



**Leadership
Through
Consumers**
Annual Report 2012

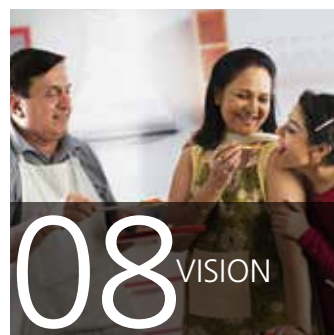
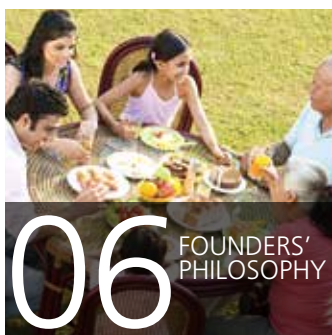
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OUR STORY

National Foods Limited (NFL), founded in 1970, is Pakistan's leading multi-category Food Company today 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 become a Rs. 50 billion company under its Vision 20/20 plan.

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.



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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 that are scientifically tested and hygienically wrapped in safe and attractive packages.

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

We must prove ourselves good corporate citizens, support good causes and charity and bear our 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 target in time to come.



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VISION & MISSION STATEMENT

Our vision is 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 value for our customers through management excellence at all levels.



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CORE VALUES

Passion

We act with intense positive energy and are not afraid to take risks. We challenge ourselves continuously, we're good at what we do, and we take pride in who we are.

People-centric

We put our people first. We 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 to ensure 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.



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CODE OF ETHICS AND BUSINESS PRACTICES

NFL believes in conducting its operations with strong ethical and moral standards. NFL's statement of code of ethics and business practices aims to provide guidance on carrying out its business-related decisions and activities. We wish to achieve excellence in all spheres of our operations for which business ethics form the basis. Any party entering any form of contract with NFL is bound to comply with the given guidelines. NFL's statement of code of ethics and business practices has the following 07 guidelines:

1. **Unfair Means:** Any use of bribery, kickbacks or any form of payment in cash/kind to obtain business-related or otherwise gainful benefit for the company is strictly prohibited. Excessive business gifts and entertainment also hold the same meaning and NFL does not approve of such payments.

2. **Respect and Integrity:** NFL believes in giving respect to individuals. We aim to operate in a manner that discourages discrimination, harassment and/or influence. Discrimination refers to favoritism based on a particular aspect of an individual's personality. Harassment includes gender harassment that creates an intimidating, hostile or offensive work environment causing interference with work performance. Influence could be an abuse of authority or the wish to alter personal beliefs.

3. **Conflict of Interest:** NFL prohibits actions that are in conflict with the company's business interests. This may include, but is not limited to:

- Providing assistance to the competition or holding ownership interests in a customer, supplier, distributor or competitor.
- Making personal gains at company's expense.

4. **Confidentiality:** NFL believes in confidentiality of information related to the company's business activities. The company expects employees not to disclose or divulge by any means confidential and commercially sensitive information except to the authoritative personnel requiring it. Furthermore, they should use their best endeavors to prevent the disclosure of such information by other people. The obligation of confidentiality shall survive the expiration or the cessation of contacts with National Foods Limited and is equally applicable to intellectual property.

5. **Statutory Compliance:** NFL believes in providing total support and cooperation to all governmental and regulatory bodies irrespective of the extent of prevalent enforcement.

6. **Financial Integrity:** NFL believes in complete compliance with the accepted accounting rules and procedures. This includes, but is not limited to:

- **Transparency:** NFL discourages any illegal activity for the purpose of any benefit to the company or others. All information supplied to the stakeholders and/or auditors must be authentic and transparent.
- **Disclosure:** All transactions must be fully disclosed and must be for the purpose stated.

7. **Health, Safety and Community Responsibility:** NFL is fully committed to safety, health and responsibility towards the environment and community. All activities of NFL must portray responsibility towards the community and the nation as a whole. NFL seeks to employ procedures that are safe, healthy and environment friendly.



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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. Ebrahim Qassim	Chairman
Mr. Waqar Hasan	Member
Mr. Zahid Majeed	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR & R)

Mr. Khuwaja Munir Mashooqullah	Chairman
Mr. Zahid Majeed	Member
Mr. Abrar Hasan	Member

COMPANY MANAGEMENT

Mr. Abrar Hasan	Managing Director/Chief Executive
Mr. Shakaib Arif	Chief Operating Officer

HEAD OF INTERNAL AUDIT

Mr. Shahid Hussain

COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE

Mr. Fayyaz Abdul Ghaffar

ACTING CHIEF FINANCIAL OFFICER

Mr. Farhan Latif

INTERNAL AUDITORS

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

EXTERNAL 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

First Floor, House of Habib Building
Siddiqsons Towers, 3-Jinnah C.H. Society,
Main Shahrah-e-Faisal, Karachi-75350
PABX: (92-21) 3432582-87
Fax: (92-21) 34325442

PRINCIPAL BANKERS

Bank Al-Habib Limited

Main Branch, Karachi
S.I.T.E. Branch, Karachi
New Garden Town Branch, Lahore

Bank Al Falah Limited
(Islamic Banking Group)

Port Qasim Authority Branch, Karachi

Bank Islami Pakistan Limited

S.I.T.E. Branch, Karachi

Dubai Islamic Bank Pakistan Limited

Clifton Branch, Karachi

Faysal Bank Limited
(Formerly Royal Bank of Scotland)

16, Abdullah Haroon Road, Karachi

Habib Bank Limited

S.I.T.E. Branch, Karachi

Habib Metropolitan Bank Limited

Main Branch, Karachi

MCB Bank Limited

Shaheen Complex Branch, Karachi

Meezan Bank Limited

M.T. Khan Road Branch, Karachi

Standard Chartered Bank (Pakistan) Limited

Main Branch, Karachi

United Bank Limited

Main Branch, Karachi

REGISTERED OFFICE

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

PLANT SITES

S.I.T.E

Mailing Address: F-160/C, F-133, S.I.T.E., Karachi
Landline # 021-257-7707 – 10
Fax # 021-257-2217
E-Mail Address: info@nfoods.com

PORT QASIM

Mailing Address: A-13, North Western Industrial Zone, Bin Qasim, Karachi
Landline # 021-475-0373 – 7

MURIDKE SALT PLANT

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

CALENDAR OF MAJOR EVENTS

FLASHBACK 2012

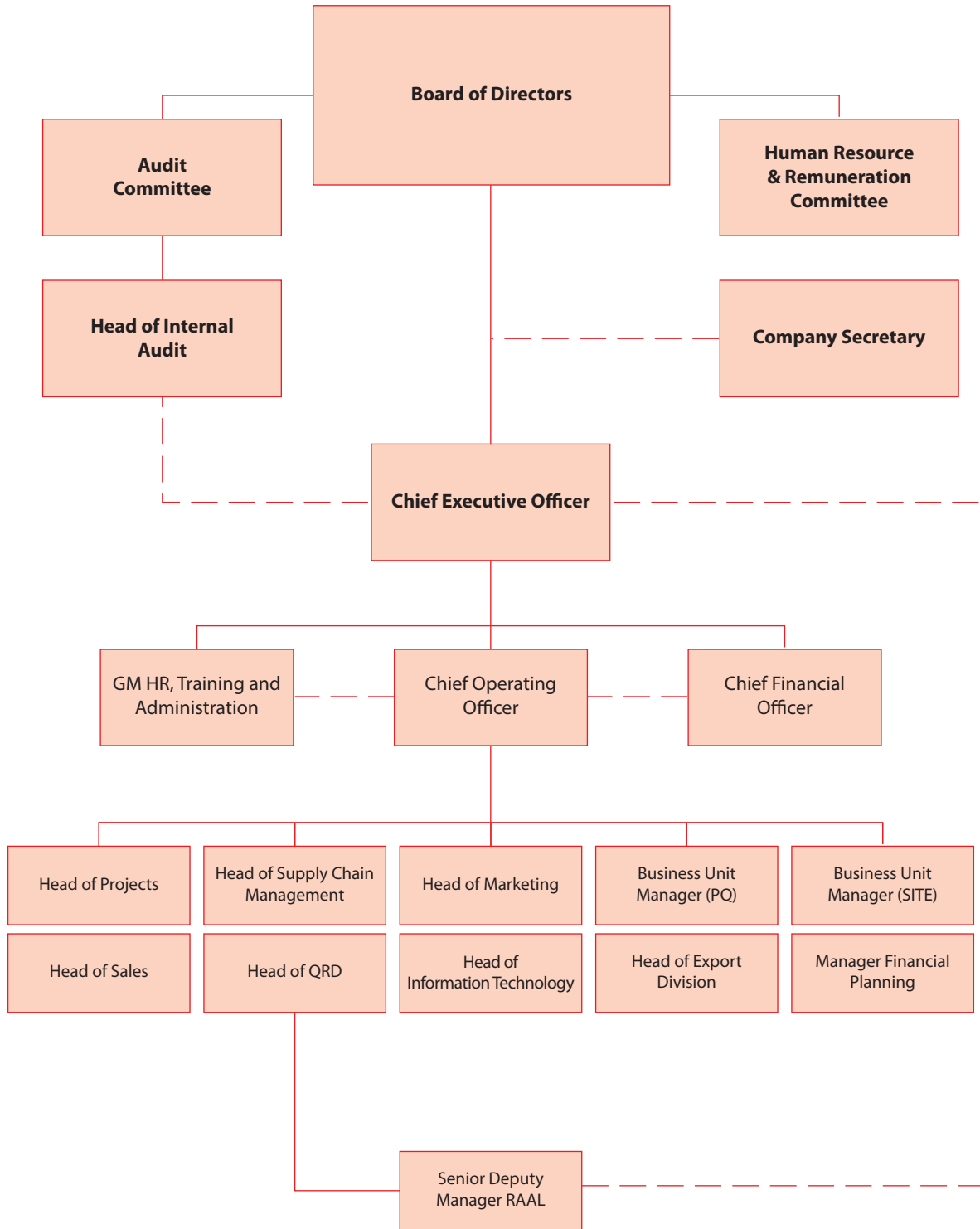
Events & Launches

- Aug '11:** Ginger and Garlic pastes launched for the Export Market.
- Sept '11:** The Strategy In Action Goal Setting Session at the Arabian Sea Country Club.
- Launch of the first ever Virtual Town Hall Meeting.
- NFL's first ever Distributor Conference organized in Vancouver by the Export Function.
- Launch of Jelly Falooda Mix, Plum & Bhelpuri Chutnies for the Export Market.
- Oct '11:** CSR Team's visit to flood affected areas in Badin.
- Nov '11:** NFL's first ever Cook Book launched.
- Dec '11:** NFL's Employee Health Program launched.
- Jan '12:** Coriander and Mint Chutnies launched for the Export Market.
- Feb '12:** Launch of NFL's first ever Management Trainee Program across Pakistan.
- NFL participates in the UK Employer's Fair 2012 in England and Scotland.
- Mar '12:** In-house Training by HR on Celebrating Our Differences to Sales Teams.
- May '12:** Five day Lean Sigma Training for Quality & Operations Staff.
- Jun '12:** Launch of Ginger and Garlic Pastes in the Local Market.

Initiatives & Achievements

- Oct'11:** Acquisition of SIDs from USA for new products.
- Jan'12:** Micro Lab secures 3rd Position for Proficiency Testing in Mold/Yeast Testing by FAPAS (UK).
- QA Staff passed IRCA certified auditor OHSMS by SGS.
- Construction of salt plant lockers, change rooms and toilets.
- Feb'12:** Inauguration of NFL's in-house Medical Clinics at the SITE and Port Qasim Production Facilities.
- Apr'12:** NFL obtains OHSAS 18001:2007 Occupational Health & Safety certification.
- May'12:** Ketchup filling machines installed and commissioned.
- Jun'12:** Conical mixer and cargo Lift installed at the PQ plant.

ORGANIZATIONAL CHART



Legends

- Functional Reporting
- - - Administrative Reporting

DIRECTOR PROFILES AND INFORMATION



Mr. Abdul Majeed
Chairman

Mr. Abdul Majeed is founder, director and chairman of National Foods Limited and Associated Textile Consultants (Pvt.) Ltd. He is also Chairman of Precision Rubber Products Ltd. and Nazaria-e-Pakistan Trust, Sindh – a chapter of its counterpart in Lahore.

Today, in addition to playing a vital role in the establishment of National Foods as a leading food company in Pakistan, he is a member of Academic Council of Textile Institute of Pakistan, Board of Governors of National Textile University, Faisalabad and Nazaria-e-Pakistan Trust, Lahore. He is also a former member of the Federal Textile Board and the Engineering Development Board, Government of Pakistan.

Mr. A. Majeed's experiences have been diverse from the very beginning, adding to the depth of what he offers as a key leader at National Foods. After graduating from the F.C. College, Lahore with a B.Sc. in Physics and Mathematics, he was selected by the British Council for

Higher Studies in Textile Engineering and completed a B.Sc. (Hons.) in Technology from Manchester University in 1959.

His interests and affiliations range from serving the Rotary District 3270 in different capacities as secretary and chairman from 1987 till present, as well as being active in social forums. He was a past president of the Rotary Club of Karachi North, Vice President Alumni Association of F.C. College, Lahore, member of the Advisory Committee, School of Management and ex-board member of the Society for the Promotion of Arabic.

A life member of Anjuman Himayat-ul-Islam, Lahore, and Arts Council, Karachi, a trustee member of Formanite Welfare Trust, a professional member of World Future Society, Bethesda, USA, Mr. A. Majeed is a believer in cultural progression and community development.

DIRECTOR PROFILES AND INFORMATION

Mr. Abrar Hasan has been with National Foods since 1993. During his association with the company he has successfully spearheaded the organization to its present position. Mr. Hasan has used his proficiency in Operations Management, Marketing and Finance with diligence to make National Foods what it is today - one of the largest and most successfully innovative food industries in Pakistan.



Mr. Abrar Hasan
CEO

Mr. Abrar Hasan graduated with a BS in Industrial Management with a minor in Industrial Engineering from Purdue University, Indiana, USA. In 1990 he returned to Pakistan and joined Precision Rubber Products (Pvt.) Ltd. as Plant Director. He remained with this company for almost 3 years and was responsible for Production and Manufacturing Management. With his well-developed skill set, Mr. Abrar Hasan joined National Foods in 1993 as Plant Director and was appointed by the Board of Directors as the Chief Executive of the company in the year 2000.

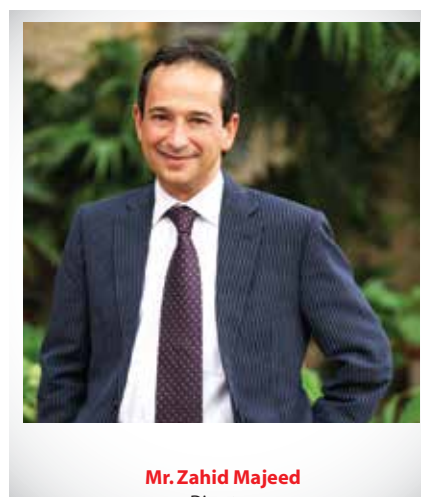
His dedicated approach and inspirational leadership has taken National Foods from a simple recipe producer to a full-fledged food company today. He is the driving force behind his team of skilled professionals and has introduced innovative technology, human resource development & management and new marketing trends that have made the company an undisputed market leader. Mr. Abrar Hasan was invited to join the Board of Cherat Packaging Limited as an Independent Director in September 2010.

Mr. Zahid Majeed joined National Foods Limited in 1987 as Plant Director, from where his experience and contribution to the company have both evolved. From 1993 onwards, he has been responsible for the Textile and Trading Business within the group as well as International Business expansion.

As a graduate of Philosophy, Politics and Economics from Oxford, Mr. Majeed enjoys the entrepreneurial challenge of Business Development and transforming business ideas into reality.

Currently, he is actively focused on transforming the National Foods international business into a major part of the company with a strong emphasis on organization and brand building as well as distribution restructuring. The vision behind this is to create a genuine global Pakistani food brand and an ambassador for the country.

In addition to this, Mr. Majeed has pioneered the introduction of an active Corporate Social Responsibility (CSR) culture within the company, involving himself in flood relief projects and agricultural development initiatives. This is all in line with the NFL vision of becoming a responsible and progressive corporate citizen of Pakistan.



Mr. Zahid Majeed
Director

DIRECTOR PROFILES AND INFORMATION



Mr. Waqar Hasan
Director

Mr. Waqar Hasan is Corporate Director at National Foods Limited. He enjoys a high profile in the Textiles and Food Industries and is a well renowned cricket administrator in Pakistan.

Mr. Hasan established National Foods in 1970 in partnership with Mr. Abdul Majeed. During his tenure as the Managing Director at NFL, Mr. Hasan embedded a strong set of fundamentals and ethics into the NFL culture that continues to guide the activities of the firm even today. Mr. Hasan's ambition and dedication resonates in the expansion of NFL from a small-time operation to an organization that now envisions becoming a Rs. 50 billion company in 2020. He was also very successful in building the National brand, which has now become an internationally recognized and a common household name in Pakistan.

He stepped down from the position of Managing Director in 2000 and has been an active member of the Board of Directors and Chairman of the Audit Committee since then.

Mr. Hasan has a rich fourteen - year sports career to his name; he has performed not only as an excellent test cricketer for Pakistan since his debut in Lahore in 1948-1949, but has also served in a variety of off-field administrative capacities for the Pakistan Cricket Board (PCB - formerly BCCP).

Mr. Ebrahim Qassim, a Chartered Accountant by qualification, has been on the board of National Foods since 2000. He worked as a professional manager in a British pharmaceutical company for three years in different positions before finally becoming its Country Manager. Later on, he commenced his own distribution business as Premier Distributors in 1971, which now has expanded all through Pakistan.

