



Annual Report 09

year
of
change...



“change in all
things is sweet.”
Aristotle.

NATIONAL FOODS LIMITED

National Foods Limited (NFL), founded in 1970, is today 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 the company's strong commitment to quality and management excellence. NFL is an international brand sold in over 35 countries and it aims to be a Rs. 50 billion company under its Vision 20/20. NFL is dedicated to improving the well-being of society through continuous development of innovative food products and through a wide-ranging corporate social responsibility program.

FOUNDERS' PHILOSOPHY

National Foods Limited must focus on customers' needs and serve them with quality products at affordable prices at their doorstep.

Our products must be pure; conforming to international standards.

Our research must produce continuously new adventurous products scientifically tested, hygienically produced in safe and attractive packages

We must create an environment in our offices and factories where talents are groomed and have opportunity to advance in their careers.

We must prove to be recognized as good corporate citizens, support good causes and charity and bear fair share of taxes.

Reserves must be built, new factories created, sound profit made and fair dividends paid to our stock holders.

Through building a reliable brand, National Foods Limited must get itself recognized as a leader in Pakistan and abroad.

With the help of Almighty God, the Company can achieve its targets in years to come.

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VISION AND MISSION

To be a Rs. 50 billion food company by the year 2020 in the convenience food segment by launching products and services in the domestic and international markets that enhance lifestyle and create value for our customers through management excellence at all levels.



CORE VALUES

Passion

We act with intense positive energy and are not afraid to take risks. We challenge ourselves continuously and have pride for what we do and are good at it.

People-centric

We put our people first. Treat them with respect and actively contribute towards their development.

Customer Focus

We see the world through the eyes of our customers. We do everything possible that makes them happy.

Leadership

We are part of the solution.....never the problem. We act like owners and have a positive influence on others.

Teamwork

Our roles are defined, not our responsibilities. We believe in going the extra mile to accomplish our goals. We coach and support each other ensuring everyone wins. We have a WE versus I mindset.

Ethics

We don't run our business at the cost of human or ethical values.

Excellence in execution

We say...we do...we deliver. We talk with our actions. We strive for nothing but the best. Execution is the key to winning!

Accountability

We see, we act. We take full responsibility for our actions and results. We don't blame others for our mistakes; we analyze them and correct them.

BRAND PILLARS



White is the colour of PURITY

Purity is our first value. Purity of thought and of action.
Purity as an uncompromising standard. Purity as a way of life.



The colour red in our logo stands for TRUST

Trust placed in us by our customers, our trade partners, our shareholders and our employees.
A Trust that National Foods Limited has upheld for the past 38 years.



The colour Orange in our logo represents our rich HERITAGE

A proud heritage of striving for excellence handed down by our founding generation to the present generation.
A belief in our Heritage is the strong foundation on which our business continues to grow.



Purple, a colour of life that for us means CONVENIENCE for our customers

All our products aim to enhance convenience for our customers and our trade partners.
Convenience is a NFL value.



Yellow signifies brightness, and for us brightness means INNOVATION

Innovation is a key NFL Value.
Innovation drives our ability to remain contemporary in response to our consumers needs.

COMPANY INFORMATION

BOARD OF DIRECTORS	
Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Managing Director / Chief Executive
Mr. Waqar Hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohamed	Director
AUDIT COMMITTEE	
Mr. Waqar Hasan	Chairman
Mr. Ebrahim Qassim	Member
Mr. Zahid Majeed	Member
COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE	
Mr. Fayyaz Abdul Ghaffar	
CHIEF FINANCIAL OFFICER	
Mr. Muhammad Kashif Iqbal	
INTERNAL AUDITORS	
Messrs. Ford Rhodes Sidat Hyder & Co.	Chartered Accountants
COMPANY MANAGEMENT	
Mr. Abrar Hasan	Managing Director / Chief Executive
Mr. Shakaib Arif	Chief Operating Officer
Mr. Kamran Khan	Chief Commercial Officer
Mr. Waqas Abrar Khan	General Manager Human Resource

AUDITORS

A. F. Ferguson & Co.

Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi

SHARE REGISTRATION OFFICE

Noble Computer Services (Pvt.) Limited

Mezzanine Floor, House of Habib Building
(Siddiqsons Tower), 3-Jinnah C.H. Society,
Main Shahrah-e-Faisal, Karachi-75350.
PABX: (92-21) 34325482-87
Fax: (92-21) 34325442

PRINCIPAL BANKERS

Bank Al-Habib Limited

I.I. Chundrigar Road Branch, Karachi
S.I.T.E Branch, Karachi

New Garden Town Branch, Lahore

Royal Bank of Scotland (RBS)
(Formerly ABN AMRO Bank)

16, Abdullah Haroon Road, Karachi

MCB Bank Limited

Shaheen Complex Branch, Karachi

United Bank Limited

I.I. Chundrigar Road, Karachi

Bank Al Falah Limited

Port Qasim Authority Branch, Karachi

Barclays Bank Limited

Dawood Centre, M.T. Khan Road, Karachi

Meezan Bank Limited

M.T. Khan Road, Karachi

REGISTERED OFFICE

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

NOTICE OF MEETING

Notice is hereby given that the 38th annual general meeting of National Foods Limited will be held at the registered office situated at 12/CL-6, Claremont Road, Civil Lines Karachi, on Saturday, October 31, 2009 at 5:30 p.m., to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 37th annual general meeting held on October 15, 2008.
2. To receive, consider and approve the audited accounts for the year ended June 30, 2009.
3. To consider and if thought fit to capitalize a sum of Rs. 82,885,490/- out of the reserves of the Company for the issuance of 8,288,549 as bonus shares in the proportion of 1 (One) bonus share for every 4 (Four) ordinary shares held by the Members of the Company as on October 22, 2009.
4. To elect Directors for a period of 3 years. The Board of Directors has fixed number of Directors to be elected as 7 (Seven). Following are the retiring directors who are also eligible to offer themselves for re-election:
 - a. Mr. A. Majeed
 - b. Mr. Abrar Hasan
 - c. Mr. Waqar Hasan
 - d. Mr. Zahid Majeed
 - e. Mr. Ebrahim Qassim
 - f. Mr. Iqbal Alimohamed
 - g. Mr. Khawaja Munir Mashooqullah
5. To appoint auditors for the year 2009-2010 and to fix their remuneration.

By order of the Board of Directors



A. Majeed
Chairman

Karachi, October 9, 2009

Notes:

1. The share transfer books of the Company will remain closed from October 23, 2009 to October 31, 2009 (both days inclusive).
2. All members are entitled to attend and vote at the meeting. A member may appoint a proxy to attend, speak and vote for him/her. A proxy must be a member of the Company.
3. In order to be valid, an instrument proxy and the power of attorney or other authority under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
4. Any change of address of Members should be notified immediately to the Company's Share Registrar, Noble Computer Services (Pvt.) Ltd., Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi, Pakistan.
5. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited,
 - a. in case of individuals, must bring his/her participant's ID number and account/sub-account number alongwith original Computerised National Identity Card or original Passport at the time of attending the meeting.
 - b. in case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
6. Members who have not yet submitted photocopy of their Computerised National Identity Cards to the Company are requested to send the same at the earliest.

7. Election of Directors

Term of office of the present Directors of the Company will expire on October 30, 2009. The Board of Directors of the Company will be re-constituted for a fresh term of three years by electing seven directors.

The Directors are interested to the extent that they are eligible for re-election as Directors of the Company.

Compliance with relevant provisions of 'Code of Corporate Governance'

Any person, who seeks to contest an election of the office of Directors, shall whether he is retiring Director or otherwise file with the Company at its registered office not later than fourteen days before the date of the meeting, a notice of his intention to offer himself for election as a Director. The consent should accompany the following declarations as required under the 'Code of Corporate Governance':

- a. I am aware of my duties and powers under the relevant laws and the company's Memorandum and Articles of Association and the listing regulations of Stock Exchanges in Pakistan.
- b. I am not serving as a director of ten other listed companies.
- c. My name is borne on the register of National Tax Payers and my National Tax Number is _____ / I am non-resident.
- d. I have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a Development Financial Institution or Non-Banking Financial Institution.
- e. I am not a member of any Stock Exchange or if I am a member of any Stock Exchange, I have not been declared as a defaulter by such Stock Exchange.
- f. I and/ or my spouse are not engaged in the business of stock brokerage.

AWARDS AND ACHIEVEMENTS

National Foods Limited crossed the notable milestone of Rs. 5.0 billion in sales during the financial year ending June 30, 2009. This represents a 24 percent growth over the previous year and reflects the strong level of confidence consumers throughout the country have in the Company and its extensive product range. This sales growth is very much in line with the Company's 'Vision 20/20' which targets Rs. 50 billion in annual sales by the year 2020.

National Foods Limited also received the Taxpayers Excellence Award 2009 at the ceremony held recently by the Large Taxpayers Unit.

The company was awarded the Safefood™ Award at the 8th International Safe Food Conference 2009 organized by United Registrar of Systems (URS). As the leader in innovative food products, NFL is constantly improving its systems and processes to ensure quality and safety. In addition to ISO 9001 (quality) and HACCP certifications, NFL is now also certified in ISO 22000:2005 (Food Safety Management Systems).



Mr. Abdul Majeed (L), Chairman NFL receiving the award from Mr. Ali Khan (R), CEO URS.

Mr. Abrar Hasan, CEO National Foods Limited, was awarded by the Marketing Association of Pakistan (MAP) Award of Excellence 2008 in recognition of his "outstanding contribution in the field of marketing and management and for making a difference as a corporate leader".



Mr. Abrar Hasan, CEO NFL (on the left), receiving the award from Chief Guest Mr. Zahid Hussain, MD OGDC, (on the right) at the MAP annual awards ceremony.



Mr. Abdul Majeed, Chairman NFL, receiving the award from Mr. Shaukat Tareen, Finance Advisor to the Prime Minister.

As the pioneer multi-category food company in Pakistan, National Foods Limited continues to lead the way in all areas of product innovation and marketing initiatives. This was a year with an abundance of activities ranging from new launches to targeted branding, and direct to consumer promotions.

Kitchen Foods Division

National Recipes: This year we had the objective of owning the platform of archetypal traditional Pakistani food and to drive penetration by shifting the category from occasional to daily usage. A thematic campaign was launched followed by three different copies specific to running variants (Biryani, Quorma, and Karahi); also ground activation in 25 towns of Punjab was conducted where recipes were projected as an add-on to enhance the aroma, color and taste of the dish. To align the brand to the new corporate positioning we re-launched it with new packaging and an

targeting mental development for children through highlighting the iodine USP.

