373	751,536	1,694,644	1,580,725
Distribution cost					
		(407,766)	(414,789)	(913,790)	(816,977)
Administrative expenses					
		(95,201)	(60,779)	(174,864)	(131,035)
Other operating expenses					
		(20,957)	(17,791)	(43,549)	(47,181)
		(523,924)	(493,359)	(1,132,203)	(995,193)
Other income					
		19,858	22,054	47,644	42,161
Profit from operations					
		255,307	280,231	610,085	627,693
Finance costs					
		(20,351)	(14,007)	(44,432)	(32,333)
Profit before taxation					
		234,956	266,224	565,653	595,360
Taxation					
		(72,570)	(26,715)	(185,611)	(156,029)
Profit after taxation					
		162,386	239,509	380,042	439,331
Other comprehensive income					
		-	-	2,926	-
Total comprehensive income					
		162,386	239,509	382,968	439,331
Earnings per share - Rupees	7	3.13	4.62	7.34	8.48

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Consolidated Condensed Interim Cash Flow Statement

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

Note	December 31, 2013	December 31, 2012
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	8 652,145	396,133
Finance cost paid	(55,987)	(27,094)
Income tax refund / (paid)	80,261	(76,731)
Net increase in long term deposits	(10,118)	(3,719)
Net cash from operating activities	666,301	288,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(218,002)	(72,361)
Sale proceeds on disposal of property, plant and equipment	242	3,348
Purchase of open ended mutual fund units	(100,000)	(360,000)
Sale proceeds of open ended mutual fund units	-	315,776
Purchase of intangible assets	(11,059)	(588)
Net cash used in investing activities	(328,819)	(113,825)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(166,129)	(243,961)
Net increase / (decrease) in cash and cash equivalents	171,353	(69,197)
Cash and cash equivalents at beginning of the period	(779,599)	(464,244)
Cash and cash equivalents at end of the period	9 (608,246)	(533,441)

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Consolidated Condensed Interim Statement of Changes in Equity

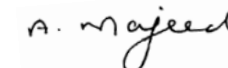
FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

	Issued subscribed and paid up capital	Unappropriated profit	Exchange Revaluation Reserve	Total
(Rupees in thousand)				
Balance as at June 30, 2013 - as previously reported	414,427	1,273,518	33	1,687,978
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(13,278)	-	(13,278)
Balance as at June 30, 2013 (Re-stated)	414,427	1,260,240	33	1,674,700
Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share	-	(165,772)	-	(165,772)
Profit for the half year ended December 31, 2013	-	380,042	-	380,042
Other comprehensive income for the half year ended December 31, 2013	-	-	2,926	2,926
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-	-
Balance as at December 31, 2013	<u>518,034</u>	<u>1,370,903</u>	<u>2,959</u>	<u>1,891,896</u>
Balance as at June 30, 2012 - as previously reported	414,427	988,053	-	1,402,480
Effect of change in accounting policies with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	(5,291)	-	(5,291)
Balance as at June 30, 2012 (Re-stated)	414,427	982,762	-	1,397,189
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	(248,656)	-	(248,656)
Profit for the half year ended December 31, 2012	-	439,331	-	439,331
Balance as at December 31, 2012	<u>414,427</u>	<u>1,173,437</u>	<u>-</u>	<u>1,587,864</u>

The annexed notes 1 to 12 form an integral part of this financial information.



Chief Executive



Director

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

- i) National Foods Limited (the Parent Company)
- ii) National Foods DMCC (the Subsidiary Company)

National Foods Limited was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the Companies Ordinance, 1984 by special resolution passed in the extra ordinary general meeting held on March 30, 1988. The company is principally engaged in the manufacture and sale of convenience based food products. It is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

National Foods DMCC was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC. The registered address of the company is Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. 01 Jumeirah Lakes Towers Dubai, United Arab Emirates. The company is a wholly owned subsidiary of National Foods Limited, Pakistan.

The company's primary objective is to boost export sales of its parent company through trading in food stuff and other services.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of National Foods Limited and National Foods DMCC, Dubai, UAE. The financial statements of the subsidiary company have been consolidated on a line by line basis.

All inter-company balances and transactions have been eliminated.

2. BASIS OF PREPARATION

2.1 The consolidated condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standards No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This consolidated condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2013.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the group for the year ended June 30, 2013 except as described below.

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the group's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

- Past service cost and amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.
- The change in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Effects of this change in accounting policy have been summarised below:

	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
Impact on Balance Sheet		
Increase in retirement benefits - obligations	20,118	8,017
Decrease in deferred tax liability	6,840	2,726
Decrease in unappropriated profit	13,278	5,291
Impact on Profit and Loss		
Increase in profit before taxation	862	-
Increase in taxation expense	293	-
Decrease in other comprehensive income - net of tax	8,556	-

The group follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are also considered immaterial.

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this consolidated condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2013.

The group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2013.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Operating assets - at net book value - Note 5.2

Capital work in progress - at cost

Civil work in progress
Plant and machinery
Building
Advance against acquisition of land

Unaudited December 31, 2013	(Audited) June 30, 2013
(Rupees in thousand)	
1,018,418	1,020,094
2,555	6,937
126,032	3,722
22,521	3,084
25,476	15,120
1,195,002	1,048,957

5.2 Additions and Disposals during the period

Additions
Leasehold land
Building on leasehold land
Plant and machinery
Motor vehicles - Owned
Furniture and fittings
Computers
Others

Disposals - Net Book Value
Motor vehicles
Computer equipment

Half year ended	
December 31, 2013	December 31, 2012
(Rupees in thousand)	
35,326	-
5,764	2,328
14,809	20,785
1,630	1,472
73	12,984
7,676	8,965
5,003	4,951
70,281	51,485
24	1,359
130	141
154	1,500

Notes to and Forming Part of the Consolidated Condensed Interim Financial Information

FOR THE HALF YEAR ENDED DECEMBER 31, 2013 - UNAUDITED

6. COMMITMENTS

Aggregate commitments for capital expenditure as at December 31, 2013 amounted to Rs 1.7 million (June 30, 2013: Rs 64.8 million).

7. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholder

Weighted average number of shares in issue during the period

Earnings per share - Rupees

There were no convertible dilutive potential ordinary shares in issue as at December 31, 2013 and 2012.

Half year ended	
December 31, 2013	December 31, 2012
(Rupees in thousand)	
380,042	439,331
51,803	51,803
7.34	8.48

8. CASH GENERATED FROM OPERATIONS

Profit before taxation
Adjustments for non-cash charges and other items
Depreciation on property, plant and equipment
Deferred liability - Retirement benefits
Amortisation of intangibles
Provision for stock obsolescence
Gain on re-measurement of fair value of open ended mutual fund units
Gain on sale of investments
Gain on disposal of property, plant and equipment
Unrealised foreign exchange gains - net
Exchange gain
Finance cost

Profit before working capital changes

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES

Decrease / (increase) in current assets
Stores, spare parts and loose tools
Stock in trade
Trade debts
Advances
Deposits and prepayments
Other receivables

(Decrease) / increase in current liabilities
Trade and other payables
Due to the government

565,653	595,360
71,803	52,190
2,046	1,760
3,638	1,330
-	2,147
(13,840)	(12,084)
-	(8,435)
(88)	(1,848)
2,926	-
(23,720)	-
44,432	32,333
87,197	67,393
652,850	662,753
(248)	(704)
(85,837)	(423,233)
265,827	42,046
(20,194)	(16,992)
(330)	1,743
(32,562)	(5,559)
126,656	(402,699)
(50,868)	163,863
(76,493)	(27,784)
652,145	396,133