He has been on the National Council of the Institute of Chartered Accountants of Pakistan (ICAP) and Marketing Association of Pakistan. He has served as a member of the Board of Directors of the Karachi Stock Exchange in the year 2000. Currently he is on the Board of Directors of English Biscuits (Private) Ltd. and Coronet Foods (Private) Ltd., and is Chairman of Shield Corporation Limited.



Mr. Ebrahim Qasim
Director

DIRECTOR PROFILES AND INFORMATION

Mr. Khawaja Munir Mashooqullah is the founder and president of Synergies Worldwide - a global supply chain management company operating in over 15 countries. An MBA from the Olin School of Business of the Washington University in St. Louis, USA, he was awarded with the Outstanding 50 Asian Americans in Business Award by the Asian American Business Development Center. Mr. Mashooqullah joined the Board of Directors of National Foods in 2007.



His experience spans over multiple industries; prior to founding Synergies Worldwide in 1987, Mr. Mashooqullah had been working in the Food and Textile manufacturing sectors in Pakistan. At present, he is Chairman of Hertzman Media, and also serves on the Board of Quizsense Inc., and various other textile, design and food companies in Bangladesh, China, USA and Pakistan.

Mr. Mashooqullah has also served as the Chairman of Korangi Industrial Association (KATI) and on the Executive Committee of KCCI and FPCCI. He was also the Founding Trustee of the Institute of Business Management (IoBM). Mr. Mashooqullah has worked as an independent consultant in many companies and is actively involved in many charitable causes in South Asia such as promotion of computer literacy and drug rehabilitation.

He is also a member of Young Presidents Organization.

Mr. Iqbal Alimohamed is a fellow member of the Institute of Chartered Accountants, ICAEW (England and Wales) as well as the Institute of Chartered Accountants in Pakistan (ICAP), and Certified Director of the Pakistan Institute of Corporate Governance. Besides his vast experience in the Textile industry, he also has very rich experience of the banking and financial fields and modern day management in Pakistan. Some of the organizations established and managed by him have become Centers of Excellence in their respective categories.

Mr. Iqbal Alimohamed has been the Director of National Foods Limited since 2008. He is also the Chief Executive and Chairman of the Board of Directors of Gul Ahmed Energy Limited – an Independent Power Producer in the country.

Mr. Iqbal Alimohamed's affiliations are extensive, such as with Metro Power Company Ltd., Gul Ahmed Wind Power Limited, amongst others. Moreover, in the past he has been the Chief Executive Officer and Chairman of Gul Ahmed Textile Mills Ltd., Chairman and member of Board of Directors of Mybank Ltd. (now Summit Bank), and Chairman of the Board of Directors of Excel Insurance Limited.

Mr. Iqbal Alimohamed is a founder member and Chairman of the Board of Trustees of Haji Alimohamed Foundation and member and Trustee of Haji Tarmohammad KassamTeli Charitable Trust, all philanthropic institutions.



HEADS OF DEPARTMENTS



From L-R, Standing

Mr. Syed Waqar Haider Rizvi, Mr. Fayyaz Abdul Ghaffar, Mr. Shahid Hussain, Mr. Rana Azam, Mr. Farhan Latif, Mr. Fawaz Ahmed, Mr. Muhammad Iqbal, Mr. Muzammil Mustafa, Mr. Muhammad Arif.

From L-R, Sitting

Mrs. Tehmina Ali, Mr. Adnan Malik, Mr. Khwaja Tanveer Saleem, Mr. Shakaib Arif, Mr. Azhar Ali.



CEO'S REVIEW

I am very delighted to see National Foods Limited scaling newer heights of success. The year 2011-2012 was iconic with strong growth and achievements for the company; the top line growth was 29.9% and profitability reached a record level of Rs.583 million.

I laud all spectrums of the organization for working with the intensity and passion that is needed to make an ambitious vision like ours a reality. We have confidence in our ability to surpass the target of Rs. 50 billion by 2020.

We owe our biggest achievements to our people and the outstanding performance of our business in such difficult times stands testament to their high caliber and commitment. The speed of our growth necessitates that we modernize our business and focus on 'Organizational Design'. This year we have taken a number of steps in this direction and tried to attract the best talent from the market. The Trade Marketing function has been set up to act as a conduit between the Sales and Marketing functions and to enhance our focus on trade activities. In addition, we have created a new position in the company of Head of Internal Audit in line with the Code of Corporate Governance requirements and our own business needs.

Also, NFL successfully launched a well received, first ever Management Trainee Program this year, taking its corporate employer brand to eight different institutions all across Pakistan. Moreover, in an effort to increase employee engagement and improve communication systems, periodic Virtual Town Hall Meetings were organized from this year; I, along with my leadership team, remain in touch with all the company employees through these interactive sessions.

We believe that there is great potential in the international market to create value for our shareholders. We are now going through exciting times as we execute the business model that we had developed for the international market. I am

pleased to inform you that we have obtained approvals from our Board of Directors and the State Bank of Pakistan to establish subsidiaries outside the nation and join the ranks of very few Pakistani Multi National Companies. Our plan to set up subsidiaries in UAE, Canada and UK will open up a plethora of opportunities for National Foods in the times to come.

On the local front we are working extensively to improve our sales and distribution capabilities. A number of exciting new projects are underway to modernise our sales infrastructure for the next generation. We aspire to build a World Class Route To Market and the implementation of the road map designed for this purpose is already well on track.

The Cost Control & Cost Management Project that we embarked upon has yielded fantastic results for us. Various initiatives across the company have resulted in cumulative savings of Rs. 598 million, and a part of this has been ploughed back into the business. I am personally involved in this program and strongly believe that a concerted and ongoing effort is required from all fronts to make it a success.

I am extremely delighted with our direction and progress this year and we remain committed to deliver exceptional value to all our stakeholders.



Abrar Hasan
Chief Executive

Karachi: September 06, 2012



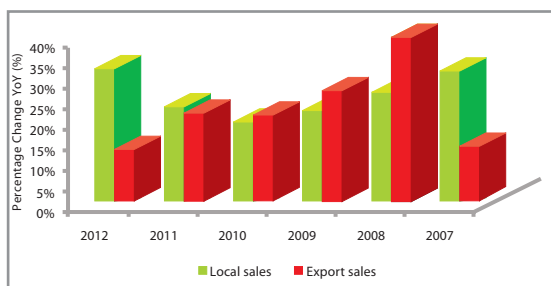
DIRECTORS' REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors of National Foods Limited, I present the accounts and performance report for the financial year ended June 30, 2012. These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. The directors' report is prepared under section 236 of the Companies Ordinance, 1984 and clause xvi of the Code of Corporate Governance.

FINANCIAL AND NON-FINANCIAL PERFORMANCE OVERVIEW

For National Foods, 2012 was another excellent year with a strong top line growth in sales of 29.9% and declaring the highest ever record profit before tax of Rs. 836 million. All our key categories like Recipe Mix, Sauces, Pickles, Desserts and Salt have shown stellar performances. The investments made behind our brands in Advertising & Sales Promotion activities are yielding good results and we have a decisive leadership in our key categories. Gross Margins have improved by 401 bps due to effective sales mix management, containment of fixed costs and strong Cost Control & Management.

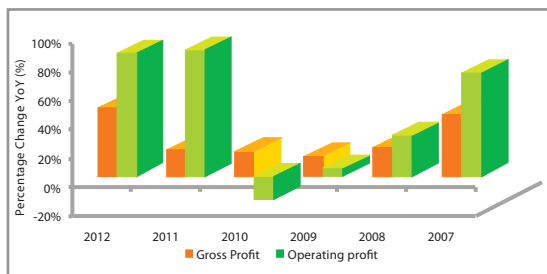
Our Export business also grew impressively with double digit sales growth and improvement in profitability by 34.86%. Our key export markets like North America, USA, and UK, sales have shown significant improvement.



A brief financial analysis is presented as follows:

PKR Million	2012	2011	Change Percent
Sales	7,168.60	5,520.78	29.85
Gross Profit	2,331.29	1,573.98	48.11
% of sales	32.52	28.51	4.01
Operating Profit	907.29	487.45	86.13
% of sales	12.66	8.83	3.83
Profit before tax	836.25	361.75	131.17
% of sales	11.67	6.55	5.12

PKR Million	2012	2011	Change Percent
Profit after tax	583.28	230.60	152.94
% of sales	8.14	4.17	3.97
Earnings per share – Rupees	14.07	5.56	153.06
Operating cash flows	1,068.77	422.60	152.90



The year was full of exciting marketing and sales activities with the transition into bigger and better Advertising & Promotional activities; like television campaigns, attractive in-store displays and successful below-the-line activities. "Hamaray Khanay, Hamari Tehwar" has laid a strong emphasis on the importance of relationship and the role food plays in strengthening the bonds of love. "National Ka Pakistan" was also well lauded by the consumers.

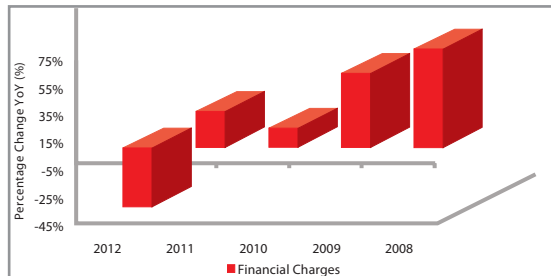
The Cost Control & Cost Management Program is now well embedded as a part of the business process. This year as well this program has yielded huge benefits to the company. Our managers have meticulously endeavored to remove the business wastes and focused on increasing business efficiencies and lean business processes. We reward and recognize individual employees and departments who have taken outstanding initiatives.

We have successfully completed the Consolidation Phase which we embarked upon. This has helped us in modernizing our business, holding our position as market leaders in almost every category in which we operate. All this has alleviated us to enhance consumer value and superior products with attractive price offerings.

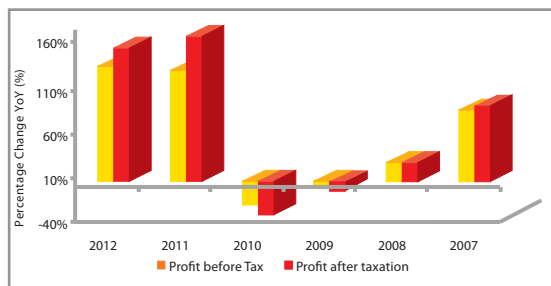
Operating profits for the year grew by a handsome 86.1% to Rs. 907 million, as compared to last year. The financial cost burden on the company has decreased significantly due to various treasury management initiatives and efficient working capital management. As a consequence financial costs have reduced by Rs. 55 million, which is almost 43.5%

DIRECTORS' REPORT TO THE SHAREHOLDERS

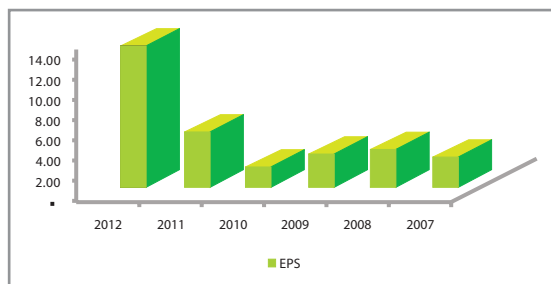
lower as compared to last year.



Overall, we finished the year well ahead and surpassed all records set previously. Overall profit after tax was Rs 583 million with an impressive increase of 153% over the preceding year. EPS for the year is Rs 14.07 per share.



I am very pleased with the direction and momentum of our consolidation phase with a clear strategic alignment backed by operational excellence. It was an outstanding effort by our team in a difficult consumer environment.



KEY CATEGORY HIGHLIGHTS

Recipe Mix: National Recipes an award-winning & the number one Masala Mix in Pakistan, is a consistent market leader. Ever since National Foods Ltd. debuted the spice mix, our ingredients continue to be meticulously selected using only the very best quality whole spices, and blended to ensure the right combination for perfect results every time. The category turnover grew by 32%. The portfolio includes Bombay Biryani Masala, Achar Gosht, Karahi

Gosht, Murgi Masala & Fish Masala. We remarkably boosted the brand profile and expanded our market share in the face of focused and effective marketing campaigns. Recipe Princess Cooking Contest in Karachi & Lahore has significantly enhanced the brand image in the hearts and minds of young college going girls. In addition "Lazzat ka Muqabala" was a mass level activity in Karachi. It was a mega event which created excitement in the minds of the consumers.

Ketchup: The Sauces Category showed impressive performance. National's Tomato Ketchup turns the simplest of snacks into delicious meals. During Ramadan the company offered a Ketchup and Chat Masala Combo Pack, which was enthusiastically appreciated by consumers. The promotion has led to an incredible boost in sales outperforming competition. A new television campaign was aired highlighting the functional aspects of the brand.

Fruitily: A fairly recent addition to our flagship "Fruitily"; a powdered drink with "Mineral Power" and available in four flavors has shown an overwhelming response from consumers. Taste trials have given remarkable feedback from customers on product taste and quality. The publicity campaign "Raho Refresh" through television commercial and street side hoardings created significant consumer awareness. Trade was equally energized with display drives. This brand does face challenges in the market place but we are confident that the brand has potential and needs to be nurtured properly as it faces stiff competition. Therefore we will continue to innovate and invest behind it in the coming years.

Salt: National Foods was the first company to manufacture iodized salt in Pakistan and we are now brand leaders, so much so that iodized salt is synonymous with National Foods. During the year, the category delivered strong volume growth. We believe that the salt business has significant potential. During the year we have enhanced our production capacity at the factory.

Pickles: As market leaders, National Foods' pickles are legendary for its unique mouth watering flavors that make a difference to any meal. During the year the category has faced stiff competition. We have incurred capital expenditure by purchasing filling pump machine at our factory.

DIRECTORS' REPORT TO THE SHAREHOLDERS

EXPORTS

We have worked arduously to design the right business model in exports which will help National Foods to transform & evolve into a truly Multi- Local Multi-National Company. We believe that there are significant opportunities in the international market and we can create significant value for our shareholders and business partners. During the year our Board of Directors has approved the establishment of offices outside Pakistan. We are pleased to inform you that we have also obtained approval from State Bank of Pakistan and are moving speedily in the execution phase. We plan to open offices in UAE, Canada and United Kingdom during the next two years span of time.

During the year Exports performance is healthy with a double digit growth despite the economic slow down in the international market. However we did face significant challenges due to abnormally high raw material prices of the Pakistani Rice available in the market. The decline in rice sales however was more than offset by the increase in sales of our core food categories that saw rapid growth during the year.

Product development remained an area of focus. The Chutneys range was expanded with unique products targeting ethnic and mainstream customers. The desserts category was increased with the introduction of fast moving, eye catching ethnic products. The Recipes, Pickles and Pastes categories were extended, resulting in increased sales during the year.

Further, we engaged our distributors through First Distributor Conference USA-Canada. The conference highlighted major trends, opportunities and challenges impacting the business in this region.

CORPORATE SUSTAINABILITY

Corporate Social Responsibility (CSR) at National Foods is a strategic commitment and good corporate ethics are the hallmarks for our long term success. We aspire to benefit and give back to the community and people who have supported our business over the last forty two years.

i) Community Investment

During the year multiple CSR projects were undertaken. These initiatives, along with other philanthropic activities culminated into a full CSR

agenda that resonated with NFL's strategy and the aim of returning to the community.

Aagahi Adult Literacy Program (ALP)

The Aagahi Adult Literacy Program is an initiative that was launched in 2005 by The Citizens Foundation (TCF) to target imparting education and literacy to mothers and older sisters of TCF students as well as other women in the community. The latest session of the program launched, witnessed 265 centers being opened for learners. Over 3,800 students enrolled into this phase alone, where the efforts made by hundreds of principals, teachers, area managers & coordinators at TCF were realized.

This noble cause has seen its growth over the years in significant proportions, and the upcoming plans are even more ambitious. ALP, this year is experiencing even greater support, where the program is being rolled out by TCF, National Foods Ltd, Literate Pakistan Foundation, Shield Corporation, and most recently US Aid.

Employee Health Program

NFL launched its General Medical Examination and Hepatitis B Vaccination drive across nation-wide locations of the organization with a team of qualified health professionals. The purpose of this program was to offer employees the benefit of free medical check-ups entailing basic tests and analysis of their health as well as free-of-cost vaccinations for their protection against a highly prevalent disease, Hepatitis B.

ii) Philanthropic Initiatives

Investment in Quality Education

Education is an area that National Foods Ltd. constantly strives to invest in, understanding the importance it plays on developing a progressive community and its long-term impact on building local talent. On account of this, we have contributed Rs.7.5 Million to the Institute of Business Administration (IBA) as well as the Karachi School of Leadership with a donation of Rs. 0.7 Million.

