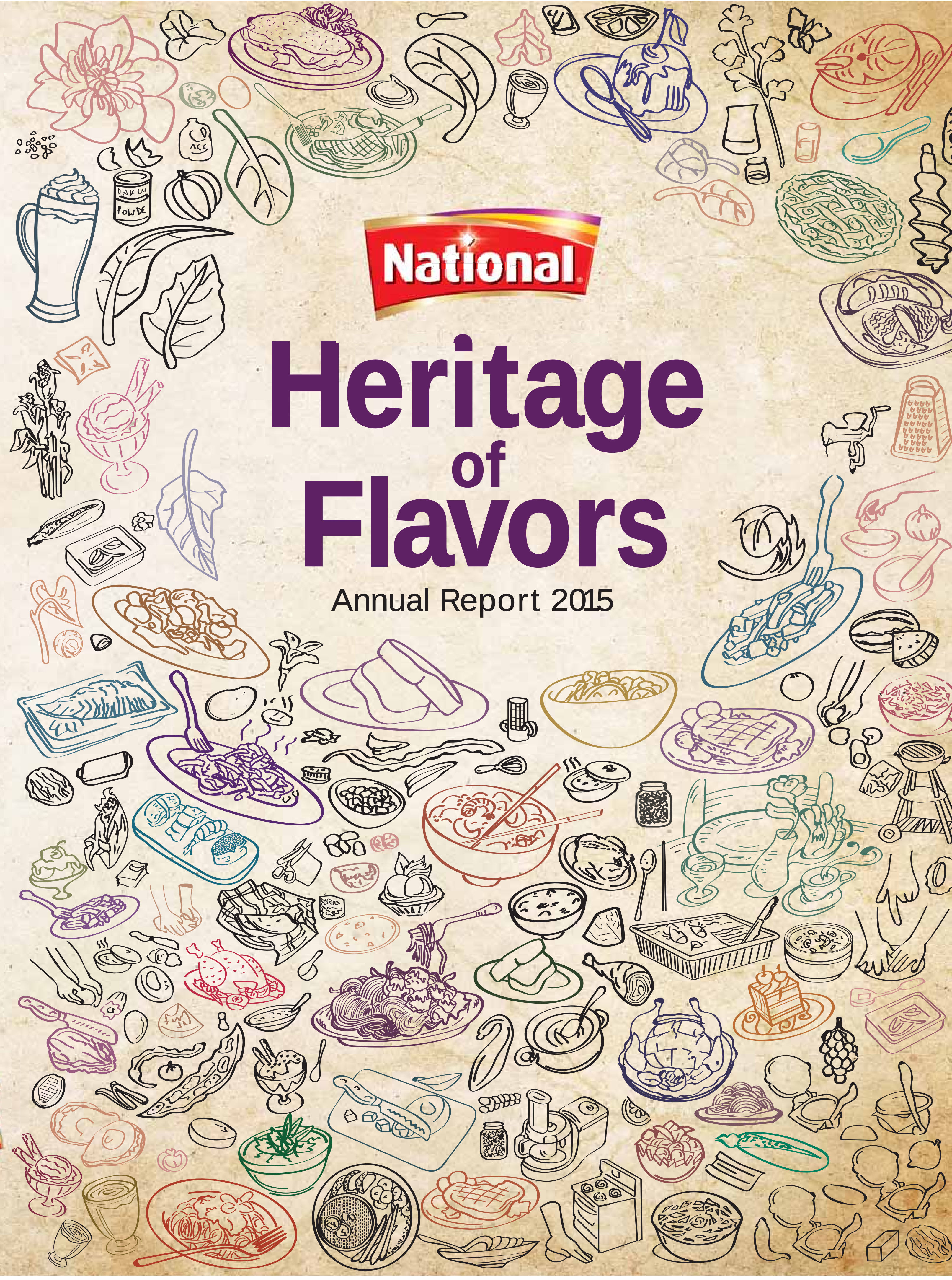
**National Foods Limited**

12/CL-6 Claremont Road,
Civil Lines, Karachi.
UAN: 111-222-282
Email: info@nfoods.com
Website: www.nfoods.com



Designed by: IAL SAATCHI & SAATCHI Printed by YAQEEN UAN: 111-927-336


Heritage of Flavors



# Heritage of Flavors

## Annual Report 2015

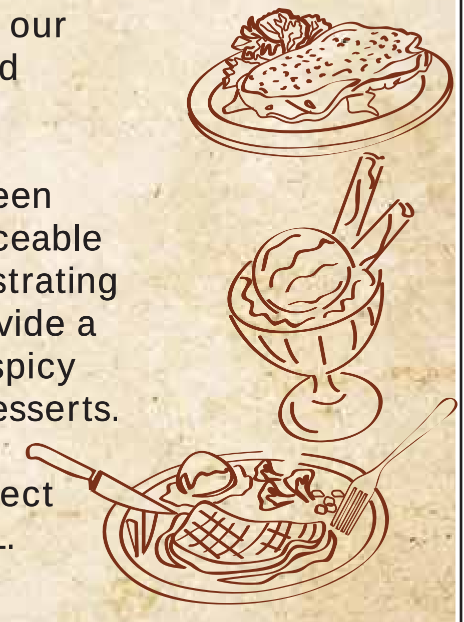
# About this Report

Embracing the richness of Pakistani culture and cuisine, NFL celebrates its 45th anniversary of delivering excellence.

This year's annual report pays homage to the traditions and values we cherish, establishing our legacy of providing nutritious, hygienic and premium quality products.

The colors and design of this report have been carefully orchestrated to represent our irreplaceable warm heritage and vibrant essence of food. Illustrating the extensive pallets of Pakistan, it aims to provide a holistic outlook of National’s portfolio; from spicy condiments, hearty main dishes to delectable desserts.

It is a journey of flavors depicting every aspect of food and culture brought to life by NFL.



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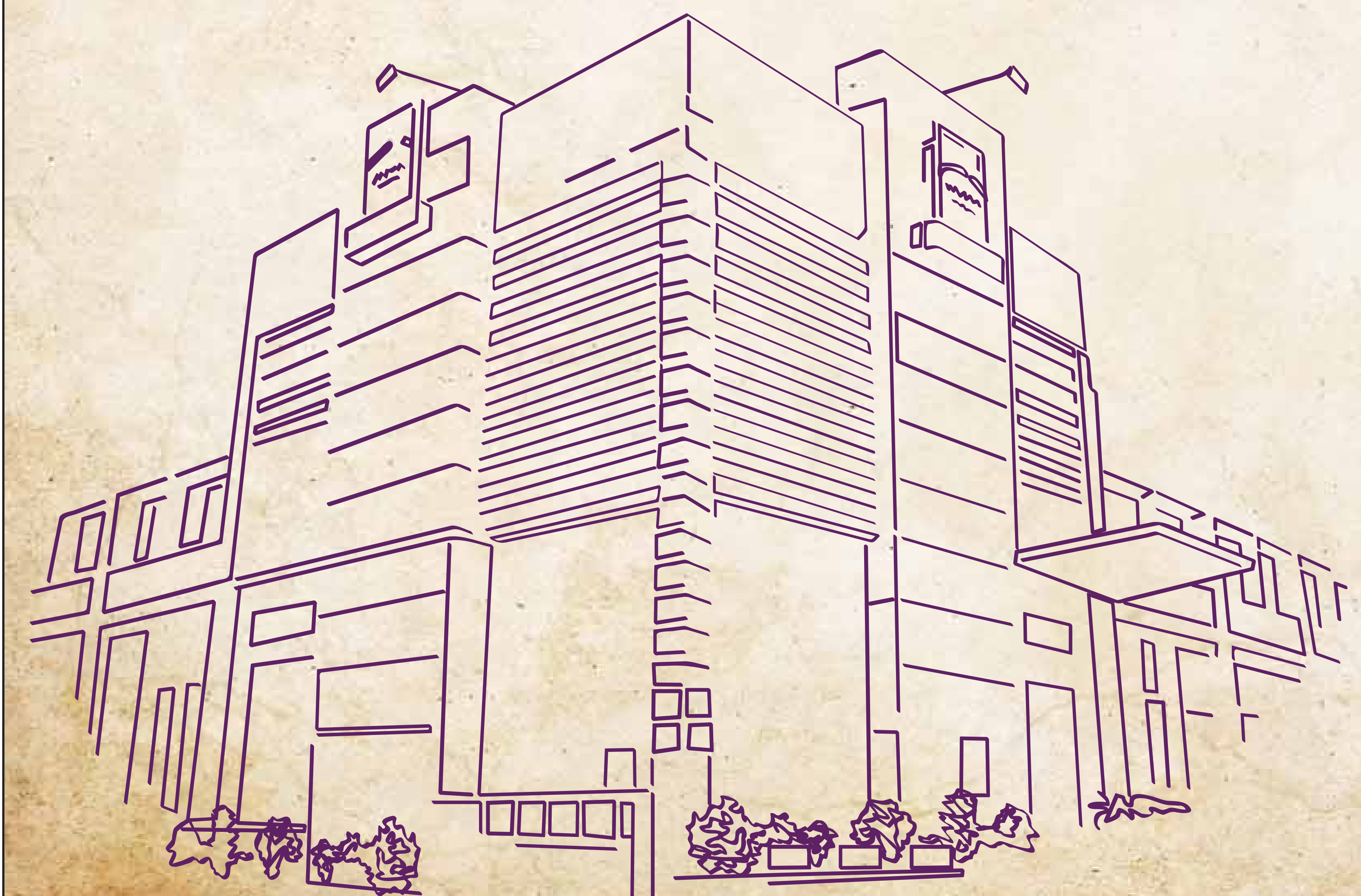
# Our Story



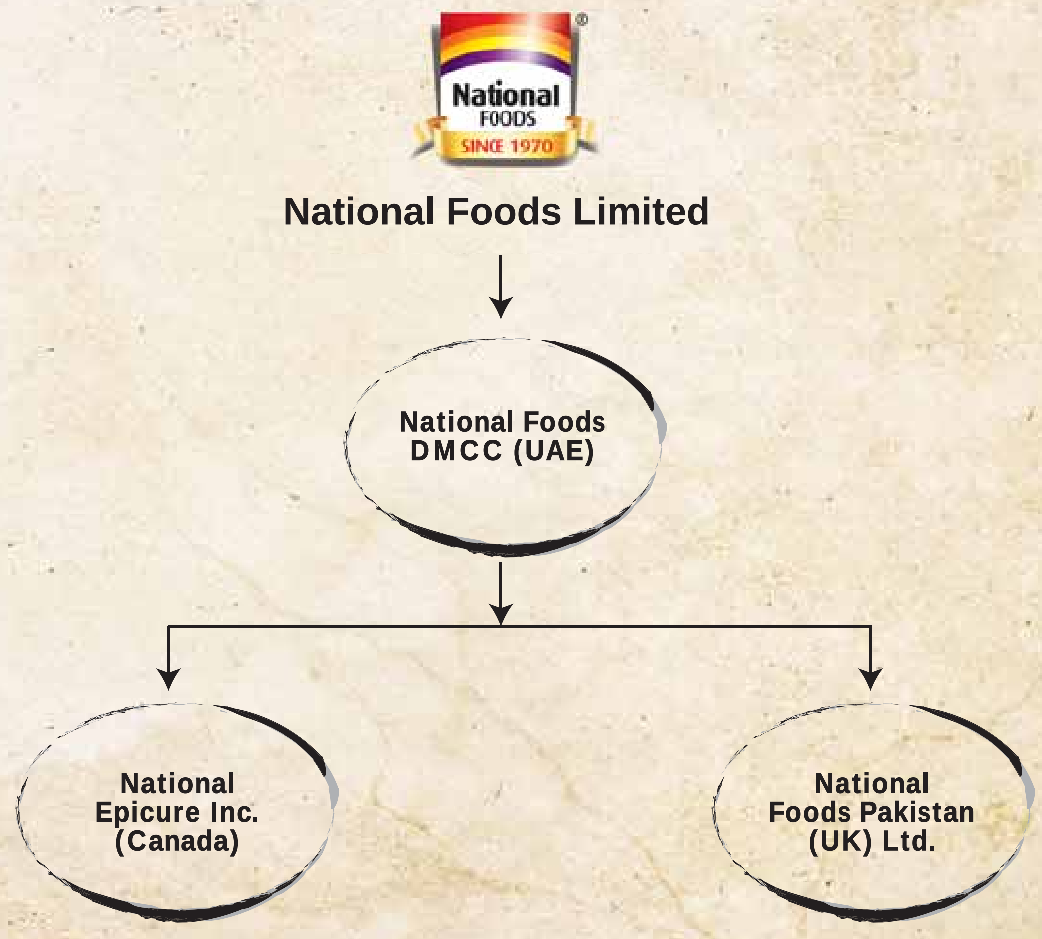
National Foods Limited (NFL), founded in 1970, is Pakistan's leading multi category foods company with over 250 different products in 12 categories. NFL holds ISO 9001, ISO 18001, ISO 22000 and HACCP certifications along with SAP Business Technology to drive its strong commitment to quality and management excellence.

In line with NFL's Vision 20/20 of becoming a Rs. 50 billion company, we are already on our way of being recognized as an internationally renowned brand in over 40 countries across 5 continents worldwide.

NFL is dedicated to improving the well-being of our society through continuous development of innovative food products and a wide range of Corporate Social Responsibility programs.

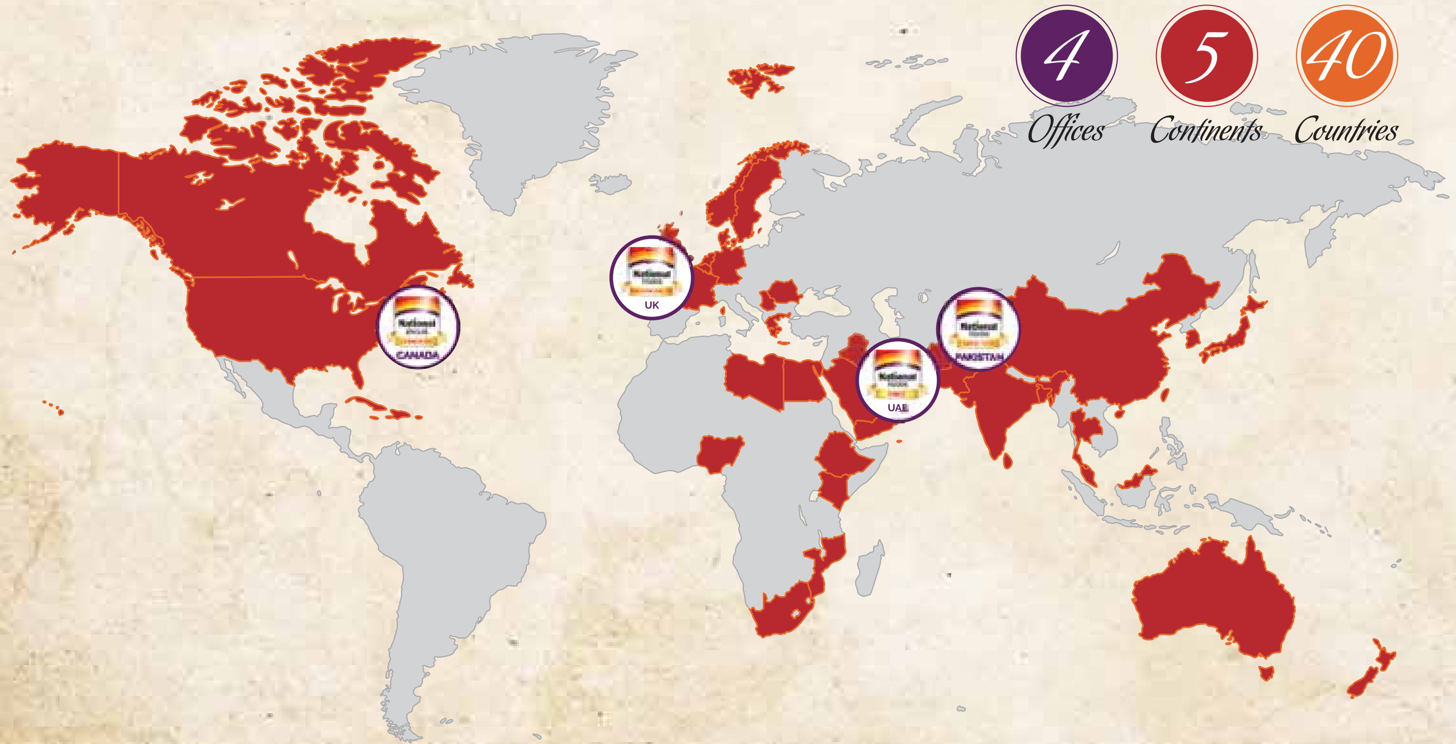
# Business Profile

NFL has successfully established itself as a multinational foods company with an independent subsidiary, National Foods DMCC, in 2013, catering to the Middle Eastern market in Dubai. This structure was further expanded with 2 more subsidiaries in Canada, (National Epicure Limited) and United Kingdom, (National Foods Pakistan UK Limited) catering to the North American and European markets respectively.



# Geographical Presence

4 *Offices* 5 *Continents* 40 *Countries*




NFL continues to expand its horizon across the borders, with Holland, Taiwan, Nigeria and Iraq being the recent most additions to NFL's international consumer base.

# Founders' Philosophy

National Foods must focus on customer needs and serve them with quality products at affordable prices.

Our products must be pure and should conform to international standards.

Our research must continuously produce new and adventurous products that are scientifically tested and hygienically wrapped in safe and attractive packaging.

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

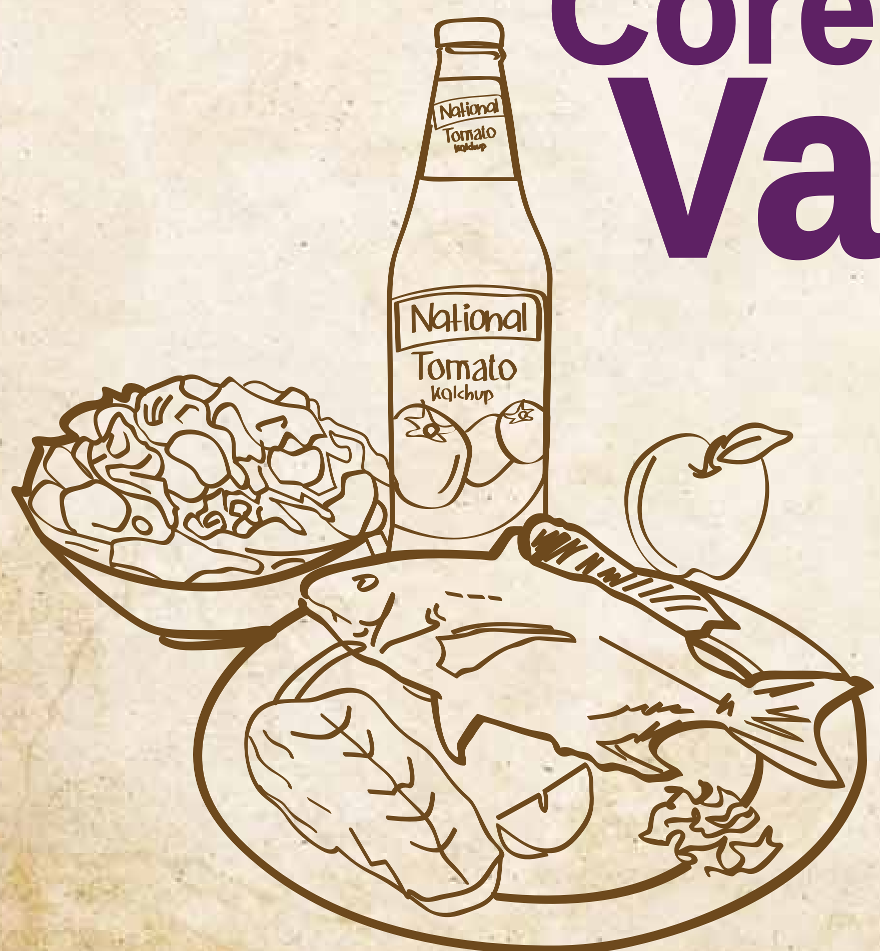
Reserves must be built, new factories created, sound profits made and fair dividend should be paid to our stockholders.

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

With the help of Almighty God, the company can achieve its targets in times to come.

# Vision & Mission

"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 to make 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 of 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 intimidation, 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 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 contacts with NFL 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 and 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 health, safety 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 Resources and Remuneration Committee

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

## Company Secretary & Acting Chief Financial Officer

Mr. Farhan Latif

## Head of Internal Audit and Secretary Audit Committee

Mr. Shahid Hussain

## Internal Auditors

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

## Company Management

| | |
|---|---|
| Mr. Abrar Hasan | Chief Executive Officer |
| Mr. Shakaib Arif | Chief Operating Officer |
| Mr. Farhan Latif | Company Secretary & Acting CFO |
| Mr. Kamal Baig | Chief Operating Officer-International Division |
| Ms. Saira A. Khan | General Manager HR, Admin & IR |



## Auditors

Messrs. 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
Shahra-e-Faisal, Karachi-74400
Tel: (92-21) 111-111-500
Fax: (92-21) 34326031

## Principal Bankers

| | |
|---|---|
| Bank Al-Habib Limited | Main Branch, Karachi<br>S.I.T.E. Branch, Karachi<br>New Garden Town Branch, Lahore |
| Bank Al Falah Limited (Islamic Banking Group) | Port Qasim Authority Branch, Karachi |
| BankIslami Pakistan Limited | S.I.T.E. Branch, Karachi |
| Dubai Islamic Bank Pakistan Limited | Clifton Branch, Karachi |
| Faysal Bank Limited | 16, Abdullah Haroon Road, Karachi |
| National Bank of Pakistan | PNSC Building Branch, 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 |
| United Bank Limited | Main Branch, Karachi |

| | |
|---|---|
| **REGISTERED OFFICE** | 12/CL-6 Claremont Road, Civil Lines,<br>Karachi 75530 P.O. Box No. 15509<br>Phone: (92-21) 35662687, 35670540, 35670585,<br>35670793 & 35672268 Fax: (92-21) 35684870 |
| **SITE PLANT** | F-160/ C, F-133, S.I.T.E., Karachi.<br>Landline # 021-3257-7707 – 10<br>Fax # 021-3257-2217<br>E-mail Address: info@nfoods.com |
| **PORT QASIM PLANT** | A-13, North Western Industrial Zone,<br>Bin Qasim, Karachi<br>Landline # 021-3475-0373 – 7 |
| **MURIDKE PLANT** | 5-A/1, New Muslim Town, Lahore<br>Factory Address: G.T. Road, Manooabad Meer<br>Muridke.<br>Landline # 042-798-1427, 798-0808<br>Fax # 042-798-1427, 798-0808 |
| **GUJRANWALA PLANT** | 53-KM G.T. Road, Chainwala Mord Amanabad,<br>Gujranwala Near Gujranwala Kamoki Tool Plaza<br>Landline # 055-3409560, 3409660 |

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

# Calendar of Major Events

## Events & Launches

**July 2014**
Launch of Made Easy Television Commercial
Centralized Printing – Going Green IT Initiative

**Aug 2014**
Pakistan ka National – Independence Day Celebrations

**Sep 2014**
Inauguration of National Foods Chili Collection Center (NFCC) in Kunri, Sindh

**Oct 2014**
Awareness Drives – Breast Cancer & Anti-Tobacco
Induction of Management Trainee Batch - 2014
Highest-Ever Sales Recorded in Hyderabad District

**Nov 2014**
Re-Launched Online Payroll Disbursement with Increased Benefits in Partnership with Habib Bank Limited
Inauguration of Workers Canteen at SITE

**Dec 2014**
Unified Communication System with Mobility (IP Telephony and Soft-Phones)
SAP Enhancement – Zero Downtime
Remembrance & Birthday Celebrations of Mohammad Ali Jinnah

**Jan 2015**
Launch of NFL's First Consumer-Centric Website
Successful Completion of NFL Expansion – Phase III
Launch of National Mukamal Karey Aap Ki Kitchen Cabinet Campaign

