

National Foods Limited
Quarterly Report 2024



Here for enrich- ment

National Foods Limited
12/CL-6, Claremont Road
Civil Lines, Karachi.
+92 21 38402022
www.nfoods.com



Contents

About the Company

Our Story	07
Vision Mission	09
Core Values	10

Stakeholders Information

Company Information	14
---------------------	----

Business Review

Directors' Report	18
-------------------	----

Financial Report

Standalone Financial Statements	24
Consolidated Financial Statements	40

Here for good- ness





Our Story

National Foods continues to spread happiness by offering authentic flavors, and re-uniting people with their long standing Pakistani heritage.

We began our journey in 1970 as a spice company with a product that brought the idea of clean and healthy foods to life. Since then, we resolved to make hygienic food, reduce time spent in the kitchens, and foster good health. And on a daily basis, we strive to elevate our communities and create a better lifestyle for those around us.

Since inception in 1970, National Foods has evolved in multiple categories as a leading food manufacturer. We hold ISO 9001, ISO 45001, ISO 22000 and HACCP certifications along with SAP Business Technologies to ensure that our customers receive the highest quality products. With a strong commitment to quality and operational excellence, we are integrating our systems with SAP S/4HANA, the latest ERP business suite.

We constantly Inspire New Traditions and have already successfully expanded our global footprint across 40 countries in 5 continents. At National Foods, we're creating food that enriches the lives of people everywhere.





Vision

Creating food that enriches the lives of people everywhere.

Mission

We will achieve our vision by designing and manufacturing food and related products, conforming to international standards and guidelines for nutrition, health, wellness and quality, bringing joy and happiness to people everywhere.



Core Values

 <p>Passion</p>	 <p>Customer Centric</p>	 <p>Teamwork</p>
<p>Go Above and Beyond</p> <ul style="list-style-type: none"> • We love what we do • We have the courage to question the status quo • We think big and create new possibilities • We bring positive energy to everything we do • We are driven by new challenges and learning opportunities 	<p>Prioritize Customer Experience (Internal & External)</p> <ul style="list-style-type: none"> • We continuously seek to understand and identify customer needs • We focus on providing convenience and value to our customers • We listen to our customers and treat them with respect • We are clear and transparent in our communication • We consider all customer touchpoints to offer the best possible solution 	<p>Trust Each Other and Achieve Together</p> <ul style="list-style-type: none"> • We work collaboratively across organizational boundaries on common objectives • We respect each other's ideas and opinions • We give constructive and candid feedback • We share knowledge and experiences to help each other develop • We celebrate the wins together

 <p>Excellence in Execution</p>	 <p>Ownership</p>
<p>Lead, Commit and Deliver the Best</p> <ul style="list-style-type: none"> • We set a clear direction for our deliverables • We make decisions which result in increased productivity and efficiencies • We develop proactive solutions to overcome current or potential challenges • We work on continuous performance improvement and learning • We strive to consistently add value to the business and the environment 	<p>Own It and Deliver It</p> <ul style="list-style-type: none"> • We lead by example • We are responsible for all our actions and decisions • We empower ourselves and take initiatives to meet business needs • We own our growth and development • We are responsible for the safety and well-being of ourselves and our community

Here for tradition



Company Information

Board of Directors

Mr. Zahid Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Ehsan Ali Malik	Independent Director
Mr. Ali H. Shirazi	Independent Director
Mr. Adam Fahy Majeed	Executive Director
Mrs. Saadia Naveed	Non-Executive Director
Mrs. Noreen Hasan	Non-Executive Director

Audit Committee

Mr. Ehsan Ali Malik	Chairman
Mrs. Saadia Naveed	Member
Mrs. Noreen Hasan	Member
Ms. Quratulain Mamsa	Secretary

Human Resources and Remuneration Committee

Mr. Ali H. Shirazi	Chairman
Mrs. Noreen Hasan	Member
Mr. Ehsan Ali Malik	Member
Mr. Zain Nasir	Secretary

Chief Internal Auditor

Ms. Quratulain Mamsa	EY Ford Rhodes Chartered Accountant
----------------------	-------------------------------------

Management Committee

Mr. Abrar Hasan	Chief Executive Officer
Mr. Ahmed Salman	Director Supply Chain
Mr. Dominique Charles Silvarelli	Chief Operating Officer - International Division
Mr. Hasan Sarwat	Chief Commercial Officer
Ms. Ivana Bajamic	Chief Human Resource Officer
Mr. Saleem Rafi Khilji	Director Manufacturing
Mr. Shah Abdullah Raza	Director IT & Digital Transformation
Syed Farhan Ali Rizvi	Director Corporate Finance

Company Secretary

Mr. Fazal ur Rehman Hajano

Director Corporate Finance/Chief Financial Officer

Syed Farhan Ali Rizvi

Auditors

Messrs. KPMG Taseer Hadi & Co. Chartered Accountants	Shaikh Sultan Trust Building No. 2, Beaumont Road, Karachi, 75530.
--	--

Share Registration Office

CDC Share Registrar
Services Limited

CDC House, 99-B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi-74400, Pakistan.
Tel: Customer Support Services (Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcsrsl.com
Website: www.cdcsrsl.com

Company Banks

Allied Bank Limited	Habib Bank Limited (UAE)
Askari Bank Limited	Habib Metropolitan Bank Limited
Bank Al Habib Limited	MCB Bank Limited
Bank Alfalah Limited (Islamic Banking Group)	MCB Bank Limited - Dubai
Bank of Montreal	Meezan Bank Limited
Faysal Bank Limited	National Bank of Pakistan
Habib Bank AG Zurich - Dubai	Toronto Dominion Canada Trust Bank
Habib Bank Limited	United Bank Limited
Habib Bank Limited (UK)	

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



Here for refine- ment



Directors' Report

Fellow Shareholders,

The Directors of National Foods Limited are pleased to present the unaudited financial results of the Company, which includes both stand-alone and consolidated financial statements, for the three months period ended September 30, 2023.

Business Performance Overview

Economic environment

Macro-Economic conditions remained strained during the first quarter of the fiscal year. A prolonged period of commodity super-cycle, current account deficit and interest rates slowed down GDP growth. There was some respite seen in the exchange rate. The economy is projected to grow by 1.7% for 2024. Inflation has remained high but could be tamed in the next quarter due to a high base.

Operating and financial performance

Core business

Our business has grown by 28% on the domestic front in this quarter. We have sustained our gross margins vs. prior year. International business has seen a tremendous topline growth of 49%.

A1 Bags & Supplies Inc.

Net sales grew by 70% mainly in Grocery, Dairy and Janitorial segments. The business has shown significant growth in its profitability with the Operating and Net Profitability increasing by 79% and 67% respectively.

Key financial numbers of the Group for the fiscal year are summarized below:

Amounts in PKR Million

	Group			Core Business			A1 Bags & Suppliers Inc.		
	Q1FY24	Q1FY23	Change	Q1FY24	Q1FY23	Change	Q1FY24	Q1FY23	Change
Net sales	19,154	13,128	52%	7,239	5,647	28%	12,730	7,498	70%
Gross profit	5,411	3,509	54%	2,535	1,958	29%	2,876	1,552	85%
Operating profit*	1,596	921	73%	419	265	59%	1,180	660	79%
Net profit after tax**	564	526	7%	165	287	-42%	670	402	67%
Earnings per share (Rupees)	2.4	2.3		0.7	1.2				
as % of net sales									
Gross profit	27.1%	26.7%	0.4%	35.0%	34.7%	0.3%	22.6%	20.7%	1.9%
Operating profit	8.0%	7.0%	1.0%	5.8%	4.7%	1.1%	9.3%	8.8%	0.5%
Profit after tax	2.8%	4.0%	-1.2%	2.3%	5.1%	-2.8%	5.3%	5.4%	-0.1%

* Excludes other income and other expenses.