DIRECTORS' REPORT TO THE SHAREHOLDERS

iii) Rural Development Programs

Emergency Assistance

Relief goods were distributed to the people of Badin through our partner organization - the National Rural Support Programme (NRSP), purchased with the funds collected through contributions. We collected generously from our employees, our leadership team as well as our business partners, which went towards the purchase of water, NFL product donations, as well as ration packs for individual families. Moreover, in collaboration with Mercy Relief Singapore, 28,800 Ready-to-Eat Chicken Biryani Meals were distributed to affected families. Lastly, NFL's corporate contribution, was made to Sanghar where 1,000 packs of bundled National Foods products, including Salt, Spices, Rice, Jams, and Fruitily were donated, valued at Rs 0.5 million.

iv) Occupational Safety and Health

This year Occupational Health and Safety Management System was deployed at all of our plants in SITE, Port Qasim, and Muridke. A third party certification audit was conducted to validate our safety system against requirements, and we are extremely proud to have cleared this audit and be awarded with the OHSAS 18001:2007 certification.

v) Industrial Relations

In adherence to notifications issued by the Government of Pakistan regarding labor wages, we have increased the minimum wage.

vi) Business Ethics and Anti-corruption Measures

The company believes in conducting its operations with strong ethical and moral standards, which it provides as guidelines by rolling out a statement of Code of Conduct and business practices to all employees of the organization. This year this has been made an integrated part of the recruitment process.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the contribution to National Exchequer has further increased and the company paid over Rs. 1570.10 million (2011: Rs 1,215.37 million) to the government and its various agencies on account of different government levies, including custom duty, sales tax and income tax. Moreover, foreign exchange of Rs.775 million (2011: Rs. 717 million) was also generated through export of

products, further reflecting our participation in the national economy.

OUR PEOPLE

We put our people first and they are an integral part of the company who play a key role in growing the business. More than ever before, our focus has been on building excellence in our ways of working, where we are constantly striving to inculcate the concept of taking our teams to new heights and attracting the best talent the market has to offer. Due to the fast paced growth of the company we have hired quality resources from the market at various levels. Our leadership panel consists of dedicated individuals backed by competent teams who drive superior results on the basis of empowerment, innovation and delivering the best to our consumers.

CREDIT RATING

We are pleased to inform you that our Short Term Credit Rating has been upgraded from 'A-2' to 'A-1' by JCR-VIS Credit Rating Company Ltd. The Long Term Rating remains unchanged at "A+". The better rating takes into account improvement in liquidity position of the company due to generation of higher Funds from Operations, repayment of most of its outstanding debts and enhanced focus on working capital management thus improving its debt servicing capacity.

DIRECTORS' REPORT TO THE SHAREHOLDERS

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The management of National Foods is committed to good corporate governance and complying with best practices. As required under the listing rules of the Code of Corporate Governance (Code) issued by Securities & Exchange Commission of Pakistan, the company has adopted the Code in letter and spirit as follows:

- 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.
- Appropriate 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 Financial Reporting Standards have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. 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.
- 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.
- 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 audited accounts was Rs. 133 million.
- During the last business year, five meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	No. of meetings attended	Leaves granted
Mr. Abdul Majeed	4	1
Mr. Abrar Hasan	5	-
Mr. Waqar Hasan	5	-
Mr. Zahid Majeed	5	-
Mr. Ebrahim Qasim	5	-
Mr. Khawaja Munir Mashooqullah	4	1
Mr. Iqbal Alimohamed	4	1

DIRECTORS' REPORT TO THE SHAREHOLDERS

Pursuant to the changes in Code of Corporate Governance 2012, BOD of the company formed a Human Resource and Remuneration (HR&R) Committee, comprising three members. Mr. Khawaja Munir Mashooqullah, an Independent Non-Executive Director has been appointed as Chairman of the Board HR&R Committee, Mr. Zahid Majeed (Non-Executive Director) and Mr. Abrar Hasan (CEO of the company) were inducted as members of the HR&R Committee.

Three directors of the company have attended the Certified Director Course as required under clause (xi) of the Code of Corporate Governance 2012.

Pattern of shareholding

The pattern of the shareholding of the company is annexed.

Apart from the 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	Relation	Nature of transaction	No. of shares
Mr. Fayyaz Abdul Ghaffar	Company Secretary	Purchase	900
Mrs. Noreen Hasan	Spouse of CEO	Purchase	3,000
Mr. Iqbal Alimohamed	Director	Sale	3,533,174
Mr. Zahid Majeed	Director	Purchase	4,125

All statutory returns in this connection were filed.

Internal Auditors

On the recommendation of the Audit Committee, the Board of Directors in its meeting held on September 6, 2012, has reappointed Messrs. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as internal auditors of the company.

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 auditors until the next Annual General Meeting.

BUSINESS RISKS FUTURE OUTLOOK

Moving into 2013, it would be challenging to maintain such an outstanding performance as this year's, but I believe our business is uniquely positioned to deliver as per plan. The economic environment and volatile security situation present challenges, but we are confident that with our portfolio and with careful management of the value equation and appropriate cost reductions measures, we can accelerate growth further.

DIRECTORS' REPORT TO THE SHAREHOLDERS

ACKNOWLEDGEMENTS

I would like to thank each of our employees for their focused dedication and hard work throughout this period of volatility and transition. And, I thank you, our shareholders, for your continued investment in and support of our company.

APPROPRIATION OF PROFITS

Your directors have recommended the following for approval by the shareholders:

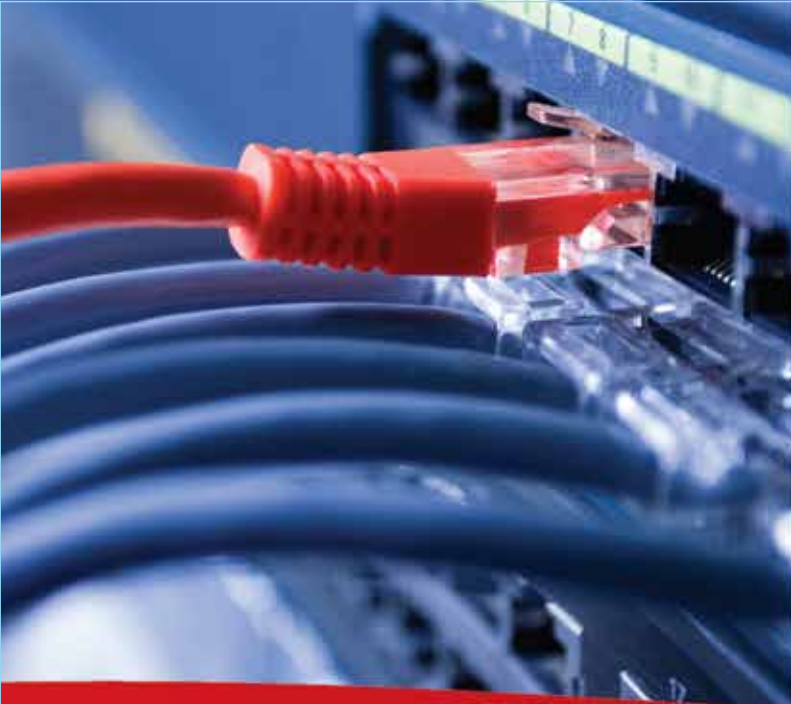
Final cash dividend of Rs. 6 (2011: Rs. 2.50) per share of Rs.10 each.

On behalf of the Board of Directors



A. Majeed
Chairman

Karachi
September 06, 2012



MANAGEMENT REVIEW



OUR BRANDS

Since 1970 when it began producing quality, hygienic spices, National Foods Ltd. has evolved into a powerhouse of food products. Through invention and innovation, the company has enabled homemakers to give their families healthy, nutritious, delicious foods, while simultaneously reducing the amount of time women spend in the kitchen. For people conscious of good food, National Foods Ltd. has become a trusted and reliable ally and partner.

Along with being the No. 1 Choice of Women all over Pakistan, our brands have established themselves as category leaders by winning 5 awards in the Brand Elections 2010.

Our Ranges

Currently, National Foods Ltd. produces a range of products that cater to people's needs for satisfying their sweet, savory, and tangy tastes.





National

FINEST SUPER KERNEL
BASMATI RICE

National

Mixed
PICKLE

National

National

Jellée
Apple
Delight

National

برياني
Biryani
MASALA MIX

National

قورمه
Quorma
MASALA MIX

National

Strawberry
Mustard
Powder

SAVORY

From salt and individual spices, to aromatic pastes, to recipe mixes that let you cook a banquet in minutes, National Foods Ltd. leads the stakes in flavorsome, fragrant ingredients.

Recipes

National Recipes are the No. 1 masala mix in Pakistan, an award-winning product, and consistent market leader. Ever since National Foods Ltd. debuted the spice mix in the 1970s, our ingredients continue to be meticulously selected using only the very best quality whole spices, and blended to ensure the right combination for perfect results every time. National Spices are convenient to use, reduce the time and effort spent in the kitchen, and thanks to consistency of results produced, remain the preferred choice for women and chefs all over Pakistan.

Vegetarian: Sabzi Masala

Salan: Delhi Nihari, Quorma, Murghi, Murgh Chole, Kofta, Paya

Rice: Bombay Biryani, Biryani, Pulao, Sindhi Biryani

Haleem: Haleem Masala

Fried: Fish Masala, Chicken Broast, Shami Kabab, Chapli Kabab

BBQ: Chicken Tikka, Seekh Kabab, Tikka Boti,

Bhunna: Karahi Gosht, White Karahi, Chicken Jalfarezi, Achar Gosht

Snacks

National Snacks take us from the strictly lunch-and-dinner crowd to any-time, any-place versatility, adding extra zest to everything on the table, whether homemade or store-bought. National Chat Masala is a market leader due to its brand equity and good taste. It enjoys steady popularity throughout the year, and other products in the range are known to skyrocket in sales during the month of Ramadan.

Snacks: Chat Masala

Plain Spices

National Foods Ltd. was the first company to pack and retail powdered spices during an era when consumers mistrusted any product that was not freshly ground right before their eyes. From pioneering spice packagers in the 70s, we grew into a name trusted by women and chefs across Pakistan as the right brand to spice up any dish.

Basic Recipes: Garam Masala Powder, Curry Masala Powder

Ingredients: Ginger Powder, Garlic Powder, Kasuri Methi Whole

Spices: Chilli Powder, Coriander, Black Pepper, Turmeric Powder, Cumin Seeds Whole, Cumin Seed Powder



Salt

As the pioneering company to manufacture iodized salt in Pakistan, we are now brand leaders in the class with brilliant white, hygienic, 99.1% pure, free flowing refined salt. The product was launched in collaboration with UNICEF, and adds taste while serving the human body's requirement for iodine.

Salts: Table Salt, Iodized Salt

Rice

Pure basmati, extra-long, polished to a silky sheen, unbroken and ready to cook straight from the bag, our branded rice requires neither picking nor cleaning, thus saving time and effort.

Rices: Super Kernel Basmati, Long Grain Basmati



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TANGY

No table is complete without a selection of condiments to liven up a meal. National Foods Ltd. produces an array of ketchups, sauces and pickles that provide the perfect finish to perfect meals.



Ketchup

National Ketchup is the market leader among branded ketchups available in the market, with Tomato being the most preferred variant. National Tomato Ketchup is made with 100% freshest, reddest, sun-ripened tomatoes in a perfect balance of tart and sweet. Tomato is closely followed by Chilli Garlic Sauce, and both are considered important accompaniments to snacks and fast food.

Ketchups: Tomato Ketchup, Chili Garlic Sauce

Chinese

Currently a quartet of savory flavorings with plans to expand into meal solutions, National Foods' Chinese range makes authentic, home-made Chinese a breeze to cook.

Chinese: Chinese Salt, Soya Sauce, Vinegar, Chilli Sauce

Pickles

Our legendary pickles are market leaders in the branded, packaged pickles category, and renowned for their mouthwatering flavors. They have been a mainstay on the dining table for generations, eaten to compliment all kinds of foods and even as a digestive aid.

National Pickles are consistently classified as a superior product because of their flavor blends and good-sized fruit/vegetables. The pickle market is divided in two segments, convenience (bottles) and VFM (pouch). National serves both these segments, and Pickles have played a role of high strategic importance to the company in volume and value contribution.

Pickles: Mixed, Mango, Garlic, Lemon, Chilli, Hyderabadi Mix



Annual Report
2012

SWEET

Dessert mixes, breakfast foods, and refreshing beverages – the sweetness of National Foods Ltd. is incomparable when it comes to taste, variety, and convenience.

Jams, Jellees, Marmalades

We introduced our first fruit preserves in 1998. These delicious concoctions of fruit transformed the simplest of foods – basic bread – into pleasing and satisfying meals. Today, they are a staple on the breakfast table, available in a variety of flavors.

Jams: Apple, Mango, Mixed Fruit, Strawberry

Jellees: Apple, Strawberry

Marmalades: Orange

Powdered Drinks

National Foods' Fruitily instant drink mix provides much more than a refreshing burst of sweet flavor; it is also packed with essential nutrients that provide the energy that your body and mind need to replenish every day.

Fruitily: Orange, Lemon, Mango, Mixed Fruit

Desserts

Perfect for every occasion and providing a grand finish to any meal, our desserts range satisfies both the traditionalist and the contemporary sweet tooth as a substitute for ice cream and traditional sweetmeats. National Foods' dessert products offer customers all three benefits of being:

a) Easy to Cook

b) Convenient

c) of Good Quality

Custards: Vanilla, Strawberry, Banana, Mango

Jelly: Strawberry, Banana, Orange, Pineapple, Mixed Fruit

Traditional: Kheer Mix, Pistachio Kheer Mix, Gajar Kheer Mix, Feerni Mix, Sheer Khurma Mix, Vermicelli



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MARKETING

A Year of Transitions

2012 saw our marketing efforts at National Foods Ltd transition into even bigger and better ATL and BTL activities.



Recipe Book Launch

A glorious event was held at the iconic and historic Mohatta Palace in Karachi to launch the first-ever, official National Foods Cookbook. The book features a collection of 50 recipes made with National Foods branded spices, and includes dishes that cater to seven distinct traditions and occasions celebrated in Pakistan – Basant/Spring, Maayun/Bride-Seclusion, Anniversaries, Aqqa/Child-Welcoming, Bismillah, Birthdays and Eid.

Celebrations in Pakistan are incomplete without traditional foods to accompany the time-honored rites and rituals, thus making the Cookbook a veritable journey through the cultural landscape of Pakistan. The recipes featured in the book take into account the standards and limitations set by modern lifestyles, while at the same time retaining traditional values.

In a history that now crosses three decades, National Foods has always honored our different regions' traditional belief and emphasis on food. This Cookbook that we have researched and produced is not just a compilation of Pakistani



recipes, it is a tribute to our Pakistani culture, herbs and spices which identify and define us as a nation. Indeed, we at National Foods have always believed in remaining dynamic and in tune with modern trends yet remaining in harmony with tradition. To this end I am proud of the fact that with the use of advanced technology, research and innovation to suit today's world, our brand is ranked in Pakistan among the very top, out of a total 3500 brands marketed and sold.

Eid Traditions

In the last fiscal year, one of National Foods Ltd's major television campaigns revolved around celebrating Eid steeped in traditions, family, and food. This year, the campaign "Aaj ye kaunsa mehman aya" (Look who has come to visit today) was extended into a full-length song with additional verses and scenes, and was aired during Eid ul Azha. This was the first ever full-length song and music video produced and aired by National Foods Ltd.



National Ka Pakistan

Pakistan is a country proud of its cultural and gastronomic diversity, so National Foods Ltd. sent out television's popular cooking personality, Chef Saadat, on a fun journey to



uncover the culinary gems hidden in the country's nooks and crannies. The show was developed in 2 phases and covered 13 cities of Pakistan. Each episode saw Chef Saadat traveling to a new city, where he made friends with the local people, explored cultural and architectural sights, sampled local cuisines, and then cooked up his own versions of the regional specialties using National products. The show was a resounding success as viewers were able to vicariously travel the length and breadth of the country and learn about the richness of Pakistan's food culture.



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2012

National Recipe Princess

National Foods Ltd. gave young college students a chance to shine with the National Recipe Princess contest which was held in 20 colleges of Karachi, and 15 colleges of Lahore. The contest searched for talented young girls who could cook delicious foods with imagination and flair, and awarded them the title of Recipe Princess.

The contest itself consisted of two parts; in the first, girls from each college competed against each other to determine the best college champion. In the second part, college champions competed amongst each other in a grand inter-college cook-off, with the winner being awarded the title of Recipe Princess. As the contest was run in two cities, National Foods Ltd. was proud to crown a Recipe Princess for Karachi, and one for Lahore.



National Foods Lazzat ka Muqabla

“Lazzat ka Muqabla” was National Foods Ltd’s mass-scale activity that incorporated 52 neighborhoods of Karachi. During the activity, women from the selected neighborhoods were invited to demonstrate their cooking skills and expertise, and the winner from each neighborhood was honored in the National Recipe Mega Event, where they were awarded badges confirming their status as National Foods Cooking Experts. The Mega Event was hosted by the incomparable Bushra Ansari, and featured a Lucky Draw where attendees won valuable instant prizes such as a television set, food factory, oven, generator, dinner sets, gold jewelry, and more. The event concluded with a musical concert featuring the famous music band Roxen.



Trade Activation

In an effort to convert users of other brands to its own products and expand its market further, National Foods Ltd. conducted a massive trade activation in Karachi that engaged consumers and retailers simultaneously. This was a first-time activity for the brand; it ran for 52 days and covered all the major general trade markets of the city.

160 general trading outlets participated in the activity. The attraction for customers' attention lay in instant prizes and the chance to participate in lucky draws that offered gifts of LCD televisions, dinner sets, food factories and more. For traders, a special lucky draw event was held with such valuable prizes as generators, LCD televisions and DVD players. The activity wrapped up with a mega fun-filled event for participating traders that featured top comedians such as Kashif Khan and Hanif Raja, and a musical performance by renowned pop musician Saleem Javed.



Consumer Promotion National Ketchup

National Foods Ltd. conducted two consumer promotions for ketchup during the year. The first one ran during the month of Ramadan, and offered a packet of National Chaat Masala paired with every bottle of National Ketchup. The second ran during Eid ul Azha and offered a pairing of ketchup with a packet of recipe masala. As these are the two of the biggest food-based occasions in Pakistan, the promotion resulted in high sales and cemented National Foods' reputation as the go-to brand for festive foods.



