

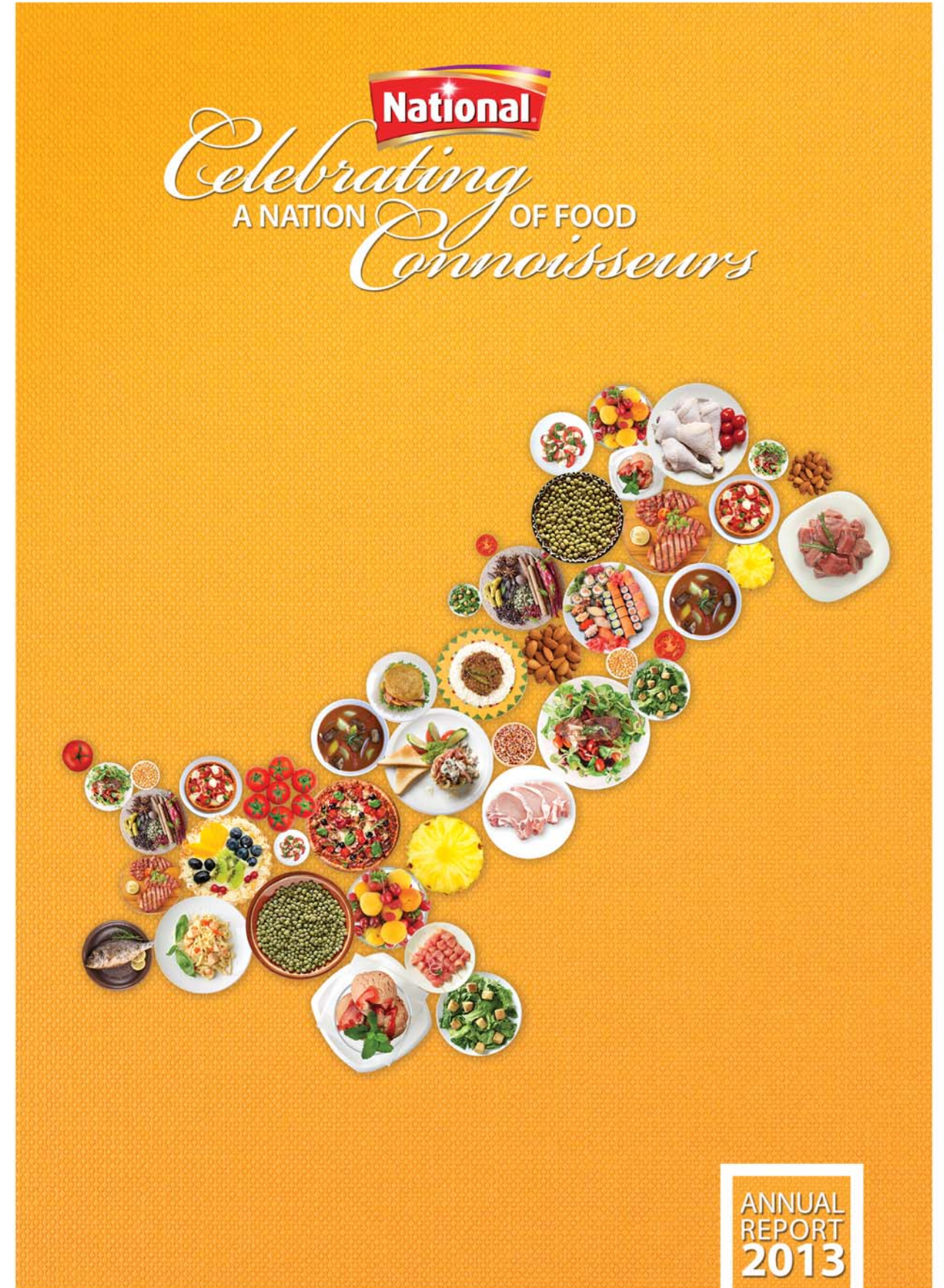


National Foods Limited
www.nfoods.com

Designed by: JAL. SAMTCHI & SAMTCHI Printed by: YAGEEN UAN: 111-927-336



Celebrating a Nation of Food Connoisseurs





ANNUAL REPORT **2013**



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Our Story

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

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

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



Founders' Philosophy

National Foods Limited must focus on customers' needs, serving them with quality products at affordable prices.

Our products must be pure and should conform to International Standards.

Our research must continuously produce 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 talent is groomed and people have every opportunity to advance in their careers.

We must prove ourselves to be good corporate citizens, support charitable causes and bear our fair share of taxes.

Reserves must be built, new factories created, sound profit made and fair dividends should be 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 times to come.



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.”

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.



Code of Ethics & Business Practices

NFL believes in conducting its operations with strong ethical and moral standards. NFL's statement of code of ethics & 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 & business practices has the following 7 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 creating 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 the 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 the 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 contracts with National Foods Limited and is equally applicable to intellectual property.



5. Statutory Compliance: NFL believes in providing total support and cooperation to all the 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 & transparent.
- Disclosure: All transactions must be fully disclosed and must be for the purpose stated for.

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



Company Information

Board of Directors

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

Audit Committee

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

Human Resource and Remuneration Committee

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

Chief Financial Officer

Mr. Rafiq ul Islam

Company Secretary

Mr. Farhan Latif

Head of Internal Audit and Secretary Audit Committee

Mr. Shahid Hussain

Internal Auditors

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

Company Management

Mr. Abrar Hasan	Chief Executive Officer
Mr. Shakaib Arif	Chief Operating Officer
Mrs. Tehmina Ali	General Manager Human Resources
Mr. Rafiq ul Islam	Chief Financial Officer

External Auditors

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

Share Registration Office

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

Principal Bankers

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

REGISTERED OFFICE

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

PLANT SITES

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

PORT QASIM

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

MURIDKE SALT PLANT

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

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



Calendar of Major Events

FLASHBACK 2013

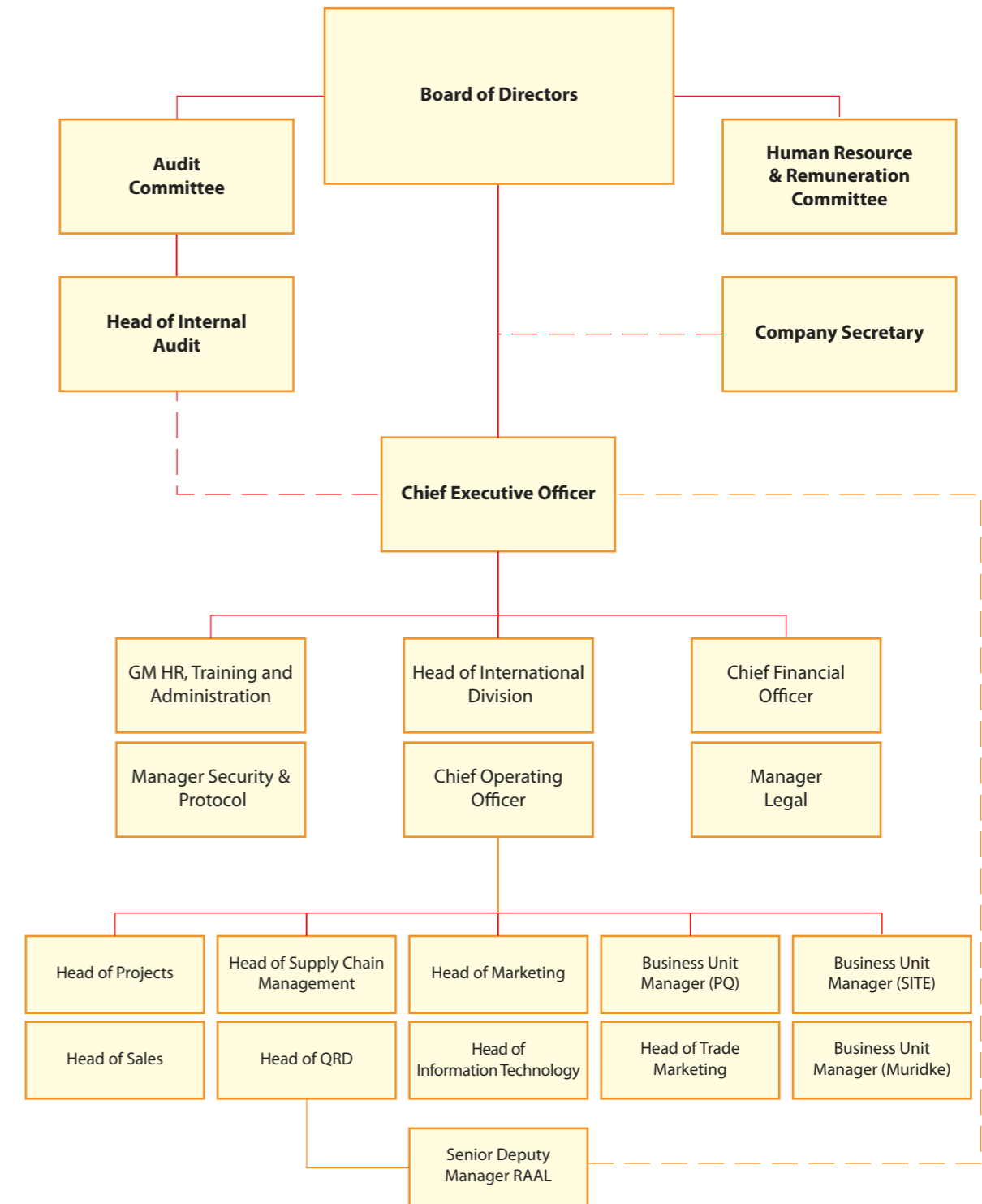
Events & Launches

July	Recipe "Rung Bharti Jao" Campaign.
September	Launch of Karachi Special in 5 hot & spicy variants.
November	Incorporation of subsidiary, National Foods DMCC in UAE.
December	Second Distributor Conference held in Toronto by the Export Function.
January	Organizational Transformation for Success - Training by Ramiz Allawala.
February	Participation in Gulf Foods 2013.
March	Launch of Fruitily Mango Variant in Jars and Pouches.
April	PAS Award for Culinary and Passion for Pakistan Categories.
April	Attained 50,000 likes on our Facebook Page.
May	Launch of Fried Onions 400 gm in Export Market.
May	Launch of "Taste of Pakistan" Cookbook.

Initiatives & Achievements

August	Project "Crystal", Secondary Sales System, was initiated.
September	Record production for a day of 1.6 Million Kg.
October	Aflatoxin free Red Chilli Crop project conducted successfully with progressive farmers enabling NFL to export Red Chilli powder to European countries complying with all regional legal requirements.
November	National Foods Scope Extension of ISO 17025:2005 (E) by inclusion of Microbiology lab by Pakistan National Accreditation Council (PNAC) Ministry of Science & Technology.
December	RAAL cleared proficiency testing QFCS scheme of LGC (UK) for water activity, pH, Free acidity, preservative detection with remarkable Z'score (high accuracy level).
February	"Building Excellence in People" program was initiated.
April	Successful re-certification of Quality Management system of ISO 9001:2008 standards, FSMA 22000 & OHSAS 1800.
June	Project "Fusion" went live.
June	Implementation of effective supplier certification program by QA.

Organizational Chart



Director Profiles



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 the former member of the Federal Textile Board and the Engineering Development Board, Government of Pakistan.

Mr. 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.

He is keenly interested in innovation and is pivotal in leading the R&D team at NFL. His other 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 professional member of World Future Society, Bethesda, USA, Mr. Majeed is a believer in cultural progression and community development.

Director Profiles



Mr. Abrar Hasan
CEO

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. 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. 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. Hasan was invited to join the Board of Cherat Packaging Limited as an Independent Director in September 2010.



Mr. Zahid Majeed
Director

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 division into a major part of the company with a strong

emphasis on organizational brand building as well as distribution re-structuring. 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, school meal programmes and agricultural development initiatives. This is all in line with the NFL vision of becoming a responsible and progressive corporate citizen of Pakistan.

Director Profiles



Mr. Waqar Hasan
Director

Mr. Waqar Hasan is the Corporate Director of National Foods Limited. He enjoys a high profile stature 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 continue to guide the activities of the company 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 is now 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. Khawaja Munir Mashooqullah
Director

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 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.

Moreover, Mr. Mashooqullah has served as the Chairman of Korangi Industrial Association (KATI) and on the Executive Committee of KCCI and FPCCI, and was also the Founding Trustee of the Institute of Business Management (IOBM). Mr. Mashooqullah has worked as an independent consultant in various companies and is actively involved in charitable causes in South Asia focusing on computer literacy and drug rehabilitation. He is also a member of Young Presidents Organization and has been recently appointed as an Advisor by the Ministry of Overseas Pakistanis for North America.

Director Profiles



Mr. Ebrahim Qassim
Director

Mr. Ebrahim Qassim, a Chartered Accountant by qualification, has been on the Board of National Foods since 2000. He has worked as a professional manager in a British pharmaceutical company for three years in different positions before finally becoming its Country Manager. Mr. Qassim also setup his own distribution business by the name of Premier Distributors in 1971; the company now houses a well-established network all over 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 on the Board of Directors of the Karachi Stock Exchange in the year 2000. Currently, he is on the Board of directors of English Biscuits Manufacturers (Private) Ltd. and Coronet Foods (Private) Ltd. and is Chairman of Shield Corporation Limited.



Mr. Iqbal Alimohamed
Director

Mr. Alimohamed is a fellow member of the Institute of Chartered Accountants, ICAEW (England and Wales) as well as the Institute of Chartered Accountants Pakistan (ICAP). Besides being a veteran of the Textile Industry, Mr. Alimohamed has also had a lengthy association with the Banking and Finance fields in Pakistan. Mr. Iqbal Alimohamed elected as Director of HUBCO in September 2012 by contesting its election. HUBCO is the largest power producing company in Private sector in Pakistan.

Besides above Mr. Alimohamed joined the Board of Directors of National Foods Limited in 2008. He is the Chief Executive and Chairman of the Board of Directors of Gul Ahmed Energy Limited – an Independent Power Producer in Pakistan. The list of Mr. Alimohamed's affiliations is extensive and includes entities such as Metro Securities (Pvt) Ltd., Metro Power Company Ltd., Gul Ahmed Wind Power Ltd. etc. In the past Mr. Alimohamed has also served as the Chief Executive Officer and Chairman of Gul Ahmed Textile Mills Ltd., Chairman and Board of Directors of Mybank Ltd. (now Summit Bank) and Chairman of the Board of Directors of Excel Insurance Limited. He has also been the Director of Faysal Asset Management, Swift Textile Mills (Pvt.) Ltd.

Mr. Alimohamed also served as Chairman of APTMA (Sind & Baluchistan) during his association with Gul Ahmed Textile Mills Ltd. and has assisted and contributed to Government Policies through participation and interaction at different forums. He is the Founding Member and Chairman of the Board of Trustees of Haji Alimohamed Foundation & member and Trustee of Haji Tarmohammad Kassam Teli Charitable Trust- a philanthropic institution.

Head of Departments



CEO's Message

Business Performance

2013 has been another strong year for National Foods, building on the sustainable growth and healthy profitability of 2012. The challenging environment in which we are operating, tested the capability of our organization to the fullest, yet the delivery of strong top and bottom line results are a testimony that the genetic makeup of National Foods is unflinchingly committed to create shareholder value.

The sustained business performance of National Foods is an output of a deeply rooted founders' philosophy in our organisation, adherence to core values and commitment to Vision 20/20, which energizes our people. Corporate Social Responsibility (CSR) at National Foods is an integral part of the way we think and act, as evidenced by various CSR initiatives that we have embarked upon. "National ka Pakistan" is our humble attempt to portray a softer and fairer image of Pakistan – this effort has also been recognized externally as we received the PAS award for the "Passion for Pakistan" category.

We are expanding our operations in the overseas market as these white spaces offer huge business potential for National Foods. We have set up a subsidiary in Dubai and have plans to set up others in Europe and North America in the near future. As we embark on this exciting journey to become a stronger and bigger business, we are committed to retain our current agility. Process simplification, cost rationalization and leveraging information technology will remain our priorities in the years to come.

The dedication and hard work of our people is a major contributor to our success. We will continue to invest in and develop our human capital by rolling out even more training initiatives and providing an ideal work environment to help unleash their full potential.

The Year Ahead

We expect the environmental landscape of 2014 and beyond to remain difficult and volatile, but our management team and people are ready to embrace the challenge. In this context, creation of effective organizational design and structures, which cater to the execution of our ambitions and strategy remain of paramount importance to us as plans can only be executed through a high performance oriented organizational design filled with highly skilled resources.

This, alongside with strong brands, people, forays into international market and deeply embedded values will help us cope with external challenges. With expanding scale we will need to be ready for environmental and social responsibility and I am convinced that we will continue to delight our partners and shareholders in times to come.



Abrar Hasan
Chief Executive

Karachi: September 06, 2013





Management Review

Our Brands

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.

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.



Marketing

Marketing

Rang Bharti Jao



National Recipes celebrated its vivid persona with a two minute TVC, bursting with colors, emotions and sensorial shots of rich home-cooked food. In the background, the majestic voice of Tina Sani singing “Rang Bharti Jao” added to the surreal delicacy of the video. The “Rang Bharti Jao” campaign was a great success, as it won over the hearts of consumers due to its emotional appeal, and impressed the jury at the PAS awards. The amazing response led to National Recipe acquiring the Best Campaign Award in the Culinary Category.

National Ketchup Campaign

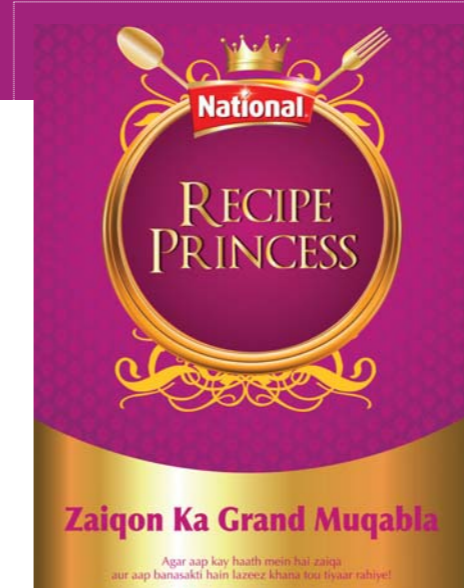
National Ketchup experienced a huge boost in sales due to creative campaigns that coined the product as 100% tomatoes, making it synonymous with “real tomatoes”. Consumers highly appreciated the pre-emptive organic link to freshness and made the campaign, which ran on ATL and POS, very effective. The campaign also supported Ramadan season, which provided added exposure.



Karachi Special Launch

After National Recipe’s great success, the Marketing Team was set out to cater to Karachi by launching recipe mixes especially made keeping in mind Karachi taste palettes. These recipe mixes have five different variants that are fierier and more flavourful to accommodate and satisfy the bold taste buds of Karachiites. Campaigning for these special recipe mixes was also in full throttle; with a TVC, hoardings and a massive BTL campaign, where the NFL float would go to different apartments and cook for the people there (trial activity). Moreover, Chef Saadat in support of National Foods would go to the float and cook for consumers all across Karachi.