** This includes amortization of Rs.6 million (2023: RS.5 million) on intangible recognized on consolidation of A1 Bags & Suppliers Inc.

Marketing and Promotion

Recipe Masala

- 'Launched the Dawaat-e-Azaadi campaign to capitalize on the Independence Day spirit with the key message to build unity around food regardless of social status, ethnicity, religion, or gender.
- With Karachi RTM structure in place, extensive Karachi specific consumer campaign will be deployed to establish the new 'Karachi Khaas Range'.
- KPK plan deployment has been initiated starting with extensive RTM deployment and activities planned in KPK to gain share from competition.

Ketchup

- The Back to School season was owned in Modern Trade, Islamabad via themed merchandise for kids. 1100+ productive interceptions were recorded for the activity.
- To reward the National Ketchup loyalists, and to make it more attractive in the competitive, inflationary environment - a Price Off consumer promotion was launched for all channels, nationwide.
- Stronger association with snacking and ketchup was focused during the cricket season using digital as the main medium. The campaign is on-going during the ICC World Cup as well.

Crushed Pickle

- To create awareness, reinforce consideration, and TOM recall in viewers, NFL challenged Market-leading influencers to take to the streets of Karachi, Lahore, and Islamabad and try their favourite Street cuisine with National Pickle.
- Making our proposition more enticing to NFL Pickles consumers, a price off CP was launched across all channels nationwide on the Mix Pickle 900gm jar, coupled with CP POSM which highlighted the benefit to the consumer.

Future outlook

The management recognizes the uncertainty emanating from international commodity & oil prices, increasing interest rates, current account deficit & resulting impact on exchange rate and overall economy. The management will continue to closely monitor the situation and strategize accordingly to drive business fundamentals and maintain its market leadership position in all major categories through contingency planning.

Acknowledgement

I would like to express the Board's sincerest gratitude to all internal and external stakeholders for their continued commitment and trust.

On behalf of Board of Directors



Chief Executive Officer



Director

ڈائریکٹرز رپورٹ

ساتھی شیئر ہولڈرز،

نیشنل فوڈز لمیٹڈ کے ڈائریکٹرز ہمسرت 30 ستمبر 2023 کو ختم ہونے والی مالیاتی تیسری سہ ماہی کے غیر جانچ شدہ نتائج پیش کر رہے ہیں جس میں دونوں یعنی علیحدہ اور مشترکہ فنانشل اسٹیٹمنٹس شامل ہیں۔

کاروباری کارکردگی کا جائزہ

معاشی صورتحال

مالی سال کی پہلی سہ ماہی کے دوران بڑے پیمانے پر معاشی صورتحال کافی پیچیدہ رہی۔ طویل مدت پر بڑھتی کموڈٹی سپر سائیکل، کرنٹ اکاؤنٹ خسارہ اور شرح سود نے جی ڈی پی کی نمو کی رفتار کو کم کر دیا ہے۔ اس کے علاوہ شرح مبادلہ میں کچھ وقفہ بھی دیکھنے میں آیا۔ سال 2024 کے لیے معاشی شرح میں 1.7% اضافہ متوقع ہے۔ افراط زر عروج پر رہی تاہم بہترین بنیاد کی وجہ سے آگلی سہ ماہی میں اس پر قابو پایا جاسکتا ہے۔

عملی اور مالیاتی کارکردگی

بنیادی کاروبار

اس سہ ماہی میں مقامی سطح پر ہمارے کاروبار میں 28% اضافہ ہوا۔ ہم نے گذشتہ سال کے مقابلے میں اپنے مجموعی مارجنز کو برقرار رکھا ہے۔ بین الاقوامی کاروبار میں 49% کی غیر معمولی ٹاپ لائن دیکھنے میں آئی۔

A1 بیگز اینڈ سپلائیز انکارپوریٹڈ

بنیادی طور پر گروسری، ڈیری اور جینیٹوریل سیکٹس کی خالص فروخت میں 70% اضافہ ہوا ہے۔ کاروبار نے آپریٹنگ میں 79% اور خالص منافع میں 67% نمایاں طور پر اضافہ ظاہر کیا ہے۔

گروپ کے مالیاتی سال کا گوشوارہ درج ذیل ہے:

رقم پاکستانی روپے ملین میں

	گروپ			بنیادی کاروبار			اے ون بیگز اینڈ سپلائیز انکارپوریٹڈ		
	Change	FY23	FY24	Change	FY23	FY24	Change	FY23	FY24
خالص فروخت	52%	13,128	19,154	28%	5,647	7,239	70%	7,498	12,730
مجموعی منافع	54%	3,509	5,411	29%	1,958	2,535	85%	1,552	2,876
*عملی منافع	73%	921	1,596	59%	265	419	79%	660	1,180
**خالص منافع بعد از ٹیکس	7%	526	564	-42%	287	165	67%	402	670
آمدنی فی حصص (روپے)		2.3	2.4		1.2	0.7			
بطور خالص فروخت کی شرح									
مجموعی منافع	0.4%	26.7%	27.1%	0.3%	34.7%	35.0%	1.9%	20.7%	22.6%
عملی منافع	1.0%	7.0%	8.0%	1.1%	4.7%	5.8%	0.5%	8.8%	9.3%
خالص منافع بعد از ٹیکس	-1.2%	4.0%	2.8%	-2.8%	5.1%	2.3%	-0.1%	5.4%	5.3%

*دیگر آمدنی اور اخراجات کے علاوہ

**اس میں اے ون بیگز اور سپلائرز انکارپوریشن کے استحکام کی ناقابل تسلیم بقیہ ادائیگی 6 ملین روپے (2023: 5 ملین روپے) شامل ہے۔

مارکیٹنگ اور تشہیر

ریسپی مصالحو

- کسی بھی سماجی حیثیت، نسل، مذہب یا جنس سے قطع نظر ہو کر کھانے سے جڑے اتحاد اور اتفاق کے اہم پیغام کو ایک نئے انداز میں یوم آزادی کے جذبے کے ساتھ “دعوت آزادی” کی کمپین کے نام سے متعارف کروایا گیا۔
- کراچی آرٹی ایم خاکے کے ساتھ نئی “کراچی خاص رنچ” کے انداز کو برقرار رکھنے کے لیے وسیع پیمانے پر کراچی خاص کنزیومر کمپین کا آغاز کیا جائے گا۔
- KPK میں مقابل سے حصہ حاصل کرنے کے لیے وسیع پیمانے پر آرٹی ایم کی تعیناتی اور سرگرمیوں کی منصوبہ بندی کے ساتھ KPK منصوبے پر عمل درآمد کا آغاز کر دیا گیا ہے۔

کیچپ

- تجارتی انداز کے ذریعے اسلام آباد میں بچوں کے لیے “دی بیک ٹو اسکول” سیزن ماڈرن ٹریڈ کے طور پر اپنایا گیا۔ اس سرگرمی کے لیے 1100+ پیدا ہونے والی رکاوٹیں ریکارڈ کی گئیں۔
- مہنگائی کے اس دور میں نیشنل کیچپ سے جڑے مخلص افراد کو انعام دینے کی غرض سے اور دیگر کے مقابلے میں اسے زیادہ اہم بنانے کے لیے قومی سطح پر تمام چینلز پر پرائس آف کنزیومر پرومشن لانچ کی گئی۔
- ڈیجیٹل کو اہم اور بنیادی ذریعہ تصور کرتے ہوئے کرکٹ سیزن میں اسپننگ اور کیچپ کے خاص اور سب کے پسندیدہ امتزاج پر توجہ مرکوز رکھی گئی۔ یہ کمپین آئی سی سی ورلڈ کپ کے دوران بھی جاری ہے۔