Annual Report
2012

National Ketchup Campaign Overhaul

A new television commercial for National Tomato Ketchup was also aired during the year, highlighting the functional aspect of National Ketchup as a product made with 100% tomatoes. Presented in rich colors, drawing attention to natural goodness and absolute freshness, the breathtaking visuals of the TVC perfectly encapsulate the personality of National Ketchup. The TVC reinforces National Foods' claim that the ketchup is made with 100% pure tomatoes, and makes special mention of the Chili Garlic variant as well.



Fruitily Campaign Overhaul

National Foods Ltd's powdered beverage, Fruitily, is steadily becoming a growing presence in the market for powdered drinks, and the latest television campaign to go on air was a drastic advancement from the previous. Advertising for the product features a new tagline, "Raho Refresh", and the new animated television commercial features a catchy song that emphasizes Fruitily's energizing properties.



National Pickles Consumer Promotion

To generate additional trial for Fruitily during the beginning of the year, National Foods Ltd. paired sachets of the powdered beverage along with one of its most iconic products, the pickle. Purchasers of 1 kg packs of National Pickles received a free sachet of National Fruitily, and from the results tabulated, this proved to be one of the most successful promotions National Foods Ltd. has conducted.



Fruitily Goes Double Decker

To bring Fruitily to the public's attention, National Foods Ltd. conducted a one-of-a-kind BTL activity which consisted of plying a novel, double-decker bus along Karachi roads. The interior of the bus was dressed up as a juice bar and the upper deck designed to look like a golf resort complete with lounging chairs and a putting green. The eye-catching bus played the Fruitily jingle on a loop, and gave the public a chance to taste Fruitily drinks, play a video game, and get a free photo taken in the onboard Fruitily Photo Booth.



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2012

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) at NFL is a strategy-oriented commitment the company has made both to its employees as well as the wider community. With values that favour sustainable initiatives and philanthropic projects, every year we give back to the community and people who have supported our business over the last 42 years. Our CSR projects are governed by the Triple Bottom Line approach whereby returns are measured in terms of People, Planet and Profits to ensure both effective social delivery and long-term sustainability.

2011-2012 saw the activation of multiple CSR projects. With the onset of devastating floods for the 2nd consecutive year, NFL partnered with the National Rural Support Programme (NRSP) to devise relief assistance plans and deploy goods as quickly and efficiently as possible for the victims. Relief goods were distributed to the flood struck people of Badin through our partner organization - the National Rural Support Programme (NRSP). Hearty contributions of around Rs. 7 Lakhs were made by employees as well

Mr. Ebrahim Qassim. Ready-to-Eat Chicken Biryani Meals were also distributed by NRSP, in collaboration with Mercy Relief Singapore, to the affected families.

The Aagahi Adult Literacy Program is an initiative that was launched in 2005 by The Citizens Foundation (TCF) to target imparting education and literacy to mothers and older sisters of TCF students as well as other women in the community. With a diverse audience ranging from young 10- year old children to mothers of age 39, the program has helped over 8,000 women since its inception. Literate Pakistan Foundation has been the education partner for this project, providing the curriculum along with training and monitoring services. In 2011, the Aagahi program, was extended to include schools from far flung areas of Pakistan, covering at least 28 districts across the nation.

Phase 11 of the ALP, the latest session of the program, was launched at the beginning of the third quarter and witnessed 265 new centers being opened for



as our local and international business partners for the purpose. These funds were utilised for the distribution of flood assistance items including sachets of Fruitily, bottles of drinking water and ration packs consisting of essential food items to the flood affectees. Moreover, medical supplies for the NRSP Free Medical Camp were also donated by our Board Member

learners. Over 3,800 students enrolled into this phase alone, where the efforts made by hundreds of principals, teachers, area managers and coordinators at TCF were utilized. To recognize this effort, NFL hosted an Annual Ceremony of Appreciation for these individuals at the Corporate Office.

This initiative has seen significant growth over the years and the targets for the upcoming phase are even more ambitious. The institutional support for ALP expanded even further this year with the inclusion of entities like US Aid to the existing list of

Opportunity Employer.

CSR is now deeply embedded in the NFL culture; we are focused on standing out as responsible corporate citizens of Pakistan by serving not only the NFL



supporters like TCF, National Foods Ltd, Literate Pakistan Foundation and Shield Corporation.

The HR Department, in collaboration with the CSR function, launched NFL's first General Medical Examination and Hepatitis B Vaccination drive across the nation. The purpose of this program is to offer employees free medical check-ups entailing basic tests and health analysis as well as free-of-cost vaccinations for protection against a highly prevalent disease, Hepatitis B.

Collaborating with the Network of Organization Working for People with Disabilities (NOWPDP), we inducted a talented individual within the Department of Human Resources. This initiative stands symbolic of our dedication to equality and provided us with a platform to be true to our promise of being an Equal

fraternity, and also the wider community. Our efforts



are not only dedicated towards alleviation of issues in times of crisis, but also focus on building a bright future for the coming generations of Pakistan. This commitment to progress and society has helped us create a harmonious and positive environment in the company and kept our spirits high in even the most

FINANCE DEPARTMENT



The Finance Team has played a pivotal role in the progress of NFL and towards maximizing shareholder return.

In a business environment where factors such as inflation and floods have impacted us significantly, the use of best in class tools, including the Cost Tracker and Innovation Funnel, have proven to be very effective. The Cost Control and Cost Management Program has been implemented across the company and is managed by the Finance Function. By empowering each cost center owner to monitor departmental costs and weed out the unnecessary cost elements, this program has enabled our managers to ensure that we remain competitive and that investment is channeled to feasible projects.

Moreover, the financial strength of National Foods has improved significantly through the use of various treasury and working capital management initiatives. Our short term credit rating, which takes into account the liquidity position of the company, has been upgraded by JCR-VIS, while we have also been successful in gradually retiring most of our outstanding debt.

In order to improve the effectiveness of our decision making processes, we believe that information management is a key area that needs to be developed. Therefore, we have deployed resources to strengthen and manage this objective. Under the sphere of our

activities as business partners and change catalysts, the usage of latest business analytical tools, including Business Intelligence and Business Object, has been extended to our management. Moreover, we are constantly in search of newer developments in analytics and reporting to ensure that we deliver better and more focused results every year.

The Finance Team brought home substantial cost savings and attractive investment returns by engaging in multi faceted process improvements and prudent asset placements. Through better monitoring and proactive management of inventory, the stock obsolescence, wastage and routing costs were successfully reigned in, while work commissioned on the development of systems that will facilitate optimization of these processes in the near future.

On the asset management and treasury front, diversion of investment funds into tax advantageous instruments and introduction of better receivables management systems helped hone attractive returns and reduce the length of the working capital cycle of the company. Moreover, the team embraced the challenge of improving the quality and length of the internal documentation cycle, developing MIS systems to facilitate timely book closure and more effective reporting. Revisions like the application of exemption certificates in the transactional setup also helped bring in taxation benefits for the company.

INTERNATIONAL DEPARTMENT



The Exports Division performed well during FY 2011-12 despite grave global economic challenges, bringing in handsome double digit volume growth.

NFL organized its first ever Distributor Conference for North American distributors during the year. The conference highlighted major trends, opportunities and challenges impacting business in the region. It also created an excellent platform for sharing experiences from specific markets, networking and brainstorming.

National Foods worked to improve its International brand image through advertising and sales promotions. Campaigns were launched in major markets to increase demand and improve brand awareness in major categories. These were rolled out during peak seasons to capitalize on category demand. Regular trade and consumer offers were also given during the year to increase consumer and trade demand for our products.

This year the Chutneys range was expanded with unique products targeting ethnic and mainstream customers, while the desserts category was increased with the introduction of fast moving, eye catching ethnic products. The Recipes, Pickles and Pastes categories were extended, resulting in increased sales during the year. Market development continued this year with renewed fervor and activity; newer markets

were added to our global footprint, stretching the NFL brand to non-traditional markets as well.

National Foods also participated successfully in Gulfoods 2012. For the third year in a row, the National Foods display was considered the best and largest compared to any other company participating from Pakistan. Interactions with a large number of current and potential distributors aided sales development for existing and new markets.

With great persistence and foresight the International Division delivered impressive cost savings and recoveries for NFL. By developing systems to optimise the prompt liquidation of near - obsolescence stock, the team helped avert significant expected losses that would have had a bearing not only on the profitability of the Export Division, but on that of NFL as a whole as well. Moreover, loss of data due to some administrative changes on the Customs Examination front would have imposed adverse financial consequences on the company; however, owing to the proactive and persistent efforts of the ID team the funds were recovered in a timely fashion. Improved reporting and documentation systems to address the concerns of our international distributors and to expedite the payment and decision making processes in the export segment were also developed by the International Division.

INFORMATION TECHNOLOGY DEPARTMENT



Induction of world class business processes driven via Information Technology (IT) continue to be a key focus at NFL. As a strategic contributor, the IT team at NFL plays a vital role in the execution of business strategy and in the simplification of business operations, thereby bringing in efficiency, improvement and standardization.

The key is to stay connected both to our internal customers within the work environment and also to our consumers. To this end, driving the business towards simpler web-based processes and re-engineering continues to maintain its momentum – an example of which is the implementation of Google Apps. This has enhanced the speed of collaboration and messaging greatly between our internal organizational customers and other institutional partners.

Business alignment initiatives were also undertaken to help facilitate the sales reorganization, where linked to a home-grown system, we are now able to capture Secondary Sales information through SMS, ensuring performance management as well. This system provides sales transparency and enables competitive

information analysis for managers at both operational and strategic levels.

The Information Technology Department also spearheaded a string of changes focusing on the induction and integration of cost effective and operationally efficient systems into the existing IT portfolio. Investments in prudent alternatives served to extend the usage capacity of the existing SAP system whereas switching onto the more flexible Cloud Computing Mailing System has set the stage for not only current, but also recurring cost savings in the near future. The IT team wholeheartedly participated in the training and development of their peers and worked to bring in reformatations in the print and multimedia infrastructures that will help support the growing needs of the company in a cost effective manner.

SALES DEPARTMENT



A myriad of socio political and economic factors worked to make FY 2011-2012 an intensively challenging period for the sales team at NFL. The deteriorating law and order conditions of Karachi, Baluchistan and Khyber Pakhtoon Khuwa coupled with the frequent transportation strikes, shutter downs and political friction across the country greatly disrupted the sales and distribution networks throughout the nation and necessitated that special supply arrangements be made to meet the demands of the distributors and the market.

Despite these obstacles, the sales team put in a tremendous effort and achieved astounding double digit volumetric growth this year.

The Sales function played an active role at the Sales & Operations Planning forum, whereby alterations in the sales mix were made to help achieve the company's bottom line objective. Furthermore, the team strived to improve forecasting accuracy at the national level.

As part of a major initiative, the sales structure and resources were reorganized to compliment a channel based strategy to capitalize upon the promising market potential during the year. Efforts were also made to maintain a close liaison with the newly established Trade Marketing department to ensure effective and cohesive execution of the corporate strategy.

More technological tools were enlisted for the Sales force to improve performance analysis and results. A secondary sales monitoring system has been put in place to facilitate the field teams in capturing better information from all major cities in order to aid improved and effective decision making. Furthermore, SMS based monitoring of the Sales KPIs in secondary sales towns was also implemented.

NFL initiated its Rural Development Program (RDP) from the Lahore region in the fourth quarter of FY 2011-2012; the performance of the resources dedicated to this project has been encouraging as the year ended with 2000 rural specific outlets in 90 localities, contributing approximately Rs. 24 million in sales revenue.

NFL's Annual Sales Conference was hosted in Dubai this year; the conference provided a useful platform to share the company's performance and future growth plans with the distributors.

The Key Accounts division has continued to play a pivotal role in the growth of sales by facilitating the development of newer business relationships and strengthening of existing business with corporate customers.

HUMAN RESOURCE DEPARTMENT



The Department of Human Resources (HR), in the year 2011-2012, has taken a number of initiatives for process innovation, process improvement and cost curtailment along with corporate awareness and branding. This year NFL's HR marked a number of firsts. The Management Trainee Program, Employee Health Program and the Contractual ERP Payroll System were all put into practice this year, amongst other activities in our different functions.

Strategy in Action 2011-2012, held in September, was an HR initiative that allowed all management employees to come together for a business strategy planning session. The aim was to communicate departmental goals and objectives to employees across the organization and increase employee engagement and alignment of those objectives through interactive team building and life line exercises.

The Management Trainee Program, launched in February 2012, sent the recruitment team travelling to 8 universities across Pakistan. Leadership building, corporate change and innovation were all key in launching the program. Out of the 1,500 applicants who took the test, 200 were interviewed, from which 75 progressed to the assessment center rounds in Karachi and Lahore, following which 19 were selected for the CEO round and finally 8 were inducted into the NFL Team.

HR Operations served as the backbone of the HR

Department and continued to be a key determinant in the execution of all HR services. 2011-12 witnessed significant improvements in HR services as company-wide projects with substantial impact on NFL's employer brand were rolled out.

This year NFL planned and executed an extensive Employee Health Program for improving health and life standards of its employees. We undertook an employee vaccination drive (Hepatitis B) for all our workers, along with which a Medical Clinic was also established to facilitate our employees and promote social welfare.

Over 40 different programs for employee training and development were rolled out at NFL. Some of the prominent programs include Lean Six Sigma, Strategic Training & Development, Uplifting Service, Hire the Best and 7 Habits of Highly Effective People. One of the initiatives this year included the development of NFL's training faculty. Eight of our functional representatives were certified to deliver in-house training programs in areas such as Food Safety, Business Communication, Information Technology and other soft and technical subjects.

NFL launched its first ever Virtual Town Hall meeting this year. Employees across Pakistan tune in to join a quarterly webcast, where the purpose of these meetings is to engage, recognize, build focus and to celebrate the achievements of the star department.

[QUALITY, RESEARCH AND DEVELOPMENT DEPARTMENT]

Quality at National Foods is top priority at all levels of the organization. Quality Assurance (QA) took the initiative to deploy Occupational Health and Safety Management System at all of our plants in SITE, PQ, and Muridke. A two-day third party certification audit was conducted by United Registrar of Systems (URS) to validate our safety system against OHSAS 18001:2007 requirements, and we are extremely proud to have cleared this audit and be awarded with the OHSAS 18001:2007 certification.



We have been extremely focused on meeting legal compliances and international standards in Export regions. This drive led to strenuous and fruitful efforts as we were able to register all pending products and improve testing procedures in alignment with International Protocols. Furthermore, timely submissions of required documentation from our technical experts and constant follow ups with US distributors helped improve import approvals considerably. Cumulatively, these efforts resulted in boosting customer confidence and increased US sales significantly.

Lean Six Sigma, a globally proven approach to reduce wastage and streamline operations, was implemented this year. NFL hosted a 5-day training for this purpose with a renowned international trainer. Taking four manufacturing processes as case studies, they were analyzed through different Lean Sigma tools like value stream mapping, OEE, SMED, countermeasure matrix, and prioritization map, for value adding and non-value adding activities. The mapping helped us determine the current and future state of our processes and identified various opportunities that can be used to improve our ways of working further.

This year the Quality Assurance Team in collaboration with IT has linked our batch traceability system with SAP. Previously batch history was maintained manually by Production, Stores and QC staff, making the process very time consuming.

The Microbiological lab at National Foods was awarded 3rd position in Mold/Yeast and Salmonella testing this year. The QRD team worked relentlessly to bring in cost savings amidst commodity inflation, diffused consumer-distributor communication systems and urgent process improvement considerations. Through in-depth research and prudent validation, the QRD teams successfully introduced effective recipe adjustments that satisfied the relevant consumer and quality needs while bringing in a significant cost buffer. Moreover, by proactive investigation of distributor discrepancies and grievances with our export portfolio, the QRD team members successfully improved our product acceptance rates in the USA. In addition to testing improvements and implementation of universal employee and asset safety standards, suggestive improvements in the salt production process and synchronization of export packaging materials were other avenues that gained QRD attention during FY 2012.

Overall, it has been an active year for the Quality, Research and Development Team at NFL. With the aim of building excellence in all our systems and processes and upholding our vision and commitment of bringing the best to our customers, quality is and will always be a priority on our agendas.

SUPPLY CHAIN MANAGEMENT DEPARTMENT

The Supply Chain function has been an integral part of the success of National Foods over the years. The commitment of our Supply Chain experts to the consumer is the ultimate customer philosophy. The focus is on ensuring the delivery of the right quality and quantity of products in a cost and time effective fashion to consumers and this has greatly helped oil the wheels of our business.

- Delivered a substantial reduction in inventory turnover days.
- Saved approximately Rs. 20 million through the use of an alternate raw material source.

The Supply Chain Team honed in handsome cost savings through planned reduction of inventory cycle, revisions in packaging suppliers and supplies and



Our team has strived to bring in expedited improvements and innovations in the spheres of Customer and Supplier Relationship Management like improving time to market, developing customer driven feedback systems, focusing on metrics and executing demand management activities.

Moreover, forming Strategic Alliances through Supplier Relationship Management is a crucial area of focus at NFL. The utility of these systems lies in their ability to harness the strength of our operations and improved organizational expertise, to set off a process of systematic value addition that enables strategic growth and expands our market access while strengthening our financial foothold. Attainment of the following hallmarks this year helps shed some light on the success of our activities so far;

- Ensured 99.5% availability across Pakistan.
- Achieved 100% export sales adherence despite significant order variations.

introduction of effective cost control in the logistics side of the business. The working capital performance was significantly improved through reformed procedures for inventory planning and the introduction of better supplier partnership mechanisms while exploration and negotiations with newer foreign suppliers greatly helped bring down the packaging costs. The team devoted great time and effort to improve documentation and goal setting systems so that greater supply chain efficiency could be ensured in future.