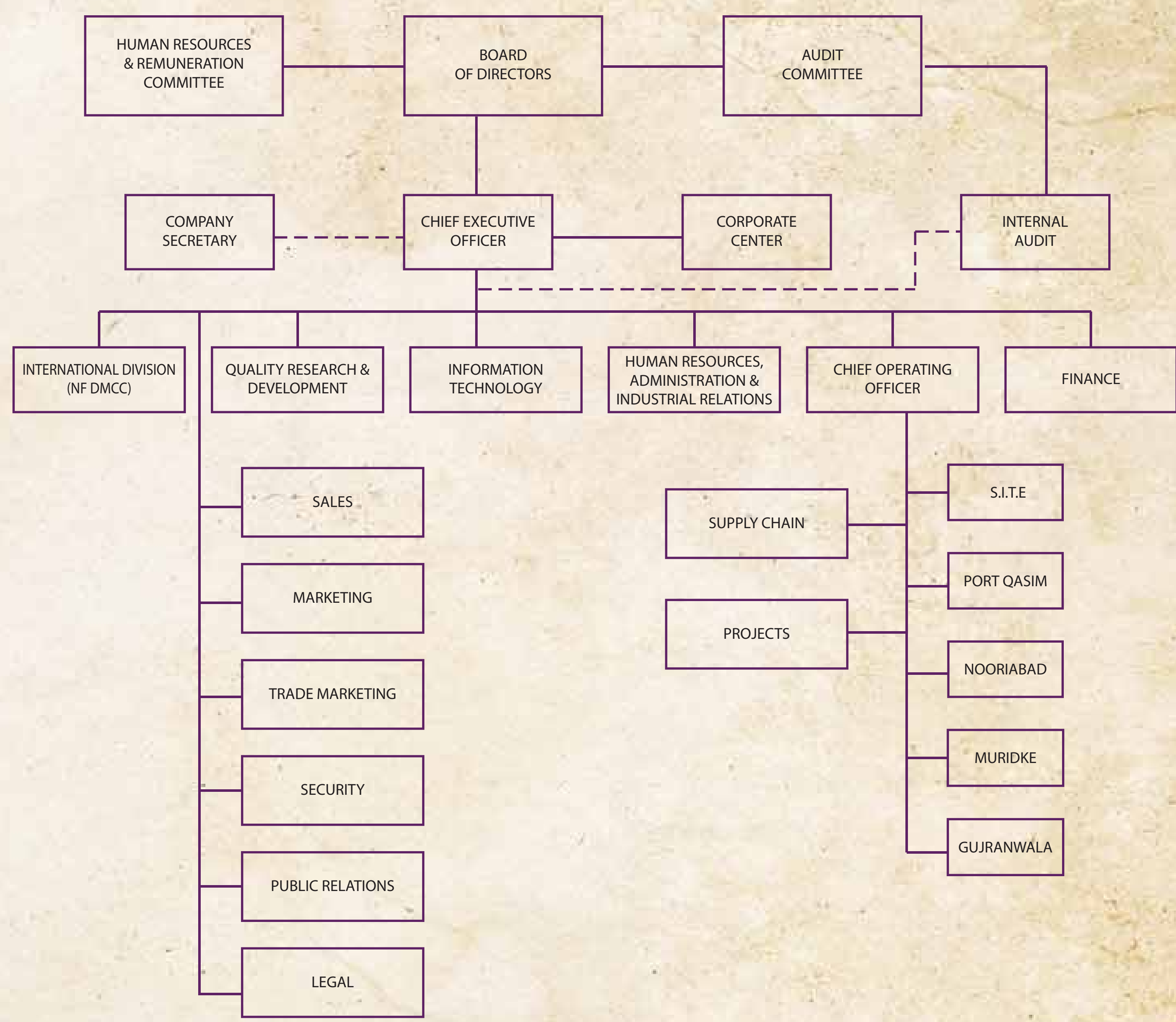
**Feb 2015**
Inauguration of Gujranwala Factory
Received NFL's First CSR Award for 'Corporate Community Partnership' at the 7th International CSR Summit
Outsourced SITE - Karachi Warehouse to Connect Logistics
Worker Uniforms Standardized as per Food Safety System Certification (FSSC)

**Mar 2015**
Launch of Customer First - Complaint Management System
Launch of Integrated Purchase to Payment (P2P) System
Town Hall Meeting & Annual Hajj Balloting

**Apr 2015**
NFL Premiere League
On-Boarded Dedicated Supply Chain Team for International Division
Inauguration of In-house Brined Lemon Cutting Machine at Port Qasim

**Jun 2015**
Formal Sign-off for Implementation of SAP Success Factors (HCM)
Launch of Revamped Corporate Communication Kit
Commencement of NEI Distribution Center in Toronto
Launch of National ka Chatpata Chatkhaara Campaign
Launch of Comprehensive Management Dashboards and Business Intelligence (BI) Reports
Inauguration of NFL's First Solar Energy Project at Port Qasim
Successful OHSAS Re-Certification

# Organizational Chart



# Directors' Profile

## Mr. Abdul Majeed
**Chairman**

Mr. Abdul Majeed is Co-Founder, Director and Chairman of National Foods Limited and Associated Textile Consultants Private Limited.

As a key leader in NFL, Mr. Abdul Majeed's experiences have been diverse from the very beginning, adding depth and insight to the culture of the company. After graduating from the F.C. College (a Chartered University), Lahore with a B.Sc. in Physics and Mathematics, he was selected by the British Council for Higher Studies in Textile Engineering. Later on, Mr. Abdul Majeed also completed B.Sc. (Honors) in Technology from Manchester University in 1959.

Today, in addition to playing a vital role in the establishment of NFL as a leading foods company in Pakistan, Mr. Abdul Majeed is also heading Nazaria-e-Pakistan Trust, Sindh and Textile Institute of Pakistan as the Chairman and Chancellor respectively. He is also a Member of the Board of Governors of National Textile University, Faisalabad and has also previously served as a Member of the Federal Textile Board and the Engineering Development Board of the Government of Pakistan.

With a keen interest in continuous innovation, Mr. Abdul Majeed's contribution has been pivotal in leading the Research & Development team at NFL. He has also been an active member of the Rotary District 3270 in different capacities besides his engagement in other social forums. Moreover, he is also the Vice President Alumni Association of F.C. College, Lahore, Former Board Member of Pakistan Institute of Management and the Society for the Promotion of Arabic, Karachi.

He is a life member of the Arts Council, Karachi and a professional member of World Future Society, Bathesda, USA, along with being a member of the International Geosynthetic Society, USA.

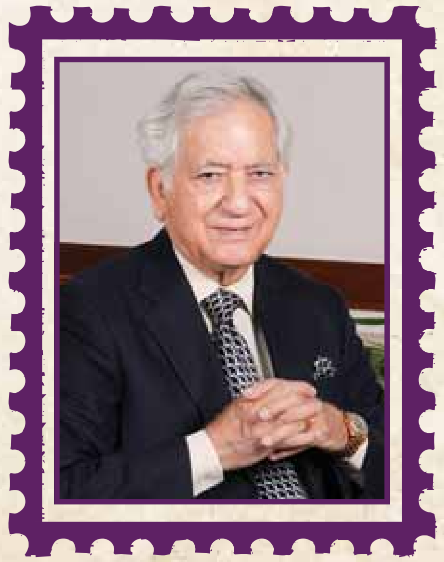
## Mr. Abrar Hasan
**Chief Executive**

Mr. Abrar Hasan has been with National Foods Limited since 1993, where he was later appointed as Chief Executive by the Board of Directors in the year 2000. Under his inspirational leadership and proficient operations management skills, NFL has transformed from a simple recipe producer to a full-fledged foods company. Prior to his joining NFL, Mr. Abrar Hasan was Plant Director at Precision Rubber Products Limited, where he was responsible for overseeing Production and Manufacturing Management.

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

Mr. Abrar Hasan with his extensive experience and in-depth knowledge has set examples and inspired the NFL team to embrace new technology, discover upcoming marketing trends and invest in human resource development company wide. He is truly the driving force behind his team of skilled professionals at NFL.

Mr. Abrar Hasan graduated with a Bachelors degree in Industrial Management with a minor in Industrial Engineering from Purdue University, Indiana, USA.



## Mr. Waqar Hasan
**Director**

Mr. Waqar Hasan is the Founder and Director of National Foods Limited. He enjoys a high profile stature in the textile and food industries and is also a well renowned cricket administrator in Pakistan.

Mr. Waqar Hasan established the roots of NFL in partnership with Mr. Abdul Majeed back in 1970. During his tenure as the Managing Director at NFL, Mr. Waqar Hasan embedded a strong set of fundamentals and ethics into the company's culture that continues to provide guidance to date.

Mr. Waqar Hasan's ambition and dedication resonates in the expansion of the company from a small operating unit to an organization that now envisions of becoming a Rs. 50 billion company by 2020. He was also very successful in building and establishing the presence of NFL as an internationally recognized brand and a common household name in Pakistan.

Mr. Waqar Hasan has a rich 14 years of sports career to his name; where he has not only performed as an excellent test cricketer for Pakistan since his debut in Lahore (1948-1949) but has also served in a variety of off-field administrative capacities for the Pakistan Cricket Board - PCB (formerly known as Board of Control for Cricket in Pakistan - BCCP).

# Directors' Profile

## Mr. Zahid Majeed
**Director**

Mr. Zahid Majeed joined National Foods Limited in 1987 and pioneered its transformation from a small food enterprise into a leading foods brand in Pakistan. Since then he has served in various capacities at NFL from heading the Corporate Marketing function to most recently establishing the International Business subsidiary, National Foods DMCC. He also introduced the concept of sustainability by establishing a Corporate Social Responsibility (CSR) platform here at NFL. Mr. Zahid Majeed played a significant role in initiating a Public-Private Partnership with UNICEF to launch the first Iodized Salt in the mid 1990's under the CSR umbrella along with various other education, health and nutrition initiatives with focused efforts to address women empowerment.

Mr. Zahid Majeed also heads the Textile, Energy, Environment Business and Investment Divisions within the Associated Textile Consultants Private Limited (ATC).

Mr. Zahid Majeed studied Philosophy, Politics and Economics at Magdalen College, Oxford University and later acquired a Masters Degree in Textile Technology at University of New South Wales, Australia. Recently, Mr. Zahid Majeed also qualified for the Certificate in Company Direction from the Institute of Directors (IOD), London, an International Certification that proves his commitment to the highest standards of Corporate Governance.

## Mr. Ebrahim Qassim
**Director**

Mr. Ebrahim Qassim joined the Board of Directors of National Foods Limited in 2000. A country manager at a British Pharmaceutical Company, he served for 3 years in various different capacities. Later Mr. Ebrahim Qassim set up his own distribution business by the name of Premier Distributors in 1971, which now prides itself over a well-established network throughout Pakistan.

He has also served as a member of the Board of Directors of the Karachi Stock Exchange in the year 2000. Presently, he is on the Board of Directors of English Biscuits Private Limited, Coronet Foods Private Limited and is also the Chairman of Shield Corporation Limited.

A Chartered Accountant by profession, Mr. Ebrahim Qassim is also part of the National Council of the Institute of Chartered Accountants of Pakistan (ICAP) and the Marketing Association of Pakistan (MAP).



## 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, 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. Khawaja Munir Mashooqullah joined the Board of Directors of National Foods Limited in 2007.

His experience spans over multiple industries; prior to founding Synergies Worldwide in 1987, Mr. Khawaja Munir Mashooqullah had been working in the food and textile manufacturing sector in Pakistan. Presently, he is the Chairman of Hertzman Media and also serves on the Board of Quizsense Inc. and various other textile, design and food companies in Bangladesh, China, America and Pakistan respectively.

Mr. Khawaja Munir Mashooqullah has also served as the Chairman of Korangi Association of Trade & Industry (KATI) and on the Executive Committee of Karachi Chamber of Commerce & Industry (KCCI) and Federation of Pakistan Chambers of Commerce & Industry (FPCCI). He was also the Founding Trustee of the Institute of Business Management (IoBM). Mr. Khawaja Munir Mashooqullah has worked as an independent consultant in various companies and is also actively involved in various charitable causes in South Asia focusing on computer literacy and drug rehabilitation. He is also a member of Young Presidents Organization and has been appointed as an Advisor by the Ministry of Overseas Pakistanis for North America.

## Mr. Iqbal Alimohamed
**Director**

Mr. Iqbal Alimohamed is a fellow member of the Institute of Chartered Accountants, Institute of Chartered Accountants in England and Wales (ICAEW) as well as the Institute of Chartered Accountants in Pakistan (ICAP). He is also a Certified Director of the Pakistan Institute of Corporate Governance. Along with his extensive experience in the textile Industry, he is also intricately familiar with the banking and financial industry and modern day management in Pakistan. Some of the organizations established and managed by him have become Centers of Excellence in their respective categories.

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

Mr. Iqbal Alimohamed has been affiliated with Metro Securities Private Limited, Metro Power Company Limited and Gul Ahmed Wind Power Limited. Previously, he has served as the Chief Executive Officer and Chairman of Gul Ahmed Textile Mills Limited, Chairman and Member of Board of Directors of Mybank Limited (now Summit Bank) and Chairman of the Board of Directors of Excel Insurance Limited. Mr. Iqbal Alimohamed is a Founding Member and Chairman of the Board of Trustees of Haji Alimohamed Foundation & Member and Trustee of Haji Tarmohammad Kassam Teli Charitable Trust, both known for their philanthropic contributions.

# CEO's Message

2014-2015 has turned out to be a great year for NFL, as our Founders' philosophy and profound knowledge of Spices, Pickles and Sauces continues to guide us in creating value for all our customers and shareholders.

As a market leader, NFL's growth and key efficiencies can be attributed to our strategic investments in deploying modern IT systems, strengthening core production capabilities, optimizing market presence and increasing global synergies.

In line with our vision to enable accelerated progress and sustainable growth, we have recently commenced operations in Gujranwala, whereas Nooriabad is soon to follow suit. Delivering on our promise of providing customers high quality, hygienic and innovative food products – our new establishments aim to complement our existing production and distribution networks by increasing our speed-to-market and reducing costs. Over and above our local expansion, we are also increasing our operations internationally with a sharp focus on identified categories in countries and regions offering huge business potential.

At NFL, our people, ethics and environment always comes first. Thus, transparency and sustainability remains central to all our business strategies which is also closely aligned with the social development and advancement of our country.

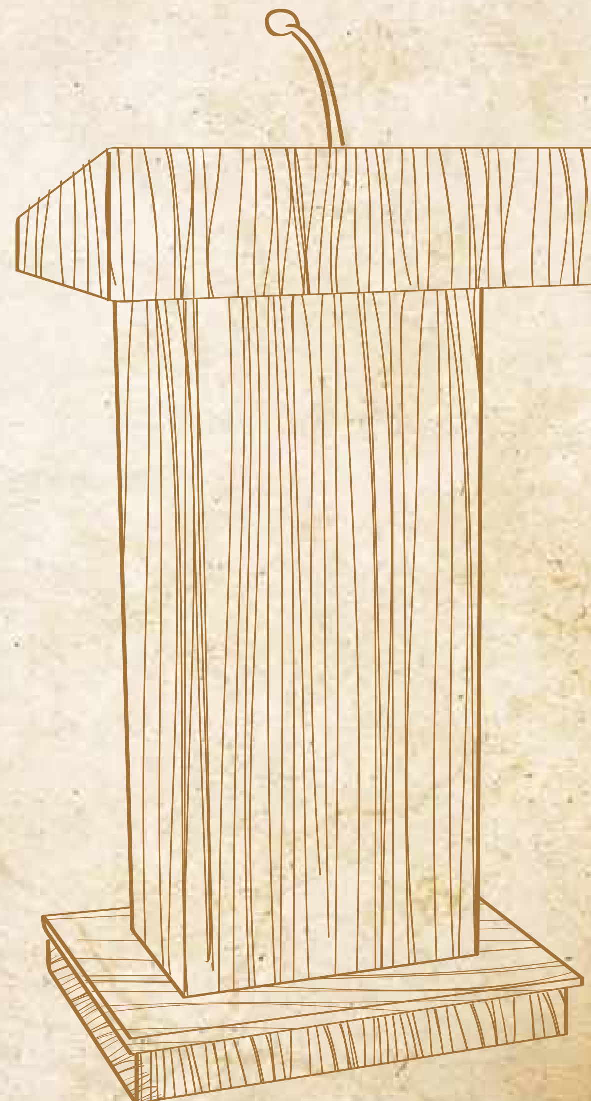
In summary, NFL's success for the year 2014-2015 is driven by the passion, dedication and hard work of its people to create value and deliver results. However, this remarkable journey would not have been possible without the constant support of all our valuable stakeholders.



## The Year Ahead

Going forward, even in the face of economic volatility and increasing challenges, NFL will remain committed to simplifying, standardizing and upgrading its processes and manufacturing facilities for faster innovation, improved product quality and enhanced growth.

Translating all externalities into opportunities - we will stay motivated towards achieving our Vision 20/20 by providing profitable future growth in our core areas of Nutrition, Health and Wellness.



Abrar Hasan
Chief Executive

Karachi: August 21, 2015

# Marketing

## National ke Saath Har Din Khaas

National Recipe Mixes help strengthen bonds, making every moment special and worth remembering. National ke Saath Har Din Khaas Television Commercial (TVC) showcased our Barbecue, Salan and Rice range in 3 separate TVCs. This time our strategy focused on showcasing different moments of consumption as well as people from all generations and walks of life. Our functional campaign reinforced the notion that National is not only synonymous with familial bonds and friendship but is also the Number One brand when it comes to food.


## Jashn-e-Zaiqa Rural Activation

The rural market is an essential geography for NFL's products, thus, this year our rural activation took the center stage with a bang through the Jashn-e-Zaiqa Mela held in the month of March. Covering over 100 rural towns, these Melas took place over the weekends attracting huge crowds from the nearby towns as well. The Jashn-e-Zaiqa Mela was a holistic brand engagement initiative which encompassed cooking competitions, games, free trials of National Biryani, Quorma and Pickle along with exciting chances of winning gifts through lucky draws for all the women, men and children present there.

A home-gathering and float activation was also conducted to engage and familiarize the audience with National recipe mixes so that they are more aware of the differences that exist between NFL and its counterfeits.


## Chatpatta Chatkhara Chat Masala Campaign

A new TVC for Chat Masala was developed this year to boost sales during the auspicious month of Ramadan. The objective of this campaign was to highlight the supreme spicy yet tangy blend of National's Chat Masala and demonstrate how various iftaar and dinner dishes can be made more Chatpatta and tasty.


## Made Easy Website

With hundreds of recipes, culinary tips and Chef Saadat's quick meal ideas to choose from, madeeasy.com.pk is NFL's first consumer-centric website. This website not only builds on the success of our microsite - showcasing 1 minute recipe videos, but also provides a complete kitchen solution. This website has further increased our consumers' convenience by being accessible through mobiles, tablets and laptops. The website has been promoted through digital media such as video advertisements and standard banners.



## Mission Growth

Mission Growth was a tactical plan to boost and expand its penetration in numerous cities of Pakistan through various activations such as Door to Door selling, home gathering activations and display drives at outlets. This campaign focused on promoting Recipe Mixes, Ketchup and Jams in several cities like Sargodha, Quetta, Karachi, Peshawar, Rahimyar Khan, Sialkot, Faisalabad, Sahiwal and Okara.

## Kitchen Cabinet Campaign

NFL's wide array of ingredients can be found in every kitchen cabinet - making cooking an exciting process. The premium blend, scintillating aroma and freshness of our spices and salt elevates the taste of our meals to a whole new level. A 30 second TVC was developed to showcase our range of spices and salt, which was further boosted by an Out-Of-Home (OOH) campaign.

# Marketing

## National Ketchup Zaroori

When it comes to National's Ketchup, no one can say no! This year saw a variety of brand building activations targeting everyone from children to teens to adults. National Ketchup Party sought to offer a unique Ketchup experience to all school-going children and their mothers – making everyone a National Ketchup fan. The Ketchup Party covered 140 schools and 145 mohallas across Pakistan, where participants were engaged in various National Ketchup-centric games and were also offered a free trial of our Ketchup with French Fries. Along with the Ketchup Party, trial of National Ketchup was also generated through Bazar and In-Store Converter Activation. Furthermore, to ease market penetration and generate increased brand trials, 10 grams Ketchup sachets were also launched this year.


## Fruitily Jug mein Bhari Taazgi

With one of the hottest summers this year, Fruitily had a very happening season whereby multiple brand building initiatives were undertaken to generate trial and awareness. Launch of the jug pack along with wet sampling was the center point of all activations. Consumers belonging to different age brackets were engaged at various outlets to refresh themselves with a chilled glass of Fruitily, especially in universities where students posed with props against a branded Fruitily arch. In addition to this, other consumer touch points for the wet sampling activations included Bazars, Cinemas and Malls. The BTL initiatives were coupled with creative OOH, Television, Cinema and Digital airing announcing the launch of Fruitily Jug Pack.


## Pickles Chatkharoon ki Chaka Chak

National Pickles add a spark of tanginess and spice to everyday meals. A seasonal campaign was carried out in the month of April and May 2015, which revolved around the tagline Chatkharoon ki Chaka Chak, reaching consumers through Television, Outdoor and BTL Activation. A comprehensive outdoor campaign was developed which also launched a new initiative called the Pickle Train - a mobile pickle bottle train on wheels. It travelled through numerous towns & boosted recall of the brand. An on-ground activation for consumer engagement was also initiated, whereby National Pickles interacted with women at their households through the Chatkharay dar Mehfal to induce positive brand association.


## Jams

During November to December 2014, a creative OOH execution for Jams was carried out in Karachi. 3 Trikes - a group of bikes, rotated around different parts of the city to generate buzz and visibility for the brand. The activity was well received by the audience and helped create recall of National Jams.

Apart from this, a focused converter activity took place which aimed at boosting National Jams in Quetta and Karachi, covering various shops at the retail level.

# Marketing

## New Launches


This year NFL reached greater heights by successfully launching various new products. Multi-Fortified Salt which has Iodine, Zinc and Folic acid was introduced to boost women and children immunity. This launch was bolstered by OOH, converter activation and awareness drive through social media.


Moreover, National Corn Flour was also launched to expand our Chinese portfolio whilst promising premium quality and great value to consumers. It was supported by in-store displays drives and merchandising.



# Trade Marketing

As the competition grows fierce, companies have started experimenting and identifying new mediums to target their audience. Trade Marketing is a relatively new concept that not only provides support to the key marketing functions but also helps in amplifying the company sales. It is a complementary process that ensures the availability of products in the market whilst meeting the demand created through various marketing activities. This discipline works towards increasing the demand with its supply chain partners such as distributors, wholesalers and retailers.

NFL recognizes the strategic importance of the Trade Marketing function and thus continues to invest in the development of its trade channels across Pakistan. This year's Trade Marketing activities focused mainly on driving different engagement plans and gauging the potential of the channel mix being deployed.

Traders were engaged through Local Modern Trade (LMT) in a strategic partnership for Joint Business Plans (JBP). It focused on deployment of category projects and structures to reinforce the category presence and dominance in the market. Similarly, General Trade customers were targeted to enhance category share and visibility through display drives and engagement plans. Whereas, the Whole Sale Channel continued to play a significant role by providing support to exclusive activities promoting Recipe Mixes, Pickle and Ketchup for increased penetration in various regions through Route to Market (RTM).

Furthermore, special visibility drives were conducted through different channel mixes to increase our presence at the general, kiryana and mohalla store levels along with bakeries. The results produced through these activities have been remarkable, increasing both the shelf presence and the market share. However, for our international customers, such as Metro and Hyperstar, different engagement activities like mailer participation were used throughout the year to boost sales.

With an increased emphasis on Rural Trade Development this year, traders were offered various combinations of promotions to enhance visibility, block counterfeit products and increase shelf presence & stock depth. Similarly, exclusive seasonal plans were also executed to support our Public accounts.

Working in close collaboration with Sales and Marketing, the Trade Marketing team will continue to contribute towards the long term strategic objectives of the company.

# Sales


Every department at NFL strategically contributes towards building relationships and delivering value in the form of final product to our customers. The Sales department, similarly takes it upon itself to chalk out a definite plan that ensures company's growth through an in-depth analysis of the customers, competition, market trends and timely results.