The new packaging maintains corporate guidelines and NFL brand recognition within each category along with color coding of the variants for on-shelf differentiation.

Spices: This year National Foods rejuvenated the packaging of the Spices category by highlighting its core positioning of 'Purity'. The basic objective was to portray a premium, modern, and



extended product offering to the consumers. We have modernized the packaging while keeping it traditional by adding tempting food shots and appealing motifs.

upscale look relevant to retain leadership within the packaged spices category. Purity in the new packaging design was portrayed through the use of vibrant pictures of whole spices, gold and white colors with Variant differentiation. The aspect of purity was also further elaborated and supported by Nutritional values and health benefits on back panels. The re-launch campaign consisted of POS, outdoor, permanent shop branding, and planograms to improve and enhance category displays.



Salt: National Foods streamlined its salt re-launch with packaging re-launch and ATL support last year. The re-launch repositioned the brand on an emotional platform





Family Foods Division

Pickles: Pickles packaging was re-launched in June 2009 to showcase NFL's superior blend containing pure vegetables and fruits resulting in the succulent taste and quality synonymous to National Pickles and secondly to connect with younger consumers without alienating the current ones. The new packaging was built upon the overall corporate strategy of modernizing the look while differentiating NFL pickles from competition. The brand re-launch was started in July 2008 to start the transition to a modern brand targeting younger consumers.

Jams: The objective this year behind the re-launch of Jams was to segregate it from jellies and to position it as a premium indulgence for adults. With the packaging redesigned to deliver a fresh fruity experience, the communication was also tailor made to compliment and accentuate the overall experience. The overall branding and re-launch set the category in a whole new premium category altogether.

Rice: National Foods entered one of the biggest food categories in Pakistan with the launch of its Finest Super Kernel Basmati Rice. The idea behind the launch was to increase National food's value growth and



emerge as a "complete meal solution" company. The high quality brand is showcased by its premium feel packaging which includes the use of gold, blue and white to denote purity and quality and great food shots to show the long grains. The category launch included Outdoor, Print, Point of Sale and in-store activities highlighting purest blend, longest grain, best aroma, and aged to perfection.



Ketchup: The objective this year behind the re-launch of Ketchup was to not only establish the new packaging but also to deliver a fresh tomato experience. A full revamp of the packaging boasted of a rich, fresh, delicious experience of tomatoes. The communication was sketched to project the product as a top of the line, contemporary condiment.

Desserts: Desserts were re-launched to establish the category as fun and delicious. The packaging displayed vibrant, fresh colors to give the product an upbeat and lively appeal. The aspect of fruity fun in crystal jellies and the goodness of fruit were highlighted in the custard category.



International Foods Division

This year the international markets were under recessionary pressures with the global financial crisis affecting international trade and business. In this challenging time, National Foods showed extraordinary resilience to not only stay strong but continue to grow its exports. National Foods participated in the Gulfood 2009 exhibition which became a landmark event due to the attendance of a large number of NFL international distributors.



CSR at NFL has its origins in various philanthropic activities that the company initiated ever since its inception, based on a set of moral values that demanded of us to give back to the society which supported our business, in whatever we could.

Over the years as our business grew and we undertook measures to imbed international standards of production and quality control into our systems, we also realized that leading from the front meant developing and adopting a holistic sustainability strategy to guide all business operations towards our ambitious Vision 20/20 goals. In 2007, NFL engaged an independent sustainability consultant to micro-examine all aspects of our business and develop the comprehensive Sustainability Strategy needed and today this strategy is very much in place, incorporating also a direction for our CSR as an integral part of our business. Simply put, we at NFL believe that corporate social responsibility should start off with providing highest quality products and services at the least cost and at the least environmental impact. NFL's business is driven by this underlying philosophy, in line with our Vision 20/20. From this foundation, our CSR edifice is growing to incorporate processes and activities that aim to strengthen society in a highly sustainable manner.

CSR Mission

Sustainability initiatives uphold the foundation for NFL's business endeavors. At NFL we realize that our CSR commitments must reflect all sides of our corporate personality – NFL as a manufacturer, as an employer, as a consumer itself of farm produce and other items and as an industry leader, pioneering new processes and systems. We reflect these commitments in our values, policies and our practices. NFL engages especially in areas related to governance and strategic social investments, working to empower and uplift communities.

Commitment to the Environment

Energy Efficiency

NFL strives to save costs by softening its environmental footprint and improving eco-efficiency.

NFL initiated installation of electronic chokes to reduce lighting energy loads., Installation of thousands of chokes has been completed at the Port Qasim and SITE locations recently.

Biodegradable packaging

This is another area which NFL is looking into as part of its sustainability strategy.

Commitment to the Society
Iodized Salt Iodine deficiency is a major public health issue in Pakistan and is a threat to the socio-economic development of the country. The main factor responsible for iodine deficiency is a low dietary supply of iodine. In response to this grave issue of micronutrient malnutrition, NFL launched iodized salt in 1990, and it has today become a benchmark product. In 1992, NFL launched a joint campaign with UNICEF to promote the use of iodized salt across Pakistan. Today, iodized salt production at NFL is over 50 percent of total table salt, leading to a marked reduction in iodine-deficiency related health issues.

Drinking Water Plant at Muridke

Unsafe drinking water is responsible for numerous diseases including dysentery, diarrhea, typhoid, cholera, malaria and gastroenteritis. UNICEF estimates that 200,000 children in Pakistan die annually due to diarrhoeal diseases alone. As a responsible corporate citizen, National Foods Limited has undertaken a public drinking water project to cater to an essential need of the community around our production facility at Muridke (a small town about 50 miles from Lahore). The inauguration ceremony of the water plant and education programme took place at the NFL Muridke Plant in February, 2009. The filtered water has been tested by the Pakistan Council for Research in Water Resources (PCRWR) and found to be suitable for human consumption. This potable water is being supplied to local residents free of cost.

NFL Aagahee Adult Literacy Programme (ALP)

An educated workforce is a quality workforce

Objectives of ALP

100 percent literacy - entails basic Urdu literacy of all workforce, both permanent and temporary, who have been with the company for more than six months.
100 percent Advanced Adult Literacy Skills - Including English and arithmetic skills.





and temporary, who have been with the company for more than six months.
 · 100 percent Advanced Adult Literacy Skills - Including English and arithmetic skills.

This programme consists of four books (three Urdu and one basic arithmetic book), developed by LPF. This course is called Jugnoo Sabak and can be taught in a short span of three months at two hours per day for six days a week. Teachers are trained by LPF. A special phonetic system of teaching is used. In the future, NFL envisions expansion of ALP centers nationwide.

Female Empowerment through ALP
 NFL is committed towards improving literacy rate especially among women in Pakistan. TCF was brought onboard in 2005 to provide much needed premises to expand the programme beyond NFL's own labour force. Thus, TCF schools (and teachers) came into the equation for holding the ALP classes in poor communities. NFL bears the cost of the books and stipends to the teachers and other miscellaneous expenses. The main focus of the programme is "female literacy" in several regions of Pakistan, including Karachi, Bhawalpur, Muridke and Gwadar. Most centers are for women and in the three phases so far, over a thousand women have graduated.

Commitment to Partners
Red Chili Detoxification and modified drying through capacity building of farmers
 NFL is Pakistan's largest single purchaser of raw red chillies, an essential and prime ingredient for many of its products. In Pakistan, red chilli production suffers from Aflatoxin (a fungal toxin) contamination.

In order to prevent Aflatoxin contamination of red chillies, NFL developed a Value Chain Empowerment business model for Red Chilli detoxification and modified drying. The objective of this business model is improvement in the quality of red chilli and in production and expansion of Aflatoxin free chili in the country. while bringing sustainable economic benefits to the wider community.

Commitment to Professional Development
 At NFL, we are committed to the continuing professional development of its human resource. NFL organizes workshops and seminars to impart relevant knowledge and skills to its employees at all levels.

Recent Initiatives and News
Corporate Philanthropy
 NFL engages in corporate philanthropy as part of its broader CSR framework. Some recent philanthropic interventions include:

- Donation of computers to the Education and Rehabilitation Welfare Society for Humanity, Baldia Town, SITE and the Roshan KG Primary Welfare School, Kunri, Sindh.
- Donation of about 24,000 packets of ready-to-eat meals to various charitable hospitals and NGOs.
- Donation of about 1,500 packets of nutritional meal to national rural support program for IDPs.
- More than Rs 100,000 were spent on medicines for IDPs.



HUMAN RESOURCES

People are the lifeblood of any organization; a business comprised of satisfied employees flourishes. We at National Foods believe in providing an environment where individuals can achieve their goals, both professionally and personally. In order to attract and retain the best people, we recognize the need to offer them ways to take advantage of opportunities, room to succeed and grow, and more directions in which to pursue their careers. Playing this pivotal role, below are some of the initiatives we took as a team in the past fiscal year.

The biggest achievement of the HR Team this year was the SAP Implementation to improve operational efficiency through SAP HCM modules, namely Payroll, HR Master Data, Time Management, Organizational Management, Personnel Cost Planning, Enterprise Compensation Management, Recruitment, Training and Event Management, Personnel Development and Manager's Desktop. On top of this, Travel Management and Sales incentives are now systematically catered through SAP too.



These sub modules took a whole year to complete from scoping to execution and involved multifunctional team collaboration, internally and externally with Abacus; persistence, rigorous testing, and in depth analysis of diverse scenarios. The challenge was customization of Payroll and Time Management, since Pakistan specific payroll does not exist currently; it was

a colossal task on its own to put together and test these modules.

The most exciting sub-module is Manager's Desktop which gives our managers reporting and analysis options that provide real-time insight into their teams, and through the enhanced Performance Management system, organizational objectives are now being passed down the line to employees and their performance can be monitored periodically. This has provided us an integrated approach to manage our most valuable asset- our people!

We took our entire management away to Dreamworld resort to recognize the outstanding performances of the team during 2007-08, attended by 150 team members, easily recognizable in the specially designed NFL T-shirts. The day began with everyone participating in sporting activities including Kabbaddi, Tug of War and 'Who Wants To Be An HOD?'. After the games the team enjoyed the Dreamworld facilities until lunch. The day ended positively with the short skits played out by the team and the Star Performer Award ceremony.

A series of learning and development activities were arranged such as a Peptalk on Principle Centered Leadership, Project Management workshop and Persuasion Skills training. A two day Supervisory Skills & Zero Defects Training Workshop was held in Port Qasim where the target audience was all our Operations Supervisors. We also arranged training session on High Productivity Skills to develop our up and coming talent.