PRODUCTION DEPARTMENT

NFL's production facilities are well equipped with state of the art machinery and processes that help fulfill our growing business needs. Cumulative efforts of man and machine come together under the banner of our thriving Operations Department catering to both local and international business orders.

At Port Qasim, multi-faceted improvements were made not only to accommodate the growing needs of the organization, but also to enhance the work environment of our production facility. An additional conical mixer was added to the mixing facility, while two high speed fillers and a sachet machine were also installed in the weighing section of our plant. Moreover, an imported cargo lift with a carrying capacity of three tons and a new floor atop the spice building were also built in expectation of future business growth. The art of raw mango cutting remains a forte of NFL; this year a complete setup for mango cutting was designed and developed in-house and used for the processing of record levels of raw material.

At the SITE factory a fully automated ketchup filling line was successfully installed and commissioned and installed; this new filling line adds significant production capacity to the existing ketchup set-up. The SITE facility was also equipped with a brand new changing room for our floor staff in an attempt to ensure the existence of a hygienic and enabling work

environment. Moreover, NFL inaugurated its Canteen area at the factory for the entire workforce of the SITE plant.

This year the Muridke plant inaugurated its new office block constructed within the factory premises. The production line of our salt plant was also modified with the induction of imported circular vibrating sifters. Fuel saving was given significant consideration in the design of the new line and overall the plant modifications helped us optimise our fuel usage by up to 25%.

The Production Teams at SITE, Port Qasim and Muridke facilities devoted great time and effort in bringing about process and systemic improvements that augmented the operational and financial well-being of NFL during 2012. The Port Qasim team tapped into the technical expertise of its workers, introducing a range of in-house inventions and modifications that successfully reduced process times and power usage, leading to reduced capital and tactical financial burden whilst bringing in exceptional productivity improvements. Through modifications in communication, feedback and accountability mechanisms, the workers were granted a more active allowance to bringing about effective process and system improvements in the factory; such attempts at worker empowerment greatly improved the productivity levels of the firm and helped control costs better.



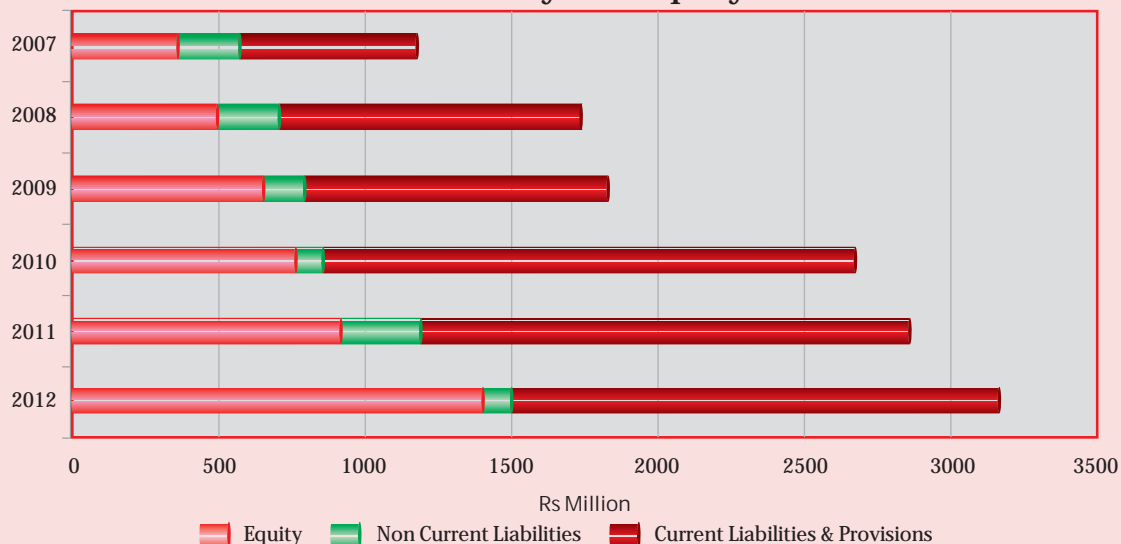
FINANCIAL RATIOS

	Unit	2012	2011	2010	2009	2008	2007
Profitability Ratios							
Gross Profit Ratio	%	32.52	28.51	29.55	29.97	32.20	34.23
Operating Profit to Sales	%	12.66	8.83	5.76	8.18	9.48	8.38
Net Profit to Sales	%	8.14	4.18	1.93	3.71	5.11	5.41
EBITDA Margin to Sales	%	14.02	10.62	7.85	10.40	11.33	9.97
Operating Leverage Ratio	%	288.57	385.63	(81.89)	26.28	159.98	178.62
Return on Equity	%	50.17	27.70	12.39	23.81	35.43	42.05
Return on Capital Employed	%	43.43	22.79	10.53	18.49	24.56	25.48
Return on Assets	%	18.46	8.08	3.24	7.60	8.96	10.88
Liquidity Ratios							
Current Ratio	Times	1.33	1.23	1.01	1.14	1.07	1.10
Quick / Acid Test Ratio	Times	0.39	0.20	0.19	0.32	0.34	0.34
Cash to Current Liabilities	Times	(0.28)	(0.43)	(0.64)	(0.45)	(0.51)	(0.31)
Cash Flow from Operations to Sales	%	14.90	7.65	(8.71)	5.38	(3.12)	4.24
Working Capital Turnover	Times	12.97	14.20	198.98	26.65	43.13	38.16
Activity / Operating Performance Ratios							
No. of Days in Inventory	Days	124.12	149.57	135.54	111.09	108.33	97.98
No. of Days in Receivables	Days	14.68	17.88	21.45	25.91	22.15	16.37
No. of Days in Payables	Days	24.74	28.89	20.49	22.86	30.80	31.18
Operating Cycle	Days	114.07	138.56	136.49	114.13	99.69	83.17
Asset Turnover	Times	2.38	2.00	1.99	2.10	2.09	2.22
Inventory Turnover	Times	2.94	2.44	2.69	3.29	3.37	3.73
Receivables Turnover	Times	24.86	20.42	17.02	14.09	16.48	22.29
Payables Turnover	Times	14.75	12.63	17.81	15.96	11.85	11.71
Investment / Market Ratios							
Earnings Per Share	Rs.	14.07	5.56	2.09	3.37	3.78	3.12
Price Earning Ratio	Times	13.65	13.48	21.03	17.40	12.81	6.84
Dividend Yield Ratio	%	3.12	3.33	8.42	68.30	0.83	0.96
Dividend Payout Ratio	%	42.63	44.93	177.15	1,188.65	10.59	6.58
Dividend Cover Ratio	Times	2.35	2.23	0.56	0.08	9.44	15.21
Cash Dividend Per Share	Rs.	6.00	2.50	1.20	-	-	2.00
Cash Dividend	%	60.00	25.00	12.00	-	-	20.00
Stock Dividend Per Share	Rs.	-	-	2.50	50.00	3.00	-
Stock Dividend	%	-	-	25.00	500.00	30.00	-
Market Value Per Share at the end of the year	Rs.	192.14	75.00	43.92	73.21	363.00	208.00
Low during the year	Rs.	57.21	39.01	42.00	47.10	210.00	103.00
High during the year	Rs.	220.99	88.00	114.99	435.00	520.00	232.00
Breakup Value Per Share without Surplus on Revaluation of Fixed Assets	Rs.	33.84	22.27	17.90	19.77	93.37	86.55
Market Capitalisation (in millions)	Rs.	7,962.81	3,108.21	1,820.17	2,427.22	2,005.83	884.10
Capital Structure Ratios							
Financial Leverage Ratio	%	36.24	102.33	170.13	93.34	139.16	114.63
Weighted Average Cost of Debt	%	9.53	11.12	10.35	12.73	9.64	7.60
Debt to Equity Ratio	%	-	18.39	3.00	11.25	24.47	43.06
Interest Coverage Ratio	Times	12.77	3.88	2.60	3.54	5.16	6.13
No. of Ordinary Shares (in millions)	Rs.	41.44	41.44	41.44	33.15	5.53	4.25

HORIZONTAL ANALYSIS

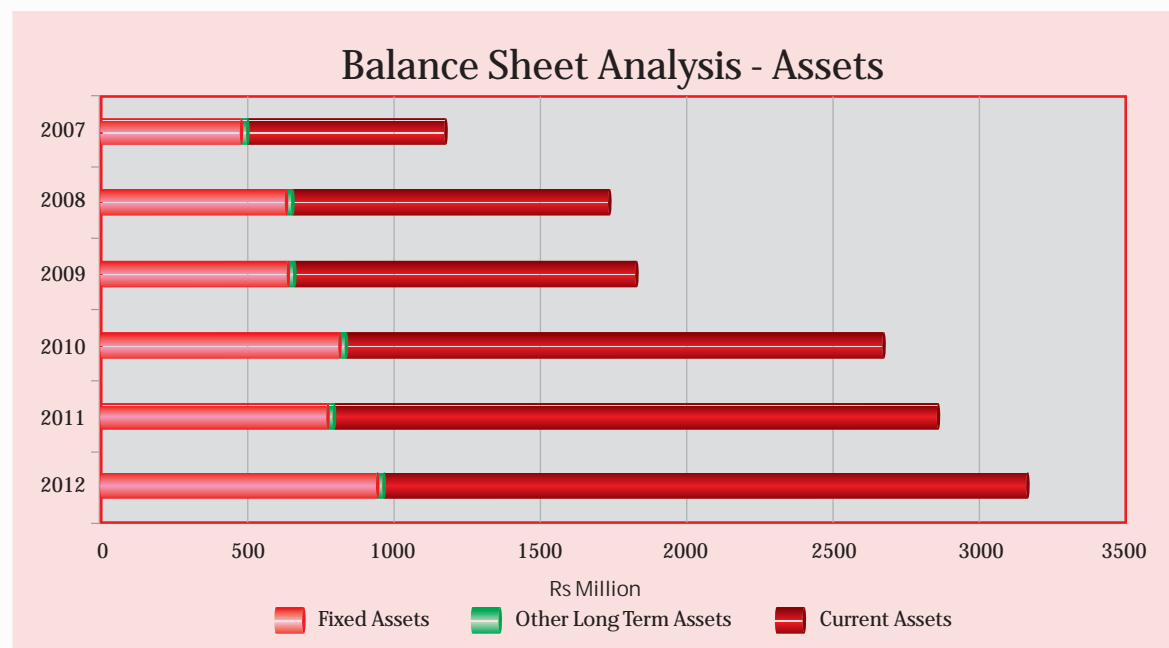
	2012	2011	2010	2009	2008	2007
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	29.85	22.96	19.45	22.76	28.06	29.38
Cost of Sales	22.55	24.79	20.17	26.78	31.98	23.28
Gross Profit	48.16	18.61	17.75	14.30	20.54	43.01
Administration Cost	13.33	9.76	9.33	15.38	42.86	24.66
Distribution Cost	33.97	(2.64)	36.64	16.84	10.89	40.82
Other Operating Expenses	130.30	94.12	(15.00)	11.11	(5.26)	111.11
Financial Charges	(43.65)	27.27	13.79	55.36	69.70	32.00
Other Income	258.33	(47.83)	35.29	(22.73)	(26.67)	328.57
Profit before Tax	131.86	125.63	(27.60)	(5.56)	22.51	78.50
Taxation	93.13	79.45	(9.88)	5.19	24.19	72.22
Profit after Taxation	153.91	164.37	(37.86)	(10.83)	21.71	81.69
BALANCE SHEET						
Issued, subscribed and paid up capital	0.00	0.00	25.08	501.82	27.91	-
Unappropriated Profit	94.49	54.88	1.23	(29.72)	41.85	59.31
Share Capital and Reserves	52.06	24.26	13.28	26.94	40.22	48.99
Long Term Obligations	(57.87)	139.62	(24.29)	(28.93)	1.55	(5.83)
Total Long-term Liabilities and Shareholder Equities	28.32	38.68	6.67	11.50	26.87	24.06
Fixed Assets & CWIP	21.46	(4.51)	26.15	1.88	28.63	34.05
Other Non current Assets	45.00	(20.00)	0.00	25.00	33.33	50.00
Current Assets	6.53	11.79	56.69	6.79	60.14	15.77
Total Assets	10.69	6.73	45.72	5.04	46.93	22.83
Less: Current Liabilities & Provisions	(1.67)	(8.11)	75.58	0.58	64.91	21.75
Net Assets	28.32	38.68	6.67	11.50	26.87	24.06

Balance Sheet Analysis - Equity & Liabilities



VERTICAL ANALYSIS

	2012	2011	2010	2009	2008	2007
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Sales	67.47	71.49	70.45	70.02	67.80	65.79
Gross Profit	32.53	28.51	29.55	29.98	32.20	34.21
Administration Cost	2.85	3.26	3.65	3.99	4.25	3.81
Distribution Cost	16.56	16.05	20.27	17.72	18.61	21.50
Other Operating Cost	1.06	0.60	0.38	0.53	0.59	0.79
Financial Charges	0.99	2.28	2.20	2.31	1.83	1.38
Other Income	0.60	0.22	0.51	0.45	0.72	1.26
Profit before Tax	11.68	6.54	3.56	5.88	7.64	7.99
Taxation	3.53	2.37	1.63	2.15	2.51	2.59
Profit after Taxation	8.15	4.17	1.93	3.72	5.13	5.40
BALANCE SHEET						
	%	%	%	%	%	%
Issued, subscribed and paid up capital	27.44	35.20	48.82	41.64	7.71	7.65
Unappropriated Profit	65.47	43.20	38.68	40.75	64.66	57.83
Share Capital and Reserves	92.91	78.40	87.50	82.39	72.37	65.48
Long Term Obligations	7.09	21.60	12.50	17.61	27.63	34.52
Total Long-term Liabilities and Shareholder Equities	100.00	100.00	100.00	100.00	100.00	100.00
Fixed Assets & CWIP	63.02	66.58	96.70	81.76	89.48	88.26
Other Non current Assets	0.40	0.34	0.59	0.63	0.56	0.53
Current Assets	145.92	175.77	218.04	148.43	154.98	122.78
Total Assets	209.34	242.69	315.33	230.82	245.02	211.57
Less: Current Liabilities & Provisions	109.34	142.69	215.33	130.82	145.02	111.57
Net Assets	100.00	100.00	100.00	100.00	100.00	100.00



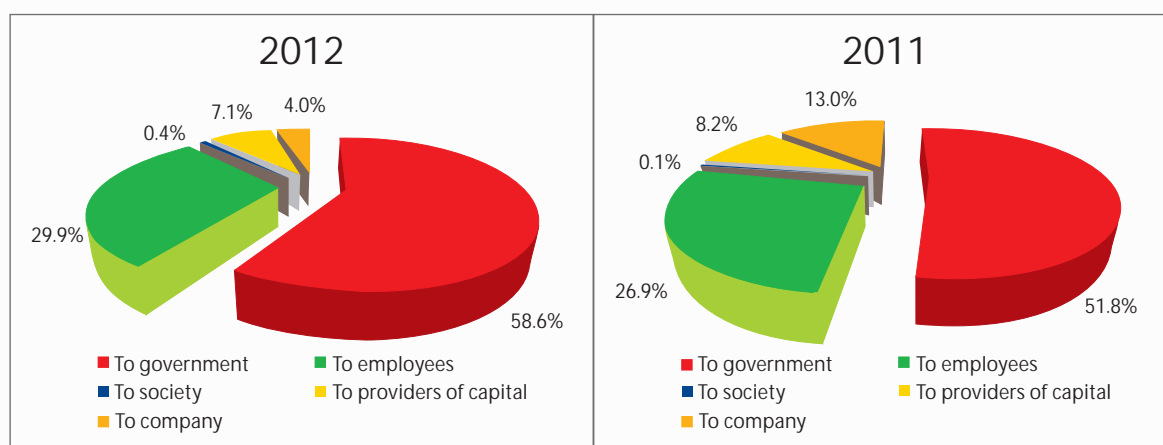
SUMMARY OF SIX YEAR CASH FLOWS

	2012	2011	2010	2009	2008	2007
(Rupees in Millions)						
Cash flows from/ (used in) operating activities	1,069	423	(391)	202	(96)	101
Cash flows used in investing activities	(500)	(55)	(259)	(94)	(171)	(141)
Cash flows (used in)/ from financing activities	(320)	94	(55)	(56)	(63)	(40)
Net increase / (decrease) in cash and cash equivalents	249	462	(705)	52	(330)	(80)
Cash and cash equivalents at the beginning of the year	(714)	(1,176)	(471)	(523)	(193)	(113)
Cash and cash equivalents at the end of the year	(465)	(714)	(1,176)	(471)	(523)	(193)



STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION

	2012	%	2011	%
	(Rupees in Thousand)		(Rupees in Thousand)	
WEALTH GENERATED				
Total revenue inclusive of Sales Tax and other income	8,328,615		6,485,738	
Brought in materials and services	5,882,217		4,339,966	
	<u>2,446,398</u>	100%	<u>2,145,772</u>	100%
WEALTH DISTRIBUTION				
To government Income tax, sales tax, excise duty and WWF & WPPF	1,433,137	58.6%	1,111,278	51.8%
To employees Salaries, benefits and other costs	732,240	29.9%	576,715	26.9%
To society Donations towards education and welfare	8,584	0.4%	2,528	0.1%
To providers of capital Interest/ mark up on borrowed funds	71,042	2.9%	125,696	5.9%
Dividend to shareholders	103,607	4.2%	49,731	2.3%
To company Depreciation, amortisation & retained profits	97,788	4.0%	279,824	13.0%
	<u>2,446,398</u>	100%	<u>2,145,772</u>	100%



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the Year Ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI of the Listing Regulations of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

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:

Non-Executive Directors

Mr. Zahid Majeed
Mr. Iqbal Alimohamed
Mr. Ebrahim Qassim

Executive Directors

Mr. Abdul Majeed
Mr. Abrar Hasan
Mr. Waqar Hasan

Independent Director

Mr. Khwaja Munir Mashooqullah

2. The directors have confirmed that none of them is serving as director on 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 on the board during the year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company prepared by the management. 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, other executive and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman 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. All directors of the board are fully conversant with their duties and responsibilities as directors of corporate bodies. The board had previously arranged an orientation course of the Code of Corporate Governance for its directors to apprise them of their roles and responsibilities. Further, the booklet on Code of Corporate Governance as published by the Securities and Exchange Commission of Pakistan has been circulated amongst the directors on the board.
10. The board has approved the appointment of Company Secretary, Head of Internal Audit and Acting CFO including their remuneration and terms and conditions of employment. Appointment of CFO is under process.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and acting CFO before approval of the board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the Year Ended June 30, 2012

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 CCG.
15. The board has formed an Audit Committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee. The condition of clause (xxiv) of the CCG in relation to independent director will be applicable on election of next Board of Directors of the company.
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 CCG. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.
18. The board has outsourced the internal audit function to M/s. Ernst & Young Ford Rhodes Sidat Hyder & Company who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. 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.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi
September 11, 2012



Abrar Hasan
Chief Executive Officer

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 Regulation No. 35 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, Listing Regulations of the Karachi, Lahore, and Islamabad Stock Exchanges require 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, 2012.