This year, the Sales team once again broke its own record by successfully achieving double digit growth through capitalizing on different market segments, developing new channels, investing heavily in latest technologies and different trade engagements.

The decision making process of the Sales team has been further simplified and streamlined through the induction of an advance management system called - Computerized Reporting Yield for Sales and Trade Automation Landscape (CRYSTAL), a secondary sales software. It plays an integral role in providing effective coverage, increased availability, realistic demand estimates and centralized access to all the information and data. Presently, CRYSTAL is on its way of mapping the entire world via geo-tagging to further facilitate our Sales team in identifying and exploring the potential white spaces.

Moreover, NFL's extensive distribution network and operations have not only helped us gain an edge over the competitors but has also aided in enriching the Sales team's experience in terms of product distribution and market services.

Our focus remains on increasing our channel based approach through General Trade, Wholesale, Retail Markets and International Modern Trade (IMT), whereas, the foods solution function has also delivered encouraging results by exploring different opportunities in hotels, restaurants and cafes (HORECA) along with other public accounts such as utility stores and canteens.

NFL has shown promising results and incremental growth in terms of volume, in the rural areas. As a result increased accessibility and market penetration in various villages across Sindh, Punjab, Khyber Pakhtunkhwa & Kashmir has now become possible. The overwhelming response has further motivated our rural teams to explore more avenues in this segment.

In future, Sales will continue to provide value and convenience to its customers through strengthening networks and adopting innovative channels & latest techniques.



# Projects and Development

**Inauguration of the Gujranwala Factory**
As part of our goals embodied in Vision 20/20, the Projects & Development (P&D) team put its utmost effort in completing the Gujranwala Project Phase I, within a record time of 35 days.

With unrivaled combination of market insights and consumer understanding, the main focus of the Gujranwala Factory is on streamlining the value chain of Kasuri Methi, along with providing support to National Recipe Masala's packaging processes. This new addition to NFL's establishments will prove to be a fundamental cornerstone of the company's business plans by creating value for all our stakeholders.

Present on the main G.T. Road, the Gujranwala Factory was fully operational by 26th January, 2015 with all the machinery installment, maintenance, civil work and Work Breakdown Structure (WBS) activities successfully completed within the given deadlines. This factory aims to benefit from its strategic location by providing speedy customer service and increased cost efficiencies through significant savings in freight charges.

Along with ensuring strict compliance to the OHSAS standards, the WBS activities included:

- Inspection & rectification of ASIL's equipment.
- Project scheduling and costing.
- Civil works, electrical designing and execution.
- Mechanical dismantling and reinstallation of equipment from Port Qasim to Gujranwala.
- HVAC system designing and execution.

**Dehydration Department & Ribben Blender Section**
This year, the P&D team decided to revamp the entire Dehydration department with all its supporting auxiliaries and ancillaries in Port Qasim. The purpose behind this activity was to ensure smooth operations and optimum utilization of the available space resulting in increased production and efficient usage of energy.

Furthermore, the Ribben Blender section was relocated from the stone mill section to the dehydration section in order to help improve operations and consumption of resources.

# Human Resources


The Department of Human Resources for the year 2014 - 2015, worked towards implementing the best industry practices strategically contributing to the organization's growth. Various projects were executed successfully throughout the year which focused on a wide array of activities, such as developing capabilities of its people, payroll disbursement of NFL & third party employees, launch of the employer brand along with the employee handbook, induction of management trainees batch 2014, introduction of SMART goal setting & performance appraisals along with revamping the entire corporate communication kit.

This fiscal year witnessed the transition of employee payroll from Bank Al-Habib (BAHL) to Habib Bank Limited (HBL) leading to same day salary disbursement and various other industry competitive benefits offered by HBL. These benefits varied from salary transfer within 2 hours to all employees' nationwide, on-site ATM facilities, free cash withdrawal from all ATM's nationwide, free debit cards, exclusive discounts on HBL debit/credit cards to CIP lounge access. This initiative reduced the payroll disbursement time by further streamlining the process and timelines for both permanent and third party payroll.

The Talent Acquisition & Organizational Development (TA&OD) function focused its efforts on building the internal and external image of NFL through the launch of its employer brand - Building Excellence in People, which can now be seen across all organizational branding material. These efforts were complemented by the launch of NFL's first ever employer handbook, providing a one-window look into the company's remarkable history, products, values, competencies, policies, corporate social responsibility programs and health, safety & environment initiatives. Alongside the employee handbook, various other branding material was also developed and launched to standardize the orientation and induction plan for the new joiners.

Furthermore, NFL inducted its second batch of management trainees this year in October 2014, whereby a total of 9 management trainees joined us from various different universities, including Institute of Business Administration (IBA), Lahore University of Management Sciences (LUMS), Lahore School of Economics (LSE), University of Engineering and Technology (UET) Taxila, NED University of Engineering and Technology and Coventry University, UK.

Likewise the OD function also branched out across universities nationwide to conduct resume writing and interviewing skills workshops in Karachi, Lahore, Faisalabad and Islamabad - covering 9 Tier II and Tier III universities. Moreover, SMART goal setting and appraisal awareness sessions were also carried out across all NFL premises including its 6 sales regions, encompassing both management and non-management employees. The objective behind these awareness sessions was to reduce performance appraisal dissonance and encourage one on one discussions in order to improve employee performance and facilitate feedback. These sessions were also used as a forum to encourage dialogue with non-management staff for addressing their queries and concerns.

Alongside these initiatives, the Communications function this year planned and dedicated a full day to cross-functional engagement based on the theme of 'Bringing out the SPICE within you'. This excursion was planned around various creative and interactive activities for over 100 participants belonging to the HR and QRD department. Whereas the Town Hall meetings this time around, were held at Forum & Port Qasim Plant highlighting the achievements and performance of International Division & Sales respectively. It also provided the NFL employees an opportunity to directly interact and meet the CEO and the leadership team.

Another major initiative led by Communications was the revamping of the corporate communications kit in order to standardize and brand all communication across NFL. This initiative is closely aligned with the launch of our Going Green Drive that focuses on eliminating paper wastage, using re-usable envelopes and implementing environment friendly processes across the company.

The Industrial Relations (IR) department also took on a number of projects this year, including but not limited to the screening of workers during mango-cutting season and providing Hepatitis treatment to all its third party workers.

While the fiscal year 2014 - 2015 has been quite a busy year for this department; the next year will be even more happening with numerous new initiatives, collaborative projects and enhanced synergy within the organization!

building
excellence
in people



# Finance


In pursuance of its vision, the Finance department enabled accelerated business growth and increased shareholder value by providing continuous support to its various business functions.

Several cross-functional projects revolving around delivering sustainable growth, providing business support and identifying different opportunities to improve business profitability were taken up to accomplish our key priorities during the year.

The department realizing the importance of its role in growth momentum, ensured that while achieving NFL's strategic objectives, the underlying controls embedded in the business remain world class. Thus, day to day decision making was further simplified through providing increased facilitation and timely provision of accurate financial information. In this context, Finance collaborated with the Information Technology department to create a dynamic dashboard which provides a detailed analysis of profitability and also caters to the need of what-if analysis. Furthermore, a comprehensive report of trade offers prices and discounts have also been developed to aid in quick decision making and improved trend analysis. The Sales Return Model and its claim processing for a specified region was also revamped and simplified during the year, resulting in lower associated costs and improved profitability.

In order to mitigate the key risks being faced by the business and to improve the existing controls, the Finance team has proactively worked towards developing a comprehensive risk management matrix and its future course of action.

To further strengthen the business performance review, the Finance team sits together and monitors the progress of key account balances analyzing the long outstanding amounts and reasons for major variations on a monthly basis.

In line with their aim of becoming the most effective Finance function, they have pledged to work towards further developing their resources and upgrading NFL's business processes.

# International Division


Globalization has revolutionized the business arena, opening gates to endless possibilities and opportunities for companies to expand their operations across borders.

In the year 2014-2015, International Division (ID) continued to deliver excellence in food taste and quality - winning the hearts of consumers worldwide. It worked towards further strengthening NFL's position in key markets by offering consumers the true 'Taste of Pakistan', which acted as a uniting force across the globe.

**International Business Structure**
NFL has already established itself in key regions such as United Kingdom (UK), United Arab Emirates (UAE) and Canada. It now seeks to continue expanding its reach across other countries whilst further developing its market in Saudi Arabia, where additional resources were also deployed yielding excellent results.

Additionally, a distribution center has also been set up in Canada to improve supply chain efficiencies by increasing the speed of market deliveries, thereby reducing market distribution gaps. With the hub being operational from June 2015, our shipments have been successfully dispatched this year - results of which will be evident in the year ahead.

**Structural Improvements in the International Division**
The International Division's structure was revised and revamped to include 3 major strategic pillars - sales/business development, marketing and supply chain. These structural changes were implemented to align internal processes, operations and growth ambitions, thus, delivering superior value to all its customers. These changes have been fully effective since July 2015.

Dedicated supply chain resources have also been deployed in the international division so that demand planning, warehousing, logistics and customer services can be handled internally, improving efficiency and increasing customer satisfaction.

**Distribution Expansion**
The International Division has successfully expanded its penetration in key markets by reducing distribution gaps and tapping potential market segments bringing us closer to achieving our Vision 20/20.

In the previous year, our focus on Middle East was purely towards the Modern Trade segment. However, this year, ID captured a chunk of the General Trade segment in the Gulf Cooperation Council (GCC) region, particularly UAE and Saudi Arabia, where the van sales operation continued to grow. Our plans for future expansion are based on the exponential increase in sales.

Moreover, regions have been re-aligned and new distributors have been added to enhance distribution coverage. In UK, 2 new distributors have been appointed in the South and Midlands region, hence strengthening NFL's position in the UK market. Similar distribution additions have also been made in Germany, Holland, Bangladesh and Nigeria.

**International Marketing Campaigns**
Category and region specific marketing campaigns were launched through media, print, in-store and outdoor mediums to enhance brand awareness and visibility in focused markets which included various advertisements and promotional campaigns. As a result, NFL went viral with its new campaigns, 'Flavorsome Moments' for Recipes, 'Tangy Twist' for Pickles, 'Complete Kitchen Cabinet' for Spices, and similar campaigns for other categories. Furthermore, trade and consumer offer strategies were implemented around peak buying seasons to drive sales of major categories.


**New Product Development and Launches**
**Recipe Jars**
This year, NFL introduced its top selling Recipe variants such as Tandoori, Tikka, Seekh Kabab and Fried Fish in convenient and appealing jars. These jars were developed to accommodate a larger quantity of spices (550-600g), enhancing its suitability for household and commercial customers, who are interested in buying bulk quantities at economical prices. The product has been successfully launched in North America, and the company aims to introduce it in the other regions as well. Through such product developments, NFL continues to deliver its promise of providing easy and convenient solutions to all its consumers worldwide.

**Dessert & Frozen Foods Improvements**
Traditional desserts including Gajar Kheer, Kheer and Pista Kheer were re-worked and the category was re-launched with new and improved formulations with extended marketing support to promote the 'Rich, Creamy & Delightful' range through point of sale material and outdoor branding initiatives.

Newer categories, such as Frozen Foods, have continued receiving marketing support comprising of on-ground promotional activities launched to build category awareness and visibility. In addition, new innovative products have been developed and are in the pipeline to be launched next year.

**Global Sourcing**
The company has re-aligned its interest from being an Export Business to an International Business with its focus on procuring products from various global sources to meet demands worldwide. Consequently, the company has recently started sourcing rice from a trusted international market to be supplied to key customers in North America. NFL will further build upon this global sourcing strategy in the years to follow.

**Exhibitions & Conferences**
This year, NFL has exhibited in major trade and consumer fairs including Gulfood (UAE), IITF (India), Sial (Paris), WorldFood (Moscow) and Mafex (Morocco) allowing the company to meet both its existing and potential customers to further strengthen its distribution network worldwide.

NFL also seized the opportunity of uniting its distributors at an annual distributor dinner/conference during the Gulfood exhibition, where the senior management was also present to extend their support to the business partners. This proved to be a great platform to highlight the key achievements of the current year and to discuss business growth strategies for the future.

# Information Technology

Information Technology (IT) over the past decade has transformed how the world operates. Gone are the old fashioned days of doing things manually as the world has become much more interconnected, progressive and mobile today. Similarly, IT's role in such a dynamic environment has become that of an enabler and facilitator, providing significant support to all the business functions across the company by automating several routine activities whilst ensuring their efficiency and accuracy.

At NFL, IT has simplified the process of business strategy and execution through introducing latest technologies that further improve and standardize company operations. Thus, in line with the goals of implementing a culture of automation, promoting process efficiency, providing top class customer service and encouraging substantial cost savings, multiple projects were delivered throughout the year:

- The world class SAP ECC 6 ERP was enhanced to include Quality Notification in the QM module - catering to the needs of our growing export business. Project Metro was also successfully implemented for automating and streamlining the online payment process.

- On similar lines, SAP system availability was significantly increased by minimizing production server down time during backup periods and month-end activities. Business Intelligence & Business Objects (BI/BO) servers were moved to Cloud infrastructure to ensure faster execution and increased efficiency along with automated delivery of BI reports and dashboards.

- IT developed a web-based system to gauge and measure the satisfaction level of our valuable customers by managing their feedback, complaints & suggestions on a daily basis along with regular BO based reports. Moreover, management dashboard was developed as a single version of truth for financial MIS, sales (region/product), balance sheet & what-if analysis along with other dynamic dashboards for cost trackers, orders versus delivery and accounts receivables pertaining to the international division. Presently, IT is also working on developing policies that benchmark the best practices for IT Governance. It has also engaged itself in initiating a comprehensive assessment of information security.

- Keeping in mind NFL's growth and expansion across the country, the IT infrastructure team delivered a series of projects that focused on revitalization of datacentres and network elements, including implementation of high-end next generation firewall. Furthermore, Infra services were also improved in terms of availability, monitoring, visibility and safety. The WAN/wireless network was distributed from centralized SITE access to direct cloud for all NFL locations in order to avoid latency and dependency, thus, ensuring quality of service. Moreover, Digital Signatures were also implemented to ensure authenticity, accountability and integrity of signed documents.



# Supply Chain Management

Supply Chain Management (SCM) is one of the key functions at NFL that not only ensures optimization of operational efficiencies but is also closely aligned with high quality production, customer satisfaction and overall company success.

This year, the SCM team continued to provide unconditional support to all its partners for successfully achieving the target of 24% sales growth. In addition, SCM also focused on maximizing efficiencies, integrating systems and minimizing costs along with strengthening its relationships with all its suppliers, raw material stores, production units, warehouses and distributors - using World's best ERP -SAP System. Thus, ensuring that all of them work together as a team to achieve the company's Vision 20/20.

**Material Resource Planning**

Launched in 2013, Material Resource Planning (MRP) has been implemented across all NFL manufacturing facilities including SITE, Port Qasim and Muridke, with basic configuration. This year marks the successful completion of the MRP project - phase 1. MRP plays a significant role in managing the supply and demand of materials so that any shortage or excess of requirements is handled in a smooth and systematic manner. As a result, planning is done proactively and well in advance for all the material requirements, ensuring that the finished product is ready and complete in line with our quality standards, timelines and stated budgets. Through MRP, we aim to take a holistic approach for optimizing the effect of every variable involved in material planning by catering to the needs of all its various stakeholders such as production, planning, procurement and quality control at the plant as well as at the SKU level.

**Out Sourcing of Warehouses**

In order to further improve and streamline our SCM processes along with ensuring high quality service, NFL outsourced one of its SITE warehouses to Connect Logistics, whereby all the stock from the SITE production plant is now directly delivered to Connect Logistics' warehouse. In addition to providing us support in Karachi, Connect Logistics will also provide their services to efficiently manage all upcountry dispatches and deliveries for salt, ketchup and jam jellies.

# Corporate Social Responsibility

At NFL, we are committed to the cause of creating a sustainable positive change by contributing back to the community we operate in. Our long term and robust CSR programs seek to positively impact the lives of people, by targeting the root cause of the issues that hinder the possibility of a better future. Our focus remains on improving the social well-being and quality of life in Pakistan, through identifying initiatives in 3 key areas, which are (i) Empowering Women Today through Education And Literacy, (ii) Promoting Healthy Lifestyles through Offering Nutritional Meal Solutions and (iii) Ensuring Sustainable Livelihoods through Community Development. We, at NFL, feel privileged to be of service to our society.

Our CSR initiatives fall under 3 focused categories:

1. Education & Literacy – Empowering Women Today
2. Health & Nutrition – Promoting Healthy Lifestyles
3. Community Development – Ensuring Sustainable Livelihoods

**Aagahi Adult Literacy Program (AALP)**

NFL believes that an educated woman ensures a brighter future for her family. This makes the role of a woman altogether very significant and pivotal, thereby embedding education as an integral part of the family's future. Hence, since 2005 NFL has collaborated with The Citizens Foundation (TCF) in launching and running a massive campaign called the Aagahi Adult Literacy Program. This unique program aims to empower women by teaching them basic literacy and numeracy skills within a span of 3 months.

NFL and TCF have successfully sustained this program for over a decade now - reaching across 40 cities nationwide, transforming the lives of over 38,000 women and 200,000 family members on an average.

We look forward to our continued collaboration with TCF and new partners like Shield Corporation and Bayer Group to rapidly intensify and accelerate the pace and reach of this program.

**Aasmoon Lootfun Primary Girls School**


NFL along with its international distributor from Mauritius, is sponsoring and managing a school for females in one of the most destitute areas of Karachi, called Kati Pahari. In line with our goal to institutionalize the importance of female literacy, ALPGS has now been successfully running for over 4 years. With a gradual increase in the number of students each year, NFL will continue to scale it up and further expand the scope of this program.

NFL, with the help of its distributor, has accomplished what seemed impossible a few years ago, thus, enabling females to attend school and get quality education near their homes.

**School of Britannica**

Education is for everyone - following this notion, NFL has partnered with School of Britannica to support and endorse education for children hailing from economically unstable backgrounds through sponsoring their school copies and notebooks for free. This has encouraged many school-going children to acquire education, who were initially reluctant to attend school because they lacked bare necessities. NFL and School of Britannica together, have made it easier for the less privileged to gain knowledge and enhance their learning.

**Aman Ghar**

As a foods company, NFL truly understands the importance of health & nutrition as an essential need for the optimal physical growth and mental development of our children.

In the wake of such crisis, where over 40% of our children are malnourished, NFL partnered with Aman Foundation through the platform of Aman Ghar to provide nourishing meals to the school-going children of Khuda ki Basti. To date, NFL and Aman Ghar together have served over 3,000,000 meals – completely free of cost. NFL supports this program by donating in-kind, where more than 3,500 meals are hygienically prepared in over 10 schools every day.

Moreover, NFL has also recently launched "NFL Goody Bags", where a delightful mix of different NFL products are distributed amongst the students before the on-set of their vacations and Ramadan. Looking forward to rejoining school, these children enjoy their vacations while munching on National's Goodies!

**Iodized & Iron Fortified Salt**

NFL pioneered the use of Iodized Salt through a public-private partnership with UNICEF to tackle the grave issue of Micronutrient Malnutrition in Pakistan. NFL, as an active social citizen, took the initiative to promote awareness regarding the benefits of consuming and maintaining adequate Iodine levels along with launching Iodized Salt and Iron Fortified Salt to address and alleviate Iron Deficiency Anemia (IDA) – a condition that can result in multiple disorders ranging from cretinism, goiter to mild mental and physical retardation. In future, NFL aims to extend its product range by offering more nutritional meal solutions through continuous research, development and innovation.

**Water Filtration Plants - Access to Safe & Clean Drinking Water**

NFL recognizes that one of the biggest challenges in Pakistan is accessibility to safe & clean drinking water. As a result, NFL has embarked on a mission to install water

# Corporate Social Responsibility

filtration plants in all the rural communities it operates in within Pakistan, along with providing this facilitation to its work force.

As part of NFL's strategic vision, our efforts are focused on providing access to clean drinking water by installing water filtration plants in the Chili growing areas of Sindh as well as other rural areas that are deprived of water accessibility. At present, there are 3 water filtration plants providing safe & clean drinking water to over 15,000 people free of cost. Furthermore, NFL is now partnering with TCF to further expand and install 2 more water filtration plants in the rural community and believes that this collaboration will ensure long term sustainability of our vision.

**Saaf Paani Sehatmand Zindagi:**

Saaf Paani Sehatmand Zindagi – the tagline reinforces the basic fact that clean water is fundamental to a healthy life!

In order to embed this change in our people and ensure the sustainability of this initiative, we have provided all our factory workers the opportunity to take clean drinking water to their homes on a daily basis without any cost. In addition to this, NFL partnered with Aman Health Foundation to help spread awareness regarding the importance and benefits of consuming clean drinking water. This awareness drive was conducted at all NFL facilities nation-wide including SITE, Port Qasim and Muridke.

**Value Chain Empowerment:**

Chilies are one of NFL's major ingredients grown primarily in Tharparkar, Sindh. Therefore, NFL has set up its own Chili collection center in Kunri to engage sustainably with the Chili farming communities of this impoverished area. The aim of NFL's Chili collection center is to predominantly improve the quality of Chilies by eliminating the hazards of Aflatoxin and pesticide residue. NFL encourages share croppers and farmers to provide these Chilies by offering a premium price in return. This ensures that the Chilies supplied by NFL are in compliance with the international standards, as well as benefitting the farming communities through improved livelihoods. NFL currently sources almost half of its requirement directly from these farmers, with the aim of sourcing it 100% in the future.

Linked to this Value Chain initiative is our long term goal of ensuring process improvement, enhancing quality of Chilies and increasing crop yields. Thus, we have also installed multiple water filtration plants in the Tharparkar district to help provide the Chili growing communities accessibility to safe & clean water.

**Pakistan Agriculture Coalition:**
In collaboration with Pakistan Agriculture Coalition (PAC), NFL frequently encourages its farmers to ensure a better future by further enhancing their skills through vocational trainings that focus on aligning the existing farming techniques with modern international practices and progressive methods that ultimately improve the productivity and quality of yields.

**Breast Cancer & Anti-Tobacco Awareness:**


From time to time, NFL collaborates with its esteemed partners to help build a more well-informed society through organizing awareness sessions that touch upon an array of different health and safety issues.

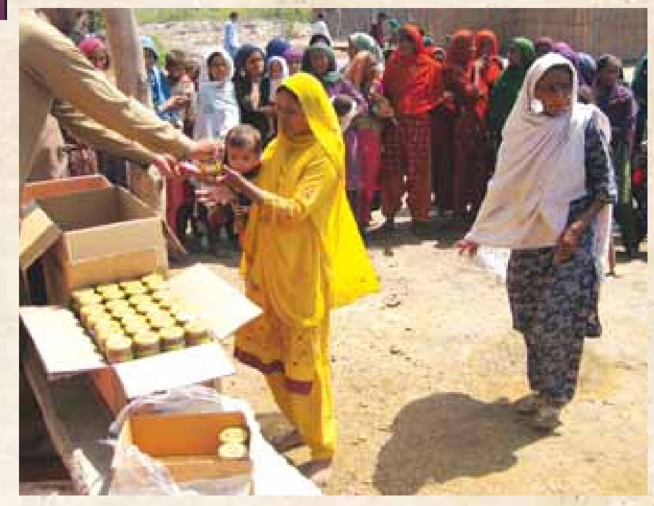
Our most recent awareness drive focused on Breast Cancer. According to World Health Organization (WHO), Breast Cancer affects nearly 40,000 women each year and is found to be present in both female and male populace. On the other hand, Lung Cancer and Tuberculosis is another escalating health concern that was highlighted to create awareness. NFL joined hands with Shaukat Khanum Memorial Cancer Hospital & Research Centre for conducting informative sessions company-wide providing vital information to all its participants. This included precautionary measures, first stage self-check-up, indications of going to a doctor and other relevant facts and figures.

**Hepatitis B & C Vaccination & Awareness Drives**

Every year NFL not only organizes interactive and informative awareness sessions on Hepatitis B & C, but also provides free vaccination to all its employees across all facilities nation-wide, including every new induction as well.