DIRECTORS' REPORT TO THE SHAREHOLDERS

I take great pleasure in presenting before you the Annual Report along with the audited financial statements and management accomplishments for the year ended June 30, 2009.

A brief financial analysis is presented as follows:

	2009 (Rupees in thousand)	2008
■ Sales	3,758,706	3,061,746
■ Gross profit	1,126,451	985,777
■ Profit from operations	307,543	290,185
■ Profit before tax	220,702	233,947
■ Profit after tax	139,461	156,546
■ Earning Per Share	4.21	4.72

PERFORMANCE OVERVIEW

Business conditions remained tough during the year under review due to volatile input costs and a slowing economy. Rising costs due to domestic inflation, security concerns, interest rate hike and depreciation of the Pak rupee put the domestic economy under immense pressure. The strength of our balance sheet and the diversity of our product portfolio allowed us to sustain our strong brands and value-added products even in such negative conditions. We continue to build a strong foundation through investments in our brands, product quality and innovation.

OPERATIONAL PERFORMANCE

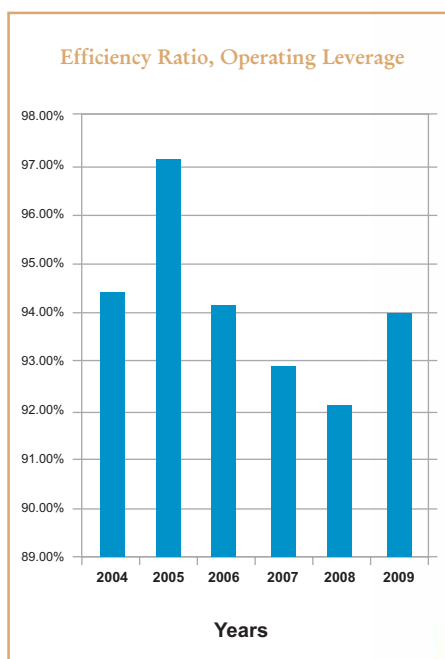
The company registered gross sales turnover of Rs.5 billion increasing by 24.02% over last year. All categories have contributed positively, this increase in revenue however is mainly attributable to inflationary value growth domestically, whereby local gross sales increased by 23.71%. Rupee devaluation contributed significantly in robust performance of exports and export sales grew by 27.01%. Inflation has substantially effected margins as a comparison of Net Sales but price adjustments and curtailment of operational expenses had off-set such negative impacts, and Gross Profits and Operating Profits increased by 14.27% and 5.98% respectively from 2008. However, soaring financial charges due to rising interest cost has stressed the Pretax Profit, which declined as a percentage to Net Sales by 1.77% to 5.87%, resulted in drop in efficiency level to 94.02% (2008: 92.27%).

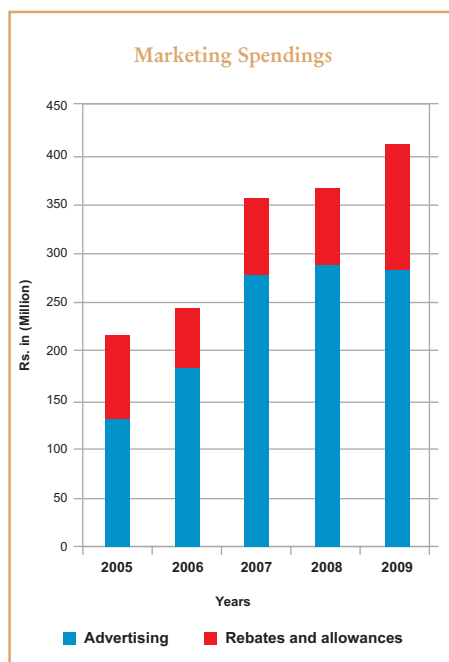
Gross Profit margins have eroded in past two years by extraordinary inflation, escalation of fuel and utilities cost, which has been further aggravated by increase



in minimum wages. However, Operation Expenses were controlled through cost saving initiatives and despite high inflationary trend Distribution Cost and Administrative Expenses increased only by 17% each as compared to last year.

Better cash management has resulted in positive cash flows from operations, however interest coverage ratio still declined to 3.54 due to high interest rates.





INVESTMENTS

The company has always invested in its facilities and technology to sustain the growth. The Business Intelligence and Human Resource module of SAP are now functioning, which will add further value to the business. Alongside SAP, capital expenditures were also incurred on salt plant and mixing plant, which will improve capacity and efficiency of those plants. These investments in plants are expected to contribute in the business from next year.

Hefty investments have been made in brand imaging and branding and packaging has completely been revamped for entire product portfolio. The rollout in domestic market is complete, and announcement will be supported through all channels of advertising in next year. The Company hopes to gain significantly in the future years through this investment in terms of new access to distribution channels and high and value added growth markets.

OUR PEOPLE

The employees of the Company have faced an extremely tough challenge this year. They have had to take unprecedented decisions in relation to the turbulent economic conditions which have tested their skills to the maximum. I am very happy to state that they rose to the challenge and delivered results in line with budgetary expectations. I would like to express my sincere appreciation to them for their perseverance to do better during a difficult year and their continued adherence to a standard of excellence.

APPROPRIATION OF PROFITS

Your directors have recommended for the approval by the shareholders one (1) bonus share for every four (4) shares held (2008: Five bonus shares for every one(1) share held)

CREDIT RATING

From 2006, when JCR-VIS rated the company first time, JCR-VIS has been maintaining the credit rating of the Company. JCR-VIS has reaffirmed the medium to long-term and short-term entity ratings of A+ (Single A Plus) and A-2 (A Two) respectively. The outlook on the medium to long-term rating has remained 'Stable'. The rating re-affirmation was primarily attributable to the company's strong capital structure with robust sales growth during the last few years.

CONTRIBUTION TO NATIONAL EXCHEQUER

National Foods was awarded in the food category with highest growth in contribution to National Exchequer on the basis of performance reported for the tax year 2008. During the year, the said contribution has further increased and the company paid over Rs 765 million (2008: Rs 559 million) to the government and its various agencies on account of various government levies including custom duty, sales tax and income tax. Moreover, foreign exchange of Rs 494 million was also generated through export of products, further reflecting our participation in the national economy.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The stock exchange have included in their listing rules the Code of Corporate Governance (Code) issued by Securities & Exchange Commission of Pakistan. The Company has adopted the Code and is implementing the same in letter and spirit.

AUDIT COMMITTEE

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The Committee regularly meets as per requirements of the Code. The Committee assists the Board in reviewing Internal Audit Manual and Internal Audit System.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the company is annexed.

Apart from following transactions, the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children

did not carry out any transaction in the shares of the Company during the year:

Name	Nature of transaction	No. of shares
Mr. Zahid Majeed	Purchase	3,000
Mr. Khawaja Munir Mashooqullah	Purchase	1,900
Mrs. Noreen Hasan w/o Mr. Abrar Hasan	Purchase	3,200
Mr. Iqbal Alimohamed	Sale	143,200

All statutory returns in this connection were filled.

EXTERNAL AUDITORS

The present auditors Messrs. A. F. Ferguson & Co., Chartered Accountants are retiring and being eligible, offer themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, proposes the appointment of Messrs. A. F. Ferguson & Co., Chartered Accountants as the auditor until the next Annual General Meeting.

INTERNAL AUDITORS

On the recommendation of the Audit Committee, the Board of Directors in its meeting held on April 18, 2008, has reappointed Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants as internal auditors of the Company.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity.

- Proper books of account of the Company have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no significant doubts upon the company's ability to continue as a going concern.
- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.
- A statement regarding key financial data for the last six years is annexed to this report.
- The value of investments of Provident Fund based on respective audited accounts was Rs 45,991,230/-
- During the last business year four meetings of the Board of Directors were held. Attendance by each Director was as follows:

S. No.	Name of Directors	No. of meeting attended	Leaves granted
1.	Mr. Abdul Majeed	4	-
2.	Mr. Abrar Hasan	4	-
3.	Mr. Waqar Hasan	3	1
4.	Mr. Zahid Majeed	4	-
5.	Mr. Ebrahim Qasim	4	-
6.	Mr. Khwaja Munir Mashooqullah	3	1
8.	Mr. Iqbal Alimohamed	2	2


FUTURE OUTLOOK

Looking forward to next year, we have both challenges and opportunities. High inflation particularly rising food prices have made this a difficult time and many consumers are now faced with a reduction of their purchase power. Constant movement of prices for materials on the higher side has set new norms and benchmarks for supply chain development and sustainability. The company had started to look into R&D quite vigorously to bring in innovative methods of production using advancement in the technology of food science.

Macroeconomic indicators on the other hand have shown some stability and the economy has shown some improvement which is a positive sign for trade. Financial markets remain tight on their credit disbursement and conditions are tough for businesses to source credit at reasonable rates. In light of a tighter monetary market, we will continue to prudently manage our cash from operations with a focus on necessary investments to grow our business.

We believe that our balanced model and the continued success of our value-added products will provide us with opportunities to grow sales and earnings. Our diversified portfolio of products meets the needs of the ever-changing consumer by providing value, convenience, and great taste and also continues to hedge us from the unpredictable economic conditions. We will continue to diversify and look forward to growing the business further in line with the VISION 20/20 objectives.