All this information was shared on our Facebook page for added hype. The Karachi Special Launch was a great stepping-stone for the brand’s aspirations of having long-term National Recipe loyalists in Karachi.



National Recipe Princess

Hundreds of college students were given a chance once again by National Foods to showcase their culinary skills. The National Recipe Princess contest was conducted in fifty colleges across six cities in Pakistan, with the aim of searching talented young girls who have a flair for cooking to compete for the title of Recipe Princess.

This activation was highly successful as electronic media and digital media (Facebook page) gave it a huge boost. College students could keep track of the competition through photos, maps of the contest

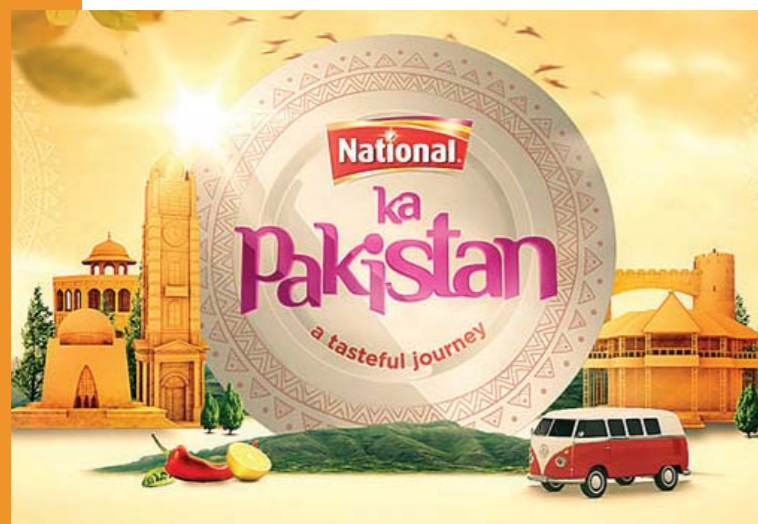
route, and group discussions and comments, resulting in colossal exposure of over a million views of the competition nationwide.

Celebrity guest judges were also invited to the competitions for added hype and brand publicity creating the ideal recipe for success!

Marketing

National Pickles Campaign

The attempt to reinvent the brand image of National Pickles proved to be a great success. The aim was to reposition it as a happening brand with an added zing, along with highlighting the pure, delicious and rich ingredients that make National Pickles the best. From the hummable tune to mouth-watering food shots and sensational ingredient shots, the campaign spoke to audiences of all ages, and increased the number of National Pickles fans in no time.



National Ka Pakistan

Pakistan's culinary diversity and vivid culture are its joy and pride. National Foods sent out television's renowned Chef Saadat on an exciting journey to discover the culinary gems hidden in the country's nooks and crannies. Being the first ever attempt by a food company to create exciting episodic content that reflects the rich fusion of tradition and taste, this series was an attempt to showcase a safer and softer image of Pakistan along with highlighting Pakistan's unparalleled love for food. The episodes were aired on 9 channels and were heavily supported by digital media as well. The show attained top ten ratings on news and entertainment

channels, making it incredibly popular. National Ka Pakistan also bagged the prestigious Passion for Pakistan Award in the PAS awards 2012, triggering overwhelming success.

Marketing



Taste Of Pakistan

National launched 'Taste of Pakistan', a unique cookbook that captured Chef Saadat's journey from 'National ka Pakistan', and also celebrated Pakistan's wonderful cuisine with 50 mouth-watering recipes from all across Pakistan. The response to this book was extremely positive because of the fact that the informative cookbook was not only a source for scrumptious recipes, but also a travel log, which helped consumers discover different regions of Pakistan and their delectable cuisines.

Facebook Page Support

By creating a presence on Facebook through the brand page, National Foods was able to interact with consumers on a much more consumer-friendly forum. It encouraged engagement as National Foods fans could now be updated about all the latest launches, BTL, contests, recipes, amongst other activities. Likes skyrocketed from a mere 15,000 to 60,000 within only eight months which resulted in an increase in the National Foods fan following, while setting sails to rising success for the brand.



One-Minute Recipes

In the fast-paced world of today's times, people are always looking for quick solutions to everything. Taking the growing digital users as a base, National Foods launched the first ever one-minute video recipe cards in Pakistan. These one-minute videos were the quickest way to view a recipe with ease, and therefore, they gained a great deal of popularity, especially among the younger audience. The videos are now available on Google Play for Android cell-phone users too. To date, these videos have been viewed more than 55,000 times and the application software has been downloaded more than 6,000 times, thereby demonstrating its success.



Trade Marketing

National Foods Limited is aiming high; the ambitious stride of our firm towards the 20/20 vision of crossing the Rs. 50 Billion mark needs to be led by a well-rounded team of experts. Our leadership was mindful of the fact that alongside prioritizing a good understanding of our consumers' needs and harness upon the sales and business development opportunities that already existed in the company, there was a strong need to enlist the support of specialists trained to handle our downstream intermediaries. Hence, in response to such a strategic requirement a Trade Marketing Department was formed in 2012-2013.

The Trade Marketing Team has been entrusted with the crucial task of generating channel and category growth by working with our downstream value chain partners. Our efforts to optimize our on-shelf visibility and availability have been encouraging this year. We envision ourselves to function as the strategic vessel that will help tie in the activities of National Foods' consumer fronts into a cohesive whole and to help us explore newer avenues for business growth and development.

Trade Activation

Karachi Special Launch

Stall Activity

Shop Branding and Counter Displays

Revolving Gondolas

Stalls were placed outside shops, which have high consumer traffic and Karachi Special packs were sold at discounted prices. The stall activity assisted in getting the product in the homes of our consumers. Innovative gondolas were placed at leading retail outlets at the time of launch so as to increase the visibility of the product in stores. This initiative was further complimented by shop branding in the form of vinyl

branding and eye-catching counter displays.

To capitalize on the instant drink season, a creative display drive was thought out and executed, which included branded Fruitily hangers of the four different flavours of Fruitily sachets and digital posters. The unique illuminated posters were pivotal in ensuring good visibility of the brand.

Lahore Display Drive

Once again, to ensure a successful season, increase the visibility and availability of our product and compliment the media airing of our brands a full-fledged display drive was launched in Lahore. Shopping hubs and highly commercial areas were targeted and ingenious displays were made of all our running SKUs. Cars, shops, buildings were all covered in National Foods products and a competition was held between 310 retailers in the Lahore Region, whereby the one with the best display of our products won.



Sales Department



The National Foods sales team has also made a significant development toward rural penetration and coverage through a dedicated Rural Development Force (RDF). RDF has extended its operations up to 370 uncovered rural settlements and expanded its distribution to more than 4,000 outlets. To improve our distribution operations in Balochistan, we have appointed Muller and Phipps (M&P), which is expected to enhance our sales performance in this geography.

We have also taken initiatives to deploy IT solutions to maximize the benefit of information management in sales. A new software was implemented across Pakistan with key distributors to capture information on real time basis that will assist NFL to take quick action, provide analysis and assist in decision making.

This year brought a series of challenges and transformation for the Sales Team. As the magnitude of the socio-political upheavals increased in the country, the Sales Team was not only determined to face all the adversities, in the face of the law and order situation, but also introduce valuable changes which would be favorable for the overall growth and development of the company.

In spite of the prevailing conditions of strikes, shutter downs and political turmoil, the Sales Team delivered its targets. In certain key categories like recipe and salt, we even over delivered. These categories have a significant impact in volume growth and bottom line as well.

The Channel Specific approach implemented is beginning to yield results, where the Sales Team capitalized on the market sales potential in areas of Public Account, Local Modern Trade, International Modern Trade, Food Service Division, Special Category and General Trade. Sales growth in Public Accounts (USC-CSD) has more than doubled this year. In Special Category Management (SCM), sales of salt was at an all time high.

It was realized that rural penetration is critical to deliver our 20/20 vision.



Human Resources Department



The Department of Human Resources has been active throughout the year 2012-2013 with a range of new initiatives, improvement programs and engagement activities – all alongside business as usual. Our focus has always been and will remain to be Our People, developing them, engaging with them, preparing and enabling them for Vision 20/20.

One of the major initiatives HR undertook this year was the “Building Excellence in People” program which aimed to align the quality and flow of NFL's human talent to match its long term business objectives and milestones. This project is phased into multiple stages which includes job analysis, competency model development, talent mapping and succession management.

Moreover, revamping the HR Manual, was also a key project that began with the objective of ensuring that all the policies and processes are streamlined, made efficient and aligned with industry practice. Working with a team of internal HR, consultants and National Foods leadership, this extensive project is underway and on its route to completion.

This year saw the revitalization of the SAP-HCM Module to improve efficiencies and synergies that will help increase the overall HR service level. This project, identified, analyzed and refreshed our business processes to enable simple and easy to understand execution of tasks, ultimately simplifying the functionality of the Human Resource Information System (HRIS).

In line with continually upgrading our ways of working, the HR department's Compensation & Benefits function initiated and achieved the automation of the payroll of our contractual workforce in Muridke so that there is ease and transparency in disbursement of wages and to maintain a comprehensive information database.

Furthermore, the Organizational Development function launched a busy training calendar for the year with a mix of in-house and ex-house trainings. Programs such as "Intermediate EXCELeration", a MS EXCEL training, "Conflict Management Through Inspiration", Dashboard Reporting, and Business Communications were rolled out for different levels of management. Key sessions for the year included the “7 Habits Signature Program” by Franklin Covey and "Organizational Transformation for Success" by Ramiz Allawala. The latter was our first major change management program that paved the direction to meet our vision 20/20, where CEO, Abrar Hasan, commenced the day via a live feed from UK and this session was attended by the entire middle and senior management population totaling 90 people along with the Management Trainees. National Foods' platinum sponsorship of the year was Tony Buzan's "Mind Maps for Business" for over 25 organizations and over 200 participants was also part of the calendar. Adding to this, a number of ex-house programs were also conducted covering both soft skills and technical trainings from various public and private organizations.

Lastly, to maintain the morale of the employees, HR conducted multiple engagement activities such as our Annual Hajj Balloting and Prize distribution Ceremony for employees, Annual Lunch, and a full day beach trip and cricket tournament.



Finance Department



As the NFL business continues to deliver sustainable double digit growth, finance plays an even more important role to ensure that the underlying controls remain world class and support the growth momentum. Simultaneously, other priorities require Finance to partner with the business and various function to help business grow. Finance has delivered on both the priorities and created greater shareholder value.

Numerous initiatives were undertaken to improve and simplify business processes. These include implementation of online banking, SAP modules and various other business applications which reduced cost, improved working capital and made finance function even more nimble and customer oriented. Key performance indicators reporting was further improved and management reports were sharpened to help business make quick and timely decisions. A sophisticated cash flow monitoring mechanism was implemented to have even better control on liquidity management and its associated forecasting. This aided investment of surplus funds generating optimal returns for shareholders. They have strengthened governance by forming an investment committee, which reviews and authorizes investment proposals. The implementation of material ledger has resulted in costing to be carried out on actual basis, thereby eliminating the need to reconcile standard and actual product costs.

As the new financial year unfolds, NFL is set to take a strategic leap to advance its status from a local manufacturing organization to a multinational company, Finance has ensured that the new subsidiary is fully integrated in SAP platform.

International Division



FY 2012-13 was a landmark year for International Division at National Foods, as it marked the incorporation of its subsidiary, National Foods DMCC in UAE. Following the successful incorporation of NF DMCC, we further expanded our presence by starting the process of establishing similar subsidiaries in Canada and UK.

The set up of the subsidiary was followed by transfer of employees in key international markets, with the purpose of strengthening distribution and executing better focused marketing activities.

The official inaugural ceremony for NF DMCC was held in February 2013, where majority of NFL's international distributors gathered together for the Inauguration Dinner, and the company's management shed light on their growth plans for the future.

This year, the company took several marketing initiatives to strengthen its brand image in International markets. Advertising, outdoor branding and in-store promotional activities were executed in regions including North America, UK, Middle East, KSA, Australia and other parts of the world. Sustainable media campaigns on Indian and Pakistani satellite channels were aired throughout the year, with special focus around peak buying seasons to capitalize on the demand for major categories. Regular trade and consumer offers were also given to drive sales of our products. National Basmati Rice, in its new packaging, was launched in various key markets, in an effort to

obtain a chunk of the branded basmati rice segment. National Fried Onions have also been launched in specific markets, and will be made available in other regions in the following year.

Newly developed products, such as Ginger Garlic Pastes and the Chutneys Range, were an important area of focus while efforts were continued to increase sales in traditional categories like Recipes, Pickles, and Desserts. Market development continued, leading to National Foods' presence in over 45 countries. This year, National Foods launched some of its major categories including Recipes, Pickles and Desserts in India, with plans on extending the product range in subsequent years. We also took part in various exhibitions, including the IITF fair to facilitate our new launch in the Indian market. Moreover, the company participated in Gulfood 2013, which provided a platform for NFL management to meet existing and potential customers, thus creating opportunities for further market expansion.

In addition, the Second Distributor Conference USA Canada was held in Toronto, where valued business partners gathered together to discuss sales achievements, marketing strategies, promotional plans and the future outlook of the North American region for National Foods.

The International Division continues to focus on new product developments, market developments, branding initiatives and supply chain improvements in order to grow National Foods' exports around the world.



Information Technology



Information Technology is a key 'Transformation Partner' at National Foods enabling Speed, Efficiency and Empowerment. With the objective of devising successful strategic business mechanism through collaboration with other departments, IT has played a fundamental role in the success of the organization this year.

In order to assist the Sales Team, IT made a significant contribution by working on Project "CRYSTAL", (Computerized Reporting Yield for Sales and Trade Automation Landscape). A tool to record secondary sales, CRYSTAL is used to measure the market penetration, effective coverage, availability and actual demand of brands. Furthermore, with business partnering and coordination with Trade Marketing, IT has also developed an "E-Trade Marketing System" which tracks all the trade marketing activities taking place nationwide. Higher management is regularly updated by status through automatized email system.

Keeping in view business expansion plans, the IT and Business teams decided to embark on a journey towards 'FUSION' project which was successful in generating value to the business. The scope of the project included; implementation of the export subsidiary model as well as identifying and eliminating discrepancies in the material ledger. For transformation into enhanced ways of communications, IT launched a powerful tool – "IP Telephony". NFL now enjoys State of the Art IP Telephony based voice communication all across its major offices and factory locations. Along with the afore-mentioned projects, two major ABAP based reports were developed for "Material Specification" and "Vendor Evaluation" Projects – giving perfect values with timely executions. Hence, IT is spearheading its journey towards "growth" and "speed" with dedication and efficacy.

Corporate Social Responsibility

As we move towards being global, and our consumer base increases, it has become even more pertinent to enable social development with programs that are not only sustainable in the long-term, but also resonate strategically with the business. Under the Triple Bottom Line approach to measure returns in 3 ways - People, Planet and Profits, the core philosophy behind CSR at NFL is to enable community development areas of our social environment that we focus on – Education & Literacy, Health & Nutrition and Community Development, so as to give back to the people who have contributed to the success of NFL.

Our commitment to improve lives and make a difference in the community came out even stronger during the year 2012-2013 where we explored different avenues for CSR investment and scaled up our existing programmes as well.

STRATEGIC PARTNERSHIPS

Aagahi Adult Literacy Programme (ALP)

The Aagahi Literacy Programme in 2013, that covered Phases 12 and 13, broke all its previous records and was extended to include schools from diverse areas of Pakistan, now in at least 35 districts across Pakistan.

Phase 12 of the ALP that was launched in the first half of the fiscal year 2012-2013, presented itself in 253 centers with over 3,800 female students enrolled. With determined efforts made by hundreds of principals, teachers, area managers & coordinators at TCF, 94% of the females enrolled managed to pass the ALP examination. The figures of

the next phase, Phase 13, were even more remarkable. ALP witnessed an upward trend in enrollment pattern where more than 4,470 females were enrolled in more than 268 centers with a pass-rate of 95%.



Aman Foundation

Aman Ghar

The goal of Aman Ghar is to reduce hunger and promote optimal development that includes physical and mental growth, while simultaneously motivating children to attend school. NFL's partnership supports this initiative in kind by providing products from the NFL range for the production of school meals for children in Khuda Ki Basti, Karachi.

Pakistan Food Bank Project

The CSR Team at NFL attended the launch of Aman Foundation's initiative of the Pakistan Food Bank. This conference was led by Moez Al Shohdi, CEO of the Egyptian Food Bank, who introduced NFL's CSR Team and experts from the industry, to the Food Bank Model followed in Egypt and to be adapted in Pakistan. Aman Foundation is introducing Pakistan's first ever Food Bank, based on the Egyptian Model to combat food insecurity in Pakistan that has reached 43% according to the latest statistics. Pakistan Food Bank aims to provide nutritious food to widows, orphans and the poor and needy who are unable to work, so as to achieve zero-hunger in Pakistan by the year 2020.



Corporate Social Responsibility



SOS Pakistan - Feed the Children

City2Surf Marathon in Sydney

In 2012, 85,000 people from across the globe came together to participate in the City2Surf Marathon – the world's largest run in Sydney. The race was a grand platform to give back to the community, where corporate teams, individuals and athletes were running for a cause. The only country-specific charity taking part in the race, SOS-Pakistan was a collaboration of ordinary people aiming to support the underprivileged in this noble cause with the help of its Pakistan Partner, National Foods Ltd.

Project Yooralla

Team SOS-Pakistan, an initiative comprising of a dynamic team of self-supported and socially driven Australian individuals, ran to raise funds to bring clean water to the people in Sindh starting with Project Yooralla – Water Filtration on the Edge of the Thar Desert.

The initiative was to highlight the water crisis to the international community. We began with the Thar region that is indeed in a grave need for provision of clean water. Laboratory tests revealed the water currently used was not fit for human consumption resulting in illnesses, yet the inhabitants of the area walked miles to drink it.



SOS Pakistan - Feed the Children (SOS FTC) and NFL installed a Water Filtration Plant for the people living in the desert which now serves clean water to 5,000 people of the village around it and NFL partnering with SOS Pakistan is responsible for its delivery on-ground, maintenance and sustainability.

The Rose School Project

NFL is also collaborating with SOS Pakistan-FTC to provide nutritious school meals to children of the Rose School, a small school in the town of Gujranwala. NFL's contribution to the project is quite similar to its role in the Aman Ghar Project - it involves the provision of food ingredients for the school meals for the children at the school including rice and spices.

Aasmoon Lootfun Primary Girls' School

The Aasmoon Lootfun School is an initiative by NFL's Mauritius Distributor, Ismael Nobeebux, who has donated generously for the cause of promotion of female education in Pakistan by setting up this school, therefore it is not just a philanthropic gesture but an alliance that NFL has with its Business Partners. The school is located in Islamia Colony in the Kati Pahari area of Karachi where the majority of the population is Pakhtoon and unfortunately the

Corporate Social Responsibility

Quality, Research & Development



concept of female literacy is relatively low. Currently 70 students are enrolled at the Aasmoon School.