**In-House Clinics**
For the purpose of providing the benefit of free medical consultations, first-aid, regular check-ups and medicines to our employees and work force, NFL has established 3 in-house clinics at SITE, Port Qasim and Muridke respectively.

**Emergency Relief – Flood and IDP Assistance:**



NFL takes great pride in being a Pakistan-based company that stands by its people to promote peace and stability in the nation.

Whilst reiterating our commitment as a company to support our people, NFL joined hands with Omair Sana Foundation to help the Internally Displaced Persons (IDP) and the Internally Displaced Families (IDF) present in Bannu and North Waziristan region of Pakistan.

Furthermore, NFL distributed food and medical supplies amongst the victims of floods in interior Sindh and Punjab, where numerous internal departments and employees took personal interest in distributing the much needed aid to the affected populace. This project was undertaken in partnership with the National Rural Support Program (NRSP).

# Quality, Research & Development

The entire QRD department displayed great team work and dedication towards achieving the various milestones and goals set in the beginning of the year. 2014 – 2015 successfully marked the launch of numerous products & line extensions, enhancement of data base systems and strict adherence to local & global standards – all of which contributed in driving business growth.

Keeping our consumer's health in mind, NFL launched Multi-Fortified Salt in the local market which contains Zinc, Folic Acid and Iodine as micronutrients, essential for growth. In collaboration with CSR, this Multi-Fortified Salt was also distributed in the Thar region to fight against the widespread micronutrient malnutrition issue. Moreover, Fruitily Jug Pack was introduced in 3 exciting flavors - Mango, Orange and Lemon along with a combo mixture of different flavors. A new Stock Keeping Unit (SKU) of Corn flour was also introduced as an addition to National's thriving Chinese Range. Moreover, 6 variants of recipe mix sachets were successfully launched including Yakhni Pulao, Haleem Mix, Sindhi Biryani, Qeema, Tandoori and Paya.

Another line extension of the recipe range, Meat Masala was introduced and made available in 100g SKUs to provide increased convenience and ease to our consumers in the international market along with the launch of Fried Fish, Seekh Kabab, Tandoori & Tikka in pet jars.

**Compliance to local & global standards**
Compliance forms the basis of how we operate at NFL and lays the foundation on which we engage with the society. Hence, a thorough exercise was conducted for our existing products in line with Punjab Pure Food Rules 2011 to mitigate the possibility of legal risks. As part of the exercise, oxo-biodegradable packaging was enforced at the federal level, which was later followed by the Sindh EPA. In order to rationalize the situation, NFL's technical team took a step forward and drafted a position paper. The Ministry of Climate Change is mostly convinced by the precautions undertaken and plans to revoke most parts of the SRO shortly.

With the custom clearance process streamlined, NFL's containers are released smoothly and timely without being held up by the Import Alerts administration. All pickle product registrations (SIDs) had to be updated in line with the synchronization of local and export pickles with a single preservative, thus, renewing all NFL facility registrations as per the biennial policy of US-FDA.

**Export Packaging Revamped**
Foreseeing the regulatory challenges regarding Food Information for Consumer (FIC) regulations in Europe effective from December 2014, all export packaging was revamped with Allergens highlighted in the ingredient lists and potential allergens declared separately. Similar changes were made in the Canadian packaging; post the Canadian Food Inspection Agency (CFIA) investigation to cater to any unforeseen allergen residues. Other modifications such as the removal of artificial flavoring statements, subsequent changes in the foreign languages and improved designs were made to simplify inventories and attract the consumers at large.

**SYSTEM & PROCESS ENHANCEMENTS**

**Customer Complaint Handling System - CUSTOMER FIRST**
An important achievement by the Quality function this year was the launch of Customer First - a customer complaint handling system that generates status reports on a regular as well as monthly basis. These complaints are followed through from the time they are recorded till its final closure. Customer First has been designed to record all complaints on an intranet based portal with its complete traceability in terms of plant, region, batch, products and SLAs committed by the QRD teams. The system remains live and updated at all times through dedicated staff ensuring best quality practices to gauge the frequency and severity of each and every complaint lodged.

We plan to enhance our customer service levels by building focus on continuous improvements through exploring more features of this portal by providing access to our internal customers in the first phase and our external customers over the website coupled with other CRM initiatives in the second phase.

**Quality Notification System**
Quality Notification System was successfully implemented this year, providing comprehensive non-conformance management features which enabled streamlining the Quality Module (QM) process within the enterprises. Few key features of this system are:

- Better controls to manage all types of non-conformities.
- Enhanced utilization of the SAP system.
- Direct integration into the supply chain.
- SAP notification can also prompt individual defects, follow-up actions and closing of user-defined tasks.
- Improving access to quality-related costs or inspection lot data for batches through flexible reports within SAP.

**Allergen Control Program Benefits**
NFL acknowledges the importance of having a strong Allergen Control Program in place as part of its product safety initiatives, so that our consumers are provided with only high quality and safe products.

**National Foods Chili Centre (NFCC)**
NFL is proud to be the only company in Pakistan that has pioneered in establishing a channel in its Kunri Chili fields for improving the quality of its Chili yields. This also ensures its smooth supply along with providing sustainable means for its Share Croppers to improve their livelihoods. To accomplish this goal, NFL has also trained and educated its field workers at Kunri to ensure that the whole process, starting from sorting Chilies collected from the GeoTextiles to dispatching bulks of Aflatoxin free Chili at the NFL premises, remains flawless. Additionally, NFL has also bought 2 acres of land for laboratory research, where in collaboration with Market Development Facility (MDF) continuous improvements are being made towards the purification of the Dundicut drop.

**Process Simplification - Ketchup Range Production**
A step towards process simplification was taken by R&D to improve the production practices, which has resulted in significant cost curtailment whilst enhancing the daily production yield, adding value to the safety practices for workers as is mandatory for ISO-18001.

# Operations

## SITE

In line with our prime focus on producing quality products, conserving resources and reducing the environmental impact of wastage, our SITE plant oversees the entire production and operationalities of Paste and Salt products.

The entire back to back process of cooking, filling and packaging all our sauces, jams and ketchups takes place in the Paste section. Whereas, the Salt section caters to handling the entire process of converting lake salt into iodized table salt with the aid of several different processes.

Furthermore, in order to improve our service level and ensure efficient material handling, NFL decided to outsource one of its SITE warehouses to Connect logistics, thereby benefitting from its world-class facilities, modern racking systems, advanced equipment and highly trained third party staff.

## MURIDKE

2014 – 2015 was a tumultuous year for the Muridke plant's salt section, which faced a lot of complications in terms of timely supply and delivery of raw material. For 3 consecutive months, there was a severe shortage of raw material supplies in the market. Nonetheless, the Muridke plant team remained committed to finding an alternate solution to smoothly and efficiently handle this situation in a timely manner. Their hard work and diligence paid off as the team not only met the operational targets of the year by producing 927,694 cases but was also successful in improving its production rate by 6% as compared to last year.

**Annual Surveillance Audit - Occupational Health and Safety Management System (OHSAS)**

OHSAS Annual Surveillance Audit for the year 2013 – 2014 was completed successfully by the United Registrar of System (URS) in April 2015 without any non-conformities raised by auditors against the plant's OHSAS practices and implementation.

**Commencement of Gujranwala Factory**

In line with NFL's Vision 20/20, our senior management strategically decided to commence its manufacturing operations in Gujranwala, catering to the high demand of the province. Thus, NFL has successfully expanded its manufacturing operations in the shape of Gujranwala factory. The first phase of this project focused on streamlining the processing of Kasuri Methi, whereas, in the second phase the company aims to import state of the art plant machinery from Germany along with the installation of cooking and packing lines for Ketchup.

## PORT QASIM

Port Qasim's (PQ) team initiated various different innovative projects this year resulting in significant cost savings and improved efficiencies.

With over 5 huge storage facilities in Port Qasim and 4 more stores present at different locations; storing materials, inventory management and warehousing plays a highly critical and vital role in PQ operations. Thus, this year Stores' team at Port Qasim successfully saved approximately 6.3 million rupees whilst ensuring optimum capacity utilization.

**Export Packaging Store**

The export packaging function was moved from the SITE to Port Qasim facility, whereby all operations related to processes and packaging now take place in PQ. In order to further automate processes, the PQ team successfully introduced a new sticker pasting machine for pasting labels on different export packets.

**Mango Cutting**

This year the mango cutting activity was completed efficiently, well within the timelines – achieving a record-breaking target of 5,000,000 kgs. The entire activity proved to be an ideal illustration of team work, determination and commitment. In addition to this, the PQ team effectively consumed the mango kernels' (seed) which were left once the Mango cutting process completed to produce 80,000 kg of Khatai powder.

**Bardana Kat**

Through eliminating unnecessary raw materials - mainly Bardana Kat (empty bags deduction) from suppliers, the PQ team helped bring in huge cost savings. Further to this initiative, recycled sugar bags, recycled brine wax and reduced brining process wastages (BOM) have also contributed in reducing costs.

**Solar Project**

In line with sustainable energy developments, the team successfully implemented NFL's first-ever Solar Energy Project at PQ. Solar energy has emerged as a highly significant source of providing cost-efficient, reliable and secure energy solution, due to its abundance and even distribution around the globe. Charged directly from the sun, this project will help save millions in electrical, maintenance and repair costs in the coming years.

# Awards and Certifications

**FSSC 22000 Implementation at Port Qasim**
The Food Safety System Certification Scheme - **FSSC 22000** is a fully recognized Global Food Safety Initiative (GFSI) which has been implemented at our Port Qasim factory. FSSC 22000 is a combination of ISO 22000:2005 and ISO 22002:2009, which aims to provide a robust framework for effectively managing all the control measures to address the food hazards associated with raw and packaging materials as well as manufacturing, processing, handling and storage of products.

**OHSAS - 18001 Recertification**


Certificate of Registration

This certificate has been awarded to

National Foods Limited

Mannoabad Muridke Plant, Lahore, Pakistan

OHSAS 18001:2007

Manufacture, Storage & Dispatch of Food Grade Salt.

In line with our commitment to building and fostering a productive work environment, NFL continues to remain an **OHSAS-18001** certified company. Our Health, Safety & Environment (HSE) focuses on ensuring employee safety, environment-friendly processes, mitigation of occupational risks and compliance to international HSE standards at all NFL locations.

**ISO/IEC 17025:2005 - Scope Extension for Chemical & Microbiological Lab**
NFL is proud to be ranked amongst the top few accredited industrial laboratories and food industries in Pakistan. In addition to achieving an extension along with accreditation in 6 more tests, NFL's laboratories have successfully completed the re-assessment of **ISO 17025**, which was undertaken by the Pakistan National Accreditation Council team (PNAC) in November 2014.

**CSR Award**


The International CSR Summit is held every year to highlight and recognize some of the most outstanding initiatives taken by companies, under the umbrella of Corporate Social Responsibility. This year at the 7th International CSR Summit, NFL's CSR programs not only received tremendous appreciation and recognition for its contribution in creating a sustainable positive change but were also honored with an award for **Corporate Community Partnership**.

**IFANCA Certification**
Under the supervision of the Islamic Food and Nutrition Council of America (IFANCA), NFL has also received IFANCA halal foods product certification that reinforces the fact that NFL follows a strict dietary set of guidelines to help its halal consumers select goods in the international markets.



# Directors' Report

# Directors' Report

**Business Overview**
National Foods has successfully ended this year with excellent financial results based on its strong sales growth and earnings. These results have been in line with the shareholders expectations based on the performance throughout the year reported in the past 3 quarters. This strong performance has been a result of a buoyant consumer economy and market segment. The increased purchase power is the result of a global reduction in oil prices having a strong impact on purchase behavior through lower inflation rates. The company has completed the year with a top line growth of 22% and an increase in the earnings by 40%.

Due to the prevailing economic policies and a stable macro economic environment, it is expected that the company can sustain and deliver accelerated growth results in the future as well. The inflation rates have dropped to their lowest levels, thus creating a healthy investment climate for projects that can contribute to future growth. The company's financial capability remains very strong with a fairly unleveraged balance sheet, which can be realized to finance new investments and projects.

The company exceeded the budgeted growth for the year by successfully achieving 22% sales growth compared to the planned 19% initially set through increased route to market efforts across all market channels and segments. This in turn has increased gross profit and operating profit by 19% and 31% respectively resulting in EPS of Rs. 9.59, an increase of 40% over the last year.

A visible stability of the political climate has also paved ways for alliances with China, announcing massive investments and collaboration opportunities with the Pakistani Government to boost trade through the Pakistan-China transport corridor. Work is underway and upon completion will open a number of trade routes between China, Middle East and Africa, strengthening the supply chain prospects. Furthermore, it will also provide connections between economic nodes, centered on urban landscapes. All these are good indicators of a strong economy, which will help the consumer markets to be sustained for some period of time.

**Key Category Review**
Our products outperformed their own sales figure from last year bringing NFL closer to its Vision 20/20. As evident from the gradual increase in its sales figures, all product categories have grown stronger in terms of market presence and potential. A number of Creative Television Commercials (TVCs), Out Of Home (OOH) campaigns and interactive Below the Line activities (BTL) launched across a variety of mediums have proved to be successful in engaging our valuable customers. Campaigns like "National Ka Pakistan" and "National Recipe Princess" have received overwhelming response from our consumers. "National Ketchup Party" is another illustration of one such activity which sought to offer school-going children and their mothers the surreal 'National Ketchup experience', covering 140 schools in 145 mohallas across Pakistan.

**Exports**
NFL's recent penetration in the international market has borne fruitful results. However, it strives to further enhance its global presence and sales by catering to the requirements of the international markets through launching new products as well as boosting the existing ones. Overall, the International Division has made a sizeable contribution of 10% to the profit, originating from sales of over 1 Billion. This year, NFL expanded its reach by capturing a chunk of the General Trade segment in the Gulf Cooperation Council (GCC) region, particularly United Arab Emirates and Saudi Arabia. New distributors have also been appointed in the United Kingdom, Germany, Holland, Bangladesh and Nigeria to further strengthen NFL's position.

**Our People**
The growth of NFL can be attributed largely to the tireless efforts of its people. An important element of our success is the sense of ownership of our employees. We ensure this by aligning the goals of our organization with those of our workforce. Interactive sessions are held frequently in order to maintain their motivation levels. Open communication is also recognized as an integral element and is therefore encouraged to facilitate smooth flow of information across the organization. The Management leads as well as mentors its juniors, thereby securing the future of the company in capable hands.

NFL envisions to live upto its purpose-inspired growth strategy and serve its valued customers for years to come.

**Corporate Sustainability:**
Corporate Social Responsibility (CSR) is central to the existence of NFL. Therefore, NFL feels privileged to be of service to the society by collaborating with its various partners for initiating multiple sustainable programs, which focus on empowering women through education, institutionalizing the importance of health and nutrition and various other community development programs.

Aagahi Adult Literacy Program, since a decade, is one of our pioneer CSR initiatives, which has positively impacted the lives of thousands of women across Pakistan. Furthermore, NFL runs various different awareness drives from time to time highlighting a wide array of health and nutrition related issues, with the recent focus on Breast and Lung cancer. Saaf Paani Sehatmand Zindagi was another recent initiative launched by the Company, promoting safe and clean drinking water habits amongst NFL workforce.

**Business Ethics and Anti-Corruption Measures**
Along with good corporate governance, ethical behavior is an integral part of NFL. Treating stakeholders fairly is seen as an essential part of the company's success, therefore NFL follows a strict and unwavering code of ethics and conduct. We have recently adopted a new practice of testing the basic moral and ethical standards of our employees in the recruitment process. These standards are reinforced time and again in our employees through the clearly rolled out guidelines provided by the Board.

**Contribution To National Exchequer**
During the year, the contribution to national exchequer has further increased and the company paid over 2,428 million (2014: Rs 2,027 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 1,195 million (2014: Rs 1,136 million) was also generated through export of products, further reflecting our participation in the national economy.

**Dividend:**
Keeping in view the good financial performance of the Company, the Board of Directors has recommended to final cash dividend of Rs 10 per share.

# Directors' Report

**COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

The managerial objective of NFL is good corporate governance and compliance 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 unaudited accounts was Rs. 211 million.
- During the last business year five meetings of the Board of Directors were held. Attendance by each Director was as follows:

| Name of Director | No. of meetings attended | Leaves granted |
|---|---|---|
| Mr. Abdul Majeed | 7 | - |
| Mr. Abrar Hasan | 7 | - |
| Mr. Waqar Hasan | 2 | 5 |
| Mr. Zahid Majeed | 7 | - |
| Mr. Ebrahim Qasim | 7 | - |
| Mr. Khawaja Munir Mashooqullah | 5 | 2 |
| Mr. Iqbal Alimohammed | 0 | 5 |

**PATTERN OF SHAREHOLDING**

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

Sale and purchase of shares by Directors and their spouses during the year:

| Name | Number of shares | Date of sale/Purchase |
|---|---|---|
| Mr. Khawaja Munir Mashooqullah | 29,400 (sales) | July 2, 2014 |
| | 40,250 (sales) | January 2, 2015 |
| | 20,350(sales)<br>19,400 (sales) | January 5-7, 2015<br>January 20, 2015 |
| Mrs. Noreen Hasan | 1,500 (purchase) | June 30, 2015 |

**INTERNAL AUDITORS**

The Audit Committee suggested to the Board of Directors to reappoint Messrs. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as internal auditors of the company which they did in their meeting held on 21st August, 2015.

**EXTERNAL AUDITORS**

The present auditors Messrs. A.F. Ferguson & Co., Chartered Accountants are retiring which makes them eligible for reappointment. On the recommendation of the Audit Committee, the Board of Directors proposes the appointment of Messrs. A.F. Ferguson & Co., Chartered Accountants as the auditors until the next Annual General Meeting.

# Directors' Report

## FUTURE OUTLOOK

The thing which is constant is change. NFL believes in change - in growing. It is because of this strong commitment to growth that NFL will be investing in new food categories both in international and domestic markets. We will focus on finding aggressive investments, milking such captivating opportunities and using the post consolidation profits in new projects to secure additional growth for future.

The externalities will test us in many ways; however we will remain devoted towards converting them into opportunities and developing crucial internal strengths to surpass them. We believe that expansion in the international market operations will be beneficial for both the company and the economy at large.

## CREDIT RATING

Our diligence paid off again and we were able to sustain the credit rating we achieved last time AA- by JCR-VIS Credit Rating Company Limited. This shows that the company is moving in the right direction and the confidence of financial institution is stable.

## ACKNOWLEDGEMENT

The Board would like to convey its heartfelt gratitude to all the people involved with NFL for enabling it to flourish and deliver a stellar performance over the last 5 years. Our people are committed to the well-being of the company and have proved their potential by surmounting the numerous difficulties posed by the operating environment. We treasure their dedication and feel highly obliged.

On behalf of the Board of Directors

A. Majeed

A. Majeed
Chairman

Karachi



# Financial Review

# DuPont Analysis

| 2015 | 2014 |
|---|---|
| Tax Burden 69% | Tax Burden 69% |
| Interest Burden 97% | Interest Burden 92% |
| Operating Margin 13% | Operating Margin 12% |
| Asset Turnover 2.20 | Asset Turnover 2.11 |
| Leverage Ratio 2.12 | Leverage Ratio 2.38 |
| Return on Equity 40% | Return on Equity 37% |



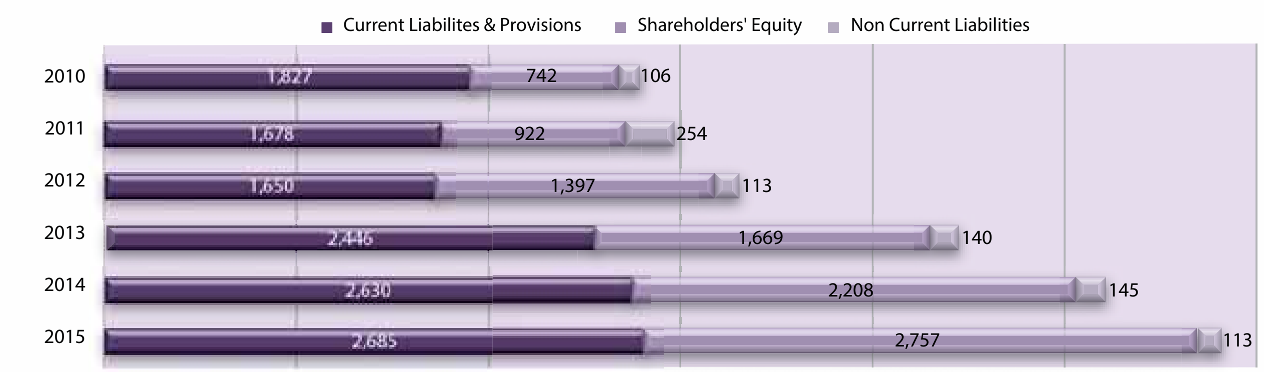
# Financial Ratios

| | Unit | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|---|
| **Profitability Ratios** | | | | | | | |
| Gross Profit Ratio | % | **35.01** | 35.05 | 34.61 | 32.52 | 28.51 | 29.55 |
| Operating Profit to Sale | % | **12.66** | 11.51 | 12.33 | 12.66 | 8.83 | 5.76 |
| Net Profit to Sales | % | **8.56** | 7.29 | 7.88 | 8.14 | 4.18 | 1.93 |
| EBITDA Margin to Sales | % | **14.21** | 13.09 | 13.68 | 14.02 | 10.62 | 7.85 |
| Operating Leverage Ratio | % | **161.61** | 45.35 | 84.10 | 288.57 | 385.63 | (81.89) |
| Return on Equity | % | **40.02** | 36.55 | 43.96 | 50.28 | 27.70 | 12.39 |
| Return on Capital Employed | % | **38.05** | 34.05 | 40.61 | 43.43 | 22.79 | 10.53 |
| Return on Assets | % | **17.89** | 14.22 | 15.84 | 18.46 | 8.08 | 3.24 |
| **Liquidity Ratios** | | | | | | | |
| Current Ratio | Times | **1.46** | 1.39 | 1.28 | 1.33 | 1.23 | 1.01 |
| Quick / Acid Test Ratio | Times | **0.62** | 0.54 | 0.50 | 0.39 | 0.20 | 0.19 |
| Cash to Current Liabilities | Times | **(0.09)** | (0.18) | 0.01 | (0.01) | (0.18) | (0.23) |
| Cash Flow from Operations to Sales | % | **11.16** | 5.63 | 4.21 | 14.91 | 7.65 | (8.71) |
| Working Capital Turnover | Times | **9.31** | 9.51 | 12.32 | 12.97 | 14.20 | 198.98 |
| **Activity / Operating Performance Ratios** | | | | | | | |
| No. of Days in Inventory | Days | **108.44** | 119.59 | 113.32 | 124.12 | 149.57 | 135.54 |
| No. of Days in Receivables | Days | **30.62** | 27.19 | 20.10 | 14.68 | 17.88 | 21.45 |
| No. of Days in Payables | Days | **17.04** | 15.33 | 16.94 | 24.74 | 28.89 | 20.49 |
| Operating Cycle | Days | **122.02** | 131.45 | 116.48 | 114.07 | 138.56 | 136.49 |
| Asset Turnover | Times | **2.20** | 2.11 | 2.31 | 2.38 | 2.00 | 1.99 |
| Inverntory Turnover | Times | **3.37** | 3.05 | 3.22 | 2.94 | 2.44 | 2.69 |
| Receivables Turnover | Times | **11.92** | 13.43 | 18.16 | 24.86 | 20.42 | 17.02 |
| Payables Turnover | Times | **21.42** | 23.82 | 21.55 | 14.75 | 12.63 | 17.81 |
| **Investment / Market Ratios** | | | | | | | |
| Earnings Per Share | Rs. | **9.59** | 6.84 | 6.50 | 5.63 | 2.23 | 0.84 |
| Price Earning Ratio | Times | **35.43** | 58.60 | 27.72 | 17.06 | 16.85 | 26.29 |
| Dividend Yield Ratio | % | **2.94** | 1.00 | 2.77 | 3.12 | 3.33 | 8.42 |
| Dividend Payout Ratio | % | **104.28** | 58.49 | 76.88 | 53.29 | 56.16 | 221.44 |
| Dividend Cover Ratio | Times | **0.96** | 1.71 | 1.30 | 1.88 | 1.78 | 0.45 |
| Cash Dividend Per Share | Rs. | **10.00** | 8.00 | 7.50 | 6.00 | 2.50 | 1.20 |
| Cash Dividend | % | **100.00** | 80.00 | 75.00 | 60.00 | 25.00 | 12.00 |
| Stock Dividend Per Share | Rs. | **-** | - | 2.50 | - | - | 2.50 |
| Stock Dividend | % | **-** | - | 25.00 | - | - | 25.00 |
| Market Value Per Share at the end of the year | Rs. | **339.73** | 801.43 | 360.65 | 192.14 | 75.00 | 43.92 |
| Low during the year | Rs. | **318.12** | 302.25 | 187.80 | 57.21 | 39.01 | 42.00 |
| High during the year | Rs. | **433.73** | 801.43 | 391.40 | 220.99 | 88.00 | 114.99 |
| Breakup Value Per Share without Surplus on Revaluation of Fixed Assets | Rs. | **26.61** | 42.62 | 40.27 | 33.71 | 22.27 | 17.90 |
| Market Capitalisation (in millions) | Rs. | **35,198.34** | 41,516.80 | 14,946.33 | 7,962.81 | 3,108.21 | 1,820.17 |
| **Capital Structure Ratios** | | | | | | | |
| Financial Leverage Ratio | % | **13.93** | 43.20 | 56.99 | 36.38 | 102.33 | 170.13 |
| Weighted Average Cost of Debt | % | **5.51** | 9.02 | 10.01 | 9.53 | 11.12 | 10.35 |
| Debt to Equity Ratio | % | **-** | - | - | - | 18.39 | 3.00 |
| Interest Coverage Ratio | Times | **39.43** | 12.80 | 14.08 | 12.77 | 3.88 | 2.60 |
| No. of Ordinary Shares (in millions) | Rs. | **103.61** | 51.80 | 41.44 | 41.44 | 41.44 | 41.44 |