On behalf of the Board Of Directors



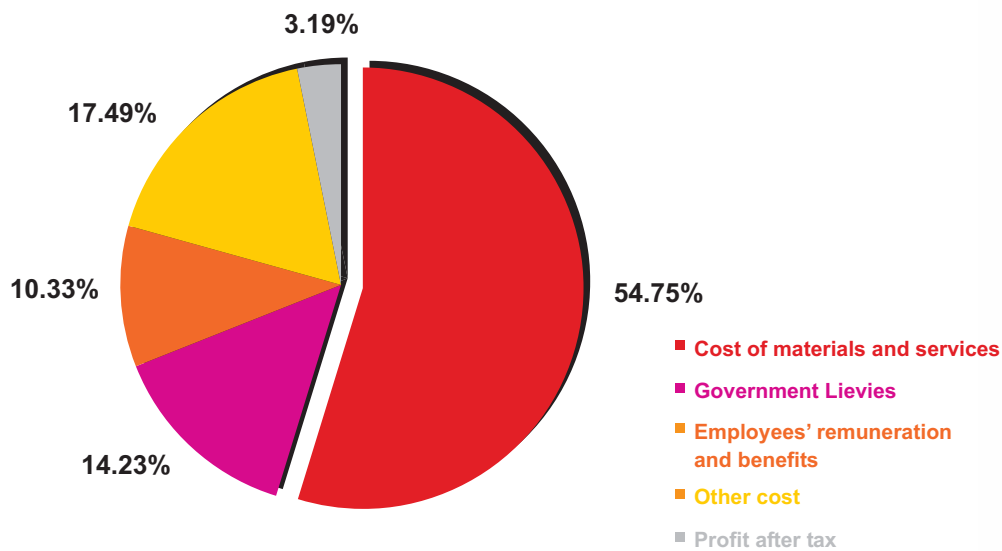
Abrar Hasan
Chief Executive

Karachi: September 25, 2009

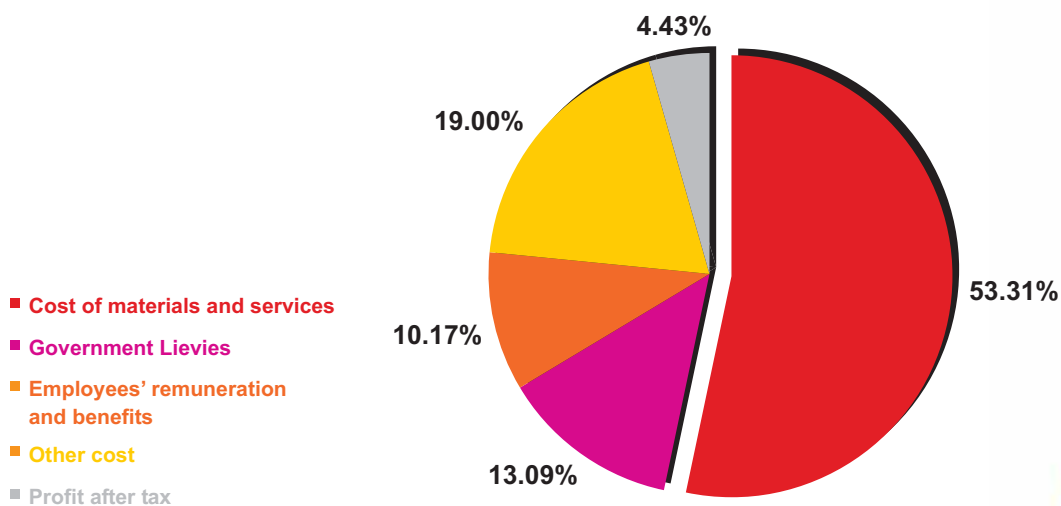
VALUE ADDITION FOR THE YEAR ENDED JUNE 30, 2009

Value addition	June 30, 2009		June 30, 2008	
	Rupees in '000'	%	Rupees in '000'	%
Net sales including sales tax	4,349,817	99.61%	3,509,487	99.37%
Other operating income	17,006	0.39%	22,309	0.63%
	4,366,823	100.00%	3,531,796	100.00%
Value distribution				
Cost of materials and services	2,391,048	54.75%	1,882,653	53.31%
Government Levies	621,439	14.23%	462,341	13.09%
Employees' remuneration and benefits	451,044	10.33%	359,057	10.17%
Other costs	763,831	17.49%	671,199	19.00%
Profit after tax	139,461	3.19%	156,546	4.43%
	4,366,823	100.00%	3,531,796	100.00%

JUNE 30, 2009



JUNE 30, 2008



OPERATING AND FINANCIAL HIGHLIGHTS

	2004	2005	2006	2007	2008	2009
PROFIT AND LOSS STATEMENT						
Sales	1,273,032	1,533,879	1,847,700	2,391,058	3,061,746	3,758,706
Cost of Sales	919,282	1,136,727	1,276,437	1,572,574	2,075,969	2,632,255
Gross Profit	353,750	397,152	571,263	818,484	985,777	1,126,451
Administration	41,467	51,842	73,112	91,297	129,868	152,110
Distribution cost	229,323	288,289	364,758	513,902	570,218	665,664
Other operating cost	4,924	3,242	8,753	19,094	17,815	18,140
Administration, Selling & Other Operating Expense	275,714	343,373	446,623	624,293	717,901	835,914
Financial Charges	11,640	16,006	24,850	32,675	56,238	86,841
Claim recovery against raw material supply	0	0	0	24,096	0	0
Other Income	1,958	4,498	6,681	6,110	22,309	17,006
Profit before Tax	68,354	42,271	106,471	191,722	233,947	220,702
Taxation	22,055	11,618	36,107	62,430	77,401	81,241
Profit after taxation	46,299	30,653	70,364	129,292	156,546	139,461
BALANCE SHEET						
Share Capital	42,505	42,505	42,505	42,505	55,257	331,542
Reserves	126,945	140,596	204,584	325,375	460,668	323,844
Shareholders' Equity	169,450	183,101	247,089	367,880	515,925	655,386
Long Term Obligations	33,500	90,139	206,161	193,763	197,020	140,479
Current Liabilities & Provisions	361,817	435,491	514,710	626,815	1,033,710	1,115,911
TOTAL	564,767	708,731	967,960	1,188,458	1,746,655	1,911,776
Fixed Assets & CWIP	182,936	230,865	369,938	496,223	637,519	649,672
Other Non current assets	1,941	2,139	2,504	2,766	4,444	5,163
Current Assets	379,890	475,727	595,518	689,469	1,104,692	1,256,941
TOTAL	564,767	708,731	967,960	1,188,458	1,746,655	1,911,776

KEY FINANCIAL RATIOS

	2004	2005	2006	2007	2008	2009
PERFORMANCE MEASURES						
Efficiency ratio, Operating leverage	94.59%	97.22%	94.18%	92.91%	92.27%	94.02%
Return on assets (ROA)	14.16%	8.22%	13.57%	16.85%	16.61%	16.09%
Return on net assets (RONA)	22.81%	11.22%	15.52%	23.02%	21.96%	17.52%
Return on capital employed (ROCE)	39.42%	21.33%	28.97%	35.66%	40.70%	38.64%
Return on equity (ROE)	30.32%	17.39%	32.71%	42.05%	35.43%	23.81%
PROFITABILITY MEASURES						
Gross margin percentage	27.79%	25.89%	30.92%	34.23%	32.20%	29.97%
Net margin	3.64%	2.00%	3.81%	5.41%	5.11%	3.71%
Operating margin	6.28%	3.80%	7.11%	8.38%	9.48%	8.18%
Earnings per share	1.40	0.92	2.12	3.90	4.72	4.21
INVESTMENT UTILIZATION						
Collection period (period average)	14.49	15.47	17.56	16.37	22.15	25.91
Creditors payment days	16.79	19.85	25.64	31.18	30.80	22.86
Inventory Turnover days	95.53	101.24	103.50	97.98	108.33	111.09
Inventory Turnover ratio	3.82	3.61	3.53	3.73	3.37	3.29
Asset turnover (Times)	2.44	2.41	2.20	2.22	2.09	2.05
FINANCIAL CONDITION						
Current ratio	1.05	1.09	1.16	1.10	1.07	1.13
Quick ratio	0.16	0.19	0.43	0.33	0.33	0.36
Debt to equity ratio	19.77%	49.23%	83.44%	52.67%	38.19%	21.43%
Interest coverage ratio	6.87	3.64	5.28	6.13	5.16	3.54
Book value per share	5.11	5.52	7.45	11.10	15.56	19.77

PATTERN OF SHAREHOLDING

COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT JUNE 30, 2009

Category No.	Category of shareholders	Number of shares held	Category-Wise No. of share holders	Category-wise shares held	Percentage %
1	INDIVIDUALS		1,447	9,331,229	28.14
2	INVESTMENT COMPANIES		2	2,000	0.01
3	JOINT STOCK COMPANIES		30	20,333	0.06
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		12	12,759,608	38.49
	Mr. Abdul Majeed	1,949,232			
	Mr. Waqar Hasan	3,900			
	Mrs. Jamila Waqar	3,900			
	Mr. Abrar Hasan	3,269,844			
	Mr. Zahid Majeed	1,258,632			
	Mr. Ebrahim Qassim	564,342			
	Mr. Iqbal Alimohamed	5,060,180			
	Mrs. M.E. Majeed	130,938			
	W/o. Mr. Abdul Majeed				
	Mrs. Kulsum Banoo				
	W/o. Mr. Ebrahim Qassim	239,046			
	Khawaja Munir Mashooqullah	55,720			
	Mrs. Zeelaf Munir				
	W/o. Khawaja Mashooqullah	220,674			
	Mrs. Noreen Hasan				
	W/o. Mr. Abrar Hasan	3,200			
5	Executives		1	78	0.00
6	NIT/ICP		-	-	-
7	Associated companies, undertakings and related parties		1	10,994,472	33.16
	Associated Textile Consultants (Pvt.) Limited	10,994,472			
8	Public Sector Companies and Corporations		-	-	-
9	Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds		1	3,000	0.01
10	Foreign Investors		-	-	-
11	Co-operative Societies		-	-	-
12	Charitable Trusts		2	34,114	0.10
13	Others		2	9,360	0.03
	Totals		1,498	33,154,194	100.00

Share-holders holding ten percent or more voting interest in the listed company

Total paid up capital of the Company 33,154,194 Shares
10% of the paid up capital of the Company 3,315,419 Shares

Name(s) of shareholder(s)	Description	No. of shares held	Percentage
Mr. Khawar M. Butt	Falls in Category # 1	3,963,462	11.95
Mr. Iqbal Ali Mohammad	Falls in Category # 1	5,060,180	15.26
Associated Textile Consultants (Pvt.) Limited	Falls in Category # 7	10,994,472	33.16
Totals		20,018,114	60.38

PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL

AS ON JUNE 30, 2009

Number of Share Holders	Share Holding		Total Share Held
	From	To	
595	1	100	26,046
345	101	500	95,089
251	501	1,000	191,218
199	1,001	5,000	492,948
37	5,001	10,000	264,918
15	10,001	15,000	184,768
22	15,001	20,000	361,996
1	20,001	25,000	20,922
3	25,001	30,000	84,444
3	30,001	35,000	95,628
3	35,001	40,000	113,817
1	55,001	60,000	55,720
1	75,001	80,000	78,000
2	100,001	105,000	204,240
1	130,001	135,000	130,938
1	135,001	140,000	139,344
3	215,001	220,000	646,416
1	220,001	225,000	220,674
1	235,001	240,000	239,046
1	260,001	265,000	262,200
1	285,001	290,000	288,708
1	370,001	375,000	374,204
1	385,001	390,000	390,000
1	560,001	565,000	564,342
2	565,001	570,000	1,132,746
1	1,255,001	1,260,000	1,258,632
1	1,945,001	1,950,000	1,949,232
1	3,265,001	3,270,000	3,269,844
1	3,960,001	3,965,000	3,963,462
1	5,060,001	5,065,000	5,060,180
1	10,990,001	10,995,000	10,994,472
1,498			33,154,194

STATEMENT OF COMPLIANCE

WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes four (04) independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Code of Business Ethics', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of the Internal Auditors, the Chief Financial Officer and the Company Secretary including their remuneration and terms and condition of services/ employment, as determined by CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three (03) members, of whom two (02) are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has outsourced the internal audit function to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
21. We confirm that all other material principles contained in the Code have been complied with



Karachi

Abrar Hasan

Dated: Sept. 25, 2009

Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Foods Limited to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the

company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009.