INTERNAL CSR

Employee Health Programme

The Human Resources Department, in collaboration with the CSR function, for the second year in a row, carried out NFL's Hepatitis B Vaccination drive across nation-wide locations of NFL with a team of qualified health professionals. The purpose of this program is to offer employees the benefit of free medical check-ups entailing basic tests and to do the analysis of their health too as free-of-cost vaccinations for their protection against a highly prevalent disease, Hepatitis B.

Donation of Computers

The Information Technology Department at NFL in collaboration with CSR donated Desktop computers to NGOs such as HEAD Trust and HOPE Foundation in line with optimizing the use of resources, even under the light of recycling in the spirit to encourage computer literacy as the world gets more technologically advanced.

OTHER AVENUES

Rice and Spices for Indus Hospital

In order to promote nutrition, NFL also donated a month's ration of rice and spices to the Indus Hospital that provides free treatment and food to patients and their attendants.

THE FUTURE OF CSR AT NFL

The integration and growth of CSR into the company this year is a concrete reminder of NFL's quest to socially aid not only its own people, but also the community and the country at large. To have a lasting and meaningful impact in the future, we believe in ensuring sustainability in the programs that we take on. The impact our programs have created in terms of improved well-being and health in the community can never be overstated as we, at NFL, consider it our utmost responsibility to improve the lives of people around us for a prosperous future and a better world for the generations to come!



It has been an extremely productive year for Quality Research and Development. Innovation and continuous improvement received unparalleled attention throughout the year.

The Quality team validated their testing efficiencies by participating in International proficiency testing by LGC (UK) London. National Foods successfully completed three rounds of testing with excellent ratings amongst more than 100 laboratories from different parts of the world. The ISO 17025:2005 (E) Scope was extended to include Microbiological tests i.e. TPC, Mold/yeast, Total Coliform and Salmonella by Pakistan National Accreditation Council (PNAC) Ministry of Science and Technology after six days of thorough assessment of Laboratory equipment, chemicals, personnel and documented procedures.

To strengthen its position in the international market and to ensure full compliance with international regulations, R&D was resolute to face all the ongoing challenges with absolute determination. This is evident by the fact that this year our products were off the Import-alert of US-FDA, and R&D successfully managed to get the barrier removed from four running products: Kasuri Methi, Coriander Powder, Quorma Masala and Garam Masala after five arduous years. Furthermore, R&D was also able to establish relations with leading Research Organizations such as the collaboration with HEJ, University of Karachi, PCSIR and PARC for advanced testing requirements for Exports and application of research to adopt international industry best practices.

This year the QRD Team focused on innovative products, which will cater to the emerging trend of a healthier lifestyle and prevalent consumer preferences. The product development team introduced National Fried Onions for the international markets, recipe line extension in the form of "Karachi Special" for Karachiites and Mango Fruitily in pouches and jars for the local market.

National Foods Quality team is again set to pioneer the

Food Industry by implementing the Allergen Control Program drafted and compiled this year. Internationally recognized list of allergens was compiled and existing products were evaluated against the same after which critical allergens have been mostly removed from the formulations to make it more customer friendly. Controls for the rest of the unavoidable allergens shall be rolled out and executed next year.

Another major milestone achieved this year was the Revitalization of Quality Specifications in the existing SAP-QM Module, which was a joint venture with the IT department. Considering the high volumes of over 200 raw and 1,200 packaging material specifications, there was a dire need to index, update, track, monitor, review, approve and print final Quality specifications in a user-friendly structure. The Quality and IT personnel took up this challenge and managed to provide a live document solution for the existing and future Quality specifications to compete against the race of time. For the benefit of consumers, the QRD team prepared an excellent, detailed document about the health benefits of all our existing products along with basic product information.

Additionally, a comprehensive Supplier evaluation report was developed to evaluate performance in different aspects such as facility/premises ratings, quality of goods received, procurement efficiencies and price factors.



Supply Chain Management Department



Supply Chain is fully geared to realize the company's 20/20 vision to be a 50 billion business. Supply chain at National Foods is committed to deliver the right quality and quantity, on time and in full at optimal cost to our customers.

The entire team has a single minded passion to be customer and consumer oriented, and in doing so we are working closely with our Suppliers and Customers to procure high quality materials to deliver products that excite our consumers. Our efforts in 2013 were garnered towards timely sourcing of materials from local and global vendors, reducing inventory turnover days and driving cost saving initiatives. Development of alternate sourcing of packaging and raw material was our priority as this provides us with flexibility besides financial considerations.

Realizing Vision 20/20 is heavily dependent on the success of our innovations. Innovation initiatives, we embarked upon, were consumer driven to achieve global standards in bringing convenience to them. Changes in National Foods packaging have helped take giant strides towards this objective and have also been recognized by our stakeholders.

Meticulous planning and forward thinking in Supply Chain is central in order to orchestrate with National Foods' Corporate objectives. Strategy documents and details plans are developed in Supply Chain to align itself with the 20/20 vision.

A new warehouse in Karachi was acquired, which is fully compliant with the company's drive to reduce energy consumption and adherence to ISA and OHSAS safety standards.

Production Department



Striving to not only fulfill National Foods' business needs, but also to exceed expectations by constantly improving its practices, our production facilities have played a core role with our leading edge technology and processes.

National Foods has a vision to improve the lifestyle of consumers through continuous innovation in product development and better packaging system. Hence, it was conceptualized to create an Innovation Centre, under the supervision of the Chairman.

During the year 2012-2013, the Production team was successful in implementing several process improvements and production enhancement projects to help the business grow. By using technical expertise and production experience, we streamlined an effective way to utilize soft mangoes in the production of pickles. There was also a shift from the Manual Pre-form Filling to Horizontal Form Fill Seal machine of Sauces, giving a 25% improvement in produced units of 2012-2013 compared to last year. This year also saw the completion of the Pickle Project to increase the overall capacity of production, whereby these process improvements were OHSAS approved.

Following the Kaizen Principle of constant



improvement, the Production Team improved the cooking, packing and loading process. The result was that there were more efficient on-time deliveries, reduced wastage, less burden on manual labor, higher capacity and cost saving.

Our plant at Muridke also went through significant transformation, which included upgradation of existing plant capacities, reduction in wastage and installation of new systems. These changes resulted in an increase in salt production of 39%, compared to last year. Furthermore, the Muridke plant team worked alongside the Quality Assurance team to successfully deploy the Occupational Health and Safety Management System and achieved its registration from United Registrar of Systems (URS). They also successfully cleared its annual surveillance audit by the URS team this year.

State of the Art technology was introduced to enhance production facilities and deal with technical hitches. We installed an online energy monitoring and management system which provided online monitoring of real-time & historical parameters of the electrical power system of the site that includes the current, voltage, power, power factor, harmonics & energy consumption of various departments. To cope up with the load shedding situation, we installed this dual fire system to ensure "0" production downtime throughout the year.

The Stores department provided on-time and error free delivery to the production department, the services of which allowed to fulfill planning and production requirements on time, materials handling of over 425 tons daily and 11,050 tons by store in the month of September, which is also a record of materials handling in PQ history.



Security



In the wake of the current law and order situation in the country, National Foods Security adopted a proactive approach to keep its people and assets safe. Prudent vigilance was on the agenda of the Security team as we worked tirelessly to keep operations of the business uninterrupted and to handle emergencies swiftly.

Many security procedures were adopted consisting of improvements in CCTV, better equipped security teams and installation of the BIO metric system across Pakistan. Moreover, special protocol was introduced for management, foreign guests and employees. Finally, a Special Risk Assessment Team was used to monitor security aspects and upgrade the security system within National Foods.

Directors' Report

Directors' Report to the Shareholders

Fellow Shareholders,

The Directors present the 2013 Annual Report together with audited financial statements of the company for the year ended June 30, 2013.

Financial Headlines:



Summary of business performance:

The 2013 environment was once again challenging on account of deteriorating law and order situation, high inflation, counterfeits and energy shortages. However, in the wake of such challenges, we delivered 20% sales growth (Volume 15%) with an improvement in trading operating margin and EPS growth thereby demonstrating the value of strong alignment of our people behind our strategic priority to become Rs. 50bn business by 2020. Strong presence in international markets is at the core of our vision statement and in line with our aspiration we established a subsidiary in Dubai NFL - DMCC to strengthen our export operations and plan to set up more subsidiaries in Europe and North America soon. The sustained business growth that we have evidenced in National Foods as well as strategic alignment provides framework for accelerated innovation, increased engagement with consumers and enhanced operational and financial capabilities. This will enable us to remain fit to win in more intense environment in future.

The 2013 results demonstrate that your company has made further progress. Sales were up by 20% (Local 20%; Export 24%) to Rs 11.6bn with volume contributing 15% of the growth. The Gross margin showed improvement of 209 basis points to 34.61% and operating profit was 17% and we crossed symbolic milestone of Rs. 1 billion threshold for the first time in the company's history.

Growth of business is contingent upon investment in our brands; we have stepped up investment in advertising and promotion by 100 basis points to

provide required platform to our brands for the future. This was evidenced by a very busy calendar of marketing activities. The quality of our campaigns were recognized by Pakistan Advertising Association, "Rang Bharti Jao" bagged the award in culinary category and "National Ka Pakistan" received Passion for Pakistan award as it reflects rich fusion of tradition and taste blended with an attempt to showcase softer image of Pakistan. "National Recipe Princess" engaged hundreds of college students to showcase their cooking talent. Looking into the future, improved merchandising, sharpened channel focus, enhanced social media presence and deepened reach in rural Pakistan are planned to support our growth aspirations.

Operational Excellence is well embedded within the culture of National Foods. The Cost savings and Cash generation initiatives that we embarked upon continued to improve margins and generate cash for the business. We are continuously striving to simplify our processes, accelerate the deployment of innovations in the market and leverage the full scale benefits of SAP.

Overall, the Board is pleased with the performance of the business so far as we make good progress towards realization of our 20/20 vision.

DIVIDEND

In view of this performance of the company, the Board proposed final cash dividend of Rs. 4 per share and stock dividend of 2.5 bonus shares for every 10 shares held. This is in addition to interim dividend of Rs. 3.5 per share.

Directors' Report to the Shareholders

KEY CATEGORY REVIEW (LOCAL) :

Recipe Mix: National Recipes sales grew by 25.2% further establishing its market leadership. Gross margin improved, thereby further strengthening the financial health of this important category. The National Recipe Princess contest was conducted in fifty colleges across six cities in Pakistan targeting college going female students. The Karachi Special launch was a laser focused activity to cater to Karachi by launching the recipe mixes keeping in mind the Karachi taste palette.

Ketchup: The Sauces Category recorded star performance of 39.6% growth underpinned by highly successful consumer offering of Ketchup and Chat Masala Combo Pack during peak seasonal period of Ramazan. Gross margin also improved significantly in this category. In addition to well-planned and tightly orchestrated advertising and promotional campaign, penetration, availability and visibility provided the brand fuel for growth to register impressive growth.

Fruitily: Despite strong competitive environment in this category, Fruitily recorded 5.6% growth, gained market share with noticeable improvement in Gross margin. As this is new addition to National Foods portfolio, we will continue to invest in this category to accelerate growth for the future.

Salt: Sales grew by 26.5% with Gross margin improving significantly thereby delivering healthy bottom line. This category has significant potential on health platform as it serves the human body's requirement for Iodine.

Pickles: The category grew by 18%, despite stiff competition. However, Gross margin was diluted on account of higher material cost as we did not pass on inflationary pressure to consumers. The manufacturing process has been redesigned to fully exploit the potential of automation and further upgrade the safety standards.

EXPORTS

National Foods has made its strategic intent quite clear to become an international player and evolved into a

Local Multi-National Foods Company that markets its brand in overseas market. Overseas market offers us the biggest white space and we can create significant value for our shareholders and business partners. To fulfill the purpose, a wholly owned subsidiary of National Foods with the name of NF DMCC has been established in UAE. National Foods further expanded its presence by starting the process of establishing similar subsidiaries in Canada and UK. Through these companies we will unleash the potential of our products in the international market.

With the double digit growth the export business performed extremely well. National Basmati Rice, in its new packaging, was launched in various key markets, in an effort to obtain a chunk of the branded basmati rice market.

Newly developed products, such as Ginger Garlic pastes, National Fried Onions and the Chutneys range, were an important area of focus while efforts were continued to increase sales in traditional categories like Recipe, Pickle, and Desserts.

Market development led to National Foods' presence in over 45 countries. This year, National Foods launched some of its major categories including Recipes, Pickles and Desserts in India, with plans of extending the product range in subsequent years. We also took part in various exhibitions, including the IITF fair to facilitate its new launch in the Indian market.

In addition, the second Distributor Conference USA Canada was held in Toronto, where valued business partners gathered together to discuss sales achievements, marketing strategies, promotional plans and the future outlook of the North American region for National Foods.

OUR PEOPLE

Critical to our success is our people. We take pride in the intensity and propensity of our people to deliver results amidst very challenging conditions. We are attracting the best talent the market has to offer. We have embedded in our organization an entrepreneurial spirit, encouraged people to take calculated risk and move with speed and agility.

Directors' Report to the Shareholders

National Foods is a learning organization where employees are encouraged to challenge themselves. Our leadership panel is our pride, which 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.

CORPORATE SUSTAINABILITY

It is fundamental that National Foods plays a positive role in the society in which it operates. Corporate Social Responsibility (CSR) at National Foods is a strategic commitment and good corporate ethics are the hallmarks for our long term success. Whilst creating long-term value for our shareholders is mission critical but it is equally important to us at National Foods to connect positively with the society at large.

i) Community Investment

During the year various CSR initiatives along with other philanthropic activities crowned into a complete CSR agenda that boomed with NFL's strategy and the aim of returning to the community.

AAGAH ADULT LITERACY PROGRAM (ALP)

The Aagahi Adult Literacy Program is an initiative that was launched in 2005 by The Citizens Foundation (TCF). This was launched in order to provide educational opportunities to mothers and older sisters of TCF students as well as other women in the community.

Since its inception to date, over 19,500 women have been made literate through this program. In ALP, Literate Pakistan Foundation is the education partner whereas National Foods, Shield Corporation and International Textile Ltd. are the main financial partners.

ALP will be achieving even more ambitious targets next year and education will be spread at a faster pace than ever before.

EMPLOYEE HEALTH PROGRAM

For the second year in a row, NFL carried out a Hepatitis B Vaccination drive across nation-wide locations of NFL with a team of qualified health professionals. The

Object behind this exercise is to offer employees the benefit of free medical check-ups as well as provision of free-of-cost vaccinations for their protection against Hepatitis B.

COLLABORATION WITH AMAN FOUNDATION

It is unfortunate that Pakistan, according to the 2010 Global Hunger Index, ranks 52nd in the world and hence nearly 10 million children suffer from malnutrition in Pakistan. In order to play a positive role as a corrective measure in this situation, Aman Foundation launched AmanGhar - a program that provides hygienically prepared meals free of cost to school-going children in KhudakiBasti, an economically challenged suburb in Karachi.

AmanGhar main objective is to reduce hunger and promote optimal development that includes physical and mental growth, while simultaneously motivating children to attend school. NFL supports this kitchen in kind by providing products from the NFL range for the production of meals for these children.

PAKISTAN FOOD BANK PROJECT

NFL is proud to be part of this project which is initiated by Aman Foundation. This is Pakistan's first ever Food Bank, based on the Egyptian Bank Model to combat food insecurity in Pakistan that has reached 43 percent according to the latest statistics. Pakistan Food Bank aims to provide nutritious food to the needy who are unable to work, so as to achieve zero-hunger in Pakistan by the year 2020.

ii) Philanthropic Initiatives

DONATION OF COMPUTERS

Desktop computers have been donated to NGOs such as HEAD Trust and HOPE Foundation in line with optimizing the use of resources, and to encourage computer literacy as the world is getting more and more technologically advanced.

iii) Occupational Safety and Health

NFL places Safety and Health of its employees at the heart of its business agenda. NFL's management is continually improving its management systems and

Directors' Report to the Shareholders

standards not only at the work place, but also through "Off-The-Job Safety" initiatives to inculcate this consciousness amongst its employee round the clock. For this purpose a whole department has been set up which is directly reportable to the CEO. This department monitors the ongoing security issues and threats, on-site and off-site, and accordingly informs its employees and workers so that the safety measures could be undertaken.

iv) 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. 1,851.20 million (2012: Rs. 1,570.10 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. 966 million (2012: Rs. 775 million) was also generated through export of products, further reflecting our participation in the national economy.

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 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 there from 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 five members, including Chairman of the Committee. The chairman of Audit Committee is an independent director and 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.

- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.

- A statement regarding key financial data for the last six years is annexed to this report.

- The value of investments of Provident Fund based on audited accounts was Rs. 163 million.

- During the last business year five meetings of the Board of Directors were held. Attendance by each Director was as follows:

Directors' Report to the Shareholders

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

Directors of the Company have attended the Directors' Training Program as required under clause (xi) of the Code of Corporate Governance 2012.

PATTERN OF SHAREHOLDING

The pattern of shareholding of the company is annexed to this report.

INTERNAL AUDITORS

On the recommendation of the Audit Committee, the Board of Directors in its meeting held on 6th September 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 auditor until the next Annual General Meeting.

Directors' Report to the Shareholders

BUSINESS RISKS FUTURE OUTLOOK

The business aims to continue its journey of profitable growth. This will not be easy due to various external challenges i.e. law and order conditions, currency depreciation, inflationary pressures, employee attrition, poor GDP growth and competitive intensity.

NFL's understanding of consumers, R&D capability/innovations and better consumer service will help us to counter the aforementioned challenges. We will continue to live purpose-inspired growth strategy of elevating consumer delight worldwide and bring nutritious and affordable products to its worthy customers. We are committed to overcome challenges by providing consumer insights into meaningful decisions.

ACKNOWLEDGEMENT

As always, it is our pleasure to express gratitude to all our people on behalf of the Board and our shareholders. The year under review has been characterized by difficulties and challenges caused by deteriorating law and order situation, energy shortages, inflation and competitive intensity. Regardless, our people have continued to devote all their energies and resourcefulness to perform to the highest levels and standards. Our thanks go to all of them.