Chartered Accountants
Karachi

Dated: September 11, 2012

AUDITORS' REPORT TO THE MEMBERS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2012, 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, 2012, and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

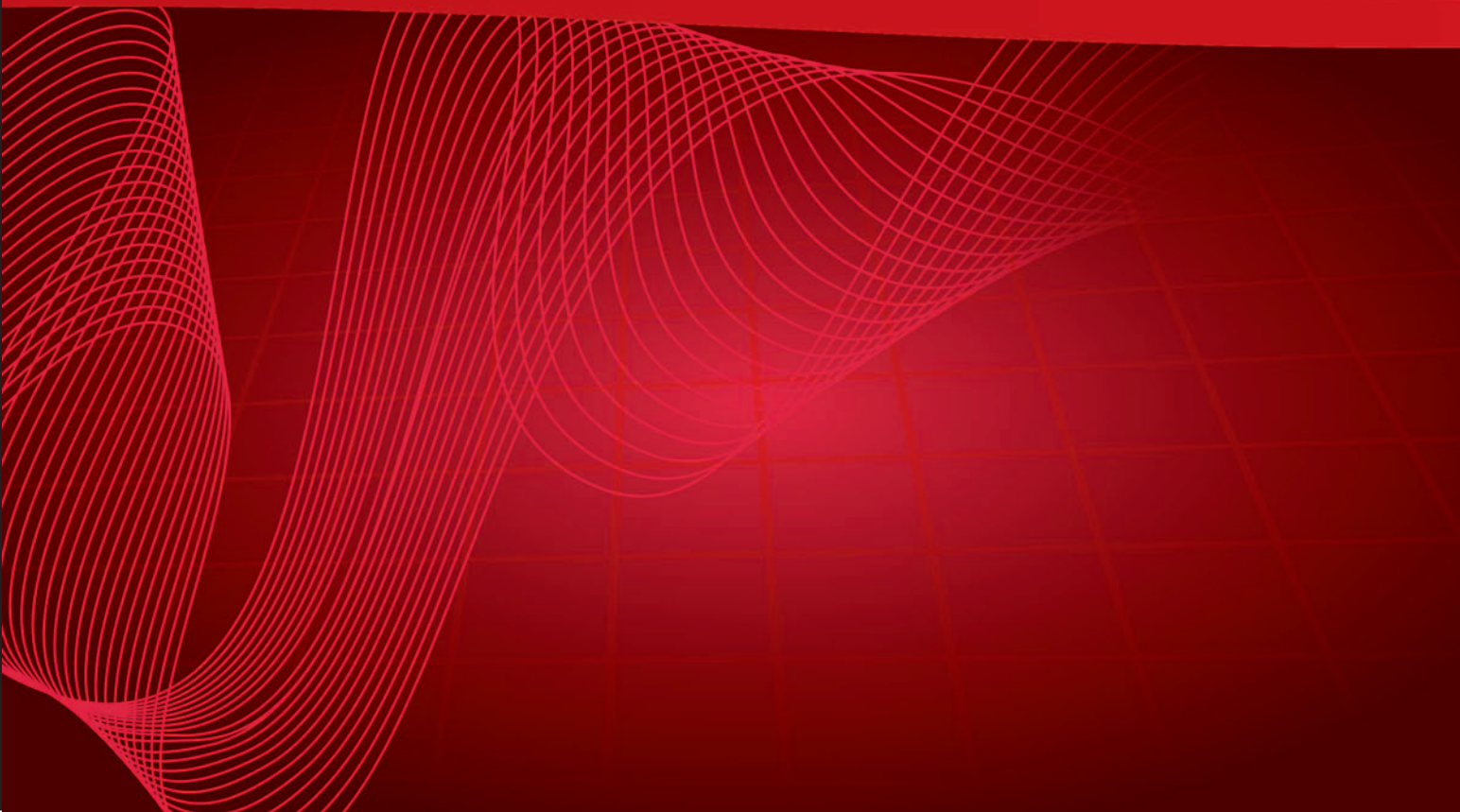
A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 11, 2012

Name of Engagement Partner: Syed Fahim ul Hasan



FINANCIAL STATEMENTS 2012




BALANCE SHEET

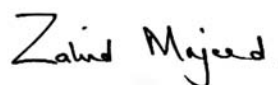
AS AT JUNE 30, 2012

	Note	2012	2011
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	947,057	774,356
Intangibles	4	4,473	8,958
Long term deposits		5,812	4,380
		<u>957,342</u>	<u>787,694</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		3,936	5,213
Stock in trade	5	1,557,538	1,732,410
Trade debts	6	288,994	287,742
Advances	7	25,060	13,702
Trade deposits and prepayments	8	19,217	13,117
Other receivables	9	3,493	638
Investments	10	260,132	-
Cash and bank balances	11	44,057	14,225
		<u>2,202,427</u>	<u>2,067,047</u>
		<u>3,159,769</u>	<u>2,854,741</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	12	414,427	414,427
Unappropriated profit		988,053	508,384
		<u>1,402,480</u>	<u>922,811</u>
NON-CURRENT LIABILITIES			
Long term financing		-	169,750
Deferred tax	13	103,248	79,275
Retirement benefits obligations	14	4,113	4,627
		<u>107,361</u>	<u>253,652</u>
CURRENT LIABILITIES			
Trade and other payables	15	1,012,656	816,029
Accrued interest / mark up	16	11,991	25,717
Short term borrowings	17	508,301	727,940
Current maturity of:			
Long term financing		-	44,250
Liabilities against assets subject to finance lease		-	2,343
Taxation - Provision less payments		55,306	48,301
Due to the government	18	61,674	13,698
		<u>1,649,928</u>	<u>1,678,278</u>
COMMITMENTS			
	19	<u>3,159,769</u>	<u>2,854,741</u>

The annexed notes 1 to 36 form an integral part of these financial statements.



Chief Executive



Director

PROFIT AND LOSS ACCOUNT

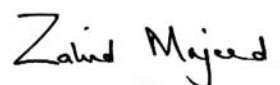
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
(Rupees in thousand)			
Sales	20	7,168,603	5,520,780
Cost of sales	21	(4,837,315)	(3,946,799)
Gross profit		2,331,288	1,573,981
Distribution costs	22	(1,187,150)	(886,106)
Administrative expenses	23	(203,608)	(179,724)
Other operating expenses	24	(76,031)	(32,767)
Other operating income	25	42,792	12,063
Operating profit		907,291	487,447
Finance costs	26	(71,042)	(125,696)
Profit before taxation		836,249	361,751
Taxation	27	(252,973)	(131,154)
Profit after taxation		583,276	230,597
Other comprehensive income		-	-
Total comprehensive income		583,276	230,597
Earnings per share	28	Rs 14.07	Rs 5.56

The annexed notes 1 to 36 form an integral part of these financial statements.



Chief Executive



Director

CASH FLOW STATEMENT

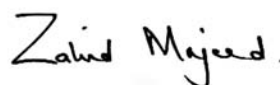
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	1,381,497	650,075
Finance cost paid		(84,768)	(128,298)
Income tax paid		(221,995)	(88,606)
Retirement benefits obligations paid		(4,536)	(10,707)
Net (increase) / decrease in long term deposits		(1,432)	129
Net cash from operating activities		<u>1,068,766</u>	<u>422,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(265,585)	(63,625)
Sale proceeds from disposal of property, plant and equipment		5,932	8,868
Purchase of intangible assets		(3,525)	(250)
Purchase of open ended mutual fund units		(490,000)	-
Sale of open ended mutual fund units		253,465	-
Net cash used in investing activities		<u>(499,713)</u>	<u>(55,007)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) / increase in long term financing - net		(214,000)	154,000
Decrease in liabilities against assets subject to finance lease - net		(2,343)	(10,155)
Dividend paid		(103,239)	(49,478)
Net cash (used in) / generated from financing activities		<u>(319,582)</u>	<u>94,367</u>
Net increase in cash and cash equivalents		249,471	461,953
Cash and cash equivalents at beginning of the year		(713,715)	(1,175,668)
Cash and cash equivalents at end of the year	30	<u>(464,244)</u>	<u>(713,715)</u>

The annexed notes 1 to 36 form an integral part of these financial statements.



Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY

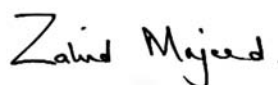
FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
(Rupees in thousand)			
Balance as at June 30, 2010	414,427	327,518	741,945
Final dividend for the year ended			
June 30, 2010 @ Rs 1.20 per share	-	(49,731)	(49,731)
Profit for the year ended June 30, 2011	-	230,597	230,597
Balance as at June 30, 2011	414,427	508,384	922,811
Final dividend for the year ended			
June 30, 2011 @ Rs 2.50 per share	-	(103,607)	(103,607)
Profit for the year ended June 30, 2012	-	583,276	583,276
Balance as at June 30, 2012	414,427	988,053	1,402,480

The annexed notes 1 to 36 form an integral part of these financial statements.



Chief Executive



Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, juices 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 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.

2.1.2 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 as follows:

- (i) Taxation - notes 13.1 and 27
- (ii) Retirement benefits obligations - note 14

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 significant effect on the amounts recognised in the financial statements.

2.1.3 Changes in accounting standards, interpretations and pronouncements

(a) New and amended standards adopted by the company

There are no IFRS or International Financial Reporting Interpretation Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after July 1, 2011 that would be expected to have a material impact on the company.

(b) New standards, interpretations and amendments to published approved accounting standards that are considered relevant, but not yet effective

IAS 1 (Amendment) - 'Presentation of Financial Statements' is effective for the accounting periods beginning on or after July 1, 2012. It entails the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is however, not expected to have a material impact on the company's financial statements.

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after January 1, 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The change is not expected to have any material effect on the company.

- (c) There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company's financial statements.

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, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding one year are recognised as intangible assets. Direct costs include the purchase cost of software and related overhead cost.

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.

2.5 Taxation

i) Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime.

ii) Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account.

2.6 Employee retirement benefits

Defined benefit plans

The company operates a funded pension scheme and post retirement medical benefit for chief executive and executive directors. The charge is based on actuarial valuation using Projected Unit Credit method. Cumulative

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

Defined contribution plan

The company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% per annum of the basic salary.

2.7 Stores, spare parts 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 value 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. 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. Cost of work in process and finished goods includes direct cost of materials, direct cost of labour and production overheads.

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 Investments - at fair value through profit and loss account

Investments held for trading are classified at fair value through profit and loss account. These are measured at fair value which is reassessed at each reporting date. In case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of cash flow statement, cash and cash equivalents comprise of cash, balances with banks on current and deposit accounts and short term borrowings.

2.12 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 is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' 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.

2.13 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. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2.14 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.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.16 Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using effective interest method.

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 a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.17 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.

2.18 Financial instruments

Financial instruments include deposits, trade and other debts, cash and bank balances, investments, 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 respective policy notes.

2.19 Foreign currency transactions and translation

These financial statements are presented in Pak Rupee which is the company's functional and presentation currency.

Foreign currency transactions are translated into Pak Rupee 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 Rupee at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains / losses on translation are included in income currently.

2.20 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 have 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2.21 Research and development

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

2.22 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.

2.23 Dividends

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

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 3.1

Capital work in progress - at cost - note 3.2

3.1 Operating assets

	2012	2011
	(Rupees in thousand)	
	888,716	752,018
	58,341	22,338
	<u>947,057</u>	<u>774,356</u>

	Leasehold land	Building on leasehold land	Plant and machinery	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, 2012											
Opening net book value (NBV)	167,648	269,779	261,146	9,904	9,555	9,654	108	6,753	11,438	6,033	752,018
Additions (at cost)	-	75,235	114,736	1,207	4,075	14,201	-	907	19,221	-	229,582
Disposals / write offs (at NBV)	-	-	(350)	(21)	(74)	(298)	-	(375)	(1,029)	(959)	(3,106)
Depreciation charge	(3,361)	(17,602)	(46,163)	(4,347)	(2,917)	(6,922)	(108)	(1,036)	(4,165)	(3,157)	(89,778)
Closing net book value	<u>164,287</u>	<u>327,412</u>	<u>329,369</u>	<u>6,743</u>	<u>10,639</u>	<u>16,635</u>	<u>-</u>	<u>6,249</u>	<u>25,465</u>	<u>1,917</u>	<u>888,716</u>
Gross carrying value basis											
At June 30, 2012											
Cost	173,594	430,397	559,929	28,796	35,376	37,114	12,815	11,045	48,953	17,457	1,355,476
Accumulated depreciation	(9,307)	(102,985)	(230,560)	(22,053)	(24,737)	(20,479)	(12,815)	(4,796)	(23,488)	(15,540)	(466,760)
Net book value	<u>164,287</u>	<u>327,412</u>	<u>329,369</u>	<u>6,743</u>	<u>10,639</u>	<u>16,635</u>	<u>-</u>	<u>6,249</u>	<u>25,465</u>	<u>1,917</u>	<u>888,716</u>
Net carrying value basis											
Year ended June 30, 2011											
Opening net book value (NBV)	169,060	267,693	237,821	9,440	7,108	8,022	3,654	5,700	9,156	13,513	731,167
Additions (at cost)	1,962	17,793	60,406	4,781	5,009	6,280	-	1,978	6,682	-	104,891
Disposals (at NBV)	-	-	-	-	-	(2)	-	-	(708)	(1,352)	(2,062)
Depreciation charge	(3,374)	(15,707)	(37,081)	(4,317)	(2,562)	(4,646)	(3,546)	(925)	(3,692)	(6,128)	(81,978)
Closing net book value	<u>167,648</u>	<u>269,779</u>	<u>261,146</u>	<u>9,904</u>	<u>9,555</u>	<u>9,654</u>	<u>108</u>	<u>6,753</u>	<u>11,438</u>	<u>6,033</u>	<u>752,018</u>
Gross carrying value basis											
At June 30, 2011											
Cost	173,594	355,162	458,761	28,403	33,655	25,118	12,815	11,510	35,216	26,238	1,160,472
Accumulated depreciation	(5,946)	(85,383)	(197,615)	(18,499)	(24,100)	(15,464)	(12,707)	(4,757)	(23,778)	(20,205)	(408,454)
Net book value	<u>167,648</u>	<u>269,779</u>	<u>261,146</u>	<u>9,904</u>	<u>9,555</u>	<u>9,654</u>	<u>108</u>	<u>6,753</u>	<u>11,438</u>	<u>6,033</u>	<u>752,018</u>
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	5	10	5	5	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
3.2 Capital work in progress		
These comprise of:		
Civil work in progress	19,837	7,159
Plant and machinery	22,831	8,361
Advances to suppliers	8,379	4,018
Office equipment	7,294	-
Vehicles pending delivery	-	250
Computer software under development	-	2,550
	<u>58,341</u>	<u>22,338</u>

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Motor vehicles						
Daihatsu Cuore	504	269	235	290	Company Policy	Mr. Farrukh Saeed Executive
Honda City	950	823	127	259	"	Mr. Zahid Sheikh Ex-Executive
Honda City	878	776	102	264	"	Mr. Kashif Iqbal Ex-Executive
Suzuki Cultus	660	583	77	151	"	Mr. Abdul Sultan Executive
Suzuki Mehran	408	347	61	123	"	Mr. Imran Akhtar Employee
Suzuki Mehran	408	347	61	122	"	Mr. Tariq Athar Employee
Suzuki Mehran	395	336	59	118	"	Mr. K.M. Saifuddin Executive
Honda CD-70	63	8	55	48	"	Mr. Farooq Ex-Employee
Honda CD-70	63	8	55	48	"	Mr. Sajid Ashraf Ex-Employee
Suzuki Mehran	408	333	75	350	Insurance claim	Adamjee Insurance Company Limited
Computers						
High definition video conferencing solution	1,672	1,393	279	439	Negotiation	ImageTech Solution 308, Business & Finance Center I.I.Chundrigar Road Karachi

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
4. INTANGIBLES - computer software		
Net carrying value basis		
Opening net book value	8,958	25,688
Additions (at cost)	3,525	250
Amortisation for the year	(8,010)	(16,980)
Closing net book value	<u>4,473</u>	<u>8,958</u>
Gross carrying value basis		
Cost - Computer softwares and ERP System	63,172	59,647
Accumulated amortisation	(58,699)	(50,689)
Net book value	<u>4,473</u>	<u>8,958</u>
5. STOCK IN TRADE		
Raw materials (including in transit Rs. 12.05 million; 2011: Rs. 45.7 million)	575,894	640,456
Provision for obsolescence	(8,066)	(4,517)
	<u>567,828</u>	<u>635,939</u>
Packing materials	141,556	131,959
Provision for obsolescence	(11,400)	(12,415)
	<u>130,156</u>	<u>119,544</u>
Work in process	437,192	514,291
Provision for obsolescence	(15,766)	(18,870)
	<u>421,426</u>	<u>495,421</u>
Finished goods	443,317	493,654
Provision for obsolescence	(5,189)	(12,148)
	<u>438,128</u>	<u>481,506</u>
	<u>1,557,538</u>	<u>1,732,410</u>

5.1 Stock in trade includes Rs. 480.11 million (2011: Rs. 590.29 million) held with third parties.

5.2 The above balances include items costing Rs. 57.53 million (2011: Rs. 15.31 million) valued at net realisable value of Rs. 33.67 million (2011: Rs. 14.23 million).