# Horizontal Analysis

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| **INCOME STATEMENT** | | | | | | |
| Sales | **19.32%** | 13.80% | 19.21% | 29.85% | 22.96% | 19.45% |
| Cost of Sales | **19.41%** | 13.01% | 15.55% | 22.55% | 24.79% | 20.17% |
| Gross Profit | **19.17%** | 15.29% | 26.80% | 48.16% | 18.61% | 17.75% |
| Administration Cost | **29.01%** | 35.24% | 28.92% | 13.33% | 9.76% | 9.33% |
| Distribution cost | **10.60%** | 18.33% | 36.82% | 33.97% | (2.64%) | 36.64% |
| Other Operating Expense | **45.39%** | 0.04% | 9.21% | 130.30% | 94.12% | (15.00%) |
| Financial Charges | **(57.41%)** | 16.68% | 5.63% | (43.65%) | 27.27% | 13.79% |
| Other Income | **57.37%** | 6.19% | 55.81% | 258.33% | (47.83%) | 35.29% |
| Profit before Tax | **38.74%** | 5.45% | 16.97% | 131.86% | 125.63% | (27.60%) |
| Taxation | **35.47%** | 6.18% | 20.55% | 93.13% | 79.45% | (9.88%) |
| Profit after taxation | **40.24%** | 5.12% | 15.41% | 153.91% | 164.37% | (37.86%) |
| **BALANCE SHEET** | | | | | | |
| Issued, subscribed and paid up capital | **0.00%** | 25.01% | 0.10% | 0.00% | 0.00% | 25.08% |
| Unappropriated Profit | **32.49%** | 34.73% | 27.60% | 93.50% | 54.88% | 1.23% |
| Share Capital and Reserves | **24.86%** | 32.31% | 19.45% | 51.52% | 24.26% | 13.28% |
| Long Term Obligations | **(21.95%)** | 3.11% | 24.78% | (55.51%) | 139.62% | (24.29%) |
| Total Long-term Liabilities and shareholder equities | **21.98%** | 30.05% | 19.80% | 28.40% | 38.68% | 6.67% |
| Fixed Assets, CWIP & Intangibles | **22.05%** | 19.03% | 12.61% | 21.58% | (4.63%) | 26.31% |
| Other Non current assets | **23.12%** | 22.73% | 633.33% | 45.00% | (20.00%) | 0.00% |
| Current Assets | **7.63%** | 16.36% | 42.55% | 6.53% | 11.79% | 56.69% |
| Total Assets | **11.49%** | 17.10% | 34.65% | 10.72% | 6.69% | 45.78% |
| Less: Current Liabilites & Provisions | **2.10%** | 7.52% | 48.24% | (1.67%) | (8.16%) | 75.67% |
| Net Assets | **21.98%** | 30.05% | 19.80% | 28.40% | 38.68% | 6.67% |

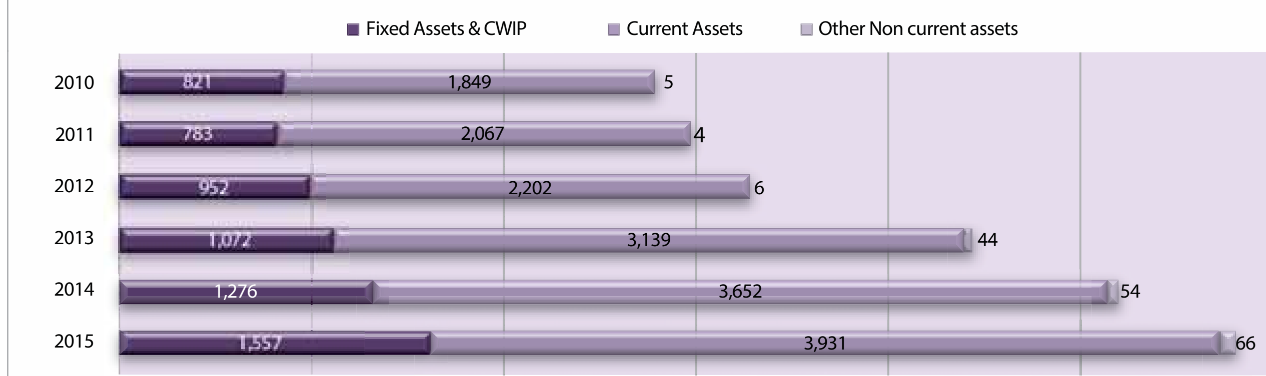
BALANCE SHEET ANALYSIS - EQUITY & LIABILITIES




# Vertical Analysis

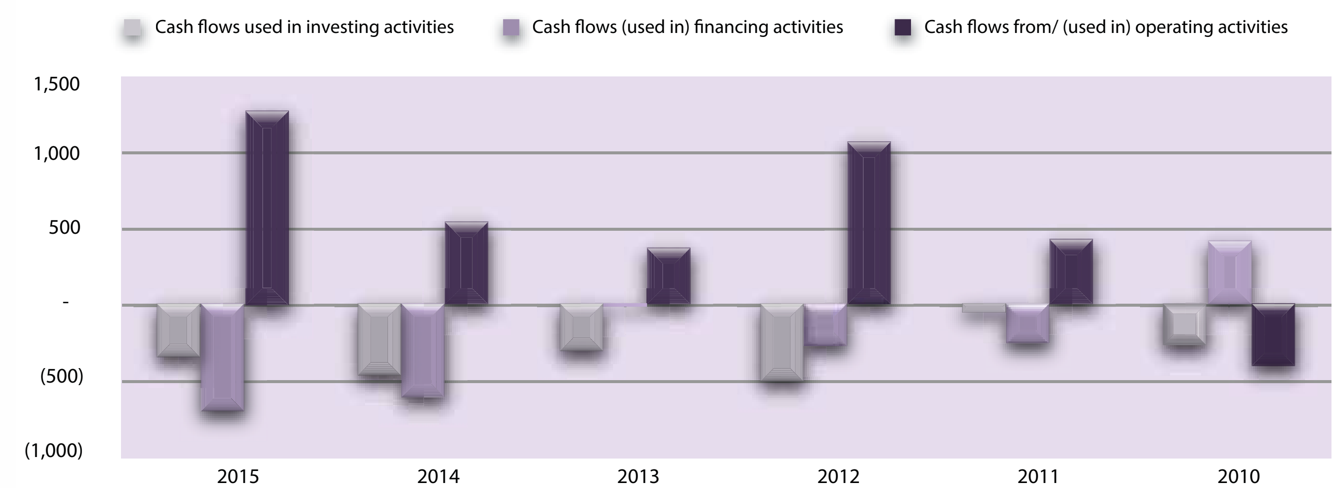
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| **INCOME STATEMENT** | | | | | | |
| Sales | **100.00%** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Sales | **64.99%** | 64.95% | 65.40% | 67.47% | 71.49% | 70.45% |
| Gross Profit | **35.01%** | 35.05% | 34.60% | 32.53% | 28.51% | 29.55% |
| Administration | **3.95%** | 3.66% | 3.08% | 2.85% | 3.26% | 3.65% |
| Distribution cost | **18.32%** | 19.76% | 19.00% | 16.56% | 16.05% | 20.27% |
| Other operating cost | **1.04%** | 0.85% | 0.97% | 1.06% | 0.60% | 0.38% |
| Financial Charges | **0.32%** | 0.90% | 0.88% | 0.99% | 2.28% | 2.20% |
| Other Income | **0.96%** | 0.73% | 0.78% | 0.60% | 0.22% | 0.51% |
| Profit before Tax | **12.34%** | 10.61% | 11.46% | 11.68% | 6.54% | 3.56% |
| Taxation | **3.78%** | 3.33% | 3.57% | 3.53% | 2.37% | 1.63% |
| Profit after taxation | **8.56%** | 7.29% | 7.89% | 1.21% | 2.53% | 1.94% |
| **BALANCE SHEET** | | | | | | |
| Issued, subscribed and paid up capital | **18.05%** | 22.02% | 22.89% | 27.42% | 35.20% | 48.82% |
| Unappropriated Profit | **78.01%** | 71.83% | 69.34% | 65.10% | 43.20% | 38.68% |
| Share Capital and Reserves | **96.07%** | 93.85% | 92.25% | 92.52% | 78.40% | 87.50% |
| Long Term Obligations | **3.93%** | 6.15% | 7.75% | 7.46% | 21.60% | 12.50% |
| Total Long-term Liabilities and shareholder equities | **100.00%** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Fixed Assets, CWIP & Intangibles | **54.27%** | 54.24% | 59.26% | 63.05% | 66.58% | 96.82% |
| Other Non current assets | **2.32%** | 2.30% | 2.43% | 0.40% | 0.34% | 0.59% |
| Current Assets | **136.98%** | 155.25% | 173.52% | 145.83% | 175.77% | 218.04% |
| Total Assets | **193.57%** | 211.79% | 235.21% | 209.27% | 242.69% | 315.45% |
| Less: Current Liabilites & Provisions | **93.57%** | 111.79% | 135.21% | 109.27% | 142.69% | 215.45% |
| Net Assets | **100.00%** | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

BALANCE SHEET ANALYSIS - ASSETS



# Summary of Cash Flow Statement

| (Rupees in Millions) | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Cash flows from/ (used in) operating activities | **1,295** | 548 | 360 | 1,069 | 423 | (391) |
| Cash flows used in investing activities | **(354)** | (460) | (302) | (500) | (55) | (259) |
| Cash flows (used in) financing activities | **(713)** | (597) | (15) | (271) | (54) | 284 |
| Net increase / (decrease) in cash and cash equivalents | **228** | (509) | 43 | 298 | 313 | (366) |
| Cash and cash equivalents at the beginning of the year | **(475)** | 34 | (9) | (307) | (621) | (255) |
| Cash and cash equivalents at the end of the year | **(247)** | (475) | 34 | (9) | (307) | (621) |



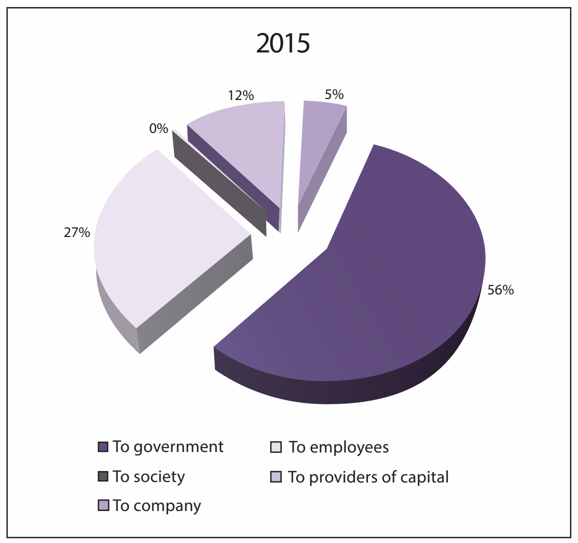


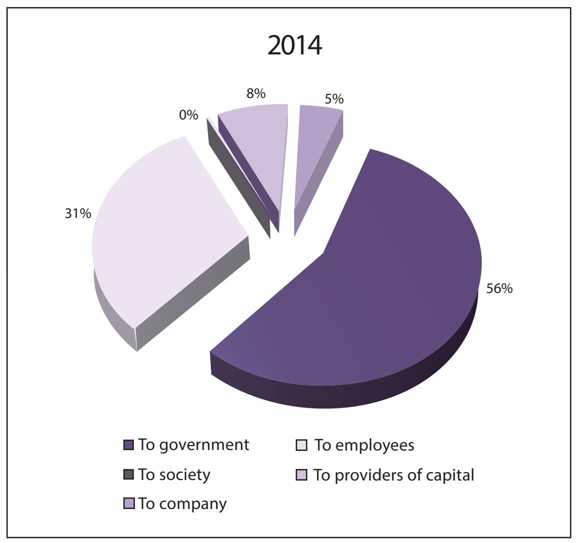

# Six Year Cash Flows Using Direct Method

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | |
| Cash received from customers | 11,250,248 | 9,580,776 | 8,182,818 | 7,167,351 | 5,486,088 | 4,511,452 |
| Cash paid for goods & services | (9,702,456) | (8,767,930) | (7,405,406) | (5,785,854) | (4,836,013) | (4,758,502) |
| **Cash generated from operations** | **1,547,792** | **812,846** | **777,412** | **1,381,497** | **650,075** | **(247,050)** |
| Financial cost paid | (46,090) | (99,708) | (63,287) | (84,768) | (128,298) | (88,809) |
| Net increase in long term deposits | (12,643) | (10,429) | (5,884) | (1,432) | 129 | 654 |
| Retirement benefit obligations | (61,382) | (3,811) | (4,113) | (4,536) | (10,707) | - |
| Income tax refund / (paid) | (132,640) | (151,202) | (344,466) | (221,995) | (88,606) | (55,990) |
| **Net cash flows from operating activities** | **1,295,037** | **547,696** | **359,662** | **1,068,766** | **422,593** | **(391,195)** |
| Purchase of property, plant & equipment | (467,721) | (346,450) | (216,616) | (265,585) | -63,625 | -265,840 |
| Purchase of intangible assets | (22,739) | (21,212) | (21,848) | (3,525) | -250 | -7,612 |
| Sale proceeds from disposal of property, plant and equipment | 29,989 | 7,761 | 4,590 | 5,932 | 8,868 | 14,171 |
| Sale proceeds of open ended mutual fund units | 884,555 | 50,000 | 423,992 | 253,465 | - | - |
| Purchase of open ended mutual fund units | (777,988) | (150,000) | (460,000) | (490,000) | - | - |
| Investment in National Foods DMCC | - | - | (31,719) | - | - | - |
| **Net cash flows from investing activities** | **(353,904)** | **(459,901)** | **(301,601)** | **(499,713)** | **(55,007)** | **(259,281)** |
| Short term borrowings obtained | 508,696 | 550,000 | 655,000 | 180,000 | 1,001,788 | 1,430,553 |
| Repayment of short term borrowings | (808,722) | (980,000) | (280,000) | (131,239) | (1,150,302) | (1,091,641) |
| Decrease in long term financing - net | - | - | - | (214,000) | 154,000 | (40,000) |
| Decrease in liabilities against assets subject to finance lease - net | - | - | - | (2,343) | (10,155) | (14,846) |
| Dividend paid | (412,815) | (166,781) | (390,202) | (103,239) | (49,478) | (15) |
| **Net cash flows from financing activities** | **(712,841)** | **(596,781)** | **(15,202)** | **(270,821)** | **(54,148)** | **284,051** |
| **Net cash flows** | **228,292** | **(508,986)** | **42,859** | **298,232** | **313,438** | **(366,425)** |

# Statement of Value Added and its Distribution

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | (Rupees in thousand) | % | (Rupees in thousand) | % |
| **WEALTH GENERATED** | | | | |
| Total revenue inclucive of Sales Tax and other income | **13,672,281** | | 11,373,783 | |
| Brought in materials and services | **9,767,953** | | 8,157,543 | |
| | **3,904,328** | **100%** | 3,216,240 | 100% |
| **WEALTH DISTRIBUTION** | | | | |
| **To government** | | | | |
| Income tax, sales tax, excise duty and WWF & WPPF | **2,191,687** | **56%** | 1,806,282 | 56.2% |
| **To employees** | | | | |
| Salaries, benefits and other costs | **1,055,550** | **27%** | 994,577 | 30.9% |
| **To society** | | | | |
| Donations towards education and welfare | **10,374** | **0%** | 8,608 | 0.3% |
| **To providers of capital** | | | | |
| Interest/ mark up on borrowed funds | **37,269** | **1%** | 87,513 | 2.7% |
| Dividend to shareholders | **414,427** | **11%** | 165,771 | 5.2% |
| **To company** | | | | |
| Depreciation, amortisation & retained profits | **195,021** | **5%** | 153,489 | 4.8% |
| | **3,904,328** | **100%** | 3,216,240 | 100% |






# Pattern of Shareholding

Combined Pattern of CDC & Physical Shareholdings as at June 30, 2015

| Categories of Shareholders | Shareholders | Shares Held | Percentage |
|---|---|---|---|
| **Directors and their spouse(s) and minor children** | | | |
| Khawaja Munir Mashooq Ullah | 1 | 500 | 0.00 |
| Abdul Majeed | 1 | 3,959,974 | 3.82 |
| Ebrahim Qassim | 1 | 1,763,566 | 1.70 |
| Kulsum Banoo | 1 | 747,016 | 0.72 |
| Abrar Hasan | 1 | 10,218,262 | 9.86 |
| Waqar Hasan | 1 | 12,186 | 0.01 |
| Zahid Majeed | 1 | 6,101,662 | 5.89 |
| Iqbal Ali Mohammad | 1 | 10,126 | 0.01 |
| Dr. Zeelaf Munir | 2 | 689,604 | 0.67 |
| M.E.Majeed | 1 | 409,180 | 0.39 |
| Jamila Waqar | 1 | 12,186 | 0.01 |
| Noreen Hasan | 2 | 19,000 | 0.02 |
| **Associated Companies, undertakings and related parties** | | | |
| ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD | 1 | 34,357,724 | 33.16 |
| **Executives** | - | - | - |
| **Public Sector Companies and Corporations** | 2 | 1,724,874 | 1.66 |
| **Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds** | 7 | 86,974 | 0.08 |
| **Mutual Funds** | | | |
| CDC - TRUSTEE AKD INDEX TRACKER FUND | 1 | 10,000 | 0.01 |
| CDC - TRUSTEE FIRST HABIB STOCK FUND | 1 | 3,900 | 0.00 |
| CDC - TRUSTEE HBL IPF EQUITY SUB FUND | 1 | 32,750 | 0.03 |
| CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND | 1 | 3,750 | 0.00 |
| CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND | 1 | 3,400 | 0.00 |
| CDC - TRUSTEE PICIC ISLAMIC STOCK FUND | 1 | 6,300 | 0.01 |
| **General Public** | | | |
| a. Local | 2060 | 28,250,173 | 27.27 |
| b. Foreign | - | - | - |
| **Foreign Companies** | 6 | 15,085,750 | 14.56 |
| **Others** | 30 | 97,999 | 0.09 |
| **Totals** | **2126** | **103,606,856** | **100.00** |

| Share holders holding 5% or more | Shares Held | Percentage |
|---|---|---|
| ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD | 34,357,724 | 33.16 |
| THS KINGSWAY FUND-FRONTIER CONSUMER | 12,927,100 | 12.48 |
| KHAWAR M. BUTT | 12,729,454 | 12.29 |
| ABRAR HASAN | 10,218,262 | 9.86 |
| ZAHID MAJEED | 6,101,662 | 5.89 |

# Pattern of Shareholding

Pattern of CDC & Physical Shareholdings as at June 30, 2015

| Number of Share Holders | Shareholdings' Slab | | | Total Shares Held |
|---|---|---|---|---|
| 653 | 1 | to | 100 | 27,290 |
| 676 | 101 | to | 500 | 194,110 |
| 261 | 501 | to | 1000 | 203,743 |
| 324 | 1001 | to | 5000 | 805,333 |
| 88 | 5001 | to | 10000 | 656,060 |
| 34 | 10001 | to | 15000 | 403,150 |
| 16 | 15001 | to | 20000 | 282,110 |
| 10 | 20001 | to | 25000 | 229,710 |
| 3 | 25001 | to | 30000 | 83,624 |
| 8 | 30001 | to | 35000 | 261,110 |
| 3 | 35001 | to | 40000 | 119,950 |
| 3 | 40001 | to | 45000 | 126,954 |
| 4 | 45001 | to | 50000 | 191,054 |
| 8 | 50001 | to | 55000 | 413,406 |
| 1 | 55001 | to | 60000 | 57,880 |
| 1 | 75001 | to | 80000 | 78,700 |
| 1 | 80001 | to | 85000 | 81,842 |
| 1 | 95001 | to | 100000 | 95,750 |
| 1 | 150001 | to | 155000 | 154,564 |
| 1 | 225001 | to | 230000 | 230,000 |
| 1 | 310001 | to | 315000 | 314,200 |
| 1 | 320001 | to | 325000 | 321,730 |
| 1 | 390001 | to | 395000 | 392,250 |
| 1 | 405001 | to | 410000 | 409,180 |
| 3 | 425001 | to | 430000 | 1,288,352 |
| 1 | 445001 | to | 450000 | 450,000 |
| 1 | 535001 | to | 540000 | 535,040 |
| 1 | 620001 | to | 625000 | 624,000 |
| 3 | 670001 | to | 675000 | 2,020,050 |
| 1 | 745001 | to | 750000 | 747,016 |
| 1 | 825001 | to | 830000 | 826,740 |
| 1 | 845001 | to | 850000 | 846,000 |
| 1 | 995001 | to | 1000000 | 1,000,000 |
| 1 | 1110001 | to | 1115000 | 1,110,110 |
| 1 | 1215001 | to | 1220000 | 1,218,750 |
| 1 | 1250001 | to | 1255000 | 1,252,514 |
| 1 | 1720001 | to | 1725000 | 1,724,200 |
| 1 | 1760001 | to | 1765000 | 1,763,566 |
| 1 | 1770001 | to | 1775000 | 1,772,642 |
| 1 | 3955001 | to | 3960000 | 3,959,974 |
| 1 | 6100001 | to | 6105000 | 6,101,662 |
| 1 | 10215001 | to | 10220000 | 10,218,262 |
| 1 | 12725001 | to | 12730000 | 12,729,454 |
| 1 | 12925001 | to | 12930000 | 12,927,100 |
| 1 | 34355001 | to | 34360000 | 34,357,724 |
| **2126** | | | | **103,606,856** |



# Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of the Listing Regulations of the 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. Abrar Hasan

   **Non-Executive Directors**
   Mr. Abdul Majeed
   Mr. Ebrahim Qassim
   Mr. Zahid Majeed
   Mr. Waqar Hasan

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 NBFI 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.

# Statement of Compliance with the Code of Corporate Governance

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.

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: August 21, 2015

Abrar Hasan
Chief Executive



# Review Report to the Members on the Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Foods Limited for the year ended June 30, 2015 to comply with the Code contained in regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange and Islamabad Stock Exchange.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code required the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2015.