کرشڈ پکل

- آگاہی پھیلانے، گہرے غور و خوض کرنے اور ناظرین (ویوزرز) میں ٹی او ایم (TOM) کی یاد دہانی کے لیے نیشنل فوڈز لمیٹڈ نے مارکیٹ لیڈنگ انفلوئنسرز کو یہ چیلنج دیا کہ وہ کراچی، لاہور اور اسلام آباد کی سڑکوں پر آئیں اور اپنے پسندیدہ اسٹریٹ فوڈز کے ساتھ نیشنل پکل ٹرائی کر کے ناظرین سے اپنا تجربہ شیئر کریں۔
- نیشنل فوڈز لمیٹڈ پکلز کے صارفین کے لیے اپنی تجاویز کو مزید دلچسپ بنانے کے لیے کس پکل 900 گرام جار پر قومی سطح پر تمام چینلز پر پرائس آف کنزیومر پرائس کو لانچ کیا گیا، جس نے CP POSM کے ساتھ صارف کو دگنا فائدہ پہنچایا۔

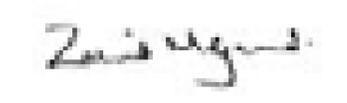
مستقبل کا نقطہ نظر

انتظامیہ نے بین الاقوامی اجناس اور تیل کی قیمتوں سے پیدا ہونے والی غیر یقینی صورتحال، شرح سود میں اضافے، کرنٹ اکاؤنٹ میں خسارے اور اس کے نتیجے میں شرح مبادلہ اور مجموعی طور پر معیشت پر پڑنے والے اثرات کو قبول کیا ہے۔ تاہم انتظامیہ اس صورتحال کی بغور نگرانی کرتی رہے گی اور اس کے مطابق کاروباری بنیادوں کو آگے لے جانے کے لیے بذریعہ ہنگامی منصوبہ بندی تمام اہم شعبوں میں اپنی قائدانہ حیثیت کو قائم رکھنے کے لیے حکمت عملی ترتیب دے گی۔

اعتراف

ہم بورڈ کی جانب سے مخلصانہ طور پر اپنے اندرونی اور بیرونی حصص داران کے مسلسل اعتماد اور پرعزم ساتھ پر ان کا شکریہ ادا کرنا چاہتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



ڈائریکٹر



چیف ایگزیکٹو آفیسر

Here for innov- ation



Unconsolidated Condensed Interim Financial Statements September 30, 2023



Unconsolidated Condensed Interim Statement of Financial Position (Unaudited)

As at 30 September 2023

	Note	30 September 2023 (Unaudited)	30 June 2023 (Audited)
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	10,671,022	9,764,235
Intangibles		173,716	135,362
Long-term investments		31,719	31,719
Long-term deposits		37,294	40,259
Deferred assets		-	44,158
		<u>10,913,751</u>	<u>10,015,733</u>
Current assets			
Stores and spare parts		272,813	260,966
Stock-in-trade	6	10,336,685	9,769,284
Trade debts		1,296,571	1,569,867
Advances		1,557,716	1,207,650
Deposits and prepayments		186,186	120,955
Other receivables		163,054	83,550
Short-term investments at FVTPL	7	292,508	937,047
Cash and bank balances		1,420,153	1,191,325
		<u>15,525,686</u>	<u>15,140,644</u>
TOTAL ASSETS		<u>26,439,437</u>	<u>25,156,377</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 30 June 2023: 1,000,000,000 ordinary shares of Rs. 5 each		<u>5,000,000</u>	<u>5,000,000</u>
Share capital Issued, subscribed and paid-up capital		1,165,576	1,165,576
Revenue Reserve Unappropriated profit		<u>6,414,187</u>	<u>6,359,028</u>
		<u>7,579,763</u>	<u>7,524,604</u>
Non-current liabilities			
Long-term finance	8	<u>3,066,651</u>	<u>3,089,985</u>
Lease liabilities		5,853	7,853
Deferred taxation - net		289,245	342,970
Long term provisions		-	4,626
		<u>3,361,749</u>	<u>3,445,434</u>
Current liabilities			
Trade and other payables		6,638,499	7,464,318
Contract liability		240,459	291,002
Short-term borrowings	9	7,149,537	4,905,760
Unclaimed dividend		20,608	20,639
Long-term finance classified as current - secured	8	93,320	93,320
Mark-up accrued on bank borrowings		597,256	459,706
Taxation - net		758,246	951,594
		<u>15,497,925</u>	<u>14,186,339</u>
Contingencies and commitments	10		
TOTAL EQUITY AND LIABILITIES		<u>26,439,437</u>	<u>25,156,379</u>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months period ended 30 September 2023

	Note	Three months ended	
		30 September 2023	30 September 2022
(Rupees in '000)			
Sales - net	11	6,946,399	5,575,911
Cost of sales		<u>(4,690,454)</u>	<u>(3,678,255)</u>
Gross profit		<u>2,255,945</u>	<u>1,897,655</u>
Selling and distribution costs		(1,335,497)	(1,214,980)
Administrative expenses		(641,238)	(442,620)
Other expenses		(24,086)	(27,559)
Other income	12	47,236	214,729
		<u>302,360</u>	<u>427,226</u>
Finance costs		(213,382)	(77,421)
Profit before taxation		<u>88,978</u>	<u>349,804</u>
Taxation - net	13	<u>(33,819)</u>	<u>(81,355)</u>
Profit for the period		<u>55,159</u>	<u>268,449</u>
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u><u>55,159</u></u>	<u><u>268,449</u></u>
(Rupees)			
Earnings per share - basic and diluted	14	<u>0.24</u>	<u>1.15</u>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Condensed Interim Statement of Cash Flows (Unaudited)

For the three months period ended 30 September 2023

Note	Three months ended		
	30 September 2023 (Unaudited)	30 September 2022	
CASH FLOWS FROM OPERATING ACTIVITIES			
	(Rupees in '000)		
Cash generated from operations	15	(1,226,741)	247,526
Finance cost paid		(75,832)	(26,291)
Income taxes paid		(280,892)	(191,671)
Retirement benefits paid		(2,632)	(316)
Deferred assets		44,158	-
Long term deposits - net		2,965	-
Net cash flows from operating activities		(1,538,973)	29,248
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,063,894)	(645,067)
Purchase of intangible assets		(44,027)	-
Redemption of short term investment - net		655,479	770,624
Proceeds from disposal of operating fixed assets		1,831	51,406
Net cash flows from investing activities		(450,611)	176,963
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term borrowings - net		(200,000)	(450,000)
Lease rental paid		(2,000)	(4,504)
Repayment of long term finance - net		(23,334)	(243,566)
Dividends paid		(31)	(619)
Net cash flows from financing activities		(225,365)	(698,689)
Net decrease in cash and cash equivalents		(2,214,949)	(492,478)
Cash and cash equivalents at beginning of the year		(2,914,435)	(2,306,894)
Cash and cash equivalents at end of the year	16	(5,129,384)	(2,799,372)

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months period ended 30 September 2023

	Issued, subscribed and paid-up share capital	Revenue reserve - unappropriated profit	Total
(Rupees in '000)			
Balance as at 1 July 2022	1,165,576	5,343,575	6,509,151
Total comprehensive income for the three months period ended 30 September 2022			
Profit for the period	-	268,449	268,449
Other comprehensive income for the period	-	-	-
	-	268,449	268,449
Total comprehensive income for the nine months period ended 30 June 2023			
Profit for the period	-	1,919,591	1,919,591
Other comprehensive income for the period	-	(7,011)	(7,011)
	-	1,912,580	1,912,580
Transactions with owners recorded directly in equity - distributions			
Final dividend for the year ended 30 June 2022 @ Rs. 5 per share	-	(1,165,576)	(1,165,576)
Balance as at 30 June 2023	<u>1,165,576</u>	<u>6,359,028</u>	<u>7,524,604</u>
Balance as at 1 July 2023	1,165,576	6,359,028	7,524,604
Total comprehensive income for the period ended 30 September 2023			
Profit for the period	-	55,159	55,159
Other comprehensive income for the period	-	-	-
	-	55,159	55,159
Balance as at 30 September 2023	<u>1,165,576</u>	<u>6,414,187</u>	<u>7,579,763</u>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

1. THE COMPANY AND ITS OPERATIONS

1.1 National Foods Limited ("the Company") was incorporated in Pakistan on 19 February 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) by a special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Company is principally engaged in the manufacture and sale of convenience based food products. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

1.2 The ultimate parent entity of the Company is ATC Holdings (Private) Limited based on control model as provided under IFRS 10 - 'Consolidated Financial Statements'.