5.3 The company has reversed a provision of Rs. 4.02 million for obsolescence (2011: recognised a provision Rs. 18.89 million) and has written off stocks amounting to Rs. 3.51 million (2011: Rs. 8.89 million) against the provision during the year.

	2012	2011
	(Rupees in thousand)	
6. TRADE DEBTS		
Considered good		
Related parties - note 6.2	2,611	4,547
Others		
- local	29,596	34,868
- foreign	256,787	248,327
	<u>288,994</u>	<u>287,742</u>
Considered doubtful	5,472	4,601
	<u>294,466</u>	<u>292,343</u>
Less: Provision for doubtful trade debts	(5,472)	(4,601)
	<u>288,994</u>	<u>287,742</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- 6.1 As of June 30, 2012, trade debts of Rs. 118.31 million (2011: Rs. 102.24 million) were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2012	2011
	(Rupees in thousand)	
Up to 3 months	104,813	78,076
3 to 6 months	960	7,025
More than 6 months	12,536	17,134
	<u>118,309</u>	<u>102,235</u>
6.2 Due from related parties		
Premier Distributor	2,190	4,126
Premier Agency	421	421
	<u>2,611</u>	<u>4,547</u>
7. ADVANCES		
Considered good		
Employees		
-against expenses	281	20
Suppliers	24,779	13,263
Others	-	419
	<u>25,060</u>	<u>13,702</u>
Considered doubtful		
Suppliers	3,413	5,174
	<u>28,473</u>	<u>18,876</u>
Less: Provision for doubtful advances to suppliers - note 7.1	(3,413)	(5,174)
	<u>25,060</u>	<u>13,702</u>

- 7.1 The company has reversed a provision of Rs. 1.76 million (2011: recognised a provision of Rs. 5.17 million) during the year.

	2012	2011
	(Rupees in thousand)	
8. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	9,961	4,475
Prepayments	9,256	8,642
	<u>19,217</u>	<u>13,117</u>
Considered doubtful		
Deposits	1,319	1,169
	<u>20,536</u>	<u>14,286</u>
Less: Provision for doubtful deposits	(1,319)	(1,169)
	<u>19,217</u>	<u>13,117</u>
9. OTHER RECEIVABLES		
Due from related parties:		
- Associated Textile Consultants (Private) Limited	-	266
Others	3,493	372
	<u>3,493</u>	<u>638</u>
10. INVESTMENTS		
Investments - at fair value through profit and loss account - note 10.1	260,132	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

10.1 These represent investments in open ended mutual funds (quoted). The details of investments are as follows:

2012	2011		2012	2011
Units			(Rupees in thousand)	
1,085,577	-	HBL Money Market Fund	111,698	-
2,064,526	-	AI - Meezan Sovereign Fund	106,241	-
209,835	-	PICIC Cash Fund	21,092	-
210,432	-	UBL Islamic Savings Fund	21,101	-
			<u>260,132</u>	<u>-</u>

10.1.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2012 as quoted by the respective Asset Management Companies.

11. CASH AND BANK BALANCES

Cash in hand
Cash at bank
current accounts
- local currency
- foreign currency

2012	2011
(Rupees in thousand)	
1,260	1,035
39,955	6,649
2,842	6,541
<u>42,797</u>	<u>13,190</u>
<u>44,057</u>	<u>14,225</u>

12. SHARE CAPITAL

Authorised share capital

2012	2011		2012	2011
Number of Shares			(Rupees in thousand)	
<u>75,000,000</u>	<u>75,000,000</u>	Ordinary shares of Rs. 10 each	<u>750,000</u>	<u>750,000</u>

Issued, subscribed and paid-up capital
Ordinary shares of Rs. 10 each

2012	2011		2012	2011
Number of Shares			(Rupees in thousand)	
1,255,990	1,255,990	Shares allotted: for consideration paid in cash	12,560	12,560
40,186,753	40,186,753	as bonus shares	401,867	401,867
<u>41,442,743</u>	<u>41,442,743</u>		<u>414,427</u>	<u>414,427</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
13. DEFERRED TAX		
(Debit) / credit balance arising in respect of:		
Accelerated tax depreciation / amortisation	116,791	94,225
Provision for stock obsolescence	(12,421)	(13,503)
Provision for doubtful trade debts	(1,681)	(1,188)
Provision for retirement benefits obligations	(30)	(1,414)
Liabilities against assets subject to finance lease	589	1,155
	<u>103,248</u>	<u>79,275</u>

- 13.1 Deferred tax liability is restricted to 87.80% (2011: 86.86%) of the total deferred tax liability based on the following assumptions:
- Export sales will continue to fall under Final Tax Regime.
 - Historical trend of export and local sales ratio will continue to be approximately the same in foreseeable future.

14. RETIREMENT BENEFITS OBLIGATIONS

- 14.1 The disclosures made in notes 14.2 to 14.10 are based on the information included in the actuarial valuation as of June 30, 2012.

	Pension Plan		Pensioners' Medical Plan	
	2012	2011	2012	2011
	(Rupees in thousand)			
14.2 Balance Sheet Reconciliation				
Fair value of plan assets	15,895	10,211	1,240	1,003
Present value of defined benefit obligations	<u>(27,861)</u>	<u>(22,963)</u>	<u>(1,404)</u>	<u>(1,255)</u>
Deficit	11,966	12,752	164	252
Unrecognised past service cost	(8,407)	(9,248)	(242)	(266)
Unrecognised actuarial gain	454	938	178	199
Recognised liability	<u>4,013</u>	<u>4,442</u>	<u>100</u>	<u>185</u>
14.3 Movement in the net liability recognised in the balance sheet				
Opening balance	4,442	9,749	185	958
Charge for the year	3,926	4,442	96	185
Payments during the year	-	-	-	-
Contribution made	<u>(4,355)</u>	<u>(9,749)</u>	<u>(181)</u>	<u>(958)</u>
Closing balance	<u>4,013</u>	<u>4,442</u>	<u>100</u>	<u>185</u>
14.4 Cost				
Current service cost	1,091	983	30	25
Interest cost	3,409	2,618	184	140
Expected return on plan assets	(1,415)	-	(137)	-
Amortisation of non-vested portion of past service liability	841	841	24	24
Amortisation of gain	-	-	(5)	(4)
Cost for the year	<u>3,926</u>	<u>4,442</u>	<u>96</u>	<u>185</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Pension Plan		Pensioners' Medical Plan	
	2012	2011	2012	2011
	(Rupees in thousand)			
14.5 Movement in the present value of defined benefit obligations				
Obligation as at July 1	22,963	20,045	1,255	1,082
Current service cost	1,091	983	30	25
Interest cost	3,409	2,618	184	140
Benefits paid	-	-	-	-
Actuarial loss / (gain)	398	(683)	(65)	8
Obligation as at June 30	<u>27,861</u>	<u>22,963</u>	<u>1,404</u>	<u>1,255</u>
14.6 Movement in the fair value of plan assets				
Plan Assets as at July 1	10,211	-	1,003	-
Expected return on plan assets	1,415	-	137	-
Contribution made	4,355	9,749	181	958
Benefits paid	-	-	-	-
Actuarial (loss) / gain	(86)	462	(81)	45
Plan Assets as at June 30	<u>15,895</u>	<u>10,211</u>	<u>1,240</u>	<u>1,003</u>

	2012	2011
	(Percent per annum)	
14.7 Principal actuarial assumptions		
Expected rate of increase in salaries	13.5	14.5
Expected rate of increase in pension	7.5	8.5
Expected rate of increase in medical benefits	7.5	8.5
Discount factor used	13.5	14.5

14.8 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	27	24
Effect on the defined benefit obligations	161	143

14.9 The actuary conducts separate valuations for calculating contribution rates and the company contributes to the Pension Plan and Pensioners' Medical Plan according to the actuary's advice. The expense of the defined benefit plans is calculated by the actuary.

14.10 Expected charge for the year ending June 30, 2012 works out to be Rs. 3.92 million and Rs. 0.10 million for Pension Plan and Pensioners' Medical Plan respectively.

14.11 During the year, the company contributed Rs. 13.58 million (2011: Rs.11.85 million) to the provident fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
15. TRADE AND OTHER PAYABLES		
Creditors	241,691	414,039
Accrued liabilities	571,327	292,809
Workers' Profits Participation Fund - note 15.1	44,960	1,611
Workers' Welfare Fund	29,320	11,679
Advances from customers	65,153	52,700
Payable to provident fund	2,542	2,818
Security deposits from customers	4,710	4,285
Tax deducted at source	8,251	4,946
Due to related parties - directors	516	6
- others - note 15.2	1,885	364
Advances from employees against sale of vehicles	33,077	26,166
Unclaimed dividend	1,373	1,005
Other liabilities	7,851	3,601
	<u>1,012,656</u>	<u>816,029</u>
15.1 Workers' Profits Participation Fund		
Balance as at July 1	1,611	(2,533)
Allocation for the year	44,960	19,449
	<u>46,571</u>	<u>16,916</u>
Amount paid during the year	(1,611)	(15,305)
Balance as at June 30	<u>44,960</u>	<u>1,611</u>
15.2 Due to related parties - others		
Associated Textile Consultants (Private) Limited	766	-
Precision Rubber Products (Private) Limited	1,119	364
	<u>1,885</u>	<u>364</u>
16. ACCRUED INTEREST / MARK UP		
- on short term borrowings	11,991	22,160
- on long term financing	-	3,557
	<u>11,991</u>	<u>25,717</u>
17. SHORT TERM BORROWINGS		
Running finance under mark up arrangements	53,275	321,675
Murabaha loan	26	106,265
Export re-finance	275,000	300,000
Short term loans	180,000	-
	<u>508,301</u>	<u>727,940</u>

17.1 The facilities available from various banks amount to Rs. 1.21 billion (2011: Rs. 1.76 billion). The arrangements are secured by way of pari-passu charge against hypothecation of company's stock in trade, movables and trade debts. The facilities expiring within one year are annual facilities subject to review at various dates during 2012 and 2013.

17.2 The facilities for opening letters of credit amount to Rs. 385 million (2011: Rs. 563.8 million) and for letters of guarantees amount to Rs. 55.33 million (2011: Rs. 45.33 million) as at June 30, 2012 of which the amount remaining unutilised at year end was Rs. 325.3 million (2011: Rs. 550.44 million) and Rs. 18.9 million (2011: Rs. 24.91 million) respectively.

17.3 The rates of mark up range from six month KIBOR + 0.2% to three month KIBOR plus 0.5% (2011: one month KIBOR + 0.35% to three months KIBOR + 1% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
18. DUE TO THE GOVERNMENT		
Sales tax	61,674	10,483
Special excise duty	-	3,215
	<u>61,674</u>	<u>13,698</u>
19. COMMITMENTS		

Aggregate commitments for capital expenditure as at June 30, 2012 amount to Rs. 3.23 million (2011: Rs. 1.99 million).

Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles, plant and machinery and computer equipments bearing a mark up ranging from six months KIBOR + 0.75% to six months KIBOR + 1.95% (2011: six months KIBOR + 0.75% to six months KIBOR + 1.95%) per annum for rentals payable monthly as at June 30, 2012 amount to:

	2012	2011
	(Rupees in thousand)	
Not later than one year	25,878	19,852
Over one year to five years	40,797	40,675
	<u>66,675</u>	<u>60,527</u>
20. SALES		
Manufactured goods		
Gross sales		
Local sales	8,821,249	6,751,167
Export sales - note 20.1	818,297	725,553
	<u>9,639,546</u>	<u>7,476,720</u>
Sales tax	(1,117,220)	(891,469)
Special excise duty	-	(61,426)
	<u>(1,117,220)</u>	<u>(952,895)</u>
	8,522,326	6,523,825
Less:		
Discount, rebates and allowances	1,205,125	876,913
Sales return	148,598	126,132
	<u>1,353,723</u>	<u>1,003,045</u>
	<u>7,168,603</u>	<u>5,520,780</u>
20.1 Export sales comprise of sale made in the following regions:		
USA / Canada	281,447	227,710
Africa	105,202	111,868
Middle East Asia	208,110	189,564
Others	223,538	196,411
	<u>818,297</u>	<u>725,553</u>

20.2 Sales to only one distributor exceed 10 percent of the net sales during the year, amounting to Rs. 734 million (2011: Rs. 561.5 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
21. COST OF SALES		
Raw material consumed	2,939,081	2,753,111
Packing material consumed	1,043,204	907,298
Salaries, wages and other benefits	412,084	309,203
Contribution to provident fund	5,886	4,725
Depreciation / amortisation	71,512	60,985
Ujrah payments	3,941	3,505
Fuel and power	94,990	75,936
Insurance	10,233	10,293
Laboratory, research and development	4,810	2,736
Postage and communications	1,336	1,460
Printing and stationery	279	371
Rent, rates and taxes	36,080	32,359
Travelling	47,867	41,703
Repairs and maintenance	45,081	46,777
Security charges	4,534	4,490
Others	828	755
	<u>4,721,746</u>	<u>4,255,707</u>
Opening work in process	495,421	352,756
Closing work in process	(421,426)	(495,421)
Cost of goods manufactured	<u>4,795,741</u>	<u>4,113,042</u>
Opening stock of finished goods	481,506	315,491
Closing stock of finished goods	(438,128)	(481,506)
Export rebate	(1,804)	(228)
	<u>4,837,315</u>	<u>3,946,799</u>
22. DISTRIBUTION COSTS		
Salaries, wages and other benefits	222,498	171,145
Advertising and sales promotion	519,613	351,273
Outward freight and handling charges	274,019	233,669
Contribution to provident fund	5,088	4,361
Depreciation / amortisation	12,352	18,186
Ujrah payments	7,512	8,383
Fuel and power	862	933
Forwarding charges	10,524	8,182
Insurance	7,693	5,962
Laboratory, research and development	7,136	893
Legal and professional charges	8,118	55
Postage and communications	5,072	5,126
Printing and stationery	2,721	4,588
Rent, rates and taxes	22,833	11,412
Travelling	63,737	52,950
Repairs and maintenance	13,308	5,831
Provision for doubtful debts	991	694
Bad debts written off	132	-
Security charges	425	870
Others	2,516	1,593
	<u>1,187,150</u>	<u>886,106</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
23. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 23.1	84,079	84,520
Contribution to provident fund	2,605	2,761
Depreciation / amortisation	13,924	19,787
Ujrah payments	11,772	10,760
Fuel and power	3,010	3,290
Insurance	3,000	912
Laboratory, research and development	2	18
Legal and professional charges	26,807	13,699
Postage and communications	5,474	4,220
Printing and stationery	2,173	2,672
Rent, rates and taxes	357	1,199
Travelling	21,323	12,978
Repairs and maintenance	20,807	10,358
Provision for doubtful advances and others	540	6,343
Advance written off	-	1,028
Security charges	65	47
Others	7,670	5,132
	<u>203,608</u>	<u>179,724</u>

23.1 Salaries, wages and other benefits include Rs. 4.02 million (2011: Rs. 4.63 million) in respect of charge for retirement benefit plans.