A.F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: September 25, 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan.

These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements.

An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn

up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 25, 2009

Name of Engagement Partner:
Farrukh Rehman

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BALANCE SHEET

AS AT JUNE 30, 2009

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	614,004	635,325
Intangibles	4	35,668	2,194
Long term deposits		5,163	4,444
		654,835	641,963
CURRENT ASSETS			
Stores, spare parts and loose tools		5,432	7,499
Stock in trade	5	846,977	755,259
Trade debts	6	274,556	259,091
Advances	7	29,044	18,965
Trade deposits and prepayments	8	6,660	2,333
Other receivables	9	2,632	1,199
Tax refunds due from / adjustable with the government	10	76,435	46,850
Cash and bank balances	11	15,205	13,496
		1,256,941	1,104,692
		1,911,776	1,746,655
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	12	331,542	55,257
Capital reserve - Share premium		-	6,102
Unappropriated profit		323,844	454,566
		655,386	515,925
NON-CURRENT LIABILITIES			
Long term financing	13	60,000	100,000
Liabilities against assets subject to finance lease	14	13,700	26,262
Deferred tax	15	59,999	70,758
Retirement benefits obligations	16	6,780	-
		140,479	197,020
CURRENT LIABILITIES			
Trade and other payables	17	460,626	369,565
Accrued interest / mark up	18	17,764	17,186
Short term borrowings	19	485,536	536,341
Current maturity of:			
Long term financing	13	40,000	43,000
Liabilities against assets subject to finance lease	14	12,510	12,341
Provision for income tax		82,000	42,000
Due to the government	20	17,475	13,277
		1,115,911	1,033,710
COMMITMENTS			
	21		
		1,911,776	1,746,655

The annexed notes 1 to 37 form an integral part of these financial statements.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
Sales	22	3,758,706	3,061,746
Cost of sales	23	(2,632,255)	(2,075,969)
Gross profit		1,126,451	985,777
Distribution cost	23	(665,664)	(570,218)
Administrative expenses	23	(152,110)	(129,868)
Other operating expenses	24	(18,140)	(17,815)
Other operating income	25	17,006	22,309
Operating profit		307,543	290,185
Finance costs	26	(86,841)	(56,238)
Profit before taxation		220,702	233,947
Taxation	27	(81,241)	(77,401)
Profit after taxation		139,461	156,546
Earnings per share - basic and diluted - Rupees	28	4.21	4.72

The annexed notes 1 to 37 form an integral part of these financial statements.


Abrar Hasan
 Chief Executive


Zahid Majeed
 Director

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CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	June 30, 2009	June 30, 2008
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	370,714	2,165
Finance cost paid		(86,263)	(49,236)
Income tax paid		(81,585)	(46,901)
Net increase in long term deposits		(719)	(1,678)
Net cash from / (used in) operating activities		202,147	(95,650)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(76,454)	(158,974)
Sale proceeds on disposal of property, plant and equipment		3,368	2,392
Purchase of intangible assets		(20,949)	(14,147)
Net cash used in investing activities		(94,035)	(170,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(43,000)	(46,000)
Liabilities against assets subject to finance lease (net)		(12,393)	(9,098)
Dividend paid		(205)	(8,242)
Net cash used in financing activities		(55,598)	(63,340)
Net increase / (decrease) in cash and cash equivalents		52,514	(329,719)
Cash and cash equivalents at the beginning of the year		(522,845)	(193,126)
Cash and cash equivalents at the end of the year	34	(470,331)	(522,845)

The annexed notes 1 to 37 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009



	Issued subscribed and paid-up capital	Capital reserve - Share premium	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2007	42,505	6,102	319,273	367,880
Final dividend for the year ended June 30, 2007 (Rs 2 per share)	-	-	(8,501)	(8,501)
Issue of 3 bonus shares for every 10 shares held	12,752	-	(12,752)	-
Profit for the year ended June 30, 2008	-	-	156,546	156,546
Balance as at June 30, 2008	55,257	6,102	454,566	515,925
Issue of 5 bonus shares for every 1 share held	276,285	(6,102)	(270,183)	-
Profit for the year ended June 30, 2009	-	-	139,461	139,461
Balance as at June 30, 2009	331,542	-	323,844	655,386

The annexed notes 1 to 37 form an integral part of these financial statements.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

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 spices, pickles, ketchup, jams, jellies, sauces, cooking pastes, rice, salt and ready-to-eat meals. 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. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in respective notes to the financial statements.

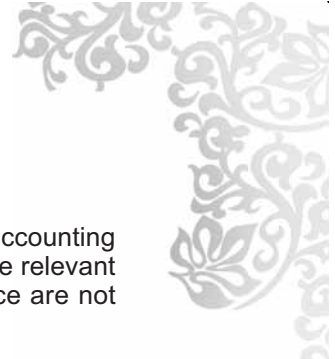
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There have been no critical judgements made by the Company's management in applying the accounting policies that would have the most significant effect on the amounts recognised in the financial statements.

Recent accounting developments

- Standards effective in 2008 - relevant

IFRS 7 'Financial Instruments: Disclosures'. The SECP vide S.R.O 411 (I) / 2008 dated April 28, 2008 notified the adoption of IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. April 28, 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.



- **Standards and interpretations effective in 2008 but not relevant**

The other new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2008 are considered not to be relevant or have any significant effect to the Company's operations and hence are not detailed in these financial statements.

- **Standard, interpretation, and amendments not yet effective but relevant**

Following standards and amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on the dates mentioned below:

IAS 1 'Presentation of Financial Statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. The revised standard will be effective from January 1, 2009. Adoption of this standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRS 8 'Operating segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management is reviewing the implications on the Company's financial statements' presentation.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less residual value if not insignificant, impairment and accumulated depreciation except capital work in progress which is stated at cost.

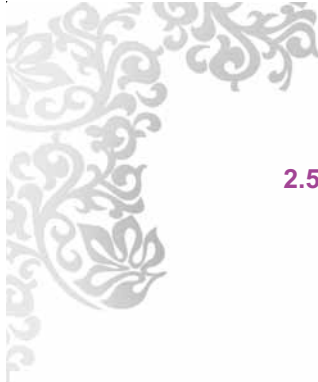
Depreciation on property, plant and equipment is charged to income applying the straight-line method over the estimated useful lives of related assets. Depreciation on additions is charged from the month in which the assets are put to use and on disposals up to the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

Profit and loss on sale or retirement of property, plant and equipment is included in income currently.

2.4 Intangibles - computer software

These are stated at cost less accumulated amortisation and impairment, if any. Generally, cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, cost that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible asset. Direct cost includes the purchase cost of software and related overhead cost.



2.5 Taxation

i) Current

The provision for current taxation is based on taxable income at the current rates of taxation.

ii) Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Employee benefits

Retirement benefit - defined benefit plan

The Company has introduced unfunded pension scheme and post retirement medical benefits for chief executive officer and executive directors. The charge is based on actuarial valuation using Projected Unit Credit method. Cumulative net unrecognised actuarial gains and losses at the beginning of the year which exceed 10% of the present value of the obligations are amortised over the average remaining working life of the employees. The latest actuarial valuation of the defined benefit plans was conducted at June 30, 2009.

Retirement benefit - defined contribution plan

The Company operates an approved provident fund for all permanent employees. The Company and the employees make equal contributions to the fund.

Others - compensated absences

The Company accounts for these benefits in the period in which the absences are earned.

2.7 Stores, spares and loose tools

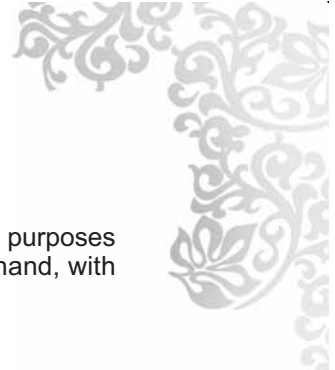
These are valued at weighted average cost less provision for slow moving and obsolete stores, spare parts and loose tools, if any. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.8 Stock in trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by weighted average method except for those in transit where it represents invoice value and other charges incurred thereon. Cost of work in process and finished goods includes direct cost of materials, direct cost of labour and production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.9 Trade and other debts

Trade and other debts are recognised at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.



2.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks and short term borrowings.

2.11 Impairment losses

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indications exist, the assets' recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of assets are classified as finance leases. Finance leases are capitalised at the inception of the lease term at the lower of fair value of the leased assets and the present value of minimum lease payments. The outstanding obligation under the lease less finance charges allocated to future periods is shown as a liability. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.13 Ijarah

In ijarah transactions significant portion of the risks and rewards of ownership are retained by the lessor. Islamic Financial Accounting Standard 2 – 'Ijarah' requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term.

2.14 Trade and other payables

Trade and other payables are carried at the fair value of the consideration to be paid for goods and services.

2.15 Borrowing costs

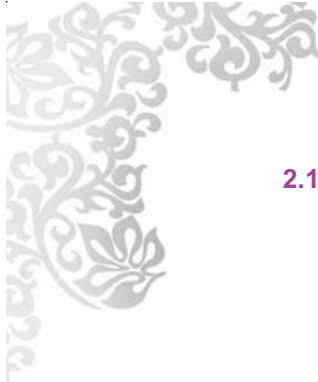
Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying asset, if any, are capitalised as part of the cost of that asset.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.17 Financial instruments

Financial instruments include trade and other debts, cash and bank balances, long term finance, liabilities against assets subject to finance lease, trade and other payables, accrued interest / mark up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.



2.18 Foreign currency transactions and translation

These financial statements are prepared in Pak Rupees which is also the functional currency of the Company.