These financial statements are separate financial statements of the Company in which investment in a subsidiary is accounted for on the basis of cost rather than on the basis of reported results. Consolidated financial statements of the company are prepared separately.

1.3 The manufacturing facilities and sales offices of the Company are situated at the following locations:

Factories:

- Unit F-160/ C, F- 133, S.I.T.E., Karachi;
- Office A-13, North Western Industrial Zone, Bin Qasim, Karachi;
- 53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala;
- A-393, Nooriabad Industrial Estate, Nooriabad; and
- Plot No. 346 & 347 Phase - 2, M-3 Industrial City, Faisalabad. (under construction)

Sales offices:

- Office No.107, 1st Floor Parsa Tower, Sharah-e-Faisal, Karachi;
- Office No.309, 3rd Floor Parsa Tower, Sharah-e-Faisal, Karachi;
- Office No. 84/2 Bomanji Square, Nusrat Road, Adali Colony, Multan;
- 18-CCA (Commercial Area), Phase VIII, DHA Lahore, Cantt;
- Sixteenth Avenue Mall, 16-A, Grand Truck Road, Small Industrial Estate-1, Gujranwala; and
- 1st Floor, Bilal Complex, Main PWD Road, Sector O-9, Islamabad.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as stated otherwise.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2023.

3.2 Certain amendments and interpretations to International Financial Reporting Standards (IFRS Standards) as notified under the Act became effective for accounting periods beginning on or after July 2023, but they do not have a material effect on these unconsolidated condensed interim financial statements. As such for this reason, these has not been defined in these interim financial statements.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The significant estimates and judgements made by the management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2023.

4.2 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2023.

Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

5. PROPERTY, PLANT AND EQUIPMENT	Note	30 September 2023	30 June 2023
		(Unaudited)	(Audited)
		(Rupees in '000)	
Operating fixed assets	5.1	4,871,666	4,915,430
Capital work in progress	5.2 & 5.3	5,787,268	4,834,734
Right-of-use assets		12,089	14,071
		<u>10,671,022</u>	<u>9,764,235</u>

5.1 Following are the additions and disposals of property, plant and equipment during the period:

	Three months ended	
	30 September 2023	30 September 2022
		(Unaudited)
		(Rupees in '000)
Additions / transfers from CWIP		
Freehold land	-	-
Building on leasehold land	1,425	17,415
Plant and machinery	48,831	16,552
Computer equipment	20,482	1,369
Vehicles	9,440	53,196
Furniture and fittings	8,690	9,731
Office, laboratory and other equipments	24,471	12,062
	<u>113,339</u>	<u>110,326</u>

Additions to operating fixed assets include transfers of Rs. 57.80 million (30 September 2022: Rs. 32.05 million) from capital work in progress balance as at 30 June 2023.

	Three months ended	
	30 September 2023	30 September 2022
		(Unaudited)
		(Rupees in '000)
Disposals - Net book value		
Vehicles [cost Rs. 0.44 million (30 September 2022: Rs. 52 million)]	8	41,854
Computer [cost Rs. 4.2 million (30 September 2022: Rs. Nil)]	52	-
Office Equipment [cost Rs. 2.4 million (30 September 2022: Rs. Nil)]	15	-
	<u>8</u>	<u>41,854</u>

5.2 This includes civil works of Rs. 4,642 million (30 June 2023: Rs.3,961 million) and Plant & Machinery and Other Equipments of Rs. 1,107 million (30 June 2023: Rs. 1,608 million).

5.3 This includes borrowing costs capitalized during the period amounting to Rs. 268 million (30 June 2023: Rs. 569 million).

6. STOCK-IN-TRADE

	Note	30 September 2023	30 June 2023
		(Unaudited)	(Audited)
		(Rupees in '000)	
Raw materials		3,738,655	3,923,355
Provision for obsolescence	6.1	(51,360)	(51,543)
		<u>3,687,295</u>	<u>3,871,812</u>
Packing materials		1,617,108	1,362,662
Provision for obsolescence	6.1	(86,814)	(86,604)
		<u>1,530,294</u>	<u>1,276,058</u>
Work in process		2,522,211	2,523,297
Provision for obsolescence	6.1	(64,388)	(48,873)
		<u>2,457,823</u>	<u>2,474,424</u>
Finished goods		2,700,003	2,216,879
Provision for obsolescence	6.1	(38,730)	(69,889)
		<u>2,661,273</u>	<u>2,146,990</u>
		<u>10,336,685</u>	<u>9,769,284</u>

6.1 During the year, the Company recorded reversal of provision for obsolescence of Rs. 35 million (30 June 2023: Rs. 110 million) and has written off stocks against provision amounting to Rs. 107 million (30 June 2023: Rs.229 million).

7. SHORT TERM INVESTMENTS AT FVTPL

	30 September 2023	30 June 2023
	(Unaudited)	(Audited)
		(Rupees in '000)
Investments in Mutual Funds	<u>292,508</u>	<u>937,047</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

8. LONG TERM FINANCE	Note	30 September 2023 (Unaudited)	30 June 2023 (Audited)
		(Rupees in '000)	
Secured long-term finances utilised under mark-up arrangements	8.1	3,159,971	3,183,305
Classified under current liability		(93,320)	(93,320)
		<u>3,066,651</u>	<u>3,089,985</u>

8.1 This represents original long term finance facilities of Rs. 3,500 million obtained from commercial banks. These finances carry markup ranging from 3 months Kibor + 0.1% to 3 months Kibor + 0.4%. The loans are secured by way of hypothecation of Company's present and future fixed assets. Loan tenures range from 3 years to 10 years. These loans are fully repayable in quarterly installments between April 2023 to December 2029.

9. SHORT TERM BORROWINGS	Note	30 September 2023 (Unaudited)	30 June 2023 (Audited)
		(Rupees in '000)	
Conventional			
Running finance under mark up arrangements	9.1	4,100,193	2,750,486
Export re-finance	9.2	600,000	800,000
Islamic			
Running finance under Musharakah	9.3	2,449,344	1,355,274
		<u>7,149,537</u>	<u>4,905,760</u>

9.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 22.62% to 22.71% (30 June 2023: 21.71% to 21.80%) per annum. The facilities are valid upto 30 April 2024.

9.2 The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The effective rate of mark-up on this facility is policy rate minus 3% i.e.17% (30 June 2023: 17%) per annum. The facilities offer are valid upto 09 March 2024 and are generally renewable.

9.3 The Company has obtained facilities for short-term finance under Running Musharakah. The effective rate of profit is 22.62% to 22.66% (30 June 2023: 21.71% to 21.75%) per annum. The facilities offer are valid upto 31 January 2024.

9.4 The facilities available from various banks amount to Rs. 8.39 billion (30 June 2023: Rs.6.14 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Company's current and future movable assets having aggregate charge amounting to Rs. 11.19 billion.

10. CONTINGENCIES AND COMMITMENTS

10.1 There are cases against the Company which are outstanding as at 30 September 2023. The management is confident that the decision will be in favor of the Company.