**A.F. Ferguson & Co.**
**Chartered Accountants**
Karachi

Dated: September 10, 2015

Name of the Engagement Partner: Farrukh Rehman

Standalone

Financial

Statements

2015

# Auditors' Report to the Members

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2015 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, 2015 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 10, 2015

Name of the Engagement Partner: Farrukh Rehman

# Balance Sheet

AS AT JUNE 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 3 | **1,518,286** | 1,239,996 |
| Intangibles | 4 | **39,089** | 36,128 |
| Long term investment - subsidiary | 5 | **31,719** | 31,719 |
| Long term deposits | | **34,768** | 22,125 |
| | | **1,623,862** | 1,329,968 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | | **5,897** | 5,534 |
| Stock in trade | 6 | **2,254,723** | 2,226,562 |
| Trade debts | 7 | **1,150,666** | 796,624 |
| Advances | 8 | **50,404** | 52,307 |
| Trade deposits and prepayments | 9 | **29,736** | 18,076 |
| Other receivables | 10 | **13,452** | 13,375 |
| Investments in mutual fund units - at fair value through profit or loss | 11 | **389,245** | 461,585 |
| Cash and bank balances | 12 | **37,041** | 78,418 |
| | | **3,931,164** | 3,652,481 |
| | | **5,555,026** | 4,982,449 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Issued, subscribed and paid-up capital | 13 | **518,034** | 518,034 |
| Unappropriated profit | | **2,238,854** | 1,689,884 |
| | | **2,756,888** | 2,207,918 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred taxation | 14 | **93,414** | 114,920 |
| Retirement benefits obligations | 15 | **19,495** | 29,735 |
| | | **112,909** | 144,655 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | **1,672,683** | 1,372,410 |
| Accrued interest / mark up | | **2,520** | 11,341 |
| Short term borrowings | 17 | **384,094** | 953,789 |
| Taxation - provision less payments | | **484,578** | 168,004 |
| Sales tax payable | | **141,354** | 124,332 |
| | | **2,685,229** | 2,629,876 |
| | | **2,798,138** | 2,774,531 |
| COMMITMENTS | 18 | | |
| | | **5,555,026** | 4,982,449 |

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, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Sales | 19 | **11,604,290** | 9,725,258 |
| Cost of sales | 20 | **(7,541,804)** | (6,316,132) |
| Gross profit | | **4,062,486** | 3,409,126 |
| Distribution costs | 21 | **(2,125,366)** | (1,921,722) |
| Administrative expenses | 22 | **(458,844)** | (347,532) |
| Other expenses | 23 | **(120,719)** | (91,176) |
| Other income | 24 | **111,965** | 71,148 |
| Operating profit | | **1,469,522** | 1,119,844 |
| Finance costs | 25 | **(37,269)** | (87,513) |
| Profit before taxation | | **1,432,253** | 1,032,331 |
| Taxation | 26 | **(438,690)** | (323,839) |
| Profit after taxation | | **993,563** | 708,492 |
| Other comprehensive income: | | | |
| **Items that will not be reclassified to Profit or Loss** | | | |
| Loss on re-measurements of retirement benefit obligations | | **(41,148)** | (5,461) |
| Impact of deferred tax | | **10,982** | 1,911 |
| | | **(30,166)** | (3,550) |
| **Items that may be subsequently reclassified to Profit or Loss** | | **-** | - |
| Total comprehensive income | | **963,397** | 704,942 |
| | | | (Re-stated) |
| Earnings per share - basic and diluted (Rupees) | 27 | **9.59** | 6.84 |

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, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 28 | **1,547,792** | 812,846 |
| Finance cost paid | | **(46,090)** | (99,708) |
| Income tax paid | | **(132,640)** | (151,202) |
| Retirement benefit obligations paid | | **(61,382)** | (3,811) |
| Net increase in long term deposits | | **(12,643)** | (10,429) |
| **Net cash from operating activities** | | **1,295,037** | 547,696 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(467,720)** | (346,450) |
| Sale proceeds from disposal of property, plant and equipment | | **29,988** | 7,761 |
| Purchase of intangible assets | | **(22,740)** | (21,212) |
| Purchase of open ended mutual fund units | | **(777,988)** | (150,000) |
| Sale of open ended mutual fund units | | **884,555** | 50,000 |
| **Net cash used in investing activities** | | **(353,905)** | (459,901) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Short term borrowings obtained | | **508,696** | 550,000 |
| Repayment of short term borrowings | | **(808,722)** | (980,000) |
| Dividend paid | | **(412,814)** | (166,781) |
| **Net cash used in financing activities** | | **(712,840)** | (596,781) |
| Net increase / (decrease) in cash and cash equivalents | | **228,292** | (508,986) |
| Cash and cash equivalents at beginning of the year | | **(475,345)** | 33,641 |
| Cash and cash equivalents at end of the year | 29 | **(247,053)** | (475,345) |

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, 2015

| | Issued, subscribed and paid-up capital | Reserve for issuance of bonus shares | Unappropriated profit | Total |
|---|---|---|---|---|
| | (Rupees in thousand) | | | |
| Balance as at June 30, 2013 | 414,427 | - | 1,254,320 | 1,668,747 |
| Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share | - | - | (165,771) | (165,771) |
| Transferred to reserve for issuance of bonus shares | - | 103,607 | (103,607) | - |
| Issue of 2.5 bonus shares for every 10 shares held | 103,607 | (103,607) | - | - |
| Total comprehensive income for the year ended June 30, 2014 | | | | |
| - Profit for the year ended June 30, 2014 | - | - | 708,492 | 708,492 |
| - Other comprehensive income for the year ended June 30, 2014 | - | - | (3,550) | (3,550) |
| | - | - | 704,942 | 704,942 |
| **Balance as at June 30, 2014** | **518,034** | - | **1,689,884** | **2,207,918** |
| **Final dividend for the year ended June 30, 2014 @ Rs 8.00 per share** | - | - | **(414,427)** | **(414,427)** |
| **Total comprehensive income for the year ended June 30, 2015** | | | | |
| **- Profit for the year ended June 30, 2015** | - | - | **993,563** | **993,563** |
| **- Other comprehensive income for the year ended June 30, 2015** | - | - | **(30,166)** | **(30,166)** |
| | - | - | **963,397** | **963,397** |
| **Balance as at June 30, 2015** | **518,034** | - | **2,238,854** | **2,756,888** |

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

Chief Executive

Director

**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.

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

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

National Foods DMCC also have following two wholly owned subsidiaries:

**a) National Epicure Inc.**

National Epicure Inc. was incorporated in Canada on 16 October 2013 under the Canada Business Corporations Act. The company is principally engaged in the trading of food products. The registered office of the company is situated at 193 Maxome Avenue, Toronto, Ontario, Canada. The company is a wholly owned subsidiary of National Foods DMCC.

**b) National Foods Pakistan (UK) Limited**

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the Companies Act, 2006. The company is principally engaged in the trading of food products. The registered office of the company is situated at 27 Second Floor, Gloucester Place, London, United Kingdom. The company is a wholly owned subsidiary of National Foods DMCC.

**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 including Islamic Financial Accounting Standards (IFAS). 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:



Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2015

(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) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

IFRIC 21, 'Levies' a new interpretation is applicable for the Company for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies so the impact on the Company is not material.

**(b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

**(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continues to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard will have impact on the consolidated financial statements of the Company.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard may not have impact on financial statements of the Company.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the Company.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Company.

**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 - subsidiary**

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.





**2.7 Employee retirement benefits**

**Defined benefit plans**

The Company operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The latest actuarial valuation of the defined benefit plans was conducted at June 30, 2015.

Past service cost and the amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

**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 running finance under mark up arrangements.

**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.

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 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.

**iii) Dividend income**
Dividend income is recognised when the Company's right to receive payment is established.

**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.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **3. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating assets - note 3.1 | **1,210,693** | 1,141,449 |
| Capital work in progress - at cost - note 3.2 | **307,593** | 98,547 |
| | **1,518,286** | 1,239,996 |

### 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 |
|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | | | | |
| **Net carrying value basis Year ended June 30, 2015** | | | | | | | | | |
| **Opening net book value (NBV)** | **192,721** | **355,022** | **489,952** | **21,560** | **14,885** | **39,975** | **8,208** | **19,126** | **1,141,449** |
| **Additions (at cost)** | **21,596** | **17,317** | **140,831** | **7,653** | **9,481** | **36,191** | **5,184** | **20,421** | **258,674** |
| **Disposals (at NBV)** | **-** | **-** | **-** | **-** | **-** | **(105)** | **-** | **(14,022)** | **(14,127)** |
| **Write offs (at NBV)** | **-** | **-** | **-** | **-** | **(61)** | **-** | **-** | **-** | **(61)** |
| **Depreciation charge** | **(3,820)** | **(28,429)** | **(94,348)** | **(6,584)** | **(4,376)** | **(27,609)** | **(2,721)** | **(7,355)** | **(175,242)** |
| **Closing net book value** | **210,497** | **343,910** | **536,435** | **22,629** | **19,929** | **48,452** | **10,671** | **18,170** | **1,210,693** |
| **Gross carrying value basis At June 30, 2015** | | | | | | | | | |
| **Cost** | **230,587** | **523,232** | **992,797** | **60,541** | **55,089** | **131,599** | **21,973** | **62,839** | **2,078,657** |
| **Accumulated depreciation** | **(20,090)** | **(179,322)** | **(456,362)** | **(37,912)** | **(35,160)** | **(83,147)** | **(11,302)** | **(44,669)** | **(867,964)** |
| **Net book value** | **210,497** | **343,910** | **536,435** | **22,629** | **19,929** | **48,452** | **10,671** | **18,170** | **1,210,693** |
| Net carrying value basis Year ended June 30, 2014 | | | | | | | | | |
| Opening net book value (NBV) | 160,926 | 361,329 | 400,860 | 15,866 | 11,801 | 41,690 | 7,134 | 20,488 | 1,020,094 |
| Additions (at cost) | 35,395 | 23,276 | 167,740 | 10,250 | 6,583 | 19,733 | 3,474 | 10,315 | 276,766 |
| Disposals (at NBV) | - | - | (14) | - | - | (332) | - | (4,698) | (5,044) |
| Write offs (at NBV) | - | (1,979) | (3,061) | (8) | - | - | - | - | (5,048) |
| Depreciation charge | (3,600) | (27,604) | (75,573) | (4,548) | (3,499) | (21,116) | (2,400) | (6,979) | (145,319) |
| Closing net book value | 192,721 | 355,022 | 489,952 | 21,560 | 14,885 | 39,975 | 8,208 | 19,126 | 1,141,449 |
| Gross carrying value basis At June 30, 2014 | | | | | | | | | |
| Cost | 208,990 | 505,915 | 851,966 | 53,365 | 46,017 | 101,229 | 16,789 | 59,164 | 1,843,435 |
| Accumulated depreciation | (16,269) | (150,893) | (362,014) | (31,805) | (31,132) | (61,254) | (8,581) | (40,038) | (701,986) |
| Net book value | 192,721 | 355,022 | 489,952 | 21,560 | 14,885 | 39,975 | 8,208 | 19,126 | 1,141,449 |
| Useful life (Years) | 38 - 99 | 10 - 52 | 5 - 10 | 5 | 6 - 7 | 3 | 10 | 5 | |

### 3.2 Capital work in progress

| | **2015** | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| These comprise of: | | |
| Civil work in progress | **93,856** | 31,575 |
| Plant and machinery | **145,084** | 31,139 |
| Office equipment | **1,697** | - |
| Advance against acquisition of land - note 3.2.1 | **66,956** | 35,833 |
| | **307,593** | 98,547 |





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

| | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | |
| Vehicles | | | | | | |
| " | 2,325 | 39 | 2,286 | 2,295 | Company Policy | Mr. Azra Naseem Executive |
| " | 1,376 | 23 | 1,353 | 1,365 | " | Mr. Mushtaq Ahmed Madras Wala |
| " | 1,269 | 741 | 528 | 895 | " | Mr. Farrukh Saeed Executive |
| " | 1,065 | 36 | 1,029 | 1,025 | " | Mr. Badar Yousuf Executive |
| " | 1,021 | 68 | 953 | 1,112 | " | Mr. Nazar Ali Executive |
| " | 952 | 63 | 889 | 989 | " | Mr. Saifullah Khan Executive |
| " | 944 | 31 | 913 | 857 | " | Mr. Faisal Humayun Executive |
| " | 834 | 459 | 375 | 507 | " | Mr. Naeem Executive |
| " | 768 | 13 | 755 | 793 | " | Mr. Muhammad Rafiq Hussain Executive |
| " | 742 | 383 | 359 | 417 | " | Mr. Imran Hadi Executive |
| " | 685 | 11 | 674 | 678 | " | Mr. Choudry Altaf Hussain Executive |
| " | 467 | 16 | 451 | 387 | " | Mr. Fazal ur Rehman Hajano Executive |
| " | 379 | 13 | 366 | 253 | " | Mr. Abdullah Saqib Executive |
| Balance carried forward | 12,827 | 1,896 | 10,931 | 11,573 | | |

| | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | |
| Balance brought forward | **12,827** | **1,896** | **10,931** | **11,573** | | |
| **Vehicles** | 378 | 13 | 365 | 332 | Company Policy | Mr. Mukarram Hafeez Executive |
| " | 355 | 24 | 331 | 712 | " | Mr. Farhan Latif Executive |
| " | 301 | 5 | 296 | 345 | " | Mr. Asghar Hussain Asghar Executive |
| " | 231 | 4 | 227 | 481 | " | Mr. Muhammad Iqbal Executive |
| " | 225 | 4 | 221 | 345 | " | Mr. Salim Shafi Executive |
| " | 206 | 45 | 161 | 725 | " | Mr. Muhammad Azeem Executive |
| " | 195 | 3 | 192 | 545 | " | Mr. Fawaz Ahmed Shafique Executive |
| " | 156 | 16 | 140 | 257 | " | Mr. Raheel Noor-ul-Haq Executive |
| " | 146 | 15 | 131 | 395 | " | Mr. Akhtar Hussain Executive |
| " | 139 | 2 | 137 | 321 | " | Mr. Naushad Ansari Executive |
| " | 111 | 4 | 107 | 81 | " | Mr. Usman Sheikh Executive |
| " | 97 | 3 | 94 | 57 | " | Mr. Muhammad Maaz Executive |
| " | 93 | 2 | 91 | 250 | " | Mr. Aysha Ghayas Executive |
| " | 305 | 10 | 295 | 475 | Insurance Claim | EFU General Insurance Limited |
| " | 103 | 21 | 82 | 95 | " | " |
| " | 70 | 8 | 62 | 65 | " | " |
| **Total** | **15,938** | **2,075** | **13,863** | **17,054** | | |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **4. INTANGIBLES - computer software** | | |
| Computer softwares and ERP System - note 4.1 | **39,089** | 34,962 |
| Systems under development | - | 1,166 |
| | **39,089** | 36,128 |





| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **4.1 Computer softwares and ERP System** | | |
| **Net carrying value basis** | | |
| Opening net book value | **34,962** | 12,925 |
| Additions (at cost) | **23,906** | 30,207 |
| Amortisation for the year | **(19,779)** | (8,170) |
| Closing net book value | **39,089** | 34,962 |
| **Gross carrying value basis** | | |
| Cost | **128,972** | 105,066 |
| Accumulated amortisation | **(89,883)** | (70,104) |
| Net book value | **39,089** | 34,962 |
| **5. LONG TERM INVESTMENT** | | |
| **Investment in subsidiary - at cost** | | |
| National Foods DMCC, Dubai, UAE 1,188 shares of AED 1,000 each | **31,719** | 31,719 |

**5.1** This represents investment in wholly owned subsidiary which was set up in United Arab Emirates in 2012. The subsidiary is formed as a limited liability company. The subsidiary commenced operations from March 2013.

**5.2** The Company has given corporate guarantee of US$ 1 million to Standard Chartered Bank, Dubai as security against financing facilities of National Foods DMCC.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **6. STOCK IN TRADE** | | |
| Raw materials (including in transit Rs. 25.05 million; 2014: Rs. 73.89 million) | **931,433** | 1,107,949 |
| Provision for obsolescence | **(7,557)** | (14,310) |
| | **923,876** | 1,093,639 |
| Packing materials | **270,888** | 218,067 |
| Provision for obsolescence | **(37,495)** | (22,847) |
| | **233,393** | 195,220 |
| Work in process | **824,179** | 594,133 |
| Provision for obsolescence | **(6,329)** | (1,546) |
| | **817,850** | 592,587 |
| Finished goods | **293,316** | 355,541 |
| Provision for obsolescence | **(13,712)** | (10,425) |
| | **279,604** | 345,116 |
| | **2,254,723** | 2,226,562 |

**6.1** Stock in trade includes Rs. 1.21 billion (2014: Rs. 878.13 million) held with third parties.

**6.2** The above balances include items costing Rs. 30.64 million (2014: Rs. 16.23 million) valued at net realisable value of Rs. 26.27 million (2014: Rs. 12.77 million).

**6.3** The Company has made a provision of Rs. 29.21 million for obsolescence (2014: Rs. 10.06 million) and has written off stocks against the provision amounting to Rs. 13.25 million (2014: Rs. 4.91 million) during the year.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **7. TRADE DEBTS** | | |
| **Considered good - unsecured** | | |
| Related parties - note 7.2 and 7.3 | **719,202** | 15,132 |
| Others | | |
| - local | **428,701** | 372,413 |
| - foreign | **2,763** | 409,079 |
| | **1,150,666** | 796,624 |
| **Considered doubtful** | **7,600** | 3,109 |
| | **1,158,266** | 799,733 |
| Less: Provision for doubtful trade debts | **(7,600)** | (3,109) |
| | **1,150,666** | 796,624 |

**7.1** As at June 30, 2015, trade debts of Rs. 347.93 million (2014: Rs. 188.50 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:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Up to 3 months | **286,499** | 152,312 |
| 3 to 6 months | **24,001** | 17,521 |
| More than 6 months | **37,430** | 18,664 |
| | **347,930** | 188,497 |

**7.2 Receivable from related parties**

| | 2015 | 2014 |
|---|---|---|
| Premier Distributor | **59,587** | 14,711 |
| Premier Agency | **56,046** | 421 |
| National Foods DMCC | **603,569** | - |
| | **719,202** | 15,132 |



Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

**7.3** As at June 30, 2015, trade debt from Premier Distributor is not yet due, trade debt amounting to Rs. 0.42 million from Premier Agency has been outstanding for more than 6 months while trade debt from National Foods DMCC amounting to Rs. 98.24 million has been outstanding for up to 3 months.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **8. ADVANCES** | | |
| **Considered good** | | |
| Employees - against expenses | **1,079** | 847 |
| Suppliers | **49,325** | 51,460 |
| | **50,404** | 52,307 |
| **Considered doubtful** | | |
| Suppliers | **3,413** | 3,413 |
| | **53,817** | 55,720 |
| Less: Provision for doubtful advances to suppliers | **(3,413)** | (3,413) |
| | **50,404** | 52,307 |
| **9. TRADE DEPOSITS AND PREPAYMENTS** | | |
| **Considered good** | | |
| Deposits | **12,479** | 5,073 |
| Prepayments | **17,257** | 13,003 |
| | **29,736** | 18,076 |
| **Considered doubtful** | | |
| Deposits | **1,553** | 1,553 |
| | **31,289** | 19,629 |
| Less: Provision for doubtful deposits | **(1,553)** | (1,553) |
| | **29,736** | 18,076 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **10. OTHER RECEIVABLES** | | |
| Workers' Profits Participation Fund - note 16.1 | - | 1,236 |
| Due from related parties | | |
| - National Foods DMCC - Subsidiary | **2,435** | 2,285 |
| - Associated Textile Consultants (Private) Limited | **848** | 285 |
| - Director | **108** | 28 |
| Others | **10,061** | 9,541 |
| | **13,452** | 13,375 |
| **11. INVESTMENTS** | | |
| Investments - at fair value through profit and loss account - note 11.1 | **389,245** | 461,585 |

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

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Units | | | (Rupees in thousand) | |
| **1,407,702** | 1,314,159 | HBL Mony Market Fund | **142,387** | 131,928 |
| **6,566,575** | 6,284,629 | NAFA Money Market Fund | **68,262** | 62,929 |
| - | 548,129 | MCB Dynamic Cash Fund | - | 55,417 |
| **1,183,781** | 526,699 | MCB Cash Management Optimizer | **118,495** | 52,671 |
| - | 5,250,164 | ABL Cash Fund | - | 52,619 |
| **588,317** | 539,323 | Askari HIgh Yield Scheme | **60,101** | 54,045 |
| - | 518,825 | Preimus Daily Reserve Fund | - | 51,976 |
| | | | **389,245** | 461,585 |

**11.1.1** The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2015 as quoted by the respective Asset Management Companies.

## 12. CASH AND BANK BALANCES

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Cash in hand | **1,285** | 1,410 |
| Cash at bank | | |
| current accounts | | |
| - local currency | **26,333** | 69,704 |
| - foreign currency | **9,423** | 7,304 |
| | **35,756** | 77,008 |
| | **37,041** | 78,418 |

## 13. SHARE CAPITAL

**Authorised share capital**

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in thousand) | |
| **150,000,000** | 75,000,000 | Rs. 5 (2014: Rs. 10) each | **750,000** | 750,000 |

**Issued, subscribed and paid-up capital**
Ordinary shares of Rs. 5 (2014: Rs. 10) each

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in thousand) | |
| | | Shares allotted: | | |
| **2,511,980** | 1,255,990 | for consideration paid in cash | **12,560** | 12,560 |
| **101,094,878** | 50,547,439 | as bonus shares | **505,474** | 505,474 |
| **103,606,858** | 51,803,429 | | **518,034** | 518,034 |



Notes to the Financial Statements

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**13.1** **Movement in issued, subscribed and paid-up capital**
Ordinary shares of Rs. 5 (2014: Rs. 10) each

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in thousand) | |
| **51,803,429** | 41,442,743 | Opening shares outstanding | **518,034** | 414,427 |
| - | 10,360,686 | Bonus shares allotted | - | 103,607 |
| **51,803,429** | - | Share Split | - | - |
| **103,606,858** | 51,803,429 | | **518,034** | 518,034 |

**13.2** During the year, the Company split its shares by decreasing the face value from Rs. 10 per share to Rs. 5 per share pursuant to special resolution passed by members at Annual General Meeting held on October 22, 2014.