On behalf of the Board of Directors


A. Majeed
Chairman

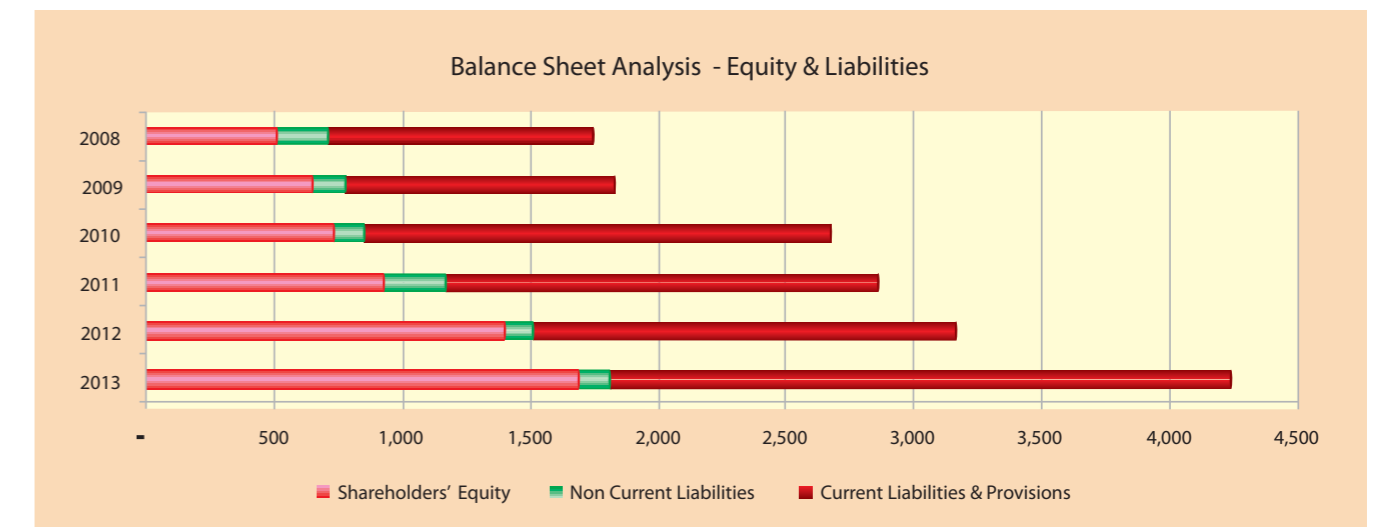
Karachi

Financial Ratios

	Unit	2013	2012	2011	2010	2009	2008
Profitability Ratios							
Gross Profit Ratio	%	34.61	32.52	28.51	29.55	29.97	32.20
Operating Profit to Sale	%	12.32	12.66	8.83	5.76	8.18	9.48
Net Profit to Sales	%	7.88	8.14	4.18	1.93	3.71	5.11
EBITDA Margin to Sales	%	13.67	14.02	10.62	7.85	10.40	11.33
Operating Leverage Ratio	%	83.60	288.57	385.63	(81.89)	26.28	159.98
Return on Equity	%	43.65	50.17	27.70	12.39	23.81	35.43
Return on Capital Employed	%	40.57	43.43	22.79	10.53	18.49	24.56
Return on Assets	%	15.82	18.46	8.08	3.24	7.60	8.96
Liquidity Ratios							
Current Ratio	Times	1.28	1.33	1.23	1.01	1.14	1.07
Quick / Acid Test Ratio	Times	0.50	0.39	0.20	0.19	0.32	0.34
Cash to Current Liabilities	Times	(0.33)	(0.28)	(0.43)	(0.64)	(0.45)	(0.51)
Cash Flow from Operations to Sales	%	4.21	14.90	7.65	(8.71)	5.38	(3.12)
Working Capital Turnover	Times	12.32	12.97	14.20	198.98	26.65	43.13
Activity / Operating Performance Ratios							
No. of Days in Inventory	Days	113.32	124.12	149.57	135.54	111.09	108.33
No. of Days in Receivables	Days	20.10	14.68	17.88	21.45	25.91	22.15
No. of Days in Payables	Days	16.94	24.74	28.89	20.49	22.86	30.80
Operating Cycle	Days	116.48	114.07	138.56	136.49	114.13	99.69
Asset Turnover	Times	2.31	2.38	2.00	1.99	2.10	2.09
Inventory Turnover	Times	3.22	2.94	2.44	2.69	3.29	3.37
Receivables Turnover	Times	18.16	24.86	20.42	17.02	14.09	16.48
Payables Turnover	Times	21.55	14.75	12.63	17.81	15.96	11.85
Investment / Market Ratios							
Earnings Per Share	Rs.	16.39	14.07	5.56	2.09	3.37	3.78
Price Earning Ratio	Times	22.19	13.65	13.48	21.03	17.40	12.81
Dividend Yield Ratio	%	2.77	3.12	3.33	8.42	68.30	0.83
Dividend Payout Ratio	%	61.54	42.63	44.93	177.15	1,188.65	10.59
Dividend Cover Ratio	Times	1.63	2.35	2.23	0.56	0.08	9.44
Cash Dividend Per Share	Rs.	7.50	6.00	2.50	1.20	-	-
Cash Dividend	%	75.00	60.00	25.00	12.00	-	-
Stock Dividend Per Share	Rs.	2.50	-	-	2.50	50.00	3.00
Stock Dividend	%	25.00	-	-	25.00	500.00	30.00
Market Value Per Share at the end of the year	Rs.	360.65	192.14	75.00	43.92	73.21	363.00
Low during the year	Rs.	187.30	57.21	39.01	42.00	47.10	210.00
High during the year	Rs.	391.40	220.99	88.00	114.99	435.00	520.00
Breakup Value Per Share without Surplus on Revaluation of Fixed Assets	Rs.	40.59	33.84	22.27	17.90	19.77	93.37
Market Capitalisation (in millions)	Rs.	14,946.33	7,962.81	3,108.21	1,820.17	2,427.22	2,005.83
Capital Structure Ratios							
Financial Leverage Ratio	%	56.54	36.24	102.33	170.13	93.34	139.16
Weighted Average Cost of Debt	%	10.01	9.53	11.12	10.35	12.73	9.64
Debt to Equity Ratio	%	-	-	18.39	3.00	11.25	24.47
Interest Coverage Ratio	Times	14.07	12.77	3.88	2.60	3.54	5.16
No. of Ordinary Shares (in millions)	Rs.	41.44	41.44	41.44	41.44	33.15	5.53

Horizontal Analysis

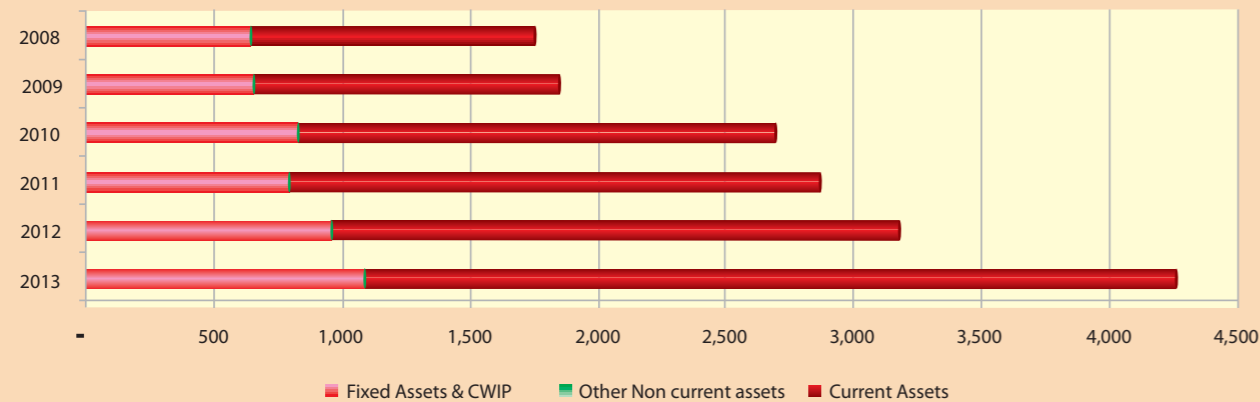
	2013	2012	2011	2010	2009	2008
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	19.21	29.85	22.96	19.45	22.76	28.06
Cost of Sales	15.55	22.55	24.79	20.17	26.78	31.98
Gross Profit	26.80	48.16	18.61	17.75	14.30	20.54
Administration Cost	29.41	13.33	9.76	9.33	15.38	42.86
Distribution cost	36.82	33.97	(2.64)	36.64	16.84	10.89
Other Operating Expense	9.21	130.30	94.12	(15.00)	11.11	(5.26)
Financial Charges	5.63	(43.65)	27.27	13.79	55.36	69.70
Other Income	55.81	258.33	(47.83)	35.29	(22.73)	(26.67)
Profit before Tax	16.85	131.86	125.63	(27.60)	(5.56)	22.51
Taxation	20.55	93.13	79.45	(9.88)	5.19	24.19
Profit after taxation	15.24	153.91	164.37	(37.86)	(10.83)	21.71
BALANCE SHEET						
Issued, subscribed and paid up capital	0.00	0.00	0.00	25.08	501.82	27.91
Unappropriated Profit	28.34	94.49	54.88	1.23	(29.72)	41.85
Share Capital and Reserves	19.97	52.06	24.26	13.28	26.94	40.22
Long Term Obligations	18.69	(57.87)	139.62	(24.29)	(28.93)	1.55
Total Long-term Liabilities and shareholder equities	19.88	28.32	38.68	6.67	11.50	26.87
Fixed Assets, CWIP & Intangibles	12.72	21.46	4.51	26.15	1.88	28.63
Other Non current assets	633.33	45.00	(20.00)	0.00	25.00	33.33
Current Assets	42.55	6.53	11.79	56.69	6.79	60.14
Total Assets	34.69	10.69	6.73	45.72	5.04	46.93
Less: Current Liabilities & Provisions	48.24	(1.67)	(8.11)	75.58	0.58	64.91
Net Assets	19.88	28.32	38.68	6.67	11.50	26.87



Vertical Analysis

	2013	2012	2011	2010	2009	2008
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Sales	65.40	67.47	71.49	70.45	70.02	67.80
Gross Profit	34.60	32.53	28.51	29.55	29.98	32.20
Administration cost	3.09	2.85	3.26	3.65	3.99	4.25
Distribution cost	19.00	16.56	16.05	20.27	17.72	18.61
Other operating cost	0.97	1.06	0.60	0.38	0.53	0.59
Financial Charges	0.88	0.99	2.28	2.20	2.31	1.83
Other Income	0.78	0.60	0.22	0.51	0.45	0.72
Profit before Tax	11.44	11.68	6.54	3.56	5.88	7.64
Taxation	3.57	3.53	2.37	1.63	2.15	2.51
Profit after taxation	7.88	8.15	4.17	1.93	3.72	5.13
BALANCE SHEET						
Issued, subscribed and paid up capital	22.89	27.44	35.20	48.82	41.64	7.71
Unappropriated Profit	70.09	65.47	43.20	38.68	40.75	64.66
Share Capital and Reserves	92.98	92.91	78.40	87.50	82.39	72.37
Long Term Obligations	7.02	7.09	21.60	12.50	17.61	27.63
Total Long-term Liabilities and shareholder equities	100.00	100.00	100.00	100.00	100.00	100.00
Fixed Assets, CWIP & Intangibles	59.26	63.02	66.58	96.70	81.76	89.48
Other Non current assets	2.43	0.40	0.34	0.59	0.63	0.56
Current Assets	173.52	145.92	175.77	218.04	148.43	154.98
Total Assets	235.21	209.34	242.69	315.33	230.82	245.02
Less: Current Liabilities & Provisions	135.21	109.34	142.69	215.33	130.82	145.02
Net Assets	100.00	100.00	100.00	100.00	100.00	100.00

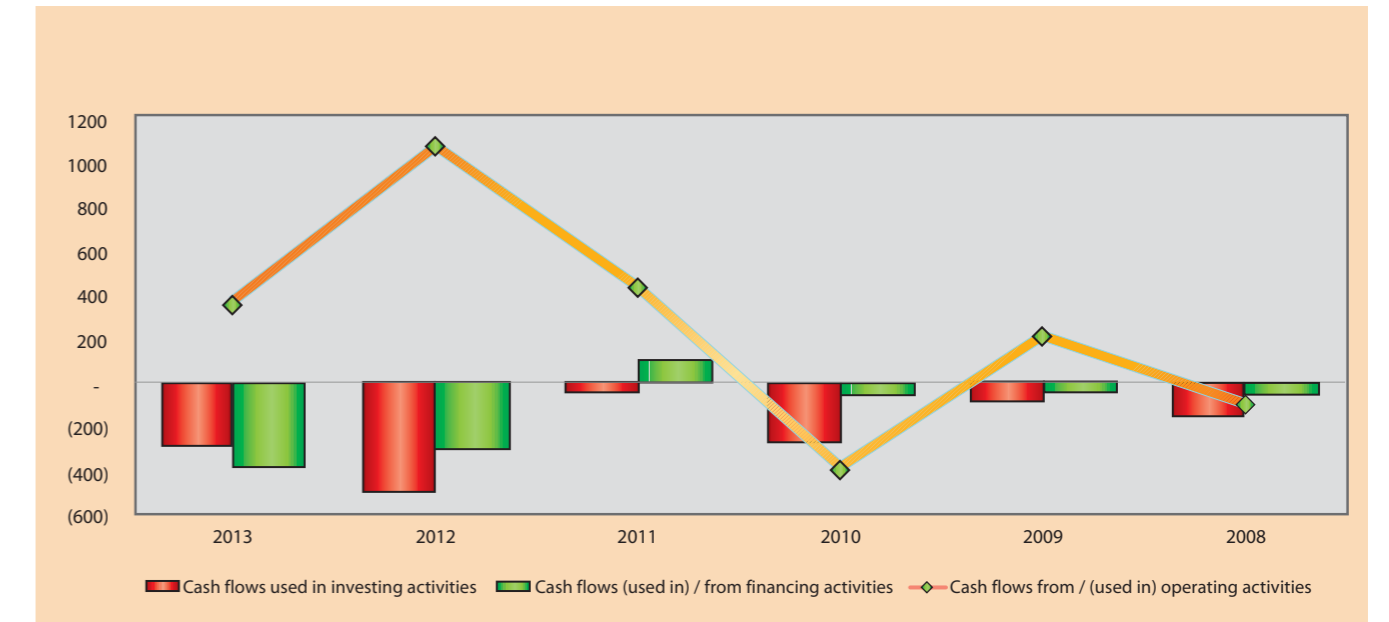
Balance Sheet Analysis - Assets



Summary of Six Year Cash Flows

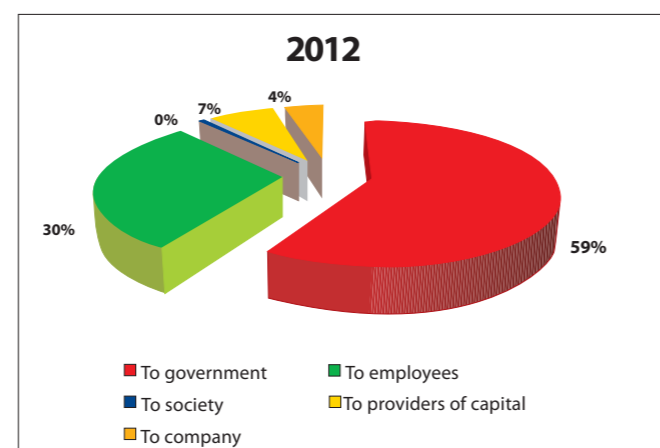
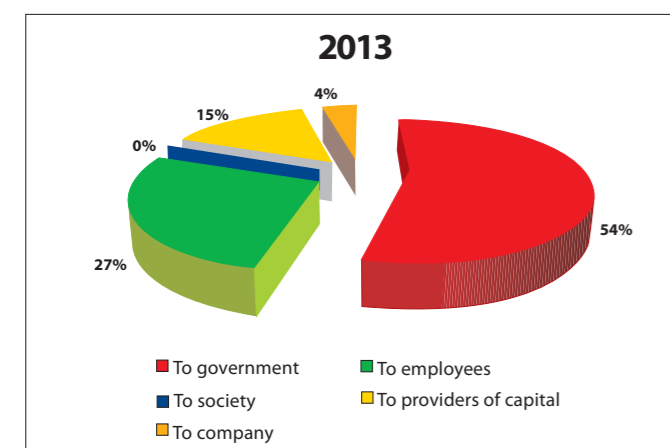
(Rupees in Millions)

	2013	2012	2011	2010	2009	2008
Cash flows from / (used in) operating activities	360	1,069	423	(391)	202	(96)
Cash flows used in investing activities	(302)	(500)	(55)	(259)	(94)	(171)
Cash flows (used in) / from financing activities	(390)	(320)	94	(55)	(56)	(63)
Net increase / (decrease) in cash and cash equivalents	(332)	249	462	(705)	52	(330)
Cash and cash equivalents at the beginning of the year	(464)	(714)	(1,176)	(471)	(523)	(193)
Cash and cash equivalents at the end of the year	(796)	(465)	(714)	(1,176)	(471)	(523)



Statement of Value Added and its Distribution

	2013		2012	
	(Rupees in thousand)	%	(Rupees in thousand)	%
WEALTH GENERATED				
Total revenue inclusive of Sales Tax and other income	9,920,570		8,328,615	
Brought in materials and services	6,796,265		5,882,217	
	3,124,305	100%	2,446,398	100%
WEALTH DISTRIBUTION				
To government				
Income tax, sales tax, excise duty and WWF & WPPF	1,686,227	54%	1,433,137	59%
To employees				
Salaries, benefits and other costs	851,165	27%	732,240	30%
To society				
Donations towards education and welfare	3,317	0%	8,584	0%
To providers of capital				
Interest / mark up on borrowed funds	74,832	2%	71,042	3%
Dividend to shareholders	393,706	13%	103,607	4%
To Company				
Depreciation, amortisation & retained profits	115,058	4%	97,788	4%
	3,124,305	100%	2,446,398	100%



Pattern of Shareholding

Combined Pattern of CDC & Physical Shareholdings as at June 30, 2013

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
KHAWAJA MUNIR MASHOOQULLAH	1	69,650	0.17
ABDUL MAJEED	1	1,583,990	3.82
EBRAHIM QASSIM	1	705,427	1.70
KULSUM BANO	1	298,807	0.72
ABRAR HASAN	1	4,087,305	9.86
WAQAR HASAN	1	4,875	0.01
JAMILA WAQAR	1	4,875	0.01
ZAHID MAJEED	1	2,440,665	5.89
M.E.MAJEED	1	163,672	0.39
IQBAL ALIMOHAMED	1	2,792,051	6.74
NOREEN HASAN	1	7,000	0.02
DR. ZEELAF MUNIR	2	275,842	0.67
Associated Companies, undertakings and related parties			
ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD	1	13,743,090	33.16
Executives	-	-	-
Public Sector Companies and Corporations	2	2,825,170	6.82
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	4	60,070	0.14
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	3,400	0.01
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	73,100	0.18
CDC - TRUSTEE UBL SHARIA STOCK FUND	1	90,700	0.22
CDC - TRUSTEE HBL - STOCK FUND	1	137,500	0.33
MCBFSL - TRUSTEE URSF - EQUITY SUB FUND	1	6,100	0.01
MCBFSL - TRUSTEE UIRSF - EQUITY SUB FUND	1	6,000	0.01
CDC - TRUSTEE HBL ISLAMIC STOCK FUND	1	31,000	0.07
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	4,700	0.01
General Public			
a. Local	1,529	11,396,660	27.50
b. Foreign	-	-	-
Foreign Companies	3	581,900	1.40
Others	19	49,194	0.12
Totals	1,579	41,442,743	100.00

Categories of Shareholders	Shares Held	Percentage
ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD	13,743,090	33.16
KHAWAR M. BUTT	5,091,782	12.29
ABRAR HASAN	4,087,305	9.86
NATIONAL BANK OF PAKISTAN	2,824,900	6.82
IQBAL ALIMOHAMED	2,792,051	6.74
ZAHID MAJEED	2,440,665	5.89

Pattern of Shareholding

Pattern of Shareholding CDC & Physical as on June 30, 2013

Number of Share Holders	Shareholdings' Slab		TOTAL SHARES HELD
721	1	to 100	32,834
401	101	to 500	98,996
145	501	to 1000	119,263
198	1001	to 5000	502,758
42	5001	to 10000	307,860
11	10001	to 15000	139,897
13	15001	to 20000	231,945
12	20001	to 25000	255,596
1	25001	to 30000	29,880
2	30001	to 35000	63,737
1	40001	to 45000	41,392
1	50001	to 55000	50,100
1	60001	to 65000	61,826
1	65001	to 70000	69,650
2	70001	to 75000	147,280
1	90001	to 95000	90,700
1	95001	to 100000	100,000
2	125001	to 130000	255,299
1	135001	to 140000	137,500
1	150001	to 155000	155,000
1	160001	to 165000	163,672
1	210001	to 215000	214,016
3	265001	to 270000	808,020
1	295001	to 300000	298,807
1	330001	to 335000	330,696
1	360001	to 365000	360,885
1	485001	to 490000	487,500
1	500001	to 505000	501,006
1	555001	to 560000	556,900
2	705001	to 710000	1,414,484
1	850001	to 855000	851,461
1	1580001	to 1585000	1,583,990
1	2440001	to 2445000	2,440,665
1	2790001	to 2795000	2,792,051
1	2820001	to 2825000	2,824,900
1	4085001	to 4090000	4,087,305
1	5090001	to 5095000	5,091,782
1	13740001	to 13745000	13,743,090
1579			41,442,743

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2013

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:

Independent Directors

Mr. Iqbal Alimohamed
Mr. Khawaja Munir Mashooqullah

Executive Directors

Mr. Waqar Hasan
Mr. Abrar Hasan

Non-Executive Directors

Mr. Abdul Majeed
Mr. Ebrahim Qassim
Mr. Zahid Majeed

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a "Code of 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 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.
10. The board has approved the appointment of Company Secretary, Head of Internal Audit and CFO including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2013

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises five (05) directors, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. 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 five (05) directors of whom all 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 Chartered Accountants, 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 programme 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (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 Code of Corporate Governance have been complied with.