10.2 The facilities for opening letters of credit amount to Rs. 4.2 billion (30 June 2023: Rs. 4.2 billion) and for letters of guarantee amount to Rs. 1,071 million (30 June 2023: Rs. 1,071 million) as at 30 September 2023 of which the amount remaining unutilized at period end were Rs 3.8 billion (30 June 2023: Rs. 3.5 billion) and 620 million (30 June 2023: Rs. 620 million) respectively. The guarantees have mainly been given to utility companies, Collector of Customs and an oil marketing Company, etc.

10.3 Aggregate commitments for capital expenditure as at 30 September 2023 amount to Rs. 1.9 billion (30 June 2023: Rs. 2.4 billion).

10.4 Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing from First Habib Modarabah ranging from three months KIBOR + 0.90% (30 June 2023: three months KIBOR + 0.90%) while meezan bank ranging from three months KIBOR + 1.25% respectively (30 June 2023: three months KIBOR + 1.25%) per annum for rentals payable monthly as at 30 September 2023 amount to:

	30 September 2023 (Unaudited)	30 June 2023 (Audited)
	(Rupees in '000)	
Not later than one year	411,596	371,529
Later than one year but not later than five years	800,322	791,298
	<u>1,211,918</u>	<u>1,162,827</u>

Total sanctioned facilities from banks amount to Rs. 1,900 million, out of which Rs. 1,211 million has been utilized by the company.

Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

11. SALES - NET	Note	Three months ended	
		30 September 2023	30 September 2022
		(Unaudited)	
		(Rupees in '000)	
Local sales		9,091,168	7,719,171
Export sales	11.1	638,795	418,058
		<u>9,729,962</u>	<u>8,137,229</u>
Less: Sales tax		(1,239,825)	(1,032,895)
		<u>8,490,138</u>	<u>7,104,334</u>
Less:			
- Discount, rebates and allowances		(1,371,830)	(1,411,287)
- Sales return		(171,909)	(117,137)
		<u>(1,543,738)</u>	<u>(1,528,424)</u>
		<u>6,946,399</u>	<u>5,575,911</u>

11.1 Exports sales mainly represents sales made to National Foods DMCC Dubai - a wholly owned subsidiary of the Company.

11.2 Revenue is disaggregated by primary geographical market.

11.3 Management reviews revenue and other financial results based on major product division. During the three months period ended 30 September 2023, revenue of the Condiments division was Rs. 4,897 million (30 September 2022: Rs. 3,910 million), and Culinary division was Rs. 4,833 million (30 September 2022: Rs. 4,227 million).

11.4 The Company's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 93.43% (30 September 2022: 94.86%) and to customers outside Pakistan are 6.57% (30 September 2022: 5.14%) of the revenue.

12. OTHER INCOME

This includes exchange gain of Rs. 28.4 million (30 September 2022: Rs. 150.3 million) on translation of foreign currency balances.

13. TAXATION - NET

Current
Deferred

14. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation attributable to ordinary shareholders

Weighted average number of ordinary shares outstanding during the period*

Earnings per share - basic and diluted

* weighted average number of ordinary shares outstanding during the comparative period has been adjusted for the issuance of bonus shares

Three months ended	
30 September 2023	30 September 2022
(Unaudited)	
(Rupees in '000)	
87,543	80,322
(53,724)	1,033
<u>33,819</u>	<u>81,355</u>

Three months ended	
30 September 2023	30 September 2022
(Unaudited)	
(Rupees in '000)	
55,159	268,449
(Number of shares)	
(In '000)	
233,115	233,115
(Rupees)	
0.24	1.15

Notes to the Unconsolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

15. CASH GENERATED FROM OPERATIONS

	Three months ended	
	30 September 2023	30 September 2022
	(Unaudited)	
	(Rupees in '000)	
Profit before taxation	88,978	349,804
Adjustment for non-cash charges and other items		
Depreciation	157,031	169,468
Amortisation	5,673	4,419
Gain on disposal of property, plant and equipment	(1,756)	(9,552)
Reversal of provision for slow moving stock	(15,617)	(41,157)
Income from short term investments at FVTPL	(10,940)	-
Finance cost	213,382	77,421
Retirement benefits expense	2,632	316
	350,405	200,915
	439,383	550,719
Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(11,847)	(6,585)
Stock-in-trade	(551,784)	(515,127)
Trade debts	273,296	1,198,308
Advances	(350,066)	(366,983)
Deposits and prepayments	(65,231)	(52,589)
Other receivables	(79,504)	(323,499)
	(785,136)	(66,475)
Increase / (decrease) in current liabilities		
Trade and other payables	(830,445)	(314,232)
Markup accrued	-	51,130
Contract liability	(50,543)	26,384
	(880,988)	(236,718)
	(1,226,741)	247,526
16. CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,420,153	1,915,384
Running finance	(6,549,537)	(4,714,755)
	(5,129,384)	(2,799,372)

17. TRANSACTIONS WITH RELATED PARTIES

17.1 Balance outstanding:

Receivable from the parent company	8,219	5,188
Payable to parent company	3,043	2,518
Receivable from the subsidiary company	796,687	860,160
Payable to the subsidiary company	222,632	159,938
Payable to associated companies - net	24,170	63,107

17.2 Transactions during the period:

Parent company:

Rental income	909	815
Rental expense	1,254	-
Reimbursement of expenses	2,891	3,311

Subsidiary company:

Sale of goods - net	584,698	410,390
---------------------	---------	---------

Associated Companies / Undertakings:

Annual subscription	2,500	2,500
Purchases	45,724	85,965

Staff retirement funds:

Expense charged for defined contribution plan	27,402	22,814
Payment to defined contribution plan	27,402	67,287
Charge during the period to the defined benefit plan	2,632	316
Payment during the period to the defined benefit plan	2,632	-

Key management personnel and their family members:

Salaries and other short-term employee benefits	258,609	254,957
Reimbursement of expenses	9,402	6,697
Directors' Fee	950	1,500
Contribution to the Provident Fund	7,506	6,690

18. GENERAL

These unconsolidated condensed interim financial statements were authorised for issue by the Board of Directors in their meeting held on October 19, 2023.



Chief Executive Officer



Chief Financial Officer



Director

30 September 2023 (Unaudited)	30 June 2023 (Audited)
-------------------------------	------------------------

(Rupees in '000)

8,219	5,188
3,043	2,518
796,687	860,160
222,632	159,938
24,170	63,107

30 September 2023 (Unaudited)	30 September 2022
-------------------------------	-------------------

(Rupees in '000)

909	815
1,254	-
2,891	3,311
584,698	410,390
2,500	2,500
45,724	85,965
27,402	22,814
27,402	67,287
2,632	316
2,632	-
258,609	254,957
9,402	6,697
950	1,500
7,506	6,690

Consolidated Condensed Interim Financial Statements September 30, 2023



Consolidated Condensed Interim Statement of Financial Position (Unaudited)

As at September 30, 2023

	Note	30 September 2023 (Unaudited)	30 June 2023 (Audited)
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,382,742	14,267,716
Intangibles and goodwill		1,529,076	1,515,889
Long-term deposits		37,294	40,259
Deferred assets		-	44,158
		<u>18,949,112</u>	<u>15,868,023</u>
Current assets			
Stores and spare parts		272,813	260,967
Stock-in-trade	6	16,601,472	14,805,197
Trade debts		2,709,111	3,228,417
Advances		647,922	1,236,168
Deposits and prepayments		1,435,689	1,010,881
Other receivables		164,553	136,866
Short-term investments at FVTPL	7	292,508	937,047
Cash and bank balances		2,145,991	1,713,226
		<u>25,270,059</u>	<u>23,328,769</u>
TOTAL ASSETS		<u>44,219,171</u>	<u>39,196,791</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 30 June 2023: 1,000,000,000 ordinary shares of Rs. 5 each		5,000,000	5,000,000
Share capital			
Issued, subscribed and paid-up capital		1,165,576	1,165,576
Revenue Reserve			
Unappropriated profit		9,564,571	9,000,730
Foreign exchange translation reserve		1,219,830	1,270,516
Equity attributable to owners of the Company		<u>11,949,977</u>	<u>11,436,822</u>
Non-controlling interest		2,001,541	1,780,155
Total equity		<u>13,951,518</u>	<u>13,216,977</u>
Non-current liabilities			
Long-term finance	8	4,080,265	3,961,219
Lease liabilities		4,428,164	2,381,605
Deferred taxation - net		357,645	412,344
Long term provisions		-	4,626
Deferred liabilities		15,074	13,547
		<u>8,881,148</u>	<u>6,773,341</u>
Current liabilities			
Trade and other payables		9,905,148	10,849,772
Contract liabilities		311,487	355,136
Short-term borrowings	9	8,765,708	5,407,269
Long-term finance classified as current - secured	8	403,922	372,404
Current portion of lease liabilities		581,729	644,680
Mark-up accrued on bank borrowings		597,256	459,706
Unclaimed dividend		20,608	20,639
Taxation - net		800,647	1,096,867
		<u>21,386,505</u>	<u>19,206,473</u>
Contingencies and commitments	10		
TOTAL EQUITY AND LIABILITIES		<u>44,219,171</u>	<u>39,196,791</u>