Foreign currency transactions are translated into Pak Rupees using the exchange rates approximating those prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains / losses on translation are included in income currently.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria has been met for each of the Company's activities as described below:

i) Sale of goods

Sales are recognised on despatch of goods to customers.

ii) Interest / Mark up income

Income on bank deposits is recognised on accrual basis.

2.20 Research and development

Research and development expenditure is charged to profit and loss account in the period in which it is incurred.

2.21 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.22 Dividends

Dividend distribution to the Company's shareholders is recognised as liability at the time of their approval.

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
3. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 3.1	565,799	564,514
Capital work in progress - at cost - note 3.2	48,205	70,811
	614,004	635,325

3.1 Operating Assets

	Leasehold land	Building on leasehold land	Plant and machinery including generators	Furniture and fittings	Office and other equipments	Computers owned	Computers subject to finance lease	Laboratory equipments	Vehicles owned	Vehicles subject to finance lease	Total
(Rupees in thousand)											
Net carrying value basis											
Year ended June 30, 2009											
Opening net book value (NBV)	15,686	240,974	219,876	14,334	8,276	6,370	9,780	4,051	12,902	32,265	564,514
Additions (at cost)	-	6,940	58,122	3,047	1,061	3,008	-	393	4,535	-	77,106
Disposals (at NBV)	-	-	-	-	-	(36)	-	-	(1,054)	(667)	(1,757)
Depreciation charge	(398)	(11,328)	(33,010)	(4,103)	(1,853)	(4,317)	(3,516)	(537)	(6,431)	(8,571)	(74,064)
Closing net book value	<u>15,288</u>	<u>236,586</u>	<u>244,988</u>	<u>13,278</u>	<u>7,484</u>	<u>5,025</u>	<u>6,264</u>	<u>3,907</u>	<u>9,952</u>	<u>23,027</u>	<u>565,799</u>
Gross carrying value basis											
At June 30, 2009											
Cost	17,214	294,242	387,452	23,239	27,023	29,298	11,002	7,035	34,963	44,154	875,622
Accumulated depreciation	(1,926)	(57,656)	(142,464)	(9,961)	(19,539)	(24,273)	(4,738)	(3,128)	(25,011)	(21,127)	(309,823)
Net book value	<u>15,288</u>	<u>236,586</u>	<u>244,988</u>	<u>13,278</u>	<u>7,484</u>	<u>5,025</u>	<u>6,264</u>	<u>3,907</u>	<u>9,952</u>	<u>23,027</u>	<u>565,799</u>
Net carrying value basis											
Year ended June 30, 2008											
Opening net book value (NBV)	13,882	122,033	143,397	3,798	7,077	6,880	-	4,495	16,402	24,732	342,696
Additions (at cost)	2,200	128,382	98,914	12,555	2,837	4,336	11,002	70	2,041	15,252	277,589
Disposals (at NBV)	-	-	-	-	-	-	-	-	(1,300)	-	(1,300)
Depreciation charge	(396)	(9,441)	(22,435)	(2,019)	(1,638)	(4,846)	(1,222)	(514)	(4,241)	(7,719)	(54,471)
Closing net book value	<u>15,686</u>	<u>240,974</u>	<u>219,876</u>	<u>14,334</u>	<u>8,276</u>	<u>6,370</u>	<u>9,780</u>	<u>4,051</u>	<u>12,902</u>	<u>32,265</u>	<u>564,514</u>
Gross carrying value basis											
At June 30, 2008											
Cost	17,214	287,302	329,330	20,192	25,962	26,333	11,002	6,642	35,925	45,537	805,439
Accumulated depreciation	(1,528)	(46,328)	(109,454)	(5,858)	(17,686)	(19,963)	(1,222)	(2,591)	(23,023)	(13,272)	(240,925)
Net book value	<u>15,686</u>	<u>240,974</u>	<u>219,876</u>	<u>14,334</u>	<u>8,276</u>	<u>6,370</u>	<u>9,780</u>	<u>4,051</u>	<u>12,902</u>	<u>32,265</u>	<u>564,514</u>
Useful life (Years)	38-99	10-37	5-10	5	6-7	3	5	10	5	5	
June 30, 2009 June 30, 2008											
(Rupees in thousand)											

3.2 Capital Work in Progress

These comprise:

Civil work in progress	5,341	686
Plant and machinery	8,737	14,484
Advance against acquisition of land - note 3.2.1	27,417	27,417
Advances to suppliers	4,296	3,439
Vehicles pending delivery	897	1,314
Computer Software under development	1,517	23,471
	<u>48,205</u>	<u>70,811</u>

3.2.1 This represents amount paid for the acquisition of land at Sundar Industrial Estate, Lahore.

3.3 The details of property, plant and equipment sold during the year are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	—————(Rupees in thousand)—————					
Motor vehicles						
Toyota Corolla	954	677	277	368	Company policy	Mr. Shakaib Arif Employee
Toyota Corolla	879	439	440	553	"	Mr. Armaghan Aized Ex-Employee
Suzuki Alto	514	371	143	204	"	Mr. Altaf Hussain Employee
Suzuki Alto	504	277	227	272	"	Mr. Fayaz Abdul Ghaffar Employee
Suzuki Mehran	375	292	83	141	"	Mr. Khalid Hussain Employee
Honda Civic	1,245	1,112	133	675	Negotiation	Mr. Ashar Mirza B-16, Block-18, Gulshan-e-Iqbal, Karachi
Toyota Corolla	912	746	166	486	"	Mr. Bhagwan Das Dhirani F-65 Block-F, North Nazimabad, Karachi
Assets having net book value less than Rs.50,000	1,540	1,252	288	669		
	<u>6,923</u>	<u>5,166</u>	<u>1,757</u>	<u>3,368</u>		

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

4. INTANGIBLES - computer software

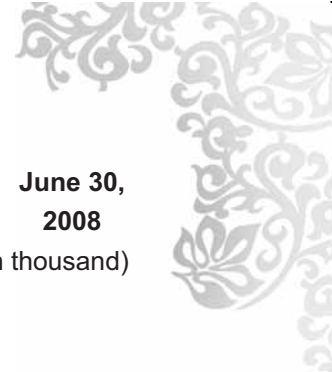
Net carrying value basis

Opening net book value	2,194	2,779
Additions (at cost)	42,903	1,723
Amortisation for the year	(9,429)	(2,308)
Closing net book value	<u>35,668</u>	<u>2,194</u>

Gross carrying value basis

Cost - Computer software and ERP System	54,406	11,503
Accumulated amortisation	(18,738)	(9,309)
Net book value	<u>35,668</u>	<u>2,194</u>

Amortisation charge is based on the straight-line method whereby the cost of an intangible is written-off over its estimated useful life of three years.



June 30, 2009 **June 30, 2008**
(Rupees in thousand)

5. STOCK IN TRADE

Raw materials (including in transit Rs 22.79 million; 2008: Rs Nil) Provision for obsolescence	360,230 (3,580)	303,118 (1,380)
	356,650	301,738
Packing materials Provision for obsolescence	117,091 (34,159)	99,418 (13,772)
	82,932	85,646
Work in process Provision for obsolescence	238,579 (2,735)	213,850 (77)
	235,844	213,773
Finished goods Provision for obsolescence	179,763 (8,212)	157,099 (2,997)
	171,551	154,102
	846,977	755,259

5.1 Stock in trade includes Rs 140.31 million (2008: Rs 40.21 million) held with third parties.

5.2 The Company has recognised a provision of Rs 30.46 million [2008: Rs (1.38) million] and has written off inventory amounting to Rs nil (2008: Rs 4.41 million) by utilising the provision during the year ended June 30, 2009.

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

6. TRADE DEBTS

Considered good

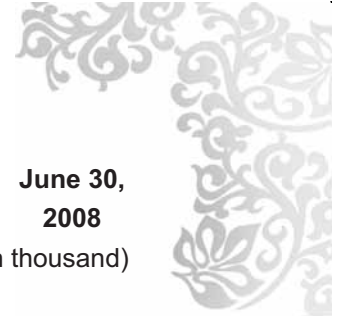
Related parties - note 6.1	21,016	16,451
Others		
- local	70,814	77,237
- foreign	182,726	165,403

Considered doubtful

	274,556	259,091
	3,906	3,906
Less: Provision for doubtful trade debts	278,462 (3,906)	262,997 (3,906)
	274,556	259,091

As of June 30, 2009, trade debts of Rs 129.50 million (2008: Rs 121.40 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
Up to 3 months	62,100	90,426
3 to 6 months	34,546	10,824
More than 6 months	32,854	20,150
	129,500	121,400
6.1 Due from related parties		
Premier Distributor	14,444	14,249
Premier Agency	6,572	2,202
	21,016	16,451
7. ADVANCES		
Considered good		
Employees		
- against expense	143	863
- against salary	581	352
Suppliers	28,226	16,497
Others	94	1,253
	29,044	18,965
8. TRADE DEPOSITS AND PREPAYMENTS		
Margin deposits	-	287
Other deposits	1,801	652
Prepayments	4,859	1,394
	6,660	2,333



June 30, 2009 **June 30, 2008**
(Rupees in thousand)

9. OTHER RECEIVABLES

Export rebate	-	337
Due from related party - Precision Rubber Products (Private) Limited	-	473
Others	2,632	389
	2,632	1,199

10. TAX REFUNDS DUE FROM / ADJUSTABLE WITH THE GOVERNMENT

Taxation	73,603	46,603
Withholding sales tax	2,832	247
	76,435	46,850

11. CASH AND BANK BALANCES

Cash in hand	890	773
Cash at bank		
current accounts		
local currency	9,668	9,736
foreign currency	4,647	2,987
	14,315	12,723
	15,205	13,496

12. SHARE CAPITAL

Authorised share capital

Number of shares				
75,000,000	10,000,000	Ordinary shares of Rs 10 each	750,000	100,000

Issued, subscribed and paid up capital

Ordinary shares of Rs 10 each

Number of shares				
2009	2008	Shares allotted:		
1,255,990	1,255,990	for consideration paid in cash	12,560	12,560
31,898,204	4,269,710	as bonus shares	318,982	42,697
33,154,194	5,525,700		331,542	55,257



June 30, 2009 **June 30, 2008**
(Rupees in thousand)

12.1. RECONCILIATION OF NUMBER OF ORDINARY SHARES OUTSTANDING

At the beginning of the year	5,525,700	4,250,538
Issue of 5 bonus shares for every 1 share (2008: Issue of 3 bonus shares for every 10 shares) held	27,628,494	1,275,162
At the end of the year	33,154,194	5,525,700

13. LONG TERM FINANCING

Bank Al-Habib Limited	-	3,000
MCB Bank Limited - note 13.1	100,000	140,000
Less: Current maturity shown under current liabilities	100,000 (40,000)	143,000 (43,000)
	60,000	100,000

13.1 The facility is secured by way of equitable mortgage over land, buildings, plant and machinery installed or to be installed at factory buildings. Mark up is charged at the rate ranging from 11.49% to 16.45% (2008: 10.69% to 11.49%) per annum. The loan is repayable in equal quarterly installments, the last of which is payable on October 13, 2011.