Karachi
Dated: 06 September 2013


Abrar Hasan
Chief Executive

Review Report on the Compliance with the 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.

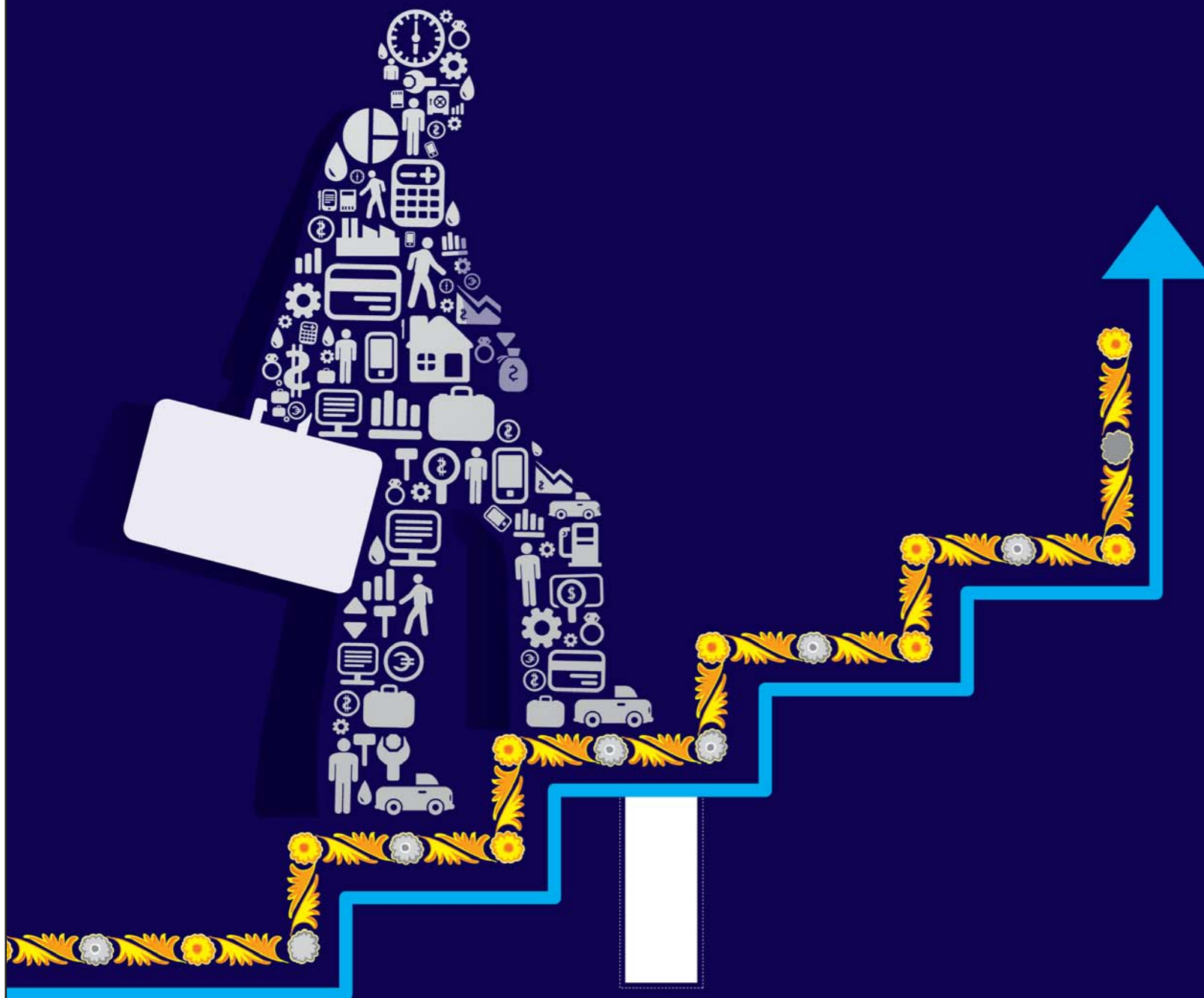
Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's 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, 2013.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 12, 2013

Name of the Engagement Partner: Syed Fahim ul Hasan



Financial Statements 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2013 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, 2013 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 12, 2013

Name of the Engagement Partner: Syed Fahim ul Hasan

Balance Sheet

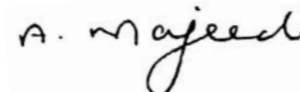
AS AT JUNE 30, 2013

Note	2013	2012
	(Rupees in thousand)	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	3	1,048,957
Intangibles	4	23,086
Long term investment	5	31,719
Long term deposits		11,696
		<u>1,115,458</u>
CURRENT ASSETS		
Stores, spare parts and loose tools		5,185
Stock in trade	6	1,912,425
Trade debts	7	652,142
Advances	8	49,076
Trade deposits and prepayments	9	17,055
Other receivables	10	16,700
Investments	11	327,908
Taxation - Provision less payments		4,160
Cash and bank balances	12	154,583
		<u>3,139,234</u>
		<u>4,254,692</u>
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid-up capital	13	414,427
Unappropriated profit		1,267,598
		<u>1,682,025</u>
NON-CURRENT LIABILITIES		
Deferred tax	14	123,198
Retirement benefits obligations	15	3,811
		<u>127,009</u>
CURRENT LIABILITIES		
Trade and other payables	16	1,331,561
Accrued interest / mark up		23,536
Short term borrowings	17	950,968
Taxation - Provision less payments		-
Due to the government - sales tax payable		139,593
		<u>2,445,658</u>
COMMITMENTS	18	2,445,658
		<u>4,254,692</u>

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



Chief Executive



Director

Profit and Loss Account

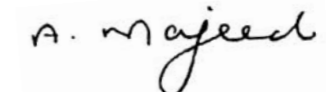
FOR THE YEAR ENDED JUNE 30, 2013

Note	2013	2012
	(Rupees in thousand)	
Sales	19	8,545,966
Cost of sales	20	(5,588,508)
Gross profit		<u>2,957,458</u>
Distribution costs	21	(1,624,168)
Administrative expenses	22	(264,272)
Other operating expenses	23	(82,940)
Other income	24	66,955
Operating profit		<u>1,053,033</u>
Finance costs	25	(74,832)
Profit before taxation		<u>978,201</u>
Taxation	26	(304,950)
Profit after taxation		<u>673,251</u>
Other comprehensive income		-
Total comprehensive income		<u>673,251</u>
Earnings per share	27	<u>Rs 16.25</u>

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



Chief Executive



Director

Cash Flow Statement

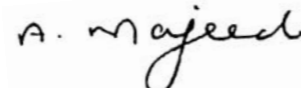
FOR THE YEAR ENDED JUNE 30, 2013

Note	2013	2012
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	777,412	1,381,497
Finance cost paid	(63,287)	(84,768)
Income tax paid	(344,466)	(221,995)
Retirement benefits obligations paid	(4,113)	(4,536)
Net increase in long term deposits	(5,884)	(1,432)
Net cash from operating activities	359,662	1,068,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(216,616)	(265,585)
Sale proceeds from disposal of property, plant and equipment	4,590	5,932
Purchase of intangible assets	(21,848)	(3,525)
Investment in National Foods DMCC, Dubai, UAE	(31,719)	-
Purchase of open ended mutual fund units	(460,000)	(490,000)
Sale of open ended mutual fund units	423,992	253,465
Net cash used in investing activities	(301,601)	(499,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long term financing - net	-	(214,000)
Decrease in liabilities against assets subject to finance lease - net	-	(2,343)
Dividend paid	(390,202)	(103,239)
Net cash used in financing activities	(390,202)	(319,582)
Net (decrease) / increase in cash and cash equivalents	(332,141)	249,471
Cash and cash equivalents at beginning of the year	(464,244)	(713,715)
Cash and cash equivalents at end of the year	(796,385)	(464,244)

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



Chief Executive



Director

Statement of Changes in Equity

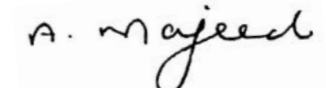
FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	(Rupees in thousand)		
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
Other comprehensive income for the year ended June 30, 2012	-	-	-
Balance as at June 30, 2012	414,427	988,053	1,402,480
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	(248,656)	(248,656)
Interim dividend for the year ended June 30, 2013 @ Rs 3.50 per share	-	(145,050)	(145,050)
Profit for the year ended June 30, 2013	-	673,251	673,251
Other comprehensive income for the year ended June 30, 2013	-	-	-
Balance as at June 30, 2013	414,427	1,267,598	1,682,025

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



Chief Executive



Director

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

1. THE COMPANY AND ITS OPERATIONS

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

2. 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 14.1 and 26
- (ii) Retirement benefits obligations - note 15

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, 2012 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 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 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.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

(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 Long term investment

Investment in subsidiary is stated at cost.

2.6 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.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

2.7 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 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, 2013.

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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pak Rupee which is the functional and presentation currency of the company and figures are rounded off to the nearest thousand of rupees.

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

rates of exchange approximating those prevailing at the balance sheet date. Exchange gains / losses on translation are included in income currently.

2.21 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.

2.22 Research and development

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

2.23 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.

2.24 Dividends

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

	2013	2012
	(Rupees in thousand)	
Operating assets - note 3.1	1,020,094	888,716
Capital work in progress - at cost - note 3.2	28,863	58,341
	<u>1,048,957</u>	<u>947,057</u>

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 3.1

Capital work in progress - at cost - note 3.2

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

3.1 Operating assets

	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers		Laboratory equipments	Vehicles		Total
						owned	subject to finance lease		owned	subject to finance lease	
(Rupees in thousand)											
Net carrying value basis Year ended June 30, 2013											
Opening net book value (NBV)	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
Additions (at cost)	-	54,984	128,901	14,397	4,328	38,820	-	2,270	2,394	-	246,094
Disposals / write offs (at NBV)	-	-	-	-	(46)	(819)	-	-	(1,095)	(933)	(2,893)
Depreciation charge	(3,361)	(21,067)	(57,410)	(5,274)	(3,120)	(12,946)	-	(1,385)	(6,364)	(896)	(111,823)
Closing net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Gross carrying value basis At June 30, 2013											
Cost	173,594	485,381	688,830	43,193	39,434	72,907	12,815	13,315	47,821	11,197	1,588,487
Accumulated depreciation	(12,668)	(124,052)	(287,970)	(27,327)	(27,633)	(31,217)	(12,815)	(6,181)	(27,421)	(11,109)	(568,393)
Net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
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 (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	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
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	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	5	10	5	5	

3.2 Capital work in progress

These comprise of:

Civil work in progress
Plant and machinery
Building
Advance against acquisition of land
Advances to suppliers
Office equipment

	2013	2012
	(Rupees in thousand)	
Civil work in progress	6,937	19,837
Plant and machinery	3,722	22,831
Building	3,084	-
Advance against acquisition of land	15,120	-
Advances to suppliers	-	8,379
Office equipment	-	7,294
	<u>28,863</u>	<u>58,341</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

3.3 The details of property, plant and equipment having net book value of Rs. 50,000 and above sold during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
Vehicles						
Toyota Corolla	925	786	139	278	Company policy	Mr. Ajmal Khan Executive
Toyota Corolla	1,269	1,015	254	381	"	Mr. Amjad Niaz Executive
Suzuki Mehran	544	290	254	122	"	Mr. Mian Anjum Hafeez Executive
Suzuki Mehran	408	354	54	122	"	Mr. Muhammad Yaseen Dar Executive
Yamaha Junoon	74	12	62	67	Insurance claim	EFU General Insurance Limited
Honda CD-70	67	3	64	67	"	EFU General Insurance Limited
Computers						
Laptop	77	11	66	46	"	EFU General Insurance Limited
Laptop	77	66	11	43	"	EFU General Insurance Limited

4. INTANGIBLES - computer software

Computer softwares and ERP System - note 4.1
Systems under development

4.1 Computer softwares and ERP System

Net carrying value basis

Opening net book value
Additions (at cost)
Amortisation for the year
Closing net book value

Gross carrying value basis

Cost
Accumulated amortisation
Net book value

	2013	2012
(Rupees in thousand)		
	12,925	4,473
	10,161	-
	<u>23,086</u>	<u>4,473</u>
	4,473	8,958
	11,687	3,525
	(3,235)	(8,010)
	<u>12,925</u>	<u>4,473</u>
	74,859	63,172
	(61,934)	(58,699)
	<u>12,925</u>	<u>4,473</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

5. LONG TERM INVESTMENT

Investment in Subsidiary - at cost
National Foods DMCC, Dubai, UAE
1,188 shares of AED 1,000 each

5.1 This represents investment in wholly owned subsidiary setup in United Arab Emirates during the year. The subsidiary is formed as a limited liability company. The subsidiary commenced its operations with effect from March 2013.

6. STOCK IN TRADE

Raw materials (including in transit
Rs. 64.66 million; 2012: Rs. 12.05 million)
Provision for obsolescence

Packing materials (including in transit
Rs. 7.93 million; 2012: Nil)
Provision for obsolescence

Work in process
Provision for obsolescence

Finished goods
Provision for obsolescence

6.1 Stock in trade includes Rs. 622.28 million (2012: Rs. 480.11 million) held with third parties.

6.2 The above balances include items costing Rs. 26.54 million (2012: Rs. 57.53 million) valued at net realisable value of Rs. 22.39 million (2012: Rs. 33.67 million).

6.3 The company has made a provision of Rs. 6.26 million for obsolescence (2012: reversal of provision of Rs. 4.02 million) and has written off stocks against the provision amounting to Rs. 2.70 million (2012: Rs. 3.51 million) during the year.

7. TRADE DEBTS

Considered good - unsecured

Related parties - note 7.2 and 7.3
Others
- local
- foreign

Considered doubtful

Less: Provision for doubtful trade debts

2013	2012
(Rupees in thousand)	
31,719	-
(Rupees in thousand)	
804,082 (21,878) 782,204	575,894 (8,066) 567,828
197,912 (17,317) 180,595	141,556 (11,400) 130,156
599,196 (3,142) 596,054	437,192 (15,766) 421,426
355,207 (1,635) 353,572	443,317 (5,189) 438,128
<u>1,912,425</u>	<u>1,557,538</u>

2013	2012
(Rupees in thousand)	
36,743	2,611
247,102	29,596
368,297	256,787
652,142	288,994
2,542	5,472
654,684	294,466
(2,542)	(5,472)
<u>652,142</u>	<u>288,994</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
7.1		
As of June 30, 2013, trade debts of Rs. 171.81 million (2012: Rs. 118.31 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:		
Up to 3 months	160,040	104,813
3 to 6 months	4,387	960
More than 6 months	7,379	12,536
	<u>171,806</u>	<u>118,309</u>
7.2 Receivable from related parties		
Premier Distributor	36,322	2,190
Premier Agency	421	421
	<u>36,743</u>	<u>2,611</u>

7.3 As at June 30, 2013, trade debt from Premier Distributor is not yet due while trade debt from Premier Agency has been outstanding for more than 6 months.

	2013	2012
	(Rupees in thousand)	
8. ADVANCES		
Considered good		
Employees - against expenses	349	281
Suppliers	48,727	24,779
	<u>49,076</u>	<u>25,060</u>
Considered doubtful		
Suppliers	3,413	3,413
	<u>52,489</u>	<u>28,473</u>
Less: Provision for doubtful advances to suppliers	(3,413)	(3,413)
	<u>49,076</u>	<u>25,060</u>

	2013	2012
	(Rupees in thousand)	
9. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	3,709	9,961
Prepayments	13,346	9,256
	<u>17,055</u>	<u>19,217</u>
Considered doubtful		
Deposits	1,553	1,319
	<u>18,608</u>	<u>20,536</u>
Less: Provision for doubtful deposits	(1,553)	(1,319)
	<u>17,055</u>	<u>19,217</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
10. OTHER RECEIVABLES		
Due from related party - National Foods DMCC	1,235	-
Others	15,465	3,493
	<u>16,700</u>	<u>3,493</u>
11. INVESTMENTS		
Investments - at fair value through profit and loss account - note 11.1	327,908	260,132

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

	2013	2012		2013	2012
	Units			(Rupees in thousand)	
	1,205,447	1,085,577	HBL Money Market Fund	122,045	111,698
	10,592,157	-	NAFA Money Market Fund	106,081	-
	482,567	-	MCB Dynamic Cash Fund	50,000	-
	496,786	-	Askari Sovereign Yield Enhancer	49,782	-
	-	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>327,908</u>	<u>260,132</u>

11.1.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2013 as quoted by the respective Asset Management Companies.