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months period ended September 30, 2023

	Note	Three months ended 30 September 2023 (Unaudited)	30 September 2022
(Rupees in '000)			
Sales - net	11	19,954,264	13,127,968
Cost of sales		(14,542,824)	(9,619,115)
Gross profit		<u>5,411,440</u>	<u>3,508,853</u>
Selling and distribution costs		(2,812,656)	(1,905,943)
Impairment loss on trade debts		(22,597)	(5,416)
Administrative expenses		(980,586)	(676,927)
Other expenses		(24,086)	(27,559)
Other income		40,193	214,451
		<u>1,611,708</u>	<u>1,107,459</u>
Finance costs		(466,205)	(187,451)
Profit before taxation		<u>1,145,503</u>	<u>920,008</u>
Taxation - net	12	(316,122)	(234,672)
Profit for the period		<u>829,381</u>	<u>685,337</u>
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Foreign operations - Exchange differences on translation of foreign operations		(86,536)	131,067
Total comprehensive income for the period		<u>742,845</u>	<u>816,404</u>
Profit attributable to:			
Owners of the Holding Company		563,841	526,475
Non-controlling interest		265,540	158,861
		<u>829,381</u>	<u>685,336</u>
Total comprehensive income attributable to:			
Owners of the Holding Company		513,155	717,716
Non-controlling interest		229,690	98,688
		<u>742,845</u>	<u>816,404</u>
(Rupees)			
Earnings per share (basic and diluted)	13	2.42	2.26

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Condensed Interim Statement of Cash Flow (Unaudited)

For the three months period ended September 30, 2023

Note	Three months ended	
	30 September 2023 (Unaudited)	30 September 2022
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	14 (1,107,417)	216,331
Finance cost paid	(328,655)	(136,321)
Income tax paid	(666,059)	(325,037)
Retirement benefits obligations paid	(2,632)	(316)
Deferred assets	44,158	-
Long term deposits	2,965	-
Net cash generated from operating activities	(2,057,640)	(245,344)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,737,579)	(813,990)
Proceeds from disposal of fixed assets	1,831	51,406
Purchase of intangible assets	(44,027)	-
Redemption of short term investment - net	655,479	770,624
Net cash used in investing activities	(3,124,297)	8,040
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short term borrowings - net	943,771	(450,000)
Repayment of long term finance - net	170,457	(185,565)
Lease rental paid	2,074,757	-
Dividend paid	(8,335)	(7,190)
Net cash from / (used in) financing activities	3,180,651	(642,755)
Net increase / (decrease) in cash and cash equivalents	(2,001,286)	(880,059)
Cash and cash equivalents at beginning of the year	(2,392,534)	(2,480,482)
Currency translation difference on cash and cash equivalents	(9,726)	(162,542)
Cash and cash equivalents at end of the year	15 <u>(4,403,546)</u>	<u>(3,523,083)</u>

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Consolidated Condensed Interim Statement of Changes in Equity (Unaudited)

For the three months period ended September 30, 2023

	Attributable to shareholders of the Parent Company				Non controlling interest	Total Equity
	Share capital	Retained earnings	Foreign currency translation reserve	Sub-total		
	(Rupees in '000)					
Balance as at 1 July 2022	1,165,576	6,961,971	577,421	8,704,968	767,772	9,472,740
Total comprehensive income for the three months period ended 30 September 2022						
Profit for the period	-	526,475	-	526,475	158,861	685,336
Other comprehensive income for the period	-	-	191,241	191,241	(60,174)	131,067
	-	526,475	191,241	717,716	98,688	816,404
Total comprehensive income for the nine months period ended 30 June 2023						
Profit for the period	-	2,684,871	-	2,684,871	461,095	3,145,966
Other comprehensive income for the period	-	(7,011)	501,854	494,843	672,352	1,167,195
	-	2,677,860	501,854	3,179,714	1,133,446	4,313,160
Transaction with owners						
Final cash dividend for the year ended 30 June 2022 @ Rs. 5 per ordinary share	-	(1,165,576)	-	(1,165,576)	-	(1,165,576)
Dividend paid to NCI	-	-	-	-	(219,751)	(219,751)
Balance as at 30 June 2023	1,165,576	9,000,730	,270,516	11,436,822	1,780,155	13,216,977
Balance as at 1 July 2023	1,165,576	9,000,730	1,270,516	11,436,822	1,780,155	13,216,977
Total comprehensive income for the three month period ended 30 September 2023						
Profit for the period	-	563,841	-	563,841	265,540	829,381
Other comprehensive income for the period	-	-	(50,686)	(50,686)	(35,850)	(86,536)
	-	563,841	(50,686)	513,155	229,690	742,845
Transaction with owners						
Dividend paid to NCI	-	-	-	-	(8,304)	(8,304)
Balance as at 30 September 2023	1,165,576	9,564,571	1,219,830	11,949,977	2,001,541	13,951,518

The annexed notes 1 to 17 form an integral part of these consolidated condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

- i) Parent Company - National Foods Limited
- ii) Subsidiary Company - National Foods DMCC, Dubai, United Arab Emirates.

National Foods Limited

National Foods Limited ("Parent 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 repealed Companies Ordinance, 1984 (now Companies Act, 2017) by special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Holding Company is principally engaged in the manufacture and sale of convenience based food products. The Company is listed on Pakistan Stock Exchange. The registered office of the Parent Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

1.2 The ultimate parent entity of the National Foods Limited is ATC parents (Private) Limited based on control model as provided under IFRS10 - 'Consolidated Financial Statements'.

1.3 Details of the subsidiary companies are as follows:

National Foods DMCC

The Parent Company has a wholly owned (100%) subsidiary which was set up in United Arab Emirates in 2012 and is carried at cost. The subsidiary was formed as a limited liability company and commenced operations from March 2013. National Foods DMCC (NF 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. 2404-19, Reef Tower, Plot No. JLT-Ph 2-01A, Jumeirah Lake Towers, Dubai, United Arab Emirates.

The primary objective of NF DMCC is to boost export sales of its parent company through trading in food stuff. NF DMCC also has following two wholly owned direct subsidiaries, two indirect subsidiaries, which are as follows:

National Foods Pakistan (UK) Limited

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the UK Companies Act, 2006. The company is a wholly owned subsidiary of National Foods DMCC and will be principally engaged in the trading of food products, although currently it is not operational.

National Epicure Inc.

National Epicure Inc. ("NEI") was incorporated in Canada on 16 October 2013 under the Canada Business Corporations Act. NEI is a wholly owned subsidiary of National Foods DMCC. NEI is the parent company of A-1 Bags & Supplies Inc. as mentioned below.

A-1 Bags & Supplies Inc.