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of minimum lease payments	26,210	38,603
Current maturity shown under current liabilities	(12,510)	(12,341)
	13,700	26,262

Minimum lease payments

Not later than 1 year	15,716	16,965
Later than one year but not later than 5 years	15,052	30,072
	30,768	47,037

Future finance charges on finance lease	(4,558)	(8,434)
Present value of finance lease liabilities	26,210	38,603

Present value of finance lease liabilities

Not later than 1 year	12,510	12,341
Later than one year but not later than 5 years	13,700	26,262
	26,210	38,603

- 14.1 Finance leases are entered into with various modarabas and a leasing Company for motor vehicles and computer equipments. The balance of liability is payable by April 2011 in monthly installments.

Monthly lease payments include finance charge ranging from 6.26% to 23.86% (2008: 6.26% to 14.98%) per annum which is used as discounting factor.

June 30, **June 30,**
2009 **2008**
(Rupees in thousand)

15. DEFERRED TAX

(Debit) / credit balance arising in respect of:
Accelerated tax depreciation / amortisation
Provision for slow moving stock
Provision for doubtful trade debts
Provision for retirement benefits
Liabilities against assets subject to finance lease
Others

78,282	76,530
(14,893)	(5,618)
(1,195)	(1,215)
(2,240)	-
943	1,061
(898)	-
59,999	70,758

Pension Plan **Pensioners' Medical Plan**
2009 **2009**
(Rupees in thousand)

16. RETIREMENT BENEFITS OBLIGATIONS

Balance Sheet Reconciliation

Present value of defined benefit obligations **16,870** 1,040
Fair value of plan assets - -

16,870 1,040

Unrecognised past service cost **(10,930)** (313)
Unrecognised net actuarial gain **54** 59

5,994 786

Net liability in balance sheet **5,994** 786

Movement in the net liability recognised in the balance sheet

Opening balance - -
Charge for the period **5,994** 786
Payments during the period - -

5,994 786

Closing balance

Cost

Current service cost **542** 15
Interest cost **1,313** 86
Expected return on plan assets - -
Amortisation of vested portion of past service liability **3,298** 661
Amortisation of non-vested-portion of past service liability **841** 24

5,994 786

Cost for the period ended June 30

Movement in the present value of defined benefit obligations

obligation at the date of introduction of scheme **15,069** 998
Current service cost **542** 15
Interest cost **1,313** 86
Actual benefits paid during the year - -
Actuarial gain **(54)** (59)

16,870 1,040

Obligation as at June 30

June 30, 2009
(% per annum)

Principal actuarial assumptions

Expected rate of increase in salaries	12
Expected rate of increase in pension	6
Expected rate of increase in medical benefits	6
Discount factor used	12

The effects of a 1% movement in the assumed medical cost trend rate are as follows:

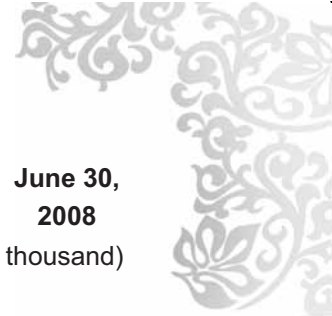
	Increase	Decrease
	(Rupees in thousand)	
Effect on the aggregate of interest costs	34	(14)
Effect on the defined benefit obligations	236	(114)

These plans have been introduced by the Company for chief executive officer and executive directors in the current year, hence no comparative data is available.

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

17. TRADE AND OTHER PAYABLES

Creditors	144,333	185,424
Accrued liabilities	259,609	132,672
Workers' profits participation fund - note 17.1	520	2,862
Workers' welfare fund	7,412	6,737
Advances from customers	20,017	16,568
Payable to provident fund	2,500	2,406
Security deposits from customers	4,065	3,097
Tax deducted at source	4,015	3,470
Due to related parties - directors	39	23
Due to related parties - others - note 17.2	782	937
Advances from employees	14,902	11,849
Unclaimed dividend	767	972
Other liabilities	1,665	2,548
	460,626	369,565



June 30, 2009 **June 30, 2008**
(Rupees in thousand)

17.1 Workers' profits participation fund

Balance as at July 1	2,862	10,315
Allocation for the year	11,903	12,592
Interest on fund utilised in the Company's business	177	270
	14,942	23,177
Amount paid during the year	(14,422)	(20,315)
	520	2,862

17.2 Due to related parties - others

Associated Textile Consultants (Private) Limited	752	833
Pakistan Card Clothing (Private) Limited	30	104
	782	937

18. ACCRUED INTEREST / MARK UP

On		
- short term borrowings	14,604	8,764
- long term financing	3,160	8,422
	17,764	17,186

19. SHORT TERM BORROWINGS

Running finance under mark up arrangements	269,668	281,932
Murabaha loan	66,538	-
Export re-finance	149,330	124,330
Short term loans	-	130,079
	485,536	536,341

19.1 The above facilities available from various banks amount to Rs 890 million (2008: Rs 625 million). The arrangements are secured by way of pari-passu charge against hypothecation of Company's stock in trade, movables and trade debts. The facilities are payable by February 2010 and are renewable.

19.2 The facilities for opening letters of credit and guarantee as at June 30, 2009 amounted to Rs 215 million (2008: Rs 114.49 million) of which the amount unutilised at year end was Rs 178.73 million (2008: Rs 4.03 million).

19.3 The rates of mark up range between 7.5% to 17% per annum as at June 30, 2009 (2008: 7.5% to 14%).

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

20. DUE TO THE GOVERNMENT

Sales tax	16,429	12,582
Special excise duty	1,046	695
	17,475	13,277

21. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2009 amounted to Rs 4.14 million (2008: Rs 5.40 million).

Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles, plant and machinery and computer equipments bearing a mark up from 13.52% to 17.66% for rentals payable monthly as at June 30, 2009 amount to:

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
Not later than one year	9,153	-
Over one year to five years	21,249	-
	<u>30,402</u>	<u>-</u>

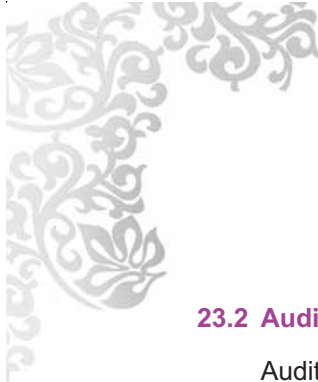
22. SALES

Local sales	4,519,232	3,653,216
Export sales	493,844	388,812
	<u>5,013,076</u>	<u>4,042,028</u>
Sales tax	(562,180)	(423,849)
Special excise duty	(28,931)	(23,892)
	<u>(591,111)</u>	<u>(447,741)</u>
	4,421,965	3,594,287
Less:		
Discount	418,276	359,311
Rebates and allowances	150,814	93,265
Sales returns	94,169	79,965
	<u>663,259</u>	<u>532,541</u>
	<u>3,758,706</u>	<u>3,061,746</u>

23. OPERATING COSTS

	Cost of Sales		Distribution Cost		Administrative Expenses		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)							
Raw materials consumed	1,616,568	1,391,740	-	-	-	-	1,616,568	1,391,740
Packing materials consumed	579,767	443,084	-	-	-	-	579,767	443,084
Provision for slow moving stock	30,460	(1,375)	-	-	-	-	30,460	(1,375)
Salaries, wages and other benefits	207,305	175,627	161,753	112,501	73,171	64,675	442,229	352,803
Contribution of provident fund	3,574	3,089	2,984	1,747	2,257	1,419	8,815	6,255
Advertising and sales promotion	-	-	268,165	270,656	-	-	268,165	270,656
Auditors' remuneration - note 23.2	-	-	-	-	2,308	1,393	2,308	1,393
Depreciation / Amortisation	50,906	36,229	14,871	9,195	17,716	11,355	83,493	56,779
Ujrah payments	539	-	2,601	-	3,642	-	6,782	-
Fuel and power	62,711	57,813	1,154	938	1,937	667	65,802	59,418
Outward freight	-	-	134,984	107,531	-	-	134,984	107,531
Forwarding charges	-	-	5,517	5,415	-	-	5,517	5,415
Insurance	2,988	4,988	1,870	2,313	2,873	2,614	7,731	9,915
Laboratory, research and development	566	1,835	269	434	22	25	857	2,294
Legal and professional charges	-	-	152	-	7,104	7,809	7,256	7,809
Postage and communications	1,974	699	7,450	7,392	4,108	2,506	13,532	10,597
Printing and stationery	426	2,272	3,190	3,853	2,051	2,056	5,667	8,181
Rent, rates and taxes	14,818	11,784	11,489	9,833	1,165	750	27,472	22,367
Repairs and maintenance	47,915	53,061	12,344	2,941	15,080	13,929	75,339	69,931
Travelling	37,164	23,987	35,771	33,243	16,719	17,164	89,654	74,394
Stock written off	12,922	-	-	-	-	-	12,922	-
Others	1,447	633	1,100	2,226	1,957	3,506	4,504	6,365
	<u>2,672,050</u>	<u>2,205,466</u>	<u>665,664</u>	<u>570,218</u>	<u>152,110</u>	<u>129,868</u>	<u>3,489,824</u>	<u>2,905,552</u>
Opening work in process	213,773	139,695						
Closing work in process	(235,844)	(213,773)						
Cost of goods manufactured	2,649,979	2,131,388						
Opening stock of finished goods	154,102	98,872						
Closing stock of finished goods	(171,551)	(154,102)						
Export rebate	(275)	(189)						
	<u>2,632,255</u>	<u>2,075,969</u>						

23.1 Salaries, wages and other benefits include Rs 6.78 million in respect of defined benefit plans.



June 30, 2009 **June 30, 2008**
(Rupees in thousand)

23.2 Auditors' remuneration

Audit fee	750	400
Limited review, special reports and other certifications	750	815
Taxation services	600	-
Out of pocket expenses	208	178
	2,308	1,393