## 14. DEFERRED TAXATION

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Credit / (debit) balance arising in respect of: | | |
| Accelerated tax depreciation / amortisation | **115,350** | 139,062 |
| Provision for stock obsolescence | **(17,372)** | (15,241) |
| Provision for doubtful trade debts | **(2,028)** | (965) |
| Provision for retirement benefits obligations | **(2,536)** | (7,936) |
| | **93,414** | 114,920 |

**14.1** Deferred tax liability is restricted to 88.96% (2014: 88.64%) 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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Pension Plan | **17,214** | 27,334 |
| Pensioners' Medical Plan | **2,281** | 2,401 |
| | **19,495** | 29,735 |

**15.1** As stated in note 2.7, the Company operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at June 30, 2015.

**15.2** Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, the Companies Ordinance, 1984, the Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

**15.3** The latest actuarial valuation of the Fund as at June 30, 2015 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

| | Pension Plan | | Pensioners' Medical Plan | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| **15.4 Balance Sheet Reconciliation** | | | | |
| Present value of defined benefit obligations | **96,324** | 53,202 | **9,347** | 4,672 |
| Fair value of plan assets | **(79,110)** | (25,868) | **(7,066)** | (2,271) |
| Recognised liability | **17,214** | 27,334 | **2,281** | 2,401 |
| **15.5 Movement in the net liability recognised in the balance sheet** | | | | |
| Opening balance | **27,334** | 23,661 | **2,401** | 268 |
| Remeasurements recognised in Other Comprehensive Income | **36,137** | 3,320 | **5,011** | 2,141 |
| Charge for the year | **9,063** | 4,090 | **931** | 66 |
| Contribution made | **(55,320)** | (3,737) | **(6,062)** | (74) |
| Closing balance | **17,214** | 27,334 | **2,281** | 2,401 |
| **15.6 Remeasurements recognised in Other Comprehensive Income** | | | | |
| Acturial loss on defined benefit obligation | **35,018** | 2,280 | **4,899** | 2,640 |
| Acturial loss / (gain) on plan assets | **1,119** | 1,040 | **112** | (499) |
| | **36,137** | 3,320 | **5,011** | 2,141 |
| **15.7 Expense recognised in Profit and loss account** | | | | |
| Current service cost | **2,063** | 1,620 | **164** | 37 |
| Net interest cost | **7,000** | 2,470 | **767** | 29 |
| | **9,063** | 4,090 | **931** | 66 |
| **15.8 Movement in the present value of defined benefit obligations** | | | | |
| Obligation as at July 1 | **53,202** | 45,486 | **4,672** | 1,795 |
| Current service cost | **2,063** | 1,620 | **164** | 37 |
| Interest cost | **10,750** | 5,024 | **1,135** | 200 |
| Benefits paid | **(4,709)** | (1,208) | **(1,523)** | - |
| Acturial loss | **35,018** | 2,280 | **4,899** | 2,640 |
| Obligation as at June 30 | **96,324** | 53,202 | **9,347** | 4,672 |
| **15.9 Movement in the fair value of plan assets** | | | | |
| Plan Assets as at July 1 | **25,868** | 21,825 | **2,271** | 1,527 |
| Expected return on plan assets | **3,750** | 2,554 | **368** | 171 |
| Contribution made | **55,320** | 3,737 | **6,062** | 74 |
| Benefits paid | **(4,709)** | (1,208) | **(1,523)** | - |
| Acturial (loss) / gain | **(1,119)** | (1,040) | **(112)** | 499 |
| Plan Assets as at June 30 | **79,110** | 25,868 | **7,066** | 2,271 |



Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2015

| | **2015** | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **15.10 Plan assets comprise of the following:** | | |
| Defence Savings Certificates | **26,514** | 23,777 |
| Cash at bank | **59,662** | 4,362 |
| | **86,176** | 28,139 |
| **15.11 Principal actuarial assumptions** | | |
| Expected rate of increase in salaries | **10.50%** | 13.50% |
| Expected rate of increase in pension | **5.50%** | 8.50% |
| Expected rate of increase in medical benefits | **10.50%** | 13.50% |
| Discount factor used | **10.50%** | 13.50% |

**15.12** Pre-Retirement mortality was assumed to be SLIC (2001-2005), rated down one year.

**15.13** In case of the funded plans, the Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the Retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the Retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2015 consists of government bonds and term deposits. The Company believes that government bonds offer the best returns over the long term with an acceptable level of risk.

**15.14** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected charge for the year ending June 30, 2016 works out to be Rs. 4.56 million and Rs. 269,565 for Pension Plan and Pensioners' Medical Plan respectively.

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.

Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2015.

**15.15 Sensitivity analysis for actuarial assumptions**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | | (Rupees in thousand) | |
| Discount rate at June 30 | 1.00% | 91,250 | 121,313 |
| Future salary increases | 1.00% | 101,548 | 89,607 |
| Future pension increases | 1.00% | 103,787 | 87,900 |
| Medical cost increases | 1.00% | 10,698 | 8,247 |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**15.16 Comparison for five years:**

| | **2015** | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Fair value of plan assets | **86,176** | 28,139 | 23,352 | 17,135 | 11,214 |
| Present value of defined benefit obligation | **(105,671)** | (57,874) | (47,281) | (29,265) | (24,218) |
| Deficit | **(19,495)** | (29,735) | (23,929) | (12,130) | (13,004) |
| **Experience adjustments** | | | | | |
| (Loss) / gain on plan assets (as a percentage of plan assets) | **(1.43)** | (1.92) | 2.17 | (0.97) | 4.52 |
| Loss / (gain) on obligation (as a percentage of plan obligations) | **37.77** | 8.50 | 28.49 | 1.14 | (2.79) |

**15.17** The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.

**15.18** The weighted average duration of defined benefit obligation is 14.62 years.





**15.19** Expected maturity analysis of undiscounted retirement benefit plans.

| | Less than a year | Between 1-2 years | Between 2-5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| **Retirement benefit plans** | 4,986 | 5,263 | 11,422 | 42,793 | 64,464 |

**15.20** During the year, the Company contributed Rs. 26.98 million (2014: Rs.22.24 million) to the provident fund.

| | **2015** | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **16. TRADE AND OTHER PAYABLES** | | |
| Creditors | **450,832** | 253,454 |
| Accrued liabilities | **962,661** | 889,812 |
| Workers' Profits Participation Fund - note 16.1 | **12,197** | - |
| Workers' Welfare Fund | **26,162** | 72,558 |
| Advances from customers | **107,742** | 45,822 |
| Payable to provident fund | **4,279** | 3,414 |
| Tax deducted at source | **23,890** | 13,463 |
| Due to related parties - directors | **14** | 260 |
| Due to related parties - others - note 16.2 | **4,078** | 39,809 |
| Advances from employees against sale of vehicles | **59,552** | 42,454 |
| Unclaimed dividend | **5,480** | 3,867 |
| Other liabilities | **15,796** | 7,497 |
| | **1,672,683** | 1,372,410 |
| **16.1 Workers' Profits Participation Fund** | | |
| Receivable / (payable) as at July 1 | **1,236** | (52,591) |
| Allocation for the year | **(76,859)** | (55,502) |
| | **(75,623)** | (108,093) |
| Amount paid during the year | **63,426** | 109,329 |
| (Payable) / Receivable as at June 30 | **(12,197)** | 1,236 |
| **16.2 Due to related parties - others** | | |
| National Foods DMCC, Dubai, UAE | **4,078** | 39,445 |
| Precision Rubber Products (Private) Limited | **-** | 364 |
| | **4,078** | 39,809 |
| **17. SHORT TERM BORROWINGS** | | |
| Running finance under mark up arrangements | **284,094** | 553,763 |
| Murabaha loan | **-** | 26 |
| Export re-finance | **100,000** | 300,000 |
| Short term loans | **-** | 100,000 |
| | **384,094** | 953,789 |

**17.1** The facilities available from various banks amount to Rs. 3.44 billion (2014: Rs. 2.55 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 2015 and 2016.

**17.2** The rates of mark up range from one month KIBOR plus 0.2% to six months KIBOR plus 0.9% per annum (2014: one month KIBOR plus 0.1% to three months KIBOR plus 0.5% per annum).

**17.3** The facilities for opening letters of credit amount to Rs. 1.35 billion (2014: Rs. 945 million) and for letters of guarantee amount to Rs. 141 million (2014: Rs. 50.74 million) as at June 30, 2015 of which the amount remaining unutilised at year end were Rs. 1.21 billion (2014: Rs. 886.56 million) and Rs. 74.78 million (2014: Rs. 1.09 million) respectively.

## 18. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2015 amount to Rs. 188.60 million (2014: Rs. 38.1 million).

Aggregate commitments in respect of ujrah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2014: six months KIBOR + 0.75% to six months KIBOR + 1.95%) per annum for rentals payable monthly as at June 30, 2015 amount to:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Not later than one year | **53,984** | 39,514 |
| Over one year to five years | **71,322** | 58,245 |
| | **125,306** | 97,759 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **19. SALES** | | |
| **Manufactured goods** | | |
| Gross sales | | |
| Local sales | **15,003,578** | 12,095,708 |
| Export sales - note 19.1 | **1,204,409** | 1,178,354 |
| | **16,207,987** | 13,274,062 |
| Sales tax | **(1,956,026)** | (1,577,377) |
| | **14,251,961** | 11,696,685 |
| Less: | | |
| Discount, rebates and allowances | **2,473,930** | 1,760,031 |
| Sales return | **173,741** | 211,396 |
| | **2,647,671** | 1,971,427 |
| | **11,604,290** | 9,725,258 |



Notes to the Financial Statements

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**19.1** Export sales comprise of sales made in the following regions:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| USA / Canada | **104,141** | 475,358 |
| Africa | **2,605** | 75,703 |
| Middle East Asia | **998,547** | 334,014 |
| Others | **99,116** | 293,279 |
| | **1,204,409** | 1,178,354 |

**19.2** The Company's customer base is diverse with no single customer accounting for more than 10% of net sales.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **20. COST OF SALES** | | |
| Raw material consumed | **4,684,409** | 3,768,900 |
| Packing material consumed | **2,012,418** | 1,548,288 |
| Salaries, wages and other benefits - note 20.1 | **438,333** | 496,233 |
| Contribution to provident fund | **9,569** | 8,399 |
| Depreciation / amortisation | **131,544** | 113,193 |
| Ujrah payments | **9,914** | 7,035 |
| Fuel and power | **167,559** | 157,637 |
| Insurance | **18,904** | 17,184 |
| Laboratory, research and development | **5,953** | 2,157 |
| Postage and communications | **6,523** | 1,996 |
| Printing and stationery | **821** | 784 |
| Rent, rates and taxes | **89,184** | 69,970 |
| Travelling | **71,317** | 62,515 |
| Repairs and maintenance | **36,984** | 37,395 |
| Security charges | **13,139** | 9,491 |
| Others | **4,984** | 3,032 |
| | **7,701,555** | 6,304,209 |
| Opening work in process | **592,587** | 596,054 |
| Closing work in process | **(817,850)** | (592,587) |
| Cost of goods manufactured | **7,476,292** | 6,307,676 |
| Opening stock of finished goods | **345,116** | 353,572 |
| Closing stock of finished goods | **(279,604)** | (345,116) |
| | **7,541,804** | 6,316,132 |

**20.1** This includes a reversal of an amount of Rs. 119.96 million accrued in prior years on account of employee benefits considered not payable.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **21. DISTRIBUTION COSTS** | | |
| Salaries, wages and other benefits | **364,167** | 305,235 |
| Advertising and sales promotion | **956,983** | 849,969 |
| Commission expense - note 21.1 | **54,004** | 104,092 |
| Outward freight and handling charges | **464,597** | 421,033 |
| Contribution to provident fund | **10,024** | 7,938 |
| Depreciation / amortisation | **19,140** | 17,908 |
| Ujrah payments | **15,303** | 12,231 |
| Fuel and power | **6,049** | 2,074 |
| Forwarding charges | **19,187** | 10,183 |
| Insurance | **14,235** | 12,969 |
| Laboratory, research and development | **759** | 443 |
| Legal and professional charges | **3,252** | 12,060 |
| Postage and communications | **5,965** | 5,274 |
| Printing and stationery | **4,580** | 2,546 |
| Rent, rates and taxes | **59,712** | 47,046 |
| Travelling | **105,230** | 97,726 |
| Repairs and maintenance | **11,276** | 7,834 |
| Provision for doubtful debts | **5,632** | 567 |
| Bad debts written off | **-** | 1,443 |
| Security charges | **2,117** | 1,771 |
| Others | **3,154** | 1,380 |
| | **2,125,366** | 1,921,722 |

**21.1** This includes Rs. 25.14 million (2014: 90.20 million) paid to National Foods DMCC (NFDMCC) in repect of commission on sales. Further, during current year the Company shifted from commission model to ex - stock sale of products to NFDMCC.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **22. ADMINISTRATIVE EXPENSES** | | |
| Salaries, wages and other benefits - note 22.1 | **226,074** | 170,868 |
| Contribution to provident fund | **7,383** | 5,904 |
| Depreciation / amortisation | **44,337** | 22,388 |
| Ujrah payments | **14,360** | 13,687 |
| Fuel and power | **3,647** | 3,257 |
| Insurance | **5,392** | 4,564 |
| Legal and professional charges | **26,201** | 27,675 |
| Postage and communications | **16,292** | 9,461 |
| Printing and stationery | **3,032** | 2,661 |
| Rent, rates and taxes | **10,121** | 12,432 |
| Travelling | **28,574** | 26,092 |
| Repairs and maintenance | **46,817** | 32,189 |
| Security charges | **3,074** | 1,033 |
| Others | **23,540** | 15,321 |
| | **458,844** | 347,532 |

**22.1** Salaries, wages and other benefits include Rs. 9.99 million (2014: Rs. 4.16 million) in respect of charge for retirement benefit plans.





| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **23. OTHER EXPENSES** | | |
| Workers' Profits Participation Fund | **76,859** | 55,502 |
| Workers' Welfare Fund | **26,162** | 22,201 |
| Auditors' remuneration - note 23.1 | **7,324** | 4,865 |
| Donations - note 23.2 | **10,374** | 8,608 |
| | **120,719** | 91,176 |
| **23.1 Auditors' remuneration** | | |
| Audit fee | **1,500** | 1,400 |
| Limited review, special reports and other certifications | **4,469** | 2,720 |
| Taxation services | **1,171** | 566 |
| Out of pocket expenses | **184** | 179 |
| | **7,324** | 4,865 |

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **24. OTHER INCOME** | | |
| **Income from financial assets** | | |
| Exchange gain - net | **15,638** | 15,005 |
| Gain on sale of open ended mutual fund units | **34,006** | 4,357 |
| Gain on remeasurement of fair value of open ended mutual fund units | **221** | 29,320 |
| Dividend income on open ended mutual fund units | **390** | - |
| Return on savings accounts | **7,457** | 6,050 |
| Return on late payments by trade debtors | **1,136** | 628 |
| **Income from other than financial assets** | | |
| Profit on disposal of property, plant and equipment | **15,861** | 2,717 |
| **Others** | | |
| Dividend income from subsidiary | **10,154** | - |
| Liabilities no longer required written back | **18,324** | 3,078 |
| Others | **8,778** | 9,993 |
| | **111,965** | 71,148 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **25. FINANCE COSTS** | | |
| Mark up on running finance under mark up arrangements | **5,599** | 7,796 |
| Mark up on export re-finance | **8,836** | 30,487 |
| Mark up on short term loans | **6,795** | 30,183 |
| Bank charges | **16,039** | 19,047 |
| | **37,269** | 87,513 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **26. TAXATION** | | |
| Current | | |
| - for the year - note 26.1 | **455,923** | 323,365 |
| - for prior year | **(6,709)** | - |
| | **449,214** | 323,365 |
| Deferred | **(10,524)** | 474 |
| | **438,690** | 323,839 |

**26.1** This includes one-time super tax of Rs. 39.43 million imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act, 2015).

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **26.2 Reconciliation between tax expense and accounting profit:** | | |
| Profit before taxation | **1,432,253** | 1,032,331 |
| Tax at applicable rate of 33% (2014: 34%) | **472,643** | 350,993 |
| Tax effect of permanent differences | **3,932** | 998 |
| Tax effect of final tax regime | **(47,239)** | (833) |
| Effect of exempt income | **(7,048)** | (11,450) |
| Effect of prior year tax | **(6,709)** | - |
| Change in tax rate | **(16,417)** | - |
| Super Tax | **39,431** | - |
| Effect of tax credits | **(10,885)** | (17,780) |
| Others | **10,982** | 1,911 |
| | **438,690** | 323,839 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **27. EARNINGS PER SHARE** | | |
| Profit after taxation attributable to ordinary shareholders | **993,563** | 708,492 |
| | | (Re-stated) |
| Weighted average number of shares in issue during the year (in thousand) | **103,607** | 103,607 |
| Earnings per share - Basic and diluted (Rupees) | **9.59** | 6.84 |





**27.1** The weighted average number of shares as at June 30, 2014 have been increased to reflect share split during the year, as explained in note 13.

**27.2** A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2015 and 2014 which would have any effect on the earnings per share if the option to convert is exercised.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **28. CASH GENERATED FROM OPERATIONS** | | |
| Profit before taxation | **1,432,253** | 1,032,331 |
| Adjustments for non-cash charges and other items | | |
| Depreciation | **175,242** | 145,319 |
| Amortisation | **19,779** | 8,170 |
| Profit on disposal of property, plant and equipment | **(15,861)** | (2,717) |
| Property, plant and equipment written off | **61** | 5,048 |
| Gain on sale of open ended mutual fund units | **(34,006)** | (4,357) |
| Gain on remeasurement of fair value of open ended mutual fund units | **(221)** | (29,320) |
| Finance costs | **37,269** | 87,513 |
| Retirement benefits expense | **9,994** | 4,156 |
| | **192,257** | 213,812 |
| Profit before working capital changes | **1,624,510** | 1,246,143 |
| EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES | | |
| (Increase) / decrease in current assets | | |
| Stores, spare parts and loose tools | **(363)** | (349) |
| Stock in trade | **(28,161)** | (314,137) |
| Trade debts | **(354,042)** | (144,482) |
| Advances | **1,903** | (3,231) |
| Trade deposits and prepayments | **(11,660)** | (1,021) |
| Other receivables | **(77)** | 3,325 |
| | **(392,400)** | (459,895) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | **298,660** | 41,859 |
| Sales tax payable | **17,022** | (15,261) |
| | **315,682** | 26,598 |
| | **1,547,792** | 812,846 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **29. CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **37,041** | 78,418 |
| Short term borrowings | **(284,094)** | (553,763) |
| | **(247,053)** | (475,345) |

**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 | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (Rupees in thousand) | | | | | |
| Managerial remuneration and allowances | 13,234 | 10,564 | - | 4,516 | 157,004 | 134,124 |
| Technical advisory fee | - | - | 9,660 | 13,900 | - | - |
| Utilities | 1,327 | 1,056 | 497 | 452 | 15,701 | 13,494 |
| Bonus / variable pay | 2,206 | 2,761 | - | 452 | 26,459 | 42,718 |
| Housing | 5,955 | 4,754 | - | 2,032 | 70,652 | 60,282 |
| Retirement benefits | 7,709 | 4,809 | 5,554 | 304 | 14,853 | 12,179 |
| Other expenses | 3,651 | 1,965 | - | 505 | 67,604 | 65,069 |
| | 34,082 | 25,909 | 15,711 | 22,161 | 352,273 | 327,866 |
| Number of persons | 1 | 1 | 2 | 2 | 119 | 136 |

**30.2** In addition to the above, fee paid to 6 (2014: 5) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 1,112,500 (2014: Rs. 475,000).

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

**31. RELATED PARTY DISCLOSURES**

Disclosure of transactions between the Company and related parties:

| Relationship with the Company | Nature of transaction | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Subsidiary Company: | Commission expense | 25,139 | 90,200 |
| | Sale of goods | 875,265 | - |
| | Dividend income | 10,154 | - |
| Associated Companies / Undertakings: | Sale of goods | 1,151,664 | 812,491 |
| | Purchase of goods | - | 59,165 |
| | Rent charges paid / payable | 8,225 | 7,814 |
| | Commission expense | 28,865 | 13,892 |
| Staff retirement funds: | Expense charged for defined contribution plan | 26,976 | 22,241 |
| | Payments to retirement contribution plan | 51,214 | 56,531 |
| | Contribution to defined benefit plans | 61,382 | 3,811 |
| Directors: | Technical advisory services | 9,660 | 13,900 |
| **Key management personnel compensation:** | | | |
| - Salaries and other short-term employee benefits | | 169,662 | 121,756 |
| - Retirement benefits | | 17,055 | 8,869 |





The related party status of outstanding balances as at June 30, 2015 is included in trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

**32. PLANT CAPACITY AND PRODUCTION**

| | 2015 | 2014 |
|---|---|---|
| | Actual production Metric Tons | |
| Actual production of plants in metric tons | 87,275 | 67,704 |

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

**33. PROVIDENT FUND RELATED DISCLOSURES**

| | (Un-audited) 2015 | (Audited) 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Size of the fund - Total assets | 376,040 | 338,490 |
| Fair value of investments | 211,063 | 203,187 |
| Percentage of investments made | 56% | 60% |

**33.1** The cost of above investments amounted to Rs. 144.42 million (2014: Rs. 151.68 million).

**33.2** The break-up of fair value of investments is:

| | (Un-audited) 2015 | (Audited) 2014 | (Un-audited) 2015 | (Audited) 2014 |
|---|---|---|---|---|
| | Percentage | | (Rupees in thousand) | |
| National savings scheme | 90% | 57% | 189,350 | 114,984 |
| Bank deposits | 4% | 38% | 8,167 | 77,366 |
| Unit trust schemes | 6% | 5% | 13,546 | 10,837 |
| | 100% | 100% | 211,063 | 203,187 |

**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.

**34. NUMBER OF EMPLOYEES**

| | 2015 | 2014 |
|---|---|---|
| Number of employees at June 30 | | |
| - Permanent | 643 | 594 |
| - Contractual | 18 | 23 |
| Average number of employees during the year | | |
| - Permanent | 614 | 584 |
| - Contractual | 21 | 26 |

**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 | | | |
|---|---|---|---|---|---|---|---|
| | Maturity up to one year | Maturity after one year | Sub-total | Maturity up to one year | Maturity after one year | Sub-total | Total |
| | (Rupees in thousand) | | | | | | |
| **FINANCIAL ASSETS** | | | | | | | |
| **Loans and Receivables** | | | | | | | |
| Trade debts | - | - | - | **1,150,666** | - | **1,150,666** | **1,150,666** |
| Trade deposits | - | - | - | **12,479** | **34,768** | **47,247** | **47,247** |
| Other receivables | - | - | - | **13,452** | - | **13,452** | **13,452** |
| Cash and bank balances | - | - | - | **37,041** | - | **37,041** | **37,041** |
| **Fair value through profit and loss** | | | | | | | |
| Investments | - | - | - | **389,245** | - | **389,245** | **389,245** |
| **June 30, 2015** | - | - | - | **1,602,883** | **34,768** | **1,637,651** | **1,637,651** |
| June 30, 2014 | - | - | - | 1,355,075 | 22,125 | 1,377,200 | 1,377,200 |
| **FINANCIAL LIABILITIES** | | | | | | | |
| Trade and other payables | - | - | - | **1,438,861** | - | **1,438,861** | **1,438,861** |
| Accrued interest / mark up | - | - | - | **2,520** | - | **2,520** | **2,520** |
| Short term borrowings | **384,094** | - | **384,094** | - | - | - | **384,094** |
| **June 30, 2015** | **384,094** | - | **384,094** | **1,441,381** | - | **1,441,381** | **1,825,475** |
| June 30, 2014 | 953,789 | - | 953,789 | 1,206,040 | - | 1,206,040 | 2,159,829 |
| **ON BALANCE SHEET GAP** | | | | | | | |
| **June 30, 2015** | **(384,094)** | - | **(384,094)** | **161,502** | **34,768** | **196,270** | **(187,824)** |
| June 30, 2014 | (953,789) | - | (953,789) | 149,035 | 22,125 | 171,160 | (782,629) |
| **OFF BALANCE SHEET ITEMS** | | | | | | | |
| Letters of credit | | | | | | | **135,383** |
| June 30, 2014 | | | | | | | 58,438 |
| Letters of guarantees | | | | | | | **66,220** |
| June 30, 2014 | | | | | | | 49,650 |





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

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

**i) Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.64 billion (2014: Rs. 1.38 billion) the financial assets exposed to the credit risk amounted to Rs. 1.64 billion (2014: Rs. 1.38 billion).

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, 2015 trade debts of Rs. 347.93 million (2014: Rs. 188.5 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, 2015, net financial assets of Rs. 597.25 million (2014: Rs. 376.09 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2015, if the Pak Rupee had weakened / strengthened by 4% (2014: 6%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 23.89 million (2014: Rs. 22.57 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 percentage 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, 2015, the Company had variable interest bearing financial liabilities of Rs. 384.09 million (2014: Rs. 953.79 million), and had the interest rates varied by 100 basis points (2014: 150 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 3.86 million (2014: Rs. 14.31 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2014: 150 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 (2014: 150 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 stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

During 2015 the Company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2015 was as follows:

| | **2015** | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Total Borrowings | **386,614** | 965,130 |
| Cash and Bank | **(37,041 )** | (78,418 ) |
| Net Debt | **349,573** | 886,712 |
| Total Equity | **2,756,888** | 2,207,918 |
| Total Capital | **3,106,461** | 3,094,630 |
| Gearing Ratio | **11%** | 29% |

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.




# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015


**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 August 21, 2015 proposed a cash dividend for the year ended June 30, 2015 of Rs. 10 per share amounting to Rs. 1.04 billion (2014: cash dividend of Rs. 8 per share amounting to Rs. 414.43 million) subject to the approval of the Company in the annual general meeting.

Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the Company are in excess of its paid up capital and the Company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

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, 2016.

**37. DATE OF AUTHORISATION**

These financial statements were authorised for issue by the Board of Directors of the Company on August 21, 2015.