	2013	2012
	(Rupees in thousand)	
12. CASH AND BANK BALANCES		
Cash in hand	1,276	1,260
Cash at bank		
current accounts		
- local currency	86,990	39,955
- foreign currency	66,317	2,842
	<u>153,307</u>	<u>42,797</u>
	<u>154,583</u>	<u>44,057</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

13. SHARE CAPITAL

Authorised share capital

2013	2012	
Number of Shares		
75,000,000	75,000,000	Ordinary shares of Rs. 10 each

Issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each

2013	2012	
Number of Shares		
1,255,990	1,255,990	Shares allotted: for consideration paid in cash
40,186,753	40,186,753	as bonus shares
41,442,743	41,442,743	

14. DEFERRED TAX

Credit / (debit) balance arising in respect of:

Accelerated tax depreciation / amortisation
Provision for stock obsolescence
Provision for doubtful trade debts
Provision for retirement benefits obligations
Liabilities against assets subject to finance lease

2013	2012
(Rupees in thousand)	
750,000	750,000

2013	2012
(Rupees in thousand)	
12,560	12,560
401,867	401,867
414,427	414,427

2013	2012
(Rupees in thousand)	
137,178	116,791
(13,215)	(12,421)
(764)	(1,681)
(1)	(30)
-	589
123,198	103,248

14.1 Deferred tax liability is restricted to 88.39% (2012: 87.80%) 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.

15. RETIREMENT BENEFITS OBLIGATIONS

Pension Plan
Pensioners' Medical Plan

2013	2012
(Rupees in thousand)	
3,737	4,013
74	100
3,811	4,113

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

15.1 The disclosures made in notes 15.2 to 15.10 are based on the information included in the actuarial valuation as of June 30, 2013.

15.2 Balance Sheet Reconciliation

Present value of defined benefit obligations
Fair value of plan assets
Deficit

Unrecognised past service cost
Unrecognised actuarial (loss) / gain
Recognised liability

15.3 Movement in the net liability recognised in the balance sheet

Opening balance
Charge for the year
Contribution made
Closing balance

15.4 Cost

Current service cost
Interest cost
Expected return on plan assets
Amortisation of non-vested portion of past service liability
Amortisation of gain
Cost for the year

15.5 Movement in the present value of defined benefit obligations

Obligation as at July 1
Current service cost
Interest cost
Benefits paid
Actuarial loss / (gain)
Obligation as at June 30

15.6 Movement in the fair value of plan assets

Plan Assets as at July 1
Expected return on plan assets
Contribution made
Benefits paid
Actuarial gain / (loss)
Plan Assets as at June 30

	Pension Plan		Pensioners' Medical Plan	
	2013	2012	2013	2012
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligations	45,486	27,861	1,795	1,404
Fair value of plan assets	(21,825)	(15,895)	(1,527)	(1,240)
Deficit	23,661	11,966	268	164
Unrecognised past service cost	(7,566)	(8,407)	(218)	(242)
Unrecognised actuarial (loss) / gain	(12,358)	454	24	178
Recognised liability	3,737	4,013	74	100
Movement in the net liability recognised in the balance sheet				
Opening balance	4,013	4,442	100	185
Charge for the year	3,737	3,926	74	96
Contribution made	(4,013)	(4,355)	(100)	(181)
Closing balance	3,737	4,013	74	100
Cost				
Current service cost	1,220	1,091	34	30
Interest cost	3,843	3,409	192	184
Expected return on plan assets	(2,167)	(1,415)	(173)	(137)
Amortisation of non-vested portion of past service liability	841	841	24	24
Amortisation of gain	-	-	(3)	(5)
Cost for the year	3,737	3,926	74	96
Movement in the present value of defined benefit obligations				
Obligation as at July 1	27,861	22,963	1,404	1,255
Current service cost	1,220	1,091	34	30
Interest cost	3,843	3,409	192	184
Benefits paid	(743)	-	-	-
Actuarial loss / (gain)	13,305	398	165	(65)
Obligation as at June 30	45,486	27,861	1,795	1,404
Movement in the fair value of plan assets				
Plan Assets as at July 1	15,895	10,211	1,240	1,003
Expected return on plan assets	2,167	1,415	173	137
Contribution made	4,013	4,355	100	181
Benefits paid	(743)	-	-	-
Actuarial gain / (loss)	493	(86)	14	(81)
Plan Assets as at June 30	21,825	15,895	1,527	1,240

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Percent per annum)	
15.7 Principal actuarial assumptions		
Expected rate of increase in salaries	11.0	13.5
Expected rate of increase in pension	5.0	7.5
Expected rate of increase in medical benefits	6.0	7.5
Discount factor used	11.0	13.5
15.8 The effects of a 1% movement in the assumed medical cost trend rate are as follows:		
	Increase	Increase
	(Rupees in thousand)	
Effect on the aggregate of interest costs	32	27
Effect on the defined benefit obligations	179	161
15.9 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.		
15.10 Expected charge for the year ending June 30, 2014 works out to be Rs. 4.09 million and Rs. 65,228 for Pension Plan and Pensioners' Medical Plan respectively.		
15.11 During the year, the company contributed Rs. 17 million (2012: Rs.13.58 million) to the provident fund.		

	2013	2012
	(Rupees in thousand)	
16. TRADE AND OTHER PAYABLES		
Creditors	276,969	241,691
Accrued liabilities	815,110	571,327
Workers' Profits Participation Fund - note 16.1	52,591	44,960
Workers' Welfare Fund	50,357	29,320
Advances from customers	40,231	65,153
Payable to provident fund	4,541	2,542
Security deposits from customers	1,397	4,710
Tax deducted at source	7,583	8,251
Due to related parties - directors	2,850	516
Due to related parties - others - note 16.2	40,053	1,885
Advances from employees against sale of vehicles	30,898	33,077
Unclaimed dividend	4,877	1,373
Other liabilities	4,104	7,851
	1,331,561	1,012,656

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
16.1 Workers' Profits Participation Fund		
Balance as at July 1	44,960	1,611
Allocation for the year	52,591	44,960
	97,551	46,571
Amount paid during the year	(44,960)	(1,611)
Balance as at June 30	52,591	44,960
16.2 Due to related parties - others		
National Foods DMCC, Dubai, UAE	38,855	-
Associated Textile Consultants (Private) Limited	333	766
Precision Rubber Products (Private) Limited	865	1,119
	40,053	1,885
17. SHORT TERM BORROWINGS		
Running finance under mark up arrangements	120,942	53,275
Murabaha loan	26	26
Export re-finance	380,000	275,000
Short term loans	450,000	180,000
	950,968	508,301

- 17.1** The facilities available from various banks amount to Rs. 2.16 billion (2012: Rs. 1.21 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 2013 and 2014.
- 17.2** The rates of mark up range from one month KIBOR plus 0.15% to three months KIBOR plus 0.5% per annum (2012: six months KIBOR plus 0.2% to three months KIBOR plus 0.5% per annum).
- 17.3** The facilities for opening letters of credit amount to Rs. 635 million (2012: Rs. 385 million) and for letters of guarantees amount to Rs. 50.78 million (2012: Rs. 55.33 million) as at June 30, 2013 of which the amount remaining unutilised at year end was Rs. 489.9 million (2012: Rs. 325.3 million) and Rs. 1.09 million (2012: Rs. 18.9 million) respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
22. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 22.1	131,989	84,079
Contribution to provident fund	3,926	2,605
Depreciation / amortisation	15,111	13,924
Ujrah payments	14,979	11,772
Fuel and power	1,616	3,010
Insurance	2,521	3,000
Laboratory, research and development	-	2
Legal and professional charges	33,982	26,807
Postage and communications	6,046	5,474
Printing and stationery	2,246	2,173
Rent, rates and taxes	2,190	357
Travelling	18,333	21,323
Repairs and maintenance	16,890	20,807
Provision for doubtful advances and others	-	540
Security charges	670	65
Others	13,773	7,670
	<u>264,272</u>	<u>203,608</u>

22.1 Salaries, wages and other benefits include Rs. 3.81 million (2012: Rs. 4.02 million) in respect of charge for retirement benefit plans.

	2013	2012
	(Rupees in thousand)	
23. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	52,591	44,960
Workers' Welfare Fund	21,037	17,984
Auditors' remuneration - note 23.1	5,995	4,503
Donations - note 23.2	3,317	8,584
	<u>82,940</u>	<u>76,031</u>
23.1 Auditors' remuneration		
Audit fee	1,300	1,150
Limited review, special reports and other certifications	1,975	1,275
Taxation services	2,296	1,796
Out of pocket expenses	424	282
	<u>5,995</u>	<u>4,503</u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	(Rupees in thousand)	
24. OTHER INCOME		
Income from financial assets		
Exchange gain - net	11,728	12,701
Gain on sale of open ended mutual fund units	15,558	5,083
Gain on re-measurement of fair value of open ended mutual fund units	16,210	18,514
Return on savings accounts	7,825	3,385
Return on late payments by trade debtors	185	343
Income from other than financial assets		
Profit on disposal of property, plant and equipment	1,697	2,826
Loss on termination of Ijarah agreements	-	(60)
Others		
Liabilities no longer required written back	4,800	-
Provision for doubtful debts written back	2,930	-
Others	6,022	-
	<u>66,955</u>	<u>42,792</u>

	2013	2012
	(Rupees in thousand)	
25. FINANCE COSTS		
Mark up on long term finance	-	21,493
Mark up on running finance under mark up arrangements	12,648	6,802
Mark up on export re-finance	27,835	29,903
Mark up on short term loans	22,190	2,223
Mark up on finance lease	-	70
Interest on Workers' Profits Participation Fund	346	-
Bank charges	11,813	10,551
	<u>74,832</u>	<u>71,042</u>

	2013	2012
	(Rupees in thousand)	
26. TAXATION		
Current	285,000	229,000
Deferred	19,950	23,973
	<u>304,950</u>	<u>252,973</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

26.1 Reconciliation between tax expense and accounting profit:

Profit before taxation
Tax at applicable rate of 35%
Tax effect of permanent differences
Tax effect of final tax regime
Effect of exempt income
Effect of tax credits
Others

2013	2012
(Rupees in thousand)	
978,201	836,249
342,370	292,687
2,073	5,535
(11,597)	(21,538)
(11,119)	(8,259)
(13,550)	(11,972)
(3,227)	(3,480)
304,950	252,973

27. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders
Weighted average number of shares in issue during the year (in thousand)
Earnings per share - (Rupees)

2013	2012
(Rupees in thousand)	
673,251	583,276
41,443	41,443
16.25	14.07

A diluted earnings per share has not been presented as the company did not have any convertible instruments in issue as at June 30, 2013 and 2012 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, 2013

28. CASH GENERATED FROM OPERATIONS

Profit before taxation
Adjustments for non-cash charges and other items
Depreciation
Amortisation
Profit on disposal of property, plant and equipment
Gain on sale of open ended mutual fund units
Gain on re-measurement of fair value of open ended mutual fund units
Finance costs
Retirement benefits expense

Profit before working capital changes

EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES

(Increase) / decrease in current assets
Stores, spare parts and loose tools
Stock in trade
Trade debts
Advances
Trade deposits and prepayments
Other receivables

Increase in current liabilities

Trade and other payables
Due to the government

2013	2012
(Rupees in thousand)	
978,201	836,249
111,823	89,778
3,235	8,010
(1,697)	(2,826)
(15,558)	(5,083)
(16,210)	(18,514)
74,832	71,042
3,811	4,022
160,236	146,429
1,138,437	982,678
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	
(1,249)	1,277
(354,887)	174,872
(363,148)	(1,252)
(24,016)	(11,358)
2,162	(6,100)
(13,207)	(2,855)
(754,345)	154,584
Increase in current liabilities	
315,401	196,259
77,919	47,976
393,320	244,235
777,412	1,381,497

29. CASH AND CASH EQUIVALENTS

Cash and bank balances
Short term borrowings

2013	2012
(Rupees in thousand)	
154,583	44,057
(950,968)	(508,301)
(796,385)	(464,244)

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

30. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

30.1 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	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Managerial remuneration and allowances	8,803	6,806	4,786	3,484	89,733	55,954
Technical Advisory fee	-	-	11,600	500	-	-
Utilities	880	681	479	348	8,973	5,595
Bonus / variable pay	7,359	27,710	798	581	33,847	81,183
Housing	3,962	3,063	2,154	1,568	40,380	25,179
Retirement benefits	4,427	3,511	609	301	7,703	5,333
Other expenses	1,847	1,884	1,807	1,570	42,523	30,261
	<u>27,278</u>	<u>43,655</u>	<u>22,233</u>	<u>8,352</u>	<u>223,159</u>	<u>203,505</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>71</u>	<u>53</u>

30.2 Fee to non-executive directors paid during the year amounted to Rs. 525,000 (2012: Rs. 392,000).

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

31. RELATED PARTY DISCLOSURES

A. Related parties with whom the company had transactions

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

Relationship with the Company	Nature of transaction	2013	2012
		(Rupees in thousand)	
B. Disclosure of transactions between the company and related parties			
Subsidiary Company:	Commission expense	38,855	-
Associated Companies / Undertakings:	Sale of goods	936,942	735,259
	Reciprocal arrangements for sharing of services	1,042	707
	Purchase of goods	49,798	46,320
	Rent charges paid / payable	7,590	6,900
Staff retirement fund:	Expense charged for defined contribution plan	17,002	13,579
	Payments to retirement contribution plan	52,780	43,155
Directors:	Technical advisory services	11,600	500
Key management personnel compensation:			
	Salaries and other short-term employee benefits	187,198	138,530
	Retirement benefits	8,887	7,072

The related party status of outstanding balances as at June 30, 2013 is included in long term investment, trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

	2013	2012
	Actual production Metric Tons	
Actual production of plants in metric tons	59,482	50,975

32. PLANT CAPACITY AND PRODUCTION

32.1 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, 2013

	2013	2012
	(Rupees in thousand)	
33. PROVIDENT FUND RELATED DISCLOSURES		
The following information is based on un-audited financial statements of the Fund as at June 30, 2013 and 2012:		
Size of the fund - Total assets	289,920	241,846
Fair value of investments	188,278	165,892
Percentage of investments made	65%	69%

33.1 The cost of above investments amounted to Rs. 148.37 million (2012: 134.1 million).

	2013	2012	2013	2012
	Percentage		(Rupees in thousand)	
33.2 The break-up of fair value of investments is:				
National savings scheme	55%	52%	104,266	86,827
Bank deposits	40%	43%	74,958	71,654
Unit trust schemes	5%	5%	9,054	7,411
	100%	100%	188,278	165,892

33.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	2013	2012
34. NUMBER OF EMPLOYEES		
Number of employees at June 30		
- Permanent	544	518
- Contractual	28	29
Average number of employees during the year		
- Permanent	536	525
- Contractual	26	28

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Financial risk factors

The company's activities expose it to 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.

35.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and Receivables							
Trade debts	-	-	-	652,142	-	652,142	652,142
Trade deposits	-	-	-	3,709	11,696	15,405	15,405
Other receivables	-	-	-	16,700	-	16,700	16,700
Cash and bank balances	-	-	-	154,583	-	154,583	154,583
Fair value through profit and loss							
Investments	-	-	-	327,908	-	327,908	327,908
June 30, 2013	-	-	-	1,155,042	11,696	1,166,738	1,166,738
June 30, 2012	-	-	-	606,637	5,812	612,449	612,449
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	1,145,360	-	1,145,360	1,145,360
Accrued interest / mark up	-	-	-	23,536	-	23,536	23,536
Short term borrowings	950,968	-	950,968	-	-	-	950,968
June 30, 2013	950,968	-	950,968	1,168,896	-	1,168,896	2,119,864
June 30, 2012	508,301	-	508,301	841,344	-	841,344	1,349,645

OFF BALANCE SHEET ITEMS

Letters of credit	145,092
June 30, 2012	59,653
Letters of guarantees	49,691
June 30, 2012	36,416

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.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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. 1.17 billion (2012: Rs. 612.45 million) the financial assets exposed to the credit risk amounted to Rs. 1.17 billion (2012: Rs. 611.19 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2013 trade debts of Rs. 171.81 million (2012: Rs. 118.31 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, 2013, financial assets of Rs. 446.53 million (2012: Rs. 251.98 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2013, if the Pak Rupee had weakened / strengthened by 8% (2012: 9%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 34.16 million (2012: Rs. 22.68 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, 2013, the company had variable interest bearing financial liabilities of Rs. 950.97 million (2012: Rs. 508.3 million), and had the interest rates varied by 100 basis points (2012: 50 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 9.51 million (2012: Rs. 2.5 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

The sensitivity of 100 basis points (2012: 50 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2012: 50 basis points) per annum.

35.3 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 2013 the company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2013 was as follows:

	2013	2012
	(Rupees in thousand)	
Total Borrowings	974,504	520,292
Cash and Bank	(154,583)	(44,057)
Net Debt	819,921	476,235
Total Equity	1,682,025	1,402,480
Total Capital	2,501,946	1,878,715
Gearing Ratio	33%	25%

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.

35.4 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.

36. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on September 06, 2013 proposed a cash dividend for the year ended June 30, 2013 of Rs. 4 per share amounting to Rs. 165.77 million (2012: cash dividend of Rs. 6 per share amounting to Rs. 248.66 million) and proposed a transfer of Rs. 103.61 million from 'Unappropriated profit' to "reserve for bonus shares" (2012: Nil) for issuance of 2.5 bonus shares for every 10 shares held (2012: Nil) subject to the approval of the company in the annual general meeting.

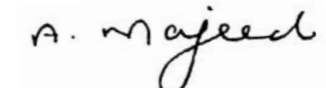
These financial statements do not reflect the impact of these events, as these events will be accounted for in the financial statements for the year ending June 30, 2014.

37. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the company on September 06, 2013.