A 1 Bags & Supplies Inc. was incorporated under the Business Corporations Act of Ontario on March 14, 2001. National Epicure Inc. acquired 60% parent in A-1 Bags and Supplies Inc. in the year 2017 and is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products.

National Epicure USA Inc.

National Epicure USA Inc. was incorporated in USA on 1 December 2021 under the General Corporation Law of the State of Delaware, USA with an authorized share capital of 500 shares with a par value of \$0.0001 per share. Shares have not yet been issued by this entity and has not commenced its operations. The company is a subsidiary of National Epicure Inc - Canada.

1.4 The manufacturing facilities and sales offices of the Group companies are situated at the following locations:

Factories:

- Unit F-160/ C, F- 133, S.I.T.E., Karachi;
- Office A-13, North Western Industrial Zone, Bin Qasim, Karachi;
- 53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala;
- A-393, Nooriabad Industrial Estate, Nooriabad; and
- Plot No. 346 & 347 Phase - 2, M-3 Industrial City, Faisalabad. (Under construction)

Sales offices:

- Office No.107, 1st Floor Parsa Tower, Sharah-e-Faisal, Karachi;
- Office No.309, 3rd Floor Parsa Tower, Sharah-e-Faisal, Karachi;
- Office No. 84/2 Bomanji Square, Nusrat Road, Adali Colony, Multan;
- 18-CCA (Commercial Area), Phase VIII, DHA Lahore, Cantt;
- 1st Floor, Bilal Complex, Main PWD Road, Sector O-9, Islamabad;
- Sixteenth Avenue Mall, 16-A Grand Trunk Road Small Industrial Estate-1 Gujranwal;
- Unit No. 2404-19, Reef Tower, Plot No. JLT-Ph 2-01A, Jumeirah Lake Towers, Dubai, United Arab Emirates.
- 193 Maxome Avenue, Toronto, Ontario, Canada;
- 27 Second Floor, Gloucester Place, London, United Kingdom;
- 6400 Kennedy Road, Mississauga, Ontario;
- 1110 Dearness Dr, Toronto, Ontario; and
- 7300 Torbram Road, Mississauga, Ontario.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 .

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

2.2 These consolidated condensed interim financial statements do not include all the informations and disclosures required for annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the year ended 30 June 2022.

2.3 Basis of Consolidation

2.3.1 The condensed interim financial statements of the subsidiary company has been consolidated on line by line basis. The carrying value of investments held by the holding company is eliminated against the subsidiary's share capital and pre-acquisition reserve.

2.3.2 Non-controlling interest has been presented as a separate line item in these consolidated condensed interim financial statements. All material intercompany balances have been eliminated.

2.4 Functional and presentation currency

These consolidated condensed interim financial statements are presented in Pakistan Rupees which is Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

3. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these consolidated condensed interim financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2023.

The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2023.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The significant estimates and judgements made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2023.

4.2 The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2023.

5. PROPERTY, PLANT AND EQUIPMENT

Note

30 September 2023 (Unaudited) 30 June 2023 (Audited)

(Rupees in '000)

Operating fixed assets	5.1	6,497,801	6,366,654
Capital work-in-progress	5.2 & 5.3	5,787,268	4,834,734
Right-of-use assets	5.4	5,097,672	3,066,328
		<u>17,382,742</u>	<u>14,267,716</u>

5.1 Following are the additions and disposals of property, plant and equipment:

30 September 2023 (Unaudited) 30 September 2022

(Rupees in '000)

Additions/ transfer from CWIP

Building on Leasehold land	99,084	96,017
Plant & machinery	48,831	16,552
Computer equipment	36,013	22,802
Vehicles	62,618	73,943
Furniture & fittings	99,537	25,947
Office, laboratory and other equipments	46,515	43,987
	<u>392,598</u>	<u>279,248</u>

30 September 2023 (Unaudited) 30 September 2022

(Rupees in '000)

Disposals - Net book value

Vehicles [cost Rs. 0.44 million (30 September 2022: Rs. 52 million)]	8	41,853
Computer [cost Rs. 4.2 million (30 September 2022: Rs. Nil)]	52	-
Office Equipment [cost Rs. 2.4 million (30 September 2022: Rs. Nil)]	15	-
	<u>8</u>	<u>41,853</u>

5.2 This includes civil works of Rs. 4,642 million (30 June 2023: Rs.3,961 million) and Plant & Machinery and Other Equipments of Rs. 1,107 million (30 June 2023: Rs. 1,608 million).

5.3 This includes borrowing costs capitalized during the period amounting to Rs. 268 million (30 June 2023: Rs. 569 million).

Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

5.4 Right-of-use Assets

	30 September 2023			
	Properties	Equipments	Vehicles	Total
	(Rupees in '000)			
Cost				
Balance at 1 July 2023	2,219,562	17,700	149,467	2,386,729
Addition	2,394,415	-	-	2,394,415
Balance at 30 September 2023	4,613,977	17,700	149,467	4,781,144
Accumulated Depreciation				
Balance at 1 July 2023	785,773	14,079	82,231	882,083
Charge for the year	264,677	1,019	13,669	279,364
Balance at 30 September 2023	1,050,450	15,097	95,900	1,161,447
Effect of movements in exchange rates	1,405,473	2,427	70,075	1,477,975
Net Book Value at 30 September 2023	4,969,000	5,030	123,643	5,097,672

	30 September 2022			
	Properties	Equipments	Vehicles	Total
	(Rupees in '000)			
Cost				
Balance at 1 July 2022	2,219,562	17,700	149,467	2,386,729
Addition	-	-	-	-
Balance at 30 September 2022	2,219,562	17,700	149,467	2,386,729
Accumulated Depreciation				
Balance at 1 July 2022	671,178	12,753	71,393	755,324
Charge for the year	114,595	1,326	10,838	126,759
Balance at 30 September 2022	785,773	14,079	82,231	882,083
Effect of movements in exchange rates	423,363	2,163	22,835	448,361
Net Book Value at 30 September 2022	1,857,153	5,784	90,071	1,953,008

6. STOCK-IN-TRADE

Note	30 September 2023 (Unaudited)	30 June 2023 (Audited)
	(Rupees in '000)	
Raw materials	3,738,655	3,923,355
Provision for obsolescence	(51,360)	(51,543)
	3,687,295	3,871,812
Packing materials	1,617,108	1,362,662
Provision for obsolescence	(86,814)	(86,604)
	1,530,294	1,276,058
Work-in-process	2,522,211	2,523,297
Provision for obsolescence	(64,388)	(48,873)
	2,457,823	2,474,424
Finished goods	8,964,790	7,325,424
Provision for obsolescence	(38,730)	(142,521)
	8,926,060	7,182,903
	16,601,472	14,805,197

6.1 During the year, the Company recorded reversal of provision for obsolescence of Rs. 35 million (30 June 2023: Rs. 110 million) and has written off stocks against provision amounting to Rs. 107 million (30 June 2023: Rs.229 million).

7. SHORT TERM INVESTMENTS AT FVTPL

	30 September 2023 (Unaudited)	30 June 2023 (Audited)
	(Rupees in '000)	
Investments in Mutual Funds	292,508	937,047
8. LONG TERM FINANCE		
Local currency	3,159,971	3,183,305
Foreign currency	1,324,216	1,150,318
	4,484,187	4,333,623
Classified under current liability	(403,922)	(372,404)
	4,080,265	3,961,219

Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

8.1 This represents original long term finance facilities of Rs. 3,500 million obtained from commercial banks. These finances carry markup ranging from 3 months Kibor + 0.1% to 3 months Kibor + 0.4%. The loans are secured by way of hypothecation of Company's present and future fixed assets. Loan tenures range from 3 years to 10 years. These loans are fully repayable in quarterly installments between April 2023 to December 2029.