24. OTHER OPERATING EXPENSES

Donations - note 24.1	783	186
Workers' profits participation fund	11,903	12,592
Workers' welfare fund	5,454	5,037
	18,140	17,815

24.1 The directors or their spouses do not have any interest in any donees to which donations were made.

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

25. OTHER OPERATING INCOME

Income from financial assets

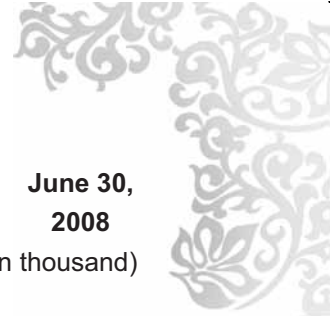
Exchange gain - net	5,677	11,161
Return on late payment by trade debtors	598	28
Return on term deposits	492	-

Income from assets other than financial assets

Profit on disposal of property, plant and equipment	1,611	1,092
Liabilities no longer payable written back	4,866	7,421
Insurance claim	3,593	1,561
Scrap sales	-	834
Miscellaneous	169	212
	17,006	22,309

26. FINANCE COSTS

Mark up on long term finance	16,220	22,342
Mark up on running finance under mark up arrangements	46,782	12,673
Mark up on export re-finance	9,545	7,868
Mark up on foreign currency import finance	2,447	3,812
Mark up on finance lease	5,015	3,686
Interest on workers' profits participation fund	177	270
Bank charges	6,655	5,587
	86,841	56,238



June 30, **June 30,**
2009 **2008**
(Rupees in thousand)

27. TAXATION

Current - for the year	82,000	42,000
Deferred	(10,759)	35,401
	71,241	77,401
Prior year	10,000	-
	81,241	77,401

27.1 Reconciliation between tax expense and accounting profit:

Profit before taxation	220,702	233,947
Tax at applicable tax rate of 35%	77,246	81,881
Expense not deductible for tax purposes	359	179
Effect of lower tax rate on export sales	(6,226)	(5,479)
Others	(138)	820
Provision for prior year	10,000	-
	81,241	77,401

28. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders	139,461	156,546
Weighted average number of shares in issue during the year (in thousand)	33,154	33,154
Earnings per share - basic and diluted (Rupees)	4.21	4.72

For the purposes of calculating earnings per share, number of shares outstanding as at June 30, 2008 have been increased to reflect the bonus shares issued during the year.

29. RELATED PARTY DISCLOSURES

A. Related parties with whom the Company had transactions

- | | | |
|-----|---|---|
| i) | Associated Companies /
Undertakings: | Associated Textile Consultants (Private) Limited
Pakistan Card Clothing Company (Private) Limited
Precision Rubber Products (Private) Limited
Premier Agency
Premier Distributor
Raj Masala Pty Limited, Australia |
| ii) | Defined Contribution Plan: | National Foods Limited Provident Fund |

B. Disclosure of transactions between the Company and related parties

Relationship with the Company	Nature of transaction	2009	2008
		(Rupees in thousand)	
Associated Companies / Undertakings:	Sale of goods	647,686	602,978
	Compensation for use of trademark / marketing expense	1,596	-
	Reciprocal arrangements for sharing of services	2,400	2,129
Staff retirement funds:	Expense charged for retirement benefits	8,815	6,255
	Payments to retirement benefit plans	17,090	12,371
Key management compensation:			
	Salaries and other short-term employee benefits	70,249	48,544
	Post-employment benefits - Provident fund	2,561	1,479
	Consideration received for vehicles sold	1,193	671

The related party status of outstanding balances as at June 30, 2009 is included in trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

30. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

30.1 The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to directors, chief executive and executives of the Company are as follows:

	Directors		Chief Executive		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in thousand)					
Managerial remuneration and allowances	3,484	3,484	4,484	3,899	35,960	18,537
Utilities	348	348	448	390	3,596	1,854
Bonus / Variable pay	435	581	2,542	2,643	9,367	2,849
Housing	1,568	1,568	2,018	1,754	16,182	8,342
Retirement benefits	4,303	-	2,789	-	3,401	1,714
Other expenses	753	783	921	900	15,965	8,302
	<u>10,891</u>	<u>6,764</u>	<u>13,202</u>	<u>9,586</u>	<u>84,471</u>	<u>41,598</u>
Number of persons	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>36</u>	<u>18</u>

30.2 Aggregate amount charged in these financial statements for the year for fee to non-executive directors was Rs 17,000 (2008: Rs 11,000).

30.3 The Chief Executive, executive directors and certain executives of the Company are also provided with Company maintained cars and residential telephones.

31. PLANT CAPACITY AND PRODUCTION

Spices	6,108	7,071
Pickles	5,525	5,186
Pastes	6,107	6,674
Salt	20,053	19,685

31.1 The capacity of the plant is not determinable as it is a multi product plant capable of producing several interchangeable products.

32. FINANCIAL INSTRUMENT

32.1 Financial assets and liabilities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
FINANCIAL ASSETS							
Trade debts	-	-	-	274,556	-	274,556	274,556
Deposits	-	-	-	1,801	5,163	6,964	6,964
Other receivables	-	-	-	2,632	-	2,632	2,632
Cash and bank balances	-	-	-	15,205	-	15,205	15,205
June 30, 2009	-	-	-	294,194	5,163	299,357	299,357
June 30, 2008	-	-	-	278,878	4,444	283,322	283,322
FINANCIAL LIABILITIES							
Long term financing	40,000	60,000	100,000	-	-	-	100,000
Liabilities against assets subject to finance lease	12,510	13,700	26,210	-	-	-	26,210
Trade and other payables	-	-	-	411,260	-	-	411,260
Accrued interest / mark up	-	-	-	17,764	-	17,764	17,764
Short term borrowings	485,536	-	485,536	-	-	-	485,536
June 30, 2009	538,046	73,700	611,746	429,024	-	429,024	1,040,770
June 30, 2008	591,682	126,262	717,944	342,859	-	342,859	1,060,803
OFF BALANCE SHEET ITEMS							
Letters of credit							26,413
June 30, 2008							104,686
Letter of guarantee							9,809
June 30, 2008							5,772

All the financial instruments of the Company are designated as loans and receivables and hence measured at amortised cost.

The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

32.2 Financial risk management objectives and policies

Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

During 2009 the Company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2009 was as follows:

	June 30, 2009	June 30, 2008
	(Rupees in thousand)	
Total Borrowings	629,510	735,130
Cash and Bank	(15,205)	(13,496)
Net debt	614,305	721,634
Total equity	655,386	515,925
Total capital	1,269,691	1,237,559
Gearing ratio	48%	58%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

i) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. Out of the total financial assets of Rs 299.36million the financial assets exposed to the credit risk amount to Rs 298.47 million.

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2009 trade debts of Rs129.50 million were past due but not impaired. The carrying amount of trade debts relates to number of independent customers for whom there is no recent history of default.

The bank balances represent low credit risk as they are placed with banks and other financial institutions having good credit ratings assigned by credit rating agencies.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk.

The management does not expect any losses from non-performance by these counterparties.

ii) Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the Company's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow.

iii) Market risk

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at June 30, 2009, financial assets of Rs 182.73 million (2008: Rs 165.40 million) were in foreign currency which were exposed to foreign currency risk.

As at June 30, 2009, if the Pakistan Rupee had weakened / strengthened by 7% against US Dollar with all other variables held constant, profit after tax for the year would have been lower / higher by Rs. 12.33 million (2008: Rs. 11.56 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar-denominated trade debts.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the Company only as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentages per annum.

b) Interest rate risk

The Company's interest rate risk arises from borrowings as the Company has no significant interest-bearing assets. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

At June 30, 2009, the Company had variable interest bearing financial liabilities of Rs 611.75 million (2008: Rs 717.94 million), and had the interest rate varied by 200 basis points with all the other variables held constant, profit before tax for the year would have been approximately Rs 12 million (2008: Rs 14 million) lower / higher, mainly as a result of higher/lower interest expense on floating rate borrowings;

The sensitivity of 200 basis points movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 200 basis points per annum.

32.3 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

33. CASH GENERATED FROM OPERATIONS

Profit before taxation	220,702	233,947
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	74,064	54,471
Amortisation of intangibles	9,429	2,308
Profit on disposal of property, plant and equipment	(1,611)	(1,092)
Provision for slow moving stock	30,460	(1,375)
Stock written off	12,922	-
Finance cost	86,841	56,238
Retirement benefits	6,780	-
	218,885	110,550
Profit before working capital changes	439,587	344,497
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	2,067	(3,177)
Stock in trade	(135,100)	(276,877)
Trade debts	(15,465)	(146,506)
Advances	(10,079)	(7,171)
Trade deposits and prepayments	(4,327)	187
Other receivables	(1,433)	23,947
	(164,337)	(409,597)
Increase in current liabilities		
Trade and other payables	91,266	62,947
Due to the government	4,198	4,318
	95,464	67,265
	370,714	2,165

June 30, 2009 **June 30, 2008**
(Rupees in thousand)

34. CASH AND CASH EQUIVALENTS

Cash and bank balances	15,205	13,496
Short term borrowings	(485,536)	(536,341)
	(470,331)	(522,845)

35. EVENT OCCURRING AFTER BALANCE SHEET DATE - PROPOSED DIVIDEND

The Board of Directors in its meeting held on September 25, 2009 proposed a transfer of Rs 82.89 million (2008: Rs 270.19 million) from unappropriated profit and Rs Nil (2008: Rs 6.10 million) from share premium account to "reserve for issue of bonus shares" for issuance of one bonus share for every four shares held (2008: issue of five bonus shares for every one share held) subject to the approval of the Company in the annual general meeting to be held on October 31, 2009.

These financial statements do not reflect the transfer, which will be accounted for in the financial year ending June 30, 2010.

36. CORRESPONDING FIGURES

The following prior year figure has been reclassified for the purpose of better presentation and comparison. Change made during the year is as follows:

Reclassification from component	Reclassification to component	Amount (Rupees in thousand)
Other receivables - Others	Tax refunds due from / adjustable with the government - Withholding sales tax	247

37. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 25, 2009 by the Board of Directors of the Company.


Abrar Hasan
Chief Executive


Zahid Majeed
Director

Back Cover Inside

*A chilli field in Kunri, Sindh,
where National Foods is carrying out
Aflatoxin-reduction research.*



Back Cover



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As part of National Foods' sustainability strategy,
this report has been printed on recycled paper to help save the environment.