Chief Executive



Director

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of National Foods Limited (the holding company) and its subsidiary company National Foods DMCC, Dubai, UAE as at June 30, 2013 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of National Foods Limited. Financial statements of the subsidiary company have been audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of National Foods Limited and its subsidiary company as at June 30, 2013 and the results of their operations for the year then ended.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 12, 2013

Name of Engagement Partner: Syed Fahim ul Hasan

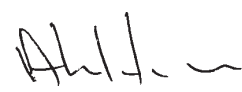
Consolidated Financial Statements 2013

Consolidated Balance Sheet

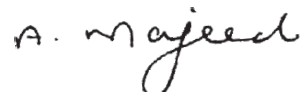
AS AT JUNE 30, 2013

	Note	2013	2012
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,048,957	947,057
Intangibles	4	23,086	4,473
Long term deposits		11,696	5,812
		1,083,739	957,342
CURRENT ASSETS			
Stores, spare parts and loose tools		5,185	3,936
Stock in trade	5	1,912,425	1,557,538
Trade debts	6	652,142	288,994
Advances	7	49,110	25,060
Trade deposits and prepayments	8	17,816	19,217
Other receivables		15,489	3,493
Investments	9	327,908	260,132
Taxation - Provision less payments		4,160	-
Cash and bank balances	10	171,369	44,057
		3,155,604	2,202,427
		4,239,343	3,159,769
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	11	414,427	414,427
Unappropriated profit		1,273,518	988,053
Exchange revaluation reserve		33	-
		1,687,978	1,402,480
NON-CURRENT LIABILITIES			
Deferred tax	12	123,198	103,248
Retirement benefits obligations	13	3,811	4,113
		127,009	107,361
CURRENT LIABILITIES			
Trade and other payables	14	1,310,259	1,012,656
Accrued interest / mark up		23,536	11,991
Short term borrowings	15	950,968	508,301
Taxation - Provision less payments		-	55,306
Due to the government - sales tax payable		139,593	61,674
		2,424,356	1,649,928
COMMITMENTS			
	16	4,239,343	3,159,769

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Executive



Director

Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
(Rupees in thousand)			
Sales	17	8,545,966	7,168,603
Cost of sales	18	(5,588,508)	(4,837,315)
Gross profit		2,957,458	2,331,288
Distribution costs	19	(1,611,547)	(1,187,150)
Administrative expenses	20	(269,953)	(203,608)
Other operating expenses	21	(83,872)	(76,031)
Other income	22	66,921	42,792
Operating profit		1,059,007	907,291
Finance costs	23	(74,886)	(71,042)
Profit before taxation		984,121	836,249
Taxation	24	(304,950)	(252,973)
Profit after taxation		679,171	583,276
Other comprehensive income for the year			
Exchange differences on translation of foreign operations		33	-
Total comprehensive income for the year		679,204	583,276
Earnings per share	25	Rs 16.39	Rs 14.07

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Executive



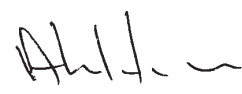
Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	762,533	1,381,497
Finance cost paid		(63,341)	(84,768)
Income tax paid		(344,466)	(221,995)
Retirement benefits obligations paid		(4,113)	(4,536)
Net increase in long term deposits		(5,884)	(1,432)
Net cash from operating activities		344,729	1,068,766
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(216,616)	(265,585)
Sale proceeds from disposal of property, plant and equipment		4,590	5,932
Purchase of intangible assets		(21,848)	(3,525)
Purchase of open ended mutual fund units		(460,000)	(490,000)
Sale of open ended mutual fund units		423,992	253,465
Net cash used in investing activities		(269,882)	(499,713)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in long term financing - net		-	(214,000)
Decrease in liabilities against assets subject to finance lease - net		-	(2,343)
Dividend paid		(390,202)	(103,239)
Net cash used in financing activities		(390,202)	(319,582)
Net (decrease) / increase in cash and cash equivalents		(315,355)	249,471
Cash and cash equivalents at beginning of the year		(464,244)	(713,715)
Cash and cash equivalents at end of the year	27	(779,599)	(464,244)

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Executive



Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid-up capital	Unappropriated Profit	Exchange Revaluation Reserve	Total
(Rupees in thousand)				
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
Other comprehensive income for the year ended June 30, 2012	-	-	-	-
Balance as at June 30, 2012	414,427	988,053	-	1,402,480
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	(248,656)	-	(248,656)
Interim dividend for the year ended June 30, 2013 @ Rs 3.50 per share	-	(145,050)	-	(145,050)
Profit for the year ended June 30, 2013	-	679,171	-	679,171
Other comprehensive income for the year ended June 30, 2013	-	-	33	33
Balance as at June 30, 2013	414,427	1,273,518	33	1,687,978

The annexed notes 1 to 35 form an integral part of these financial statements.



Chief Executive



Director

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

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

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

National Foods DMCC was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC. The registered address of the company is Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. O1 Jumeirah Lakes Towers Dubai, United Arab Emirates. The company is a wholly owned subsidiary of National Foods Limited, Pakistan.

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

1.2 Basis of consolidation

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

All inter-company balances and transactions have been eliminated.

2. 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 group'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 12.1 and 24
- (ii) Retirement benefits obligations - note 13

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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 group'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 group

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, 2012 that would be expected to have a material impact on the group.

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

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 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 group.

(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 group'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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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 group 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 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, 2013.

Defined contribution plan

The group operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the group 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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 group'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.

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 group 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

2.19 Foreign currency transactions and translation

These financial statements are presented in Pak Rupee which is the functional and presentation currency of the group and figures are rounded off to the nearest thousand of rupees.

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 group's activities.

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

i) Sale of goods

- Sales are recognised on despatch of goods to customers.

ii) Interest / Mark up income

- Income on bank deposits is recognised on accrual basis.

2.21 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 group 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 group's shareholders is recognised as liability at the time of their approval.

	2013	2012
	(Rupees in thousand)	
3. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 3.1	1,020,094	888,716
Capital work in progress - at cost - note 3.2	28,863	58,341
	1,048,957	947,057

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

3.1 Operating assets

	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers		Laboratory equipments	Vehicles		Total
						owned	subject to finance lease		owned	subject to finance lease	
(Rupees in thousand)											
Net carrying value basis Year ended June 30, 2013											
Opening net book value (NBV)	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
Additions (at cost)	-	54,984	128,901	14,397	4,328	38,820	-	2,270	2,394	-	246,094
Disposals / write offs (at NBV)	-	-	-	-	(46)	(819)	-	-	(1,095)	(933)	(2,893)
Depreciation charge	(3,361)	(21,067)	(57,410)	(5,274)	(3,120)	(12,946)	-	(1,385)	(6,364)	(896)	(111,823)
Closing net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Gross carrying value basis At June 30, 2013											
Cost	173,594	485,381	688,830	43,193	39,434	72,907	12,815	13,315	47,821	11,197	1,588,487
Accumulated depreciation	(12,668)	(124,052)	(287,970)	(27,327)	(27,633)	(31,217)	(12,815)	(6,181)	(27,421)	(11,109)	(568,393)
Net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
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 (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	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
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	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	5	10	5	5	

3.2 Capital work in progress

These comprise of:
Civil work in progress
Plant and machinery
Building
Advance against acquisition of land
Advances to suppliers
Office equipment

	2013	2012
	(Rupees in thousand)	
	6,937	19,837
	3,722	22,831
	3,084	-
	15,120	-
	-	8,379
	-	7,294
	28,863	58,341

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

3.3 The details of property, plant and equipment having net book value of Rs. 50,000 and above sold during the year are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
Vehicles						
Toyota Corolla	925	786	139	278	Company policy	Mr. Ajmal Khan Executive
Toyota Corolla	1,269	1,015	254	381	"	Mr. Amjad Niaz Executive
Suzuki Mehran	544	290	254	122	"	Mr. Mian Anjum Hafeez Executive
Suzuki Mehran	408	354	54	122	"	Mr. Muhammad Yaseen Dar Executive
Yamaha Junoon	74	12	62	67	Insurance claim	EFU General Insurance Limited
Honda CD-70	67	3	64	67	"	EFU General Insurance Limited
Computers						
Laptop	77	11	66	46	"	EFU General Insurance Limited
Laptop	77	66	11	43	"	EFU General Insurance Limited

4. INTANGIBLES - computer software

Computer softwares and ERP System - note 4.1
Systems under development

4.1 Computer softwares and ERP System

Net carrying value basis

Opening net book value
Additions (at cost)
Amortisation for the year
Closing net book value

Gross carrying value basis

Cost
Accumulated amortisation
Net book value

	2013	2012
(Rupees in thousand)		
	12,925	4,473
	10,161	-
	<u>23,086</u>	<u>4,473</u>
	4,473	8,958
	11,687	3,525
	(3,235)	(8,010)
	<u>12,925</u>	<u>4,473</u>
	74,859	63,172
	(61,934)	(58,699)
	<u>12,925</u>	<u>4,473</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

5. STOCK IN TRADE

Raw materials (including in transit
Rs. 64.66 million; 2012: Rs. 12.05 million)
Provision for obsolescence

Packing materials (including in transit
Rs. 7.93 million; 2012: Nil)
Provision for obsolescence

Work in process
Provision for obsolescence

Finished goods
Provision for obsolescence

5.1 Stock in trade includes Rs. 622.28 million (2012: Rs. 480.11 million) held with third parties.

5.2 The above balances include items costing Rs. 26.54 million (2012: Rs. 57.53 million) valued at net realisable value of Rs. 22.39 million (2012: Rs. 33.67 million).

5.3 The group has made a provision of Rs. 6.26 million for obsolescence (2012: reversal of provision of Rs. 4.02 million) and has written off stocks against the provision amounting to Rs. 2.70 million (2012: Rs. 3.51 million) during the year.

6. TRADE DEBTS

Considered good - unsecured

Related parties - note 6.2 and 6.3
Others
- local
- foreign

Considered doubtful

Less: Provision for doubtful trade debts

6.1 As of June 30, 2013, trade debts of Rs. 171.81 million (2012: Rs. 118.31 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:

Up to 3 months
3 to 6 months
More than 6 months

	2013	2012
(Rupees in thousand)		
	804,082	575,894
	(21,878)	(8,066)
	<u>782,204</u>	<u>567,828</u>
	197,912	141,556
	(17,317)	(11,400)
	<u>180,595</u>	<u>130,156</u>
	599,196	437,192
	(3,142)	(15,766)
	<u>596,054</u>	<u>421,426</u>
	355,207	443,317
	(1,635)	(5,189)
	<u>353,572</u>	<u>438,128</u>
	<u>1,912,425</u>	<u>1,557,538</u>

	2013	2012
(Rupees in thousand)		
	36,743	2,611
	247,102	29,596
	<u>368,297</u>	<u>256,787</u>
	652,142	288,994
	2,542	5,472
	<u>654,684</u>	<u>294,466</u>
	(2,542)	(5,472)
	<u>652,142</u>	<u>288,994</u>
	160,040	104,813
	4,387	960
	7,379	12,536
	<u>171,806</u>	<u>118,309</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

6.2 Receivable from related parties

Premier Distributor
Premier Agency

2013	2012
(Rupees in thousand)	
36,322	2,190
421	421
36,743	2,611

6.3 As at June 30, 2013, trade debt from Premier Distributor is not yet due while trade debt from Premier Agency has been outstanding for more than 6 months.

7. ADVANCES

Considered good

Employees - against expenses
Suppliers

2013	2012
(Rupees in thousand)	
349	281
48,761	24,779
49,110	25,060

Considered doubtful

Suppliers

3,413	3,413
52,523	28,473

Less: Provision for doubtful advances
to suppliers

(3,413)	(3,413)
49,110	25,060

8. TRADE DEPOSITS AND PREPAYMENTS

Considered good

Deposits
Prepayments

2013	2012
(Rupees in thousand)	
3,963	9,961
13,853	9,256
17,816	19,217

Considered doubtful

Deposits

1,553	1,319
19,369	20,536

Less: Provision for doubtful deposits

(1,553)	(1,319)
17,816	19,217

9. INVESTMENTS

Investments - at fair value through
profit and loss account - note 9.1

2013	2012
(Rupees in thousand)	
327,908	260,132

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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

2013	2012		2013	2012
Units			(Rupees in thousand)	
1,205,447	1,085,577	HBL Money Market Fund	122,045	111,698
10,592,157	-	NAFA Money Market Fund	106,081	-
482,567	-	MCB Dynamic Cash Fund	50,000	-
496,786	-	Askari Sovereign Yield Enhancer	49,782	-
-	2,064,526	AI - Meezan Sovereign Fund	-	106,241
-	209,835	PICIC Cash Fund	-	21,092
-	210,432	UBL Islamic Savings Fund	-	21,101
			327,908	260,132

9.1.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2013 as quoted by the respective Asset Management Companies.

10. CASH AND BANK BALANCES

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

2013	2012
(Rupees in thousand)	
1,276	1,260
86,990	39,955
83,103	2,842
170,093	42,797
171,369	44,057

11. SHARE CAPITAL

Authorised share capital

2013	2012		2013	2012
Number of Shares			(Rupees in thousand)	
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000	750,000

Issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each

2013	2012		2013	2012
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
41,442,743	41,442,743		414,427	414,427

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

12. DEFERRED TAX

Credit / (debit) balance arising in respect of:
Accelerated tax depreciation / amortisation
Provision for stock obsolescence
Provision for doubtful trade debts
Provision for retirement benefits obligations
Liabilities against assets subject to finance lease

	2013	2012
	(Rupees in thousand)	
	137,178	116,791
	(13,215)	(12,421)
	(764)	(1,681)
	(1)	(30)
	-	589
	<u>123,198</u>	<u>103,248</u>

12.1 Deferred tax liability is restricted to 88.39% (2012: 87.80%) 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.

13. RETIREMENT BENEFITS OBLIGATIONS

Pension Plan
Pensioners' Medical Plan

	2013	2012
	(Rupees in thousand)	
	3,737	4,013
	74	100
	<u>3,811</u>	<u>4,113</u>

13.1 The disclosures made in notes 13.2 to 13.10 are based on the information included in the actuarial valuation as of June 30, 2013.

13.2 Balance Sheet Reconciliation

Present value of defined benefit obligations
Fair value of plan assets
Deficit

Unrecognised past service cost
Unrecognised actuarial (loss) / gain
Recognised liability

	Pension Plan		Pensioners' Medical Plan	
	2013	2012	2013	2012
	(Rupees in thousand)			
	45,486	27,861	1,795	1,404
	(21,825)	(15,895)	(1,527)	(1,240)
	<u>23,661</u>	<u>11,966</u>	<u>268</u>	<u>164</u>
	(7,566)	(8,407)	(218)	(242)
	(12,358)	454	24	178
	<u>3,737</u>	<u>4,013</u>	<u>74</u>	<u>100</u>
	4,013	4,442	100	185
	3,737	3,926	74	96
	(4,013)	(4,355)	(100)	(181)
	<u>3,737</u>	<u>4,013</u>	<u>74</u>	<u>100</u>

13.3 Movement in the net liability recognised in the balance sheet

Opening balance
Charge for the year
Contribution made
Closing balance

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

13.4 Cost

Current service cost
Interest cost
Expected return on plan assets
Amortisation of non-vested portion of past service liability
Amortisation of gain
Cost for the year

	Pension Plan		Pensioners' Medical Plan	
	2013	2012	2013	2012
	(Rupees in thousand)			
	1,220	1,091	34	30
	3,843	3,409	192	184
	(2,167)	(1,415)	(173)	(137)
	841	841	24	24
	-	-	(3)	(5)
	<u>3,737</u>	<u>3,926</u>	<u>74</u>	<u>96</u>

13.5 Movement in the present value of defined benefit obligations

Obligation as at July 1
Current service cost
Interest cost
Benefit paid
Actuarial loss / (gain)
Obligation as at June 30

	2013	2012	2013	2012
	27,861	22,963	1,404	1,255
	1,220	1,091	34	30
	3,843	3,409	192	184
	(743)	-	-	-
	13,305	398	165	(65)
	<u>45,486</u>	<u>27,861</u>	<u>1,795</u>	<u>1,404</u>

13.6 Movement in the fair value of plan assets

Plan Assets as at July 1
Expected return on plan assets
Contribution made
Benefit paid
Actuarial gain / (loss)
Plan Assets as at June 30

	2013	2012	2013	2012
	15,895	10,211	1,240	1,003
	2,167	1,415	173	137
	4,013	4,355	100	181
	(743)	-	-	-
	493	(86)	14	(81)
	<u>21,825</u>	<u>15,895</u>	<u>1,527</u>	<u>1,240</u>

13.7 Principal actuarial assumptions

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

	2013	2012
	(Percent per annum)	
	11.0	13.5
	5.0	7.5
	6.0	7.5
	11.0	13.5
	Increase	Increase
	(Rupees in thousand)	

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

Effect on the aggregate of interest costs
Effect on the defined benefit obligations

	2013	2012
	32	27
	179	161

13.9 The actuary conducts separate valuations for calculating contribution rates and the group 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

13.10 Expected charge for the year ending June 30, 2014 works out to be Rs. 4.09 million and Rs. 65,228 for Pension Plan and Pensioners' Medical Plan respectively.

13.11 During the year, the group contributed Rs. 17 million (2012: Rs.13.58 million) to the provident fund.

14. TRADE AND OTHER PAYABLES

Creditors	278,251	241,691
Accrued liabilities	831,381	571,327
Workers' Profits Participation Fund - note 14.1	52,591	44,960
Workers' Welfare Fund	50,357	29,320
Advances from customers	40,231	65,153
Payable to provident fund	4,541	2,542
Security deposits from customers	1,397	4,710
Tax deducted at source	7,583	8,251
Due to related parties - directors	2,850	516
Due to related parties - others - note 14.2	1,198	1,885
Advances from employees against sale of vehicles	30,898	33,077
Unclaimed dividend	4,877	1,373
Other liabilities	4,104	7,851
	<u>1,310,259</u>	<u>1,012,656</u>

14.1 Workers' Profits Participation Fund

Balance as at July 1	44,960	1,611
Allocation for the year	52,591	44,960
	<u>97,551</u>	<u>46,571</u>
Amount paid during the year	(44,960)	(1,611)
Balance as at June 30	<u>52,591</u>	<u>44,960</u>

14.2 Due to related parties - others

Associated Textile Consultants (Private) Limited	333	766
Precision Rubber Products (Private) Limited	865	1,119
	<u>1,198</u>	<u>1,885</u>

15. SHORT TERM BORROWINGS

Running finance under mark up arrangements	120,942	53,275
Murabaha loan	26	26
Export re-finance	380,000	275,000
Short term loans	450,000	180,000
	<u>950,968</u>	<u>508,301</u>

15.1 The facilities available from various banks amount to Rs. 2.16 billion (2012: Rs. 1.21 billion). The arrangements are secured by way of pari-passu charge against hypothecation of group's stock in trade, movables and trade debts. The facilities expiring within one year are annual facilities subject to review at various dates during 2013 and 2014.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

15.2 The rates of mark up range from one month KIBOR plus 0.15% to three months KIBOR plus 0.5% per annum (2012: six months KIBOR plus 0.2% to three months KIBOR plus 0.5% per annum).

15.3 The facilities for opening letters of credit amount to Rs. 635 million (2012: Rs. 385 million) and for letters of guarantees amount to Rs. 50.78 million (2012: Rs. 55.33 million) as at June 30, 2013 of which the amount remaining unutilised at year end was Rs. 489.9 million (2012: Rs. 325.3 million) and Rs. 1.09 million (2012: Rs. 18.9 million) respectively.

16. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2013 amount to Rs. 64.8 million (2012: Rs. 3.23 million).