9. SHORT TERM BORROWINGS	Note	30 September 2023	30 June 2023
		(Unaudited)	(Audited)
		(Rupees in '000)	
Conventional			
Running finance under mark up arrangements	9.1	4,100,193	2,750,486
Demand operating loan		1,616,171	501,509
Export re-finance	9.2	600,000	800,000
Islamic			
Running finance under Musharika	9.3	2,449,344	1,355,274
		<u>8,765,708</u>	<u>5,407,269</u>

9.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 22.62% to 22.71% (30 June 2023: 21.71% to 21.80%) per annum. The facilities are valid upto 30 April 2024.

9.2 The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from commercial banks. The effective rate of mark-up on this facility is policy rate minus 3% i.e.17% (30 June 2023: 17%) per annum. The facilities offer are valid upto 09 March 2024 and are generally renewable.

9.3 The Company has obtained facilities for short-term finance under Running Musharakah. The effective rate of profit is 22.62% to 22.66% (30 June 2023: 21.71% to 21.75%) per annum. The facilities offer are valid upto 31 January 2024.

10. CONTINGENCIES AND COMMITMENTS

10.1 There are cases against the Company which are outstanding as at 30 September 2023. The management is confident that the decision will be in favor of the Company.

10.2 The facilities for opening letters of credit amount to Rs. 4.2 billion (30 June 2023: Rs. 4.2 billion) and for letters of guarantee amount to Rs. 1,071 million (30 June 2023: Rs. 1,071 million) as at 30 September 2023 of which the amount remaining unutilized at period end were Rs 3.8 billion (30 June 2023: Rs. 3.5 billion) and 620 million (30 June 2023: Rs. 620 million) respectively. The guarantees have mainly been given to utility companies, Collector of Customs and an oil marketing Company, etc.

10.3 Aggregate commitments for capital expenditure as at 30 September 2023 amount to Rs. 1.9 billion (30 June 2023: Rs. 2.4 billion).

10.4 Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing from First Habib Modarabah ranging from three months KIBOR + 0.90% (30 June 2023: three months KIBOR + 0.90%) while meezan bank ranging from three months KIBOR + 1.25% respectively (30 June 2023: three months KIBOR + 1.25%) per annum for rentals payable monthly as at 30 September 2023 amount to:

	30 September 2023	30 June 2023
	(Unaudited)	(Audited)
(Rupees in '000)		
Not later than one year	411,596	371,529
Later than one year but not later than five years	800,322	791,298
	<u>1,211,918</u>	<u>1,162,827</u>

Total sanctioned facilities from banks amount to Rs. 1,900 million, out of which Rs. 1,211 million has been utilized by the company.

11. SALES - NET

Gross sales
Local sales
Export sales

Sales tax

Less:

Discount rebates and allowances
Sales return

	Three months ended	30 September
	30 September 2023	2022
(Unaudited)		
(Rupees in '000)		
Gross sales	9,091,168	7,719,171
Local sales	14,413,135	8,442,157
Export sales	23,504,303	16,161,328
Sales tax	(1,858,348)	(1,442,394)
	<u>21,645,955</u>	<u>14,718,935</u>
Less:		
Discount rebates and allowances	(1,518,140)	(1,473,829)
Sales return	(173,550)	(117,137)
	<u>(1,691,691)</u>	<u>(1,590,966)</u>
	<u>19,954,264</u>	<u>13,127,968</u>

Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

11.1 Revenue is disaggregated by primary geographical market.

11.2 Management reviews revenue and other financial results based on major product division. During the three months period ended 30 September 2023, revenue of the Condiments division was Rs. 5,046 million (30 September 2022: Rs. 3,949 million), and Culinary division was Rs. 5,112 million (30 September 2022: Rs. 4,305 million). Revenue from A1 amounted to Rs. 13,348 million (30 September 2022: Rs. 7,907 million).

12. TAXATION - NET

	Three months ended	
	30 September 2023	30 September 2022
	(Unaudited)	
	(Rupees in '000)	
Current	369,846	233,639
Deferred	(53,724)	1,033
	<u>316,122</u>	<u>234,672</u>

13. EARNINGS PER SHARE

	Three months ended	
	30 September 2023	30 September 2022
	(Unaudited)	
	(Rupees in '000)	
Profit after taxation attributable to owners of the Parent Company	<u>563,841</u>	<u>526,475</u>
	(Number of shares)	
	(In '000)	
Weighted average number of ordinary shares outstanding during the period	<u>233,115</u>	<u>233,115</u>
	(Rupees)	
Earning per share - basic and diluted	<u>2.42</u>	<u>2.26</u>

14. CASH FLOWS FROM OPERATIONS

Profit before taxation

Adjustments for non-cash charges and other items

Depreciation

Amortisation

Gain on disposal of fixed assets

Finance cost

Reversal of provision for slow moving stock

Income from short term investments at FVTPL

Provision for doubtful debts

Retirement benefits expense

Working capital changes

(Increase) / decrease in current assets

Stores and spare parts

Stock-in-trade

Trade debts

Advances

Deposits and prepayments

Other receivables

Increase / (decrease) in current liabilities

Trade and other payables

Contract Liability

Three months ended
30 September 2023 30 September 2022
(Unaudited)

(Rupees in '000)

Profit before taxation	1,145,503	920,008
Adjustments for non-cash charges and other items		
Depreciation	514,539	211,179
Amortisation	11,567	133,269
Gain on disposal of fixed assets	(1,756)	(9,552)
Finance cost	466,205	187,451
Reversal of provision for slow moving stock	(15,617)	(41,157)
Income from short term investments at FVTPL	(10,940)	-
Provision for doubtful debts	22,597	-
Retirement benefits expense	4,096	389
	<u>990,690</u>	<u>481,579</u>
	<u>2,136,193</u>	<u>1,401,587</u>
Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	(11,847)	(6,585)
Stock-in-trade	(1,876,943)	(719,508)
Trade debts	1,029,948	1,198,817
Advances	(356,677)	(366,983)
Deposits and prepayments	(65,231)	(52,589)
Other receivables	(79,500)	(593,358)
	<u>(1,360,250)</u>	<u>(540,207)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(1,832,816)	(671,434)
Contract Liability	(50,543)	26,384
	<u>(1,883,359)</u>	<u>(645,050)</u>
	<u>(1,107,417)</u>	<u>216,331</u>

Notes to the Consolidated Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2023

	Three months ended	
	30 September 2023 (Unaudited)	30 September 2022
	(Rupees in '000)	
Cash and bank balances	2,145,991	2,110,061
Running finance under mark up arrangements	(6,549,537)	(5,633,144)
	<u>(4,403,546)</u>	<u>(3,523,083)</u>
16. TRANSACTIONS WITH RELATED PARTIES		
16.1 Balance outstanding:		
Receivable from the parent company	8,219	5,188
Payable to parent company	3,043	2,518
Payable to associated companies - net	24,170	63,107
Due to Directors	39,421	39,982

16.2 Transactions during the period:

Parent company:

Rental income
Rental expense
Reimbursement of expenses

Associated companies / Undertakings

Annual Subscription
Purchases

Staff retirement funds

Expense charged for defined contribution plan
Payment to defined contribution plan
Charge during the period to the defined benefit plan
Payment during the period to the defined benefit plan

Key management personnel:

Salaries and other short-term employee benefits
Reimbursement of expenses
Directors' Fee
Contribution to the Provident Fund

	Three months ended	
	30 September 2023 (Unaudited)	30 September 2022
	(Rupees in '000)	
	909	815
	1,254	-
	2,891	3,311
	2,500	2,500
	45,724	85,965
	27,402	22,814
	27,402	67,287
	2,632	316
	2,632	-
	440,540	254,957
	9,402	6,697
	1,524	1,500
	7,506	6,690

17. GENERAL

This consolidated condensed interim financial statement has been authorised for issue on October 19, 2023 by the Board of Directors of the Holding Company.


Chief Executive Officer


Chief Financial Officer


Director