	2012	2011
	(Rupees in thousand)	
24. OTHER OPERATING EXPENSES		
Auditors' remuneration - note 24.1	4,503	3,010
Donations - note 24.2	8,584	2,528
Workers' Profits Participation Fund	44,960	19,449
Workers' Welfare Fund	17,984	7,780
	<u>76,031</u>	<u>32,767</u>
24.1 Auditors' remuneration		
Audit fee	1,150	1,050
Limited review, special reports and other certifications	1,275	699
Taxation services	1,796	1,000
Out of pocket expenses	282	261
	<u>4,503</u>	<u>3,010</u>

24.2 None of the Directors or their spouses had any interest in the donees.

	2012	2011
	(Rupees in thousand)	
25. OTHER OPERATING INCOME		
Income from financial assets		
Exchange gain - net	12,701	3,050
Gain on sale of open ended mutual fund units	5,083	-
Gain on re-measurement of fair value of open ended mutual fund units	18,514	-
Return on late payments by trade debtors	3,728	-
Income from other than financial assets		
Profit on disposal of property, plant and equipment	2,826	6,806
(Loss) / profit on termination of Ijarah agreements	(60)	2,207
	<u>42,792</u>	<u>12,063</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
26. FINANCE COSTS		
Mark up on long term finance	21,493	29,842
Mark up on running finance under mark up arrangements	6,802	58,797
Mark up on export re-finance	29,903	27,119
Mark up on short term loan	2,223	624
Mark up on finance lease	70	480
Bank charges	10,551	8,834
	<u>71,042</u>	<u>125,696</u>
27. TAXATION		
Current	229,000	124,500
Deferred	23,973	6,654
	<u>252,973</u>	<u>131,154</u>
27.1 Reconciliation between tax expense and accounting profit:		
Profit before taxation	<u>836,249</u>	<u>361,751</u>
Tax at applicable rate of 35%	292,687	126,613
Tax effect of permanent differences	5,535	1,794
Tax effect of final tax regime	(21,538)	(2,621)
Effect of exempt income	(8,259)	-
Effect of tax credits	(11,972)	(6,041)
Tax surcharge	-	5,161
Others	(3,480)	6,248
	<u>252,973</u>	<u>131,154</u>
28. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	<u>583,276</u>	<u>230,597</u>
Weighted average number of shares in issue during the year (in thousand)	<u>41,443</u>	<u>41,443</u>
Earnings per share - (Rupees)	<u>14.07</u>	<u>5.56</u>

A diluted earnings per share has not been presented as the company did not have any convertible instruments in issue as at June 30, 2012 and 2011 which would have any effect on the earnings per share if the option to convert is exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	(Rupees in thousand)	
29. CASH GENERATED FROM OPERATIONS		
Profit before taxation	836,249	361,751
Adjustments for non-cash charges and other items		
Depreciation	89,778	81,978
Amortisation	8,010	16,980
Profit on disposal of property, plant and equipment	(2,826)	(6,806)
Gain on sale of open ended mutual fund units	(5,083)	-
Gain on re-measurement of fair value of open ended mutual fund units	(18,514)	-
Stocks written off	14,049	8,140
Finance costs	71,042	125,696
Retirement benefits expense	4,022	4,627
	<u>160,478</u>	<u>230,615</u>
Profit before working capital changes	<u>996,727</u>	<u>592,366</u>
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	1,277	147
Stock in trade	160,823	(238,318)
Trade debts	(1,252)	(34,692)
Advances	(11,358)	30,165
Trade deposits and prepayments	(6,100)	(2,999)
Other receivables	(2,855)	20,026
	<u>140,535</u>	<u>(225,671)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	196,259	285,713
Due to the government	47,976	(2,333)
	<u>244,235</u>	<u>283,380</u>
	<u>1,381,497</u>	<u>650,075</u>
30. CASH AND CASH EQUIVALENTS		
Cash and bank balances	44,057	14,225
Short term borrowings	(508,301)	(727,940)
	<u>(464,244)</u>	<u>(713,715)</u>

31. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

31.1 The aggregate amounts charged in these financial statements in respect of remuneration including all benefits to chief executive, directors and executives of the company are as follows:

	Chief Executive		Directors		Executives	
	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)					
Managerial remuneration and allowances	6,806	6,009	3,484	3,484	55,954	45,424
Technical Advisory fee	-	-	500	-	-	-
Utilities	681	601	348	348	5,595	4,542
Bonus / variable pay	27,710	6,465	581	871	81,183	23,504
Housing	3,063	2,704	1,568	1,568	25,179	20,441
Retirement benefits	3,511	4,585	301	643	5,333	4,383
Other expenses	1,884	1,977	1,570	1,705	30,261	22,962
	<u>43,655</u>	<u>22,341</u>	<u>8,352</u>	<u>8,619</u>	<u>203,505</u>	<u>121,256</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>53</u>	<u>45</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

31.2 Fee to non-executive directors paid during the year amounted to Rs. 392,000 (2011: Rs. 19,000).

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

32. RELATED PARTY DISCLOSURES

A. Related parties with whom the company had transactions

- i) Associated Companies / Undertakings: Associated Textile Consultants (Private) Limited
Precision Rubber Products (Private) Limited
Premier Agency
Premier Distributor
English Biscuit Manufacturers (Private) Limited
- ii) Staff Retirement Fund National Foods Limited Provident Fund

B. Disclosure of transactions between the company and related parties

Relationship with the Company	Nature of transaction	2012	2011
		(Rupees in thousand)	
Associated Companies / Undertakings:	Sale of goods	735,259	696,242
	Reciprocal arrangements for sharing of services	707	1,483
	Purchase of goods	46,320	30,967
	Rent charges paid / payable	6,900	-
Staff retirement fund:	Expense charged for defined contribution plan	13,579	11,847
	Payments to retirement contribution plan	43,155	28,655

	2012	2011
	(Rupees in thousand)	
Key management personnel compensation:		
Salaries and other short-term employee benefits	138,530	86,595
Retirement benefits	7,072	7,724

The related party status of outstanding balances as at June 30, 2012 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.

33. PLANT CAPACITY AND PRODUCTION	2012	2011
	Actual Production Metric Tons	
Actual production of plants in metric tons	50,975	47,054

33.1 The capacity and production of the company's plants are indeterminable as these are multi-product and involve varying processes of manufacture.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial risk factors

The company's activities expose it to a variety of financial risks namely credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The company's overall risk management programme focuses on having cost effective funding as well as manage financial risk to minimise earnings volatility and provide maximum return to shareholders.

34.2 Financial assets and liabilities by category and their respective maturities

	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							
Loans and Receivables							
Trade debts	-	-	-	288,994	-	288,994	288,994
Trade deposits	-	-	-	9,961	5,812	15,773	15,773
Other receivables	-	-	-	3,493	-	3,493	3,493
Cash and bank balances	-	-	-	44,057	-	44,057	44,057
Fair value through profit and loss							
Investments	-	-	-	260,132	-	260,132	260,132
June 30, 2012	-	-	-	606,637	5,812	612,449	612,449
June 30, 2011	-	-	-	307,080	4,380	311,460	311,460
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	829,353	-	829,353	829,353
Accrued interest / mark up	-	-	-	11,991	-	11,991	11,991
Short term borrowings	508,301	-	508,301	-	-	-	508,301
June 30, 2012	508,301	-	508,301	841,344	-	841,344	1,349,645
June 30, 2011	774,533	169,750	944,283	741,826	-	741,826	1,686,109

OFF BALANCE SHEET ITEMS

Letters of credit	59,653
June 30, 2011	13,361
Letters of guarantees	36,416
June 30, 2011	20,416

All the financial instruments of the company are designated as loans and receivables and hence measured at amortised cost except investments in units of open ended mutual fund units which are designated as fair value through profit and loss account.

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

i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 612.45 million (2011: Rs. 311.46 million) the financial assets exposed to the credit risk amounted to Rs. 611.19 million (2011: Rs. 310.43 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2012 trade debts of Rs. 118.31 million (2011: Rs. 102.24 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

The fair value through profit and loss investments represent investments in open ended mutual funds. These represent low credit risk as these are placed in Asset Management Companies having good credit ratings as assigned by credit rating agencies.

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A1+ or above as assigned by PACRA or JCR-VIS.

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 of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

iii) Market Risks

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at June 30, 2012, financial assets of Rs. 251.98 million (2011: Rs. 247.49 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2012, if the Pak Rupee had weakened / strengthened by 9% (2011: 7%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 22.68 million (2011: Rs. 17.80 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 only interest rate risk arises from borrowings as the company has no interest-bearing assets. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

At June 30, 2012, the company had variable interest bearing financial liabilities of Rs. 508.3 million (2011: Rs. 944.3 million), and had the interest rates varied by 50 basis points (2011: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 2.5 million (2011: Rs. 9.4 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 50 basis points (2011: 100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 50 basis points (2011: 100 basis points) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

34.3 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 2012 the company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2012 was as follows:

	2012	2011
	(Rupees in thousand)	
Total Borrowings	520,292	970,000
Cash and Bank	(44,057)	(14,225)
Net debt	<u>476,235</u>	<u>955,775</u>
Total equity	<u>1,402,480</u>	<u>922,811</u>
Total capital	<u>1,878,715</u>	<u>1,878,586</u>
Gearing ratio	25%	51%

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.

34.4 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.

35. EVENTS OCCURRING AFTER BALANCE SHEET DATE - PROPOSED DIVIDEND

The Board of Directors in its meeting held on September 6, 2012 proposed a cash dividend for the year ended June 30, 2012 of Rs. 6 per share amounting to Rs. 248.66 million (2011: cash dividend of Rs. 2.50 per share amounting to Rs. 103.61 million) subject to the approval of the company in the annual general meeting.

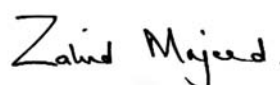
These financial statements do not reflect the proposed dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from unappropriated profit in the year ending June 30, 2013.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the company on September 6, 2012.



Chief Executive



Director

PATTERN OF SHAREHOLDING

COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT 30-06-2012

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	INDIVIDUALS		1,594	12,817,497	30.93
2	INVESTMENT COMPANIES		1	1,250	0.00
3	JOINT STOCK COMPANIES		17	12,685	0.03
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		13	12,434,159	30.00
	MR. ABDUL MAJID	1,583,990			
	MR. WAQAR HASAN	4,875			
	MRS. JAMILA WAQAR	4,875			
	MR. ABRAR HASAN	4,087,305			
	MR. ZAHID MAJID	2,440,665			
	MR. EBRAHIM QASSIM	705,427			
	MR. IQBAL ALIMOHAMED	2,792,051			
	MRS. M.E.MAJEED W/O MR. ABDUL MAJEED	163,672			
	MRS. KULSUM BANOO W/O MR. EBRAHIM QASSIM	298,807			
	KHAWAJA MUNIR MASHOOQULLAH	69,650			
	MRS. ZEELAF MUNIR W/O KHAWAJA MUNIR MASHOOQULLAH	275,842			
	MRS. NOREEN HASAN W/O MR. ABRAR HASAN	7,000			
5	EXECUTIVES		1	900	0.00
6	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		1	13,743,090	33.16
	ASSOCIATED TEXTILE CONSULTANTS (PVT.) LIMITED		13,743,090		
7	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	-
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS		1	1,900,000	4.58
9	MUTUAL FUNDS		1	2,020	0.00
	TRUSTEE- PAKISTAN ISLAMIC PENSION FUND- EQUITY SUB FUND		2,020		
10	FOREIGN INVESTORS		2	505,000	1.22
11	CO-OPERATIVE SOCIETIES		-	-	-
12	CHARITABLE TRUSTS		1	16,643	0.04
13	OTHERS		2	9,499	0.02
	TOTALS		1,634	41,442,743	100.00

SHARE-HOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY	41,442,743 SHARES
5% OF THE PAID-UP CAPITAL OF THE COMPANY	2,072,137 SHARES

NAME(S) OF SHARE HOLDER(S)	DESCRIPTION	NUMBER OF SHARES HELD	PERCENTAGE %
ASSOCIATED TEXTILE CONSULTANTS (PVT.) LIMITED	FALLS IN CATEGORY # 6	13,743,090	33.16
MR. KHAWAR M. BUTT	FALLS IN CATEGORY # 1	5,091,782	12.29
MR. ABRAR HASAN	FALLS IN CATEGORY # 4	4,087,305	9.86
MR. IQBAL ALIMOHAMED	FALLS IN CATEGORY # 4	2,792,051	6.74
MR. ZAHID MAJID	FALLS IN CATEGORY # 4	2,440,665	5.89
TOTAL		28,154,893	67.94

PATTERN OF SHAREHOLDING

Pattern Of Share Holding CDC And Physical As On 30-06-2012

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
743	1	100	33,908
430	101	500	103,151
148	501	1,000	121,262
206	1,001	5,000	492,665
36	5,001	10,000	270,919
12	10,001	15,000	149,645
11	15,001	20,000	196,989
14	20,001	25,000	293,663
1	25,001	30,000	26,152
1	30,001	35,000	32,737
1	40,001	45,000	41,392
1	55,001	60,000	58,548
1	60,001	65,000	61,826
1	65,001	70,000	69,650
2	125,001	130,000	255,299
1	135,001	140,000	140,000
1	140,001	145,000	143,061
1	160,001	165,000	163,672
1	170,001	175,000	174,180
1	190,001	195,000	190,052
1	210,001	215,000	214,016
3	265,001	270,000	808,020
1	295,001	300,000	298,807
1	330,001	335,000	330,696
1	360,001	365,000	360,885
1	480,001	485,000	483,806
1	485,001	490,000	487,500
1	495,001	500,000	500,000
3	705,001	710,000	2,121,359
1	1,175,001	1,180,000	1,180,000
1	1,580,001	1,585,000	1,583,990
1	1,895,001	1,900,000	1,900,000
1	2,440,001	2,445,000	2,440,665
1	2,790,001	2,795,000	2,792,051
1	4,085,001	4,090,000	4,087,305
1	5,090,001	5,095,000	5,091,782
1	13,740,001	13,745,000	13,743,090
1,634			41,442,743

NOTICE OF ANNUAL GENERAL MEETING

Notice of Meeting

Notice is hereby given that the 41st annual general meeting of National Foods Limited will be held on Monday, October 22, 2012 at 3:00 p.m. at the registered office situated at 12/CL-6, Claremont Road, Civil Lines Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 40th annual general meeting held on October 27, 2011.
2. To receive and consider the Company's Financial Statement for the year ended June 30, 2012 together with the Directors' and Auditors' Report thereon.
3. To approve and declare the dividend on the Ordinary Shares of the Company. The Directors have recommended the final dividend of 60% (or Rs. 6/- per share) on Ordinary Shares for the year ended June 30, 2012.
4. To appoint Auditors for the ensuing year, and to fix their remuneration. (Messrs A.F Fergusons & Co., Chartered Accountant, retire and being eligible have offered themselves for reappointment).
5. To elect 7 (seven) Directors in accordance with the provision of Section 178 of the Companies Ordinance, 1984 for a term of 3 (three) years commencing from the date of holding AGM i.e. October 22, 2012.

As fixed by the Board of Directors at its September 06, 2012 meeting the number of Directors to be elected will be 7 (seven).

The following directors of the Company will cease to hold office, also eligible to offer themselves for re-election, upon the election of a new Board of Directors

- 1) Mr. Abdul Majeed
- 2) Mr. Abrar Hasan
- 3) Mr. Waqar Hasan
- 4) Mr. Zahid Majeed
- 5) Mr. Ebrahim Qassim
- 6) Mr. Iqbal Alimohamed
- 7) Mr. Khawaja Munir Mashooqullah

By Order of the Board

Karachi
September 29, 2012

Fayyaz Abdul Ghaffar
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from October 13, 2012 to October 22, 2012 (both days included) and the dividend will be paid to the shareholders whose names will appear in the Register of Members on October 12, 2012.

(i) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

(ii) Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, must be lodged with the Company Secretary at the Company's Registered Office (12/CL-6, Claremont Road, Civil Lines Karachi- 75530) at least 48 hours before the time of the meeting.

(iii) Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Noble Computer Services (Pvt.) Limited, 1st Floor, House of Habib Building (Siddiqsons Towers), 3-Jinnah C.H. Society, Main Shahrah-e-Faisal, Karachi - 75350. All the Shareholders holding their shares through the CDC are requested to

NOTICE OF ANNUAL GENERAL MEETING

please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

(iv) Every candidate for election as a Directors, whether he is a retiring Director or otherwise shall file with the Company not later than 14 (fourteen) clear days' before the date of Annual General Meeting a notice of his intention to offer himself for election as a Director alongwith the consent to serve as a Director in the prescribed Form 28, a detailed profile alongwith his/her relevant declarations as required under the Code of Corporate Governance to his appointment as Director of the Company.

(v) He/She should also confirm that:

- i. He/She is not ineligible to become a Director of the Company under any applicable laws and regulations (including listing regulations of Stock exchanges).
- ii. He/She is not serving as a Director in more than seven listed companies.
- iii. Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.

2. SECP has also directed vide SRO No. 779(1)2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card Number (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNIC are requested to send the same at the earliest directly to the Company's Share Registrar M/s. Noble Computer Services (Pvt.) Limited, 1st Floor, House of Habib Building (Siddiqsons Towers), 3-Jinnah C.H. Society, Main Shahrah-e-Faisal, Karachi - 75350.

3. As directed by SECP vide Circular No.18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrants, please provide the following details.

- Title of Bank Account
- Bank Account Number
- Bank's Name
- Branch Name and Address
- Cell number of Shareholder
- Landline number of Shareholder, if any

CDC account holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A For Attending the Meeting:

- (i) In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations, shall authenticate his/her original valid Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) 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.

B For appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- (ii) Attested copies of valid CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
- (iii) The proxy shall produce his original valid CNIC or original passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
- (v) Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the forms.

FORM OF PROXY

41ST ANNUAL GENERAL MEETING

I/We _____ of _____ being a member of National Foods Limited holding _____ ordinary shares as per Registered Folio No./CDC A/C No. (for members who have shares in CDS) _____ hereby appoint Mr./Mrs./Miss _____ of (full address) _____ or failing him/her Mr./Mrs./Miss _____ of (full address) _____

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on behalf at the 41st Annual General Meeting of the Company to be held on October 22, 2012 and/or any adjournment thereof.

As witness my/our hands seal this _____ day of _____ 2012.

Signed by _____ in the

Presence of (i) _____

(ii) _____

Signature on
Rs. 5/-
Revenue Stamp

(Signature must agree with the specimen signature registered with the company)

Important:

1. This form of proxy, duly completed and signed, must be deposited at the office of the Company's Shares Registrar, not later than 48 hours before the meeting.
2. This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. A Member entitled to attend and vote at the meeting may appoint any other Member as his/her proxy to attend and vote on his/her behalf except that a corporation may appoint a person who is a Member.

For CDC Account Holders/Corporate Entities:

In addition to the above following requirements have to be met:

- i. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.
- ii. Attested copies of CNIC or Passport of the beneficial owners and proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- iv. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form.