Aggregate commitments in respect of ujrah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.75% to six months KIBOR + 1.95% (2012: six months KIBOR + 0.75% to six months KIBOR + 1.95%) per annum for rentals payable monthly as at June 30, 2013 amount to:

Not later than one year
Over one year to five years

2013	2012
(Rupees in thousand)	
30,822	25,878
43,828	40,797
<u>74,650</u>	<u>66,675</u>

17. SALES

Manufactured goods

Gross sales		
Local sales	10,564,743	8,821,249
Export sales - note 17.1	1,014,211	818,297
	<u>11,578,954</u>	<u>9,639,546</u>
Sales tax	(1,307,649)	(1,117,220)
	<u>10,271,305</u>	<u>8,522,326</u>
Less:		
Discount, rebates and allowances	1,540,770	1,205,125
Sales return	184,569	148,598
	<u>1,725,339</u>	<u>1,353,723</u>
	<u>8,545,966</u>	<u>7,168,603</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

17.1 Export sales comprise of sale made in the following regions:

USA / Canada
Africa
Middle East Asia
Others

2013	2012
(Rupees in thousand)	
398,951	281,447
87,614	105,202
260,279	208,110
267,368	223,538
1,014,212	818,297

17.2 Sales to only one distributor exceed 10 percent of the net sales during the year, amounting to Rs. 879 million (2012: Rs. 734 million).

18. COST OF SALES

Raw material consumed
Packing material consumed
Salaries, wages and other benefits
Contribution to provident fund
Depreciation / amortisation
Ujrah payments
Fuel and power
Insurance
Laboratory, research and development
Postage and communications
Printing and stationery
Rent, rates and taxes
Travelling
Repairs and maintenance
Security charges
Others

2013	2012
(Rupees in thousand)	
3,631,146	2,939,081
1,252,769	1,043,204
434,396	412,084
6,778	5,886
85,676	71,512
4,606	3,941
120,337	94,990
13,011	10,233
2,019	4,810
2,604	1,336
3,129	279
36,811	36,080
56,386	47,867
20,920	45,081
6,648	4,534
1,344	828
5,678,580	4,721,746

Opening work in process
Closing work in process
Cost of goods manufactured
Opening stock of finished goods
Closing stock of finished goods
Export rebate

421,426	495,421
(596,054)	(421,426)
5,503,952	4,795,741
438,128	481,506
(353,572)	(438,128)
-	(1,804)
5,588,508	4,837,315

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

19. DISTRIBUTION COSTS

Salaries, wages and other benefits
Advertising and sales promotion
Outward freight and handling charges
Contribution to provident fund
Depreciation / amortisation
Ujrah payments
Fuel and power
Forwarding charges
Insurance
Laboratory, research and development
Legal and professional charges
Postage and communications
Printing and stationery
Rent, rates and taxes
Travelling
Repairs and maintenance
Provision for doubtful debts
Bad debts written off
Security charges
Others

2013	2012
(Rupees in thousand)	
269,625	222,498
774,232	519,613
367,965	274,019
6,298	5,088
14,271	12,352
9,016	7,512
975	862
8,799	10,524
9,016	7,693
8,127	7,136
13,778	8,118
3,951	5,072
581	2,721
36,052	22,833
81,033	63,737
4,864	13,308
-	991
-	132
1,684	425
1,280	2,516
1,611,547	1,187,150

20. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits - note 20.1
Contribution to provident fund
Depreciation / amortisation
Ujrah payments
Fuel and power
Insurance
Laboratory, research and development
Legal and professional charges
Postage and communications
Printing and stationery
Rent, rates and taxes
Travelling
Repairs and maintenance
Provision for doubtful advances and others
Security charges
Others

2013	2012
(Rupees in thousand)	
131,989	84,079
3,926	2,605
15,111	13,924
14,979	11,772
1,616	3,010
2,521	3,000
-	2
37,327	26,807
6,184	5,474
2,246	2,173
4,127	357
18,594	21,323
16,890	20,807
-	540
670	65
13,773	7,670
269,953	203,608

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

20.1 Salaries, wages and other benefits include Rs. 3.81 million (2012: Rs. 4.02 million) in respect of charge for retirement benefit plans.

	2013	2012
	(Rupees in thousand)	
21. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	52,591	44,960
Workers' Welfare Fund	21,037	17,984
Auditors' remuneration - note 21.1	6,927	4,503
Donations - note 21.2	3,317	8,584
	<u>83,872</u>	<u>76,031</u>
21.1 Auditors' remuneration		
Audit fee	2,183	1,150
Limited review, special reports and other certifications	1,975	1,275
Taxation services	2,296	1,796
Out of pocket expenses	473	282
	<u>6,927</u>	<u>4,503</u>

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

	2013	2012
	(Rupees in thousand)	
22. OTHER INCOME		
Income from financial assets		
Exchange gain - net	11,694	12,701
Gain on sale of open ended mutual fund units	15,558	5,083
Gain on re-measurement of fair value of open ended mutual fund units	16,210	18,514
Return on savings accounts	7,825	3,385
Return on late payments by trade debtors	185	343
Income from other than financial assets		
Profit on disposal of property, plant and equipment	1,697	2,826
Loss on termination of Ijarah agreements	-	(60)
Others		
Liabilities no longer required written back	4,800	-
Provision for doubtful debts written back	2,930	-
Others	6,022	-
	<u>66,921</u>	<u>42,792</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

23. FINANCE COSTS

Mark up on long term finance
 Mark up on running finance under mark up arrangements
 Mark up on export re-finance
 Mark up on short term loans
 Mark up on finance lease
 Interest on Workers' Profits Participation Fund
 Bank charges

	2013	2012
	(Rupees in thousand)	
	-	21,493
	12,648	6,802
	27,835	29,903
	22,190	2,223
	-	70
	346	-
	<u>11,867</u>	<u>10,551</u>
	<u>74,886</u>	<u>71,042</u>

24. TAXATION

Current
 Deferred

	2013	2012
	(Rupees in thousand)	
	285,000	229,000
	19,950	23,973
	<u>304,950</u>	<u>252,973</u>
24.1 Reconciliation between tax expense and accounting profit:		
Profit before taxation	984,121	836,249
Tax at applicable rate of 35%	344,442	292,687
Tax effect of permanent differences	2,073	5,535
Tax effect of final tax regime	(11,597)	(21,538)
Effect of exempt income	(13,191)	(8,259)
Effect of tax credits	(13,550)	(11,972)
Others	(3,227)	(3,480)
	<u>304,950</u>	<u>252,973</u>

25. EARNINGS PER SHARE

Profit after taxation attributable to ordinary shareholders
 Weighted average number of shares in issue during the year (in thousand)
 Earnings per share - (Rupees)

	2013	2012
	(Rupees in thousand)	
	679,171	583,276
	41,443	41,443
	<u>16.39</u>	<u>14.07</u>

A diluted earnings per share has not been presented as the group did not have any convertible instruments in issue as at June 30, 2013 and 2012 which would have any effect on the earnings per share if the option to convert is exercised.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

26. CASH GENERATED FROM OPERATIONS

	2013	2012
	(Rupees in thousand)	
Profit before taxation	984,121	836,249
Adjustments for non-cash charges and other items		
Depreciation	111,823	89,778
Amortisation	3,235	8,010
Profit on disposal of property, plant and equipment	(1,697)	(2,826)
Unrealised foreign exchange gains - net	33	-
Gain on sale of open ended mutual fund units	(15,558)	(5,083)
Gain on re-measurement of fair value of open ended mutual fund units	(16,210)	(18,514)
Finance costs	74,886	71,042
Retirement benefits expense	3,811	4,022
	160,323	146,429
Profit before working capital changes	1,144,444	982,678
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(1,249)	1,277
Stock in trade	(354,887)	174,872
Trade debts	(363,148)	(1,252)
Advances	(24,050)	(11,358)
Trade deposits and prepayments	1,401	(6,100)
Other receivables	(11,996)	(2,855)
	(753,929)	154,584
Increase in current liabilities		
Trade and other payables	294,099	196,259
Due to the government	77,919	47,976
	372,018	244,235
	762,533	1,381,497

27. CASH AND CASH EQUIVALENTS

	2013	2012
	(Rupees in thousand)	
Cash and bank balances	171,369	44,057
Short term borrowings	(950,968)	(508,301)
	(779,599)	(464,244)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

28. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)					
Managerial remuneration and allowances	8,803	6,806	4,786	3,484	91,795	55,954
Technical Advisory fee	-	-	11,600	500	-	-
Utilities	880	681	479	348	8,973	5,595
Bonus / variable pay	7,359	27,710	798	581	33,847	81,183
Housing	3,962	3,063	2,154	1,568	40,380	25,179
Retirement benefits	4,427	3,511	609	301	7,784	5,333
Other expenses	1,847	1,884	1,807	1,570	42,523	30,261
	27,278	43,655	22,233	8,352	225,302	203,505
Number of persons	1	1	3	3	72	53

28.2 Fee to non-executive directors paid during the year amounted to Rs. 525,000 (2012: Rs. 392,000).

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

29. RELATED PARTY DISCLOSURES

A. Related parties with whom the group had transactions

- Subsidiary Company: National Foods DMCC, Dubai, UAE
- Associated Companies / Undertakings:
 - Associated Textile Consultants (Private) Limited
 - Precision Rubber Products (Private) Limited
 - Premier Agency
 - Premier Distributor
 - English Biscuit Manufacturers (Private) Limited
- Staff Retirement Fund: National Foods Limited Provident Fund

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

Relationship with the Group	Nature of transaction	2013	2012
		(Rupees in thousand)	
B. Disclosure of transactions between the group and related parties			
Associated Companies / Undertakings:	Sale of goods	936,942	735,259
	Reciprocal arrangements for sharing of services	1,042	707
	Purchase of goods	49,798	46,320
	Rent charges paid / payable	7,590	6,900
Staff retirement fund:	Expense charged for defined contribution plan	17,002	13,579
	Payments to retirement contribution plan	52,780	43,155
Directors:	Technical advisory services	11,600	500
Key management personnel compensation:			
	Salaries and other short-term employee benefits	187,198	138,530
	Retirement benefits	8,887	7,072

The related party status of outstanding balances as at June 30, 2013 is included in long term investment, trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

30. PLANT CAPACITY AND PRODUCTION	2013	2012
	Actual production Metric Tons	
Actual production of plants in metric tons	59,482	50,975

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

31. PROVIDENT FUND RELATED DISCLOSURES	2013	2012
	(Rupees in thousand)	
The following information is based on un-audited financial statements of the Fund as at June 30, 2013 and 2012:		
Size of the fund - Total assets	289,920	241,846
Fair value of investments	188,278	165,892
Percentage of investments made	65%	69%

31.1 The cost of above investments amounted to Rs. 148.61 million (2012: 133.8 million).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

31.2 The break-up of fair value of investments is:	2013	2012	2013	2012
	Percentage		(Rupees in thousand)	
National savings scheme	55%	52%	104,266	86,827
Bank deposits	40%	43%	74,958	71,654
Unit trust schemes	5%	5%	9,054	7,411
	100%	100%	188,278	165,892

31.3 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

32. NUMBER OF EMPLOYEES	2013	2012
	Number of employees at June 30	
- Permanent	545	518
- Contractual	28	29
Average number of employees during the year		
- Permanent	536	525
- Contractual	26	28

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial risk factors

The group's activities expose it to variety of financial risks namely credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The group'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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

33.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
FINANCIAL ASSETS							
Loans and Receivables							
Trade debts	-	-	-	652,142	-	652,142	652,142
Trade deposits	-	-	-	3,963	11,696	15,659	15,659
Other receivables	-	-	-	15,489	-	15,489	15,489
Cash and bank balances	-	-	-	171,369	-	171,369	171,369
Fair value through profit and loss							
Investments	-	-	-	327,908	-	327,908	327,908
June 30, 2013	-	-	-	1,170,871	11,696	1,182,567	1,182,567
June 30, 2012	-	-	-	606,637	5,812	612,449	612,449
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	1,124,058	-	1,124,058	1,124,058
Accrued interest / mark up	-	-	-	23,536	-	23,536	23,536
Short term borrowings	950,968	-	950,968	-	-	-	950,968
June 30, 2013	950,968	-	950,968	1,147,594	-	1,147,594	2,098,562
June 30, 2012	508,301	-	508,301	841,344	-	841,344	1,349,645
OFF BALANCE SHEET ITEMS							
Letters of credit							145,092
June 30, 2012							59,653
Letters of guarantees							49,691
June 30, 2012							36,416

All the financial instruments of the group 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

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. 1.19 billion (2012: Rs. 612.45 million) the financial assets exposed to the credit risk amounted to Rs. 1.18 billion (2012: Rs. 611.19 million).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2013 trade debts of Rs. 171.81 million (2012: Rs. 118.31 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 group's inability in raising funds to meet commitments. The group manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the group'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, 2013, financial assets of Rs. 446.53 million (2012: Rs. 251.98 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2013, if the Pak Rupee had weakened / strengthened by 8% (2012: 9%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 34.16 million (2012: Rs. 22.68 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 group 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 group's only interest rate risk arises from borrowings as the group has no interest-bearing assets. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2013

At June 30, 2013, the group had variable interest bearing financial liabilities of Rs. 950.97 million (2012: Rs. 508.3 million), and had the interest rates varied by 100 basis points (2012: 50 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 9.51 million (2012: Rs. 2.5 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2012: 50 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2012: 50 basis points) per annum.

33.3 Capital Risk Management

The group's objectives when managing capital are to safeguard the group'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 2013 the group's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2013 was as follows:

	2013	2012
	(Rupees in thousand)	
Total Borrowings	974,504	520,292
Cash and Bank	(171,369)	(44,057)
Net Debt	803,135	476,235
Total Equity	1,687,978	1,402,480
Total Capital	2,491,113	1,878,715
Gearing Ratio	32%	25%

The group 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.

33.4 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.

34. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on September 06, 2013 proposed a cash dividend for the year ended June 30, 2013 of Rs. 4 per share amounting to Rs. 165.77 million (2012: cash dividend of Rs. 6 per share amounting to Rs. 248.66 million) and proposed a transfer of Rs. 103.61 million from 'Unappropriated profit' to "reserve for bonus shares" (2012: Nil) for issuance of 2.5 bonus shares for every 10 shares held (2012: Nil) subject to the approval of the group in the annual general meeting.

These financial statements do not reflect the impact of these events, as these events will be accounted for in the financial statements for the year ending June 30, 2014.

35. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the group on September 06, 2013.



Chief Executive



Director

Notice of Annual General Meeting

Notice is hereby given that the 42nd annual general meeting of National Foods Limited will be held on Tuesday, October 22, 2013 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 41st annual general meeting held on October 22, 2012.
2. To receive, consider and adopt the Audited Financial Statement of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Report thereon.
3. To consider and, if thought fit, approve final cash dividend 40% (Rs. 4.00/- per Ordinary share of Rs. 10/- each) and bonus shares 25% i.e. 2.5 Ordinary shares for every 10 shares held by the existing shareholders, as recommended by the Board of Directors. This is in addition to the interim cash dividend of 35% (Rs. 3.50 per Ordinary share of Rs. 10/- each), already paid to the shareholders during the year.
4. To appoint External Auditors of the Company for the ensuing year, and to fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed the appointment of M/s A. F. Ferguson & Co. Chartered Accountants as external auditors, for the year ending June 30, 2014.
5. To transact any other business with the permission of the Chair.

Special Business:

6. To give effect to the issue of bonus shares, as recommended by the Board of Directors, consider and, if thought fit, pass, with or without modification, the following Resolution as an Ordinary Resolution.

"RESOLVED THAT a sum of Rs. 103,606,858/- be capitalized out of the free reserves of the company and applied towards issue of 10,360,685 Ordinary shares of Rs.10/- each as fully paid bonus shares, rank pari passu with the existing shares, in the proportion of 2.5 Ordinary share for every ten (10) Ordinary shares held by the Members whose names appear in the Member Register at the close of the business on October 13, 2013.

"FURTHER RESOLVED THAT the bonus shares so allotted will not be eligible for the final cash dividend of 40% for the year ended June 30, 2013.

"FURTHER RESOLVED THAT the CEO and / or Company Secretary be and are hereby authorized to consolidate the fractional entitlement of members as a result of their holding either being less than ten (10) Ordinary shares or in excess of an exact multiple of ten (10) Ordinary shares, sold these consolidated shares on the Karachi Stock Exchange and pay the proceeds, upon realization, to a Charitable Institution."

"FURTHER RESOLVED THAT the CEO and / or Company Secretary be and is / are hereby authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, distribution of the said bonus shares or payment of the sale proceeds of the fractions."

Karachi
October 01, 2013

By Order of the Board

Farhan Abdul Latif
Company Secretary

Notice of Annual General Meeting

Notes:

1. The share transfer books of the Company will remain closed from October 14, 2013 to October 22, 2013 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi - 74400, by the close of business on October 13, 2013, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and bonus shares and to attend and vote at the meeting.
2. A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend, speak and vote for his/her behalf. A proxy need not be a member of the Company. A proxy shall also have the right to demand and join in demanding a poll and vote on a poll.
3. The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarially certified copy of the power or authority, must be deposited at the Registered Office of the Company (12/CL-6, Claremont Road, Civil Lines, Karachi.) at least 48 hours before the time of the meeting. Proxy Form is enclosed
4. Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original **Computerized National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting.**
5. Members are requested to submit copies of their CNICs and notify any change in their addresses immediately to the Share Registrar M/s. Central Depository Company of Pakistan Limited.
6. SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the companies to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered member. Members, who have not yet submitted photocopy of their valid CNICs are requested to send the same at the earliest directly to the Company's Share Registrar.
7. Dividend Mandate Forms are available at the Registered Office of the Company/Share Registrar. Members are encouraged to provide, duly filled in dividend mandate form, to receive the cash dividend declared by the Company, if any, directly into their bank account through e-dividend payment mechanism, as advised by the Securities and Exchange Commission of Pakistan vide its communication reference No. 8(4)SM/CDC2008 dated April 05, 2013. The members who wish to avail e-Dividend payment facility shall not receive the dividend warrant. Members not providing dividend mandate shall continue to be paid through the dividend warrants.
8. 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.

Notice of Annual General Meeting

- (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.

Statement of material facts under Section 160(1) (b) of the Companies Ordinance, 1984

Agenda Item No.6

The Board of Directors are of the view that the Company's financial position and its reserves as on June 30, 2013 justify the capitalization of reserves by way of issue of bonus shares to the members in the ratio of 2.5 Bonus Shares for every 10 Ordinary Shares held. These shares shall rank pari passu, in all respect, with the existing ordinary shares of the Company. As a result of issuance of Bonus Shares, the paid up capital of the Company shall stand increased to Rs.518,034,288/-

The Directors of the Company have no other interest, except to the extent of their shareholding, in this business either directly or indirectly.



Form of Proxy

42nd 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 behalf at the 42nd Annual General Meeting of the Company to be held on October 22, 2013 and/or any adjournment thereof.

As witness my/our hands seal this _____ day of _____ 2013.
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, address 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.