Chief Executive

Director

# Consolidated Financial Statements 2015

# 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, 2015 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, 2015 and the results of their operations for the year then ended.

**A.F. Ferguson & Co.**
**Chartered Accountants**
Karachi

Dated: September 10, 2015

Name of the Engagement Partner: Farrukh Rehman

# Consolidated Balance Sheet

AS AT JUNE 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 3 | **1,518,435** | 1,240,154 |
| Intangibles | 4 | **39,089** | 36,128 |
| Long term deposits | | **34,768** | 22,125 |
| | | **1,592,292** | 1,298,407 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | | **5,897** | 5,534 |
| Stock in trade | 5 | **2,269,636** | 2,230,385 |
| Trade debts | 6 | **1,072,111** | 800,356 |
| Advances | 7 | **50,651** | 54,131 |
| Trade deposits and prepayments | 8 | **30,517** | 18,836 |
| Other receivables | 9 | **11,017** | 11,090 |
| Investments in mutual fund units - at fair value through profit or loss | 10 | **389,245** | 461,585 |
| Cash and bank balances | 11 | **174,547** | 98,775 |
| | | **4,003,621** | 3,680,692 |
| | | **5,595,913** | 4,979,099 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Issued, subscribed and paid-up capital | 12 | **518,034** | 518,034 |
| Unappropriated profit | | **2,272,475** | 1,721,912 |
| Exchange revaluation reserve | | **939** | (1,129) |
| | | **2,791,448** | 2,238,817 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred taxation | 13 | **93,414** | 114,920 |
| Retirement benefits obligations | 14 | **19,495** | 29,735 |
| | | **112,909** | 144,655 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | **1,679,010** | 1,336,682 |
| Accrued interest / mark up | | **2,520** | 11,341 |
| Short term borrowings | 16 | **384,094** | 955,268 |
| Taxation - Provision less payments | | **484,578** | 168,004 |
| Sales tax payable | | **141,354** | 124,332 |
| | | **2,691,556** | 2,595,627 |
| | | **2,804,465** | 2,740,282 |
| **COMMITMENTS** | 17 | | |
| | | **5,595,913** | 4,979,099 |

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

Chief Executive

Director



# Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Sales | 18 | **11,715,640** | 9,729,184 |
| Cost of sales | 19 | **(7,558,786)** | (6,318,645) |
| Gross profit | | **4,156,854** | 3,410,539 |
| Distribution costs | 20 | **(2,183,508)** | (1,870,960) |
| Administrative expenses | 21 | **(472,034)** | (369,691) |
| Other expenses | 22 | **(122,306)** | (92,358) |
| Other income | 23 | **99,509** | 70,397 |
| Operating profit | | **1,478,515** | 1,147,927 |
| Finance costs | 24 | **(44,669)** | (89,488) |
| Profit before taxation | | **1,433,846** | 1,058,439 |
| Taxation | 25 | **(438,690)** | (323,839) |
| Profit after taxation | | **995,156** | 734,600 |
| Other comprehensive income: | | | |
| **Items that will not be reclassified to Profit or Loss** | | | |
| Loss on remeasurements of retirement benefit obligations | | **(41,148)** | (5,461) |
| Impact of deferred tax | | **10,982** | 1,911 |
| | | **(30,166)** | (3,550) |
| **Items that may be subsequently reclassified to Profit or Loss** | | | |
| Exchange differences on translation of foreign operations | | **2,068** | (1,162) |
| Total comprehensive income | | **967,058** | 729,888 |
| | | | (Re-stated) |
| Earnings per share - Basic and diluted (Rupees) | 26 | **9.61** | 7.09 |

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

Chief Executive

Director

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2015

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 27 | **1,673,893** | 817,081 |
| Finance cost paid | | **(53,490)** | (101,683) |
| Income tax paid | | **(132,640)** | (151,202) |
| Retirement benefits obligations paid | | **(61,382)** | (3,811) |
| Net increase in long term deposits | | **(12,643)** | (10,429) |
| **Net cash from operating activities** | | **1,413,738** | 549,956 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(467,793)** | (346,618) |
| Sale proceeds from disposal of property, plant and equipment | | **29,988** | 7,761 |
| Purchase of intangible assets | | **(22,740)** | (21,212) |
| Purchase of open ended mutual fund units | | **(777,988)** | (150,000) |
| Sale of open ended mutual fund units | | **884,555** | 50,000 |
| **Net cash used in investing activities** | | **(353,978)** | (460,069) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Short term borrowings obtained | | **508,696** | 550,000 |
| Repayment of short term borrowings | | **(808,722)** | (980,000) |
| Dividend paid | | **(412,814)** | (166,781) |
| **Net cash used in financing activities** | | **(712,840)** | (596,781 |
| Net increase / (decrease) in cash and cash equivalents | | **346,920** | (506,894) |
| Cash and cash equivalents at beginning of the year | | **(456,467)** | 50,427 |
| Cash and cash equivalents at end of the year | 28 | **(109,547)** | (456,467) |

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

Chief Executive

Director



# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2015

| | Issued, subscribed and paid-up capital | Reserve for issuance of bonus shares | Unappropriated profit | Exchange Revaluation Reserve | Total |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Balance as at June 30, 2013 | 414,427 | - | 1,260,240 | 33 | 1,674,700 |
| Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share | - | - | (165,771) | - | (165,771) |
| Transferred to reserve for issuance of bonus shares | - | 103,607 | (103,607) | - | - |
| Issue of 2.5 bonus shares for every 10 shares held | 103,607 | (103,607) | - | - | - |
| Total comprehensive income for the year ended June 30, 2014 | | | | | |
| - Profit for the year ended June 30, 2014 | - | - | 734,600 | - | 734,600 |
| - Other comprehensive income for the year ended June 30, 2014 | - | - | (3,550 | (1,162) | (4,712) |
| | - | - | 731,050 | (1,162) | 729,888 |
| **Balance as at June 30, 2014** | **518,034** | **-** | **1,721,912** | **(1,129)** | **2,238,817** |
| **Final dividend for the year ended June 30, 2014 @ Rs 8.00 per share** | **-** | **-** | **(414,427)** | **-** | **(414,427)** |
| **Total comprehensive income for the year ended June 30, 2015** | | | | | |
| **- Profit for the year ended June 30, 2015** | **-** | **-** | **995,156** | **-** | **995,156** |
| **- Other comprehensive income for the year ended June 30, 2015** | **-** | **-** | **(30,166)** | **2,068** | **(28,098)** |
| | **-** | **-** | **964,990** | **2,068** | **967,058** |
| **Balance as at June 30, 2015** | **518,034** | **-** | **2,272,475** | **939** | **2,791,448** |

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

Chief Executive

Director

**1. THE GROUP AND ITS OPERATIONS**

**1.1 The group consists of:**

i) Holding Company - National Foods Limited

ii) Subsidiary Company - National Foods DMCC, Dubai

**National Foods Limited**

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**

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.

National Foods DMCC also has following two wholly owned subsidiaries:

**a) National Epicure Inc.**

National Epicure Inc. was incorporated in Canada on 16 October 2013 under the Canada Business Corporations Act. The company is principally engaged in the trading of food products. The registered office of the company is situated at 193 Maxome Avenue, Toronto, Ontario, Canada. The company is a wholly owned subsidiary of National Foods DMCC.

**b) National Foods Pakistan (UK) Limited**

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the Companies Act, 2006. The company is principally engaged in the trading of food products. The registered office of the company is situated at 27 Second Floor, Gloucester Place, London, United Kingdom. The company is a wholly owned subsidiary of National Foods DMCC.

**1.2 Basis of consolidation**

The consolidated financial statements include the financial statements of National Foods Limited and National Foods DMCC. 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:



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

**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 including Islamic Financial Accounting Standards (IFAS). 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 13.1 and 25

(ii) Retirement benefits obligations - note 14

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

There have been no critical judgements made by the 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) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

IFRIC 21, 'Levies' a new interpretation is applicable for the group for the first time for the financial year beginning on July 1, 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The group is not currently subject to significant levies so the impact on the group is not material.

**(b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 are considered not to be relevant for group's financial statements and hence have not been detailed here.

**(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant**

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning January 1, 2015 that may have an impact on the financial statements of the Company.

IFRS 10, 'Consolidated financial statement' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidation and separate financial statement', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statement', it continues to be a standard dealing solely with separate financial statements. IFRS 10 has the potential to affect all reporting entities (investors) that control one or more investees under the revised definition of control. The standard will have impact on the consolidated financial statements of the Company.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard may not have impact on financial statements of the group.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, structured entities and other off balance sheet vehicles. The standard will affect the disclosures in the financial statements of the group.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the group.

**2.2 Overall valuation policy**

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

**2.3 Property, plant and equipment**

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

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

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

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

**2.4 Intangibles - computer software**

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

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





**2.5 Taxation**

**i) Current**

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

**ii) Deferred**

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

**2.6 Employee retirement benefits**

**Defined benefit plans**

The group operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The latest actuarial valuation of the defined benefit plans was conducted at June 30, 2015.

Past service cost and the amount arising as a result of remeasurements are recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

**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.

**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 running finance under mark up arrangements.

**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.

**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.

The results and financial position of National Foods DMCC are translated into the presentation currency as follows:

- assets and liabilities for balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

**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.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **3. PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating assets - note 3.1 | **1,210,842** | 1,141,607 |
| Capital work in progress - at cost - note 3.2 | **307,593** | 98,547 |
| | **1,518,435** | 1,240,154 |

**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 |
|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | | | | |
| Net carrying value basis<br>Year ended June 30, 2015 | | | | | | | | | |
| Opening net book value (NBV) | 192,721 | 355,022 | 489,952 | 21,560 | 14,885 | 40,133 | 8,208 | 19,126 | 1,141,607 |
| Additions (at cost) | 21,596 | 17,317 | 140,831 | 7,653 | 9,481 | 36,270 | 5,184 | 20,421 | 258,753 |
| Disposals (at NBV) | - | - | - | - | - | (105) | - | (14,022) | (14,127) |
| Write offs (at NBV) | - | - | - | - | (61) | - | - | - | (61) |
| Depreciation charge | (3,820) | (28,429) | (94,348) | (6,584) | (4,376) | (27,691) | (2,721) | (7,355) | (175,324) |
| Net exchange difference | - | - | - | - | - | (6) | - | - | (6) |
| Closing net book value | 210,497 | 343,910 | 536,435 | 22,629 | 19,929 | 48,601 | 10,671 | 18,170 | 1,210,842 |
| Gros carrying vlue basis<br>At June 30, 2015 | | | | | | | | | |
| Cost | 230,587 | 523,232 | 992,797 | 60,541 | 55,089 | 131,839 | 21,973 | 62,839 | 2,078,897 |
| Accumulated depreciation | (20,090) | (179,322) | (456,362) | (37,912) | (35,160) | (83,238) | (11,302) | (44,669) | (868,055) |
| Net book value | 210,497 | 343,910 | 536,435 | 22,629 | 19,929 | 48,601 | 10,671 | 18,170 | 1,210,842 |
| Net carrying value basis<br>Year ended June 30, 2014 | | | | | | | | | |
| Opening net book value (NBV) | 160,926 | 361,329 | 400,860 | 15,866 | 11,801 | 41,690 | 7,134 | 20,488 | 1,020,094 |
| Additions (at cost) | 35,395 | 23,276 | 167,740 | 10,250 | 6,583 | 19,901 | 3,474 | 10,315 | 276,934 |
| Disposals (at NBV) | - | - | (14) | - | - | (332) | - | (4,698) | (5,044) |
| Write offs (at NBV) | - | (1,979) | (3,061) | (8) | - | - | - | - | (5,048) |
| Depreciation charge | (3,600) | (27,604) | (75,573) | (4,548) | (3,499) | (21,126) | (2,400) | (6,979) | (145,329) |
| Net exchange difference | - | - | - | - | - | - | - | - | - |
| Closing net book value | 192,721 | 355,022 | 489,952 | 21,560 | 14,885 | 40,133 | 8,208 | 19,126 | 1,141,607 |
| Gros carrying vlue basis<br>At June 30, 2015 | | | | | | | | | |
| Cost | 208,990 | 505,915 | 851,966 | 53,365 | 46,017 | 101,397 | 16,789 | 59,164 | 1,843,603 |
| Accumulated depreciation | (16,269) | (150,893) | (362,014) | (31,805) | (31,132) | (61,264) | (8,581) | (40,038) | (701,996) |
| Net book value | 192,721 | 355,022 | 489,952 | 21,560 | 14,885 | 40,133 | 8,208 | 19,126 | 1,141,607 |
| Useful life (Years) | 38 - 99 | 10 - 52 | 5 - 10 | 5 | 6 - 7 | 3 | 10 | 5 | |





| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **3.2 Capital work in progress** | | |
| These comprise of: | | |
| Civil work in progress | **93,856** | 31,575 |
| Plant and machinery | **145,084** | 31,139 |
| Office equipment | **1,697** | - |
| Advance against acquisition of land | **66,956** | 35,833 |
| | **307,593** | 98,547 |

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

| | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | |
| **Vehicles** | | | | | | |
| " | 2,325 | 39 | 2,286 | 2,295 | Company Policy | Mrs. Azra Naseem Executive |
| " | 1,376 | 23 | 1,353 | 1,365 | " | Mr. Mushtaq Ahmed Madras Wala - Executive |
| " | 1,269 | 741 | 528 | 895 | " | Mr. Farrukh Saeed - Executive |
| " | 1,065 | 36 | 1,029 | 1,025 | " | Mr, Badar Yousuf Executive |
| " | 1,021 | 68 | 953 | 1,112 | " | Mr. Nazar Ali Executive |
| " | 952 | 63 | 889 | 989 | " | Mr. Saifullah Khan Executive |
| " | 944 | 31 | 913 | 857 | " | Mr. Faisal Humayun Executive |
| " | 834 | 459 | 375 | 507 | " | Mr. Naeem Executive |
| " | 768 | 13 | 755 | 793 | " | Mr. Muhammad Rafiq Hussain Executive |
| " | 742 | 383 | 359 | 417 | " | Mr. Imran Hadi Executive |
| " | 685 | 11 | 674 | 678 | " | Mr. Choudry Altaf Hussain Executive |
| " | 467 | 16 | 451 | 387 | " | Mr. Fazal ur Rehman Hanjano Executive |
| " | 379 | 13 | 366 | 253 | " | Mr. Abdullah Saqib Executive |
| Balance carried forward | **12,827** | **1,896** | **10,931** | **11,573** | | |

| | Cost | Accumulated depreciation | Net book value | Sale proceeds | Mode of disposal | Particulars of purchaser |
|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | |
| Balance brought forward | **12,827** | **1,896** | **10,931** | **11,573** | | |
| Vehicles | 378 | 13 | 365 | 332 | Company Policy | Mr. Mukarram Hafeez Executive |
| " | 355 | 24 | 331 | 712 | " | Mr. Farhan Latif Executive |
| " | 301 | 5 | 296 | 345 | " | Mr. Asghar Hussain Asghar Executive |
| " | 231 | 4 | 227 | 481 | " | Mr, Muhammad Iqbal Executive |
| " | 225 | 4 | 221 | 345 | " | Mr. Salim Shafi Executive |
| " | 206 | 45 | 161 | 725 | " | Mr. Muhammad Azeem Executive |
| " | 195 | 3 | 192 | 545 | " | Mr. Fawaz Ahmed Shafique Executive |
| " | 156 | 16 | 140 | 257 | " | Mr. Raheel Noor-ul-Haq Executive |
| " | 146 | 15 | 131 | 395 | " | Mr. Akhtar Hussain Executive |
| " | 139 | 2 | 137 | 321 | " | Mr. Naushad Ansari Executive |
| " | 111 | 4 | 107 | 81 | " | Mr. Usman Sheikh Executive |
| " | 97 | 3 | 94 | 57 | " | Mr. Muhammad Maaz Executive |
| " | 93 | 2 | 91 | 250 | " | Mr. Aysha Ghayas Executive |
| " | 305 | 10 | 295 | 475 | Insurance Claim | EFU General Insurace Limited |
| " | 103 | 21 | 82 | 95 | " | " |
| " | 70 | 8 | 62 | 65 | " | " |
| Balance carried forward | 15,938 | 2,075 | 13,863 | 17,054 | | |





| | | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **4.** | **INTANGIBLES - computer software** | | |
| | Computer softwares and ERP System - note 4.1 | **39,089** | 34,962 |
| | Systems under development | **-** | 1,166 |
| | | **39,089** | 36,128 |
| **4.1.** | **Computer softwares and ERP System** | | |
| | Net carrying value basis | | |
| | Opening net book value | **34,962** | 12,925 |
| | Additions (at cost) | **23,906** | 30,207 |
| | Amortisation for the year | **(19,779)** | (8,170) |
| | Closing net book value | **39,089** | 34,962 |
| | Gross carrying value basis | | |
| | Cost | **128,972** | 105,066 |
| | Accumulated amortisation | **(89,883)** | (70,104) |
| | Net book value | **39,089** | 34,962 |

| | | 2015 | 2014 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **5.** | **STOCK IN TRADE** | | |
| | Raw materials (including in transit Rs. 25.05 million; 2014: Rs. 73.89 million) | **931,433** | 1,107,949 |
| | Provision for obsolescence | **(7,557)** | (14,310) |
| | | **923,876** | 1,093,639 |
| | Packing materials | **270,888** | 218,067 |
| | Provision for obsolescence | **(37,495)** | (22,847) |
| | | **233,393** | 195,220 |
| | Work in process | **824,179** | 594,133 |
| | Provision for obsolescence | **(6,329)** | (1,546) |
| | | **817,850** | 592,587 |
| | Finished goods | **308,229** | 359,364 |
| | Provision for obsolescence | **(13,712)** | (10,425) |
| | | **294,517** | 348,939 |
| | | **2,269,636** | 2,230,385 |

**5.1** Stock in trade includes Rs. 1.21 billion (2014: Rs. 878.13 million) held with third parties.

**5.2** The above balances include items costing Rs. 30.64 million (2014: Rs. 16.23 million) valued at net realisable value of Rs. 26.27 million (2014: Rs. 12.77 million).

**5.3** The Group has made a provision of Rs. 29.21 million for obsolescence (2014: Rs. 10.06 million) and has written off stocks against the provision amounting to Rs. 13.25 million (2014: Rs. 4.91 million) during the year.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **6. TRADE DEBTS** | | |
| Considered good - unsecured | | |
| Related parties - note 6.2 and 6.3 | **115,633** | 15,132 |
| Others | | |
| - local | **473,428** | 372,413 |
| - foreign | **483,050** | 412,811 |
| | **1,072,111** | 800,356 |
| Considered doubtful | **7,600** | 3,109 |
| | **1,079,711** | 803,465 |
| Less: Provision for doubtful trade debts | **(7,600)** | (3,109) |
| | **1,072,111** | 800,356 |

**6.1** As at June 30, 2015, trade debts of Rs. 426.27 million (2014: Rs. 191.61 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:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Up to 3 months | **349,118** | 152,312 |
| 3 to 6 months | **38,221** | 20,638 |
| More than 6 months | **38,926** | 18,664 |
| | **426,265** | 191,614 |
| **6.2 Receivable from related parties** | | |
| Premier Distributor | **59,587** | 14,711 |
| Premier Agency | **56,046** | 421 |
| | **115,633** | 15,132 |

**6.3** As at June 30, 2015, trade debt from Premier Distributor is not yet due, trade debt amounting to Rs. 0.42 million from Premier Agency has been outstanding for more than 6 months.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **7. ADVANCES** | | |
| **Considered good** | | |
| Employees - against expenses | **1,079** | 847 |
| Suppliers | **49,572** | 53,284 |
| | **50,651** | 54,131 |
| **Considered doubtful** | | |
| Suppliers | **3,413** | 3,413 |
| | **54,064** | 57,544 |
| Less: Provision for doubtful advances to suppliers | **(3,413)** | (3,413) |
| | **50,651** | 54,131 |





| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **8. TRADE DEPOSITS AND PREPAYMENTS** | | |
| Considered good | | |
| Deposits | **13,260** | 5,833 |
| Prepayments | **17,257** | 13,003 |
| | **30,517** | 18,836 |
| Considered doubtful | | |
| Deposits | **1,553** | 1,553 |
| | **32,070** | 20,389 |
| Less: Provision for doubtful deposits | **(1,553)** | (1,553) |
| | **30,517** | 18,836 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **9. OTHER RECEIVABLES** | | |
| Workers' Profits Participation Fund - note 15.1 | - | 1,236 |
| Due from related parties | | |
| - Associated Textile Consultants (Private) Limited | **848** | 285 |
| - Director | **108** | 28 |
| Others | **10,061** | 9,541 |
| | **11,017** | 11,090 |
| **10. INVESTMENTS** | | |
| Investments - at fair value through profit and loss account - note 10.1 | **389,245** | 461,585 |

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

| Units 2015 | Units 2014 | | 2015 (Rupees in thousand) | 2014 (Rupees in thousand) |
|---|---|---|---|---|
| **1,407,702** | 1,314,159 | HBL Money Market Fund | **142,387** | 131,928 |
| **6,566,575** | 6,284,629 | NAFA Money Market Fund | **68,262** | 62,929 |
| - | 548,129 | MCB Dynamic Cash Fund | - | 55,417 |
| **1,183,781** | 526,699 | MCB Cash Management Optimizer | **118,495** | 52,671 |
| - | 5,250,164 | ABL Cash Fund | - | 52,619 |
| **588,317** | 539,323 | Askari High Yield Scheme | **60,101** | 54,045 |
| - | 518,825 | Primus Daily Reserve Fund | - | 51,976 |
| | | | **389,245** | 461,585 |

**10.1.1** The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2015 as quoted by the respective Asset Management Companies.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **11. CASH AND BANK BALANCES** | | |
| Cash in hand | **1,285** | 1,410 |
| Cash at bank | | |
| current accounts | | |
| - local currency | **46,911** | 69,704 |
| - foreign currency | **126,351** | 27,661 |
| | **173,262** | 97,365 |
| | **174,547** | 98,775 |

**12. SHARE CAPITAL**

**Authorised share capital**

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in thousand) | |
| **150,000,000** | 75,000,000 | Rs. 5 (2014: Rs. 10) each | **750,000** | 750,000 |

**Issued, subscribed and paid-up capital**

Ordinary shares of Rs. 5 (2014: Rs. 10) each

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in thousand) | |
| | | Shares allotted: | | |
| **2,511,980** | 1,255,990 | for consideration paid in cash | **12,560** | 12,560 |
| **101,094,878** | 50,547,439 | as bonus shares | **505,474** | 505,474 |
| **103,606,858** | 51,803,429 | | **518,034** | 518,034 |

**12.1 Movement in issued, subscribed and paid-up capital**

Ordinary shares of Rs. 5 (2014: Rs. 10) each

| 2015 | 2014 | | 2015 | 2014 |
|---|---|---|---|---|
| Number of Shares | | | (Rupees in thousand) | |
| **51,803,429** | 41,442,743 | Opening shares outstanding | **518,034** | 414,427 |
| - | 10,360,686 | Bonus shares alloted | - | 103,607 |
| **51,803,429** | - | Share Split | - | - |
| **103,606,858** | 51,803,429 | | **518,034** | 518,034 |

**12.2** During the year, the National Foods Limited split its shares by decreasing the face value from Rs. 10 per share to Rs. 5 per share pursuant to special resolution passed by members at Annual General Meeting held on October 22, 2014.



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **13. DEFERRED TAX** | | |
| Credit / (debit) balance arising in respect of: | | |
| Accelerated tax depreciation / amortisation | **115,350** | 139,062 |
| Provision for stock obsolescence | **(17,372)** | (15,241) |
| Provision for doubtful trade debts | **(2,028)** | (965) |
| Provision for retirement benefits obligations | **(2,536)** | (7,936) |
| | **93,414** | 114,920 |

**13.1** Deferred tax liability is restricted to 88.96% (2014: 88.64%) 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.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **14. RETIREMENT BENEFITS OBLIGATIONS** | | |
| Pension Plan | **17,214** | 27,334 |
| Pensioners' Medical Plan | **2,281** | 2,401 |
| | **19,495** | 29,735 |

**14.1** As stated in note 2.6, the Group operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at June 30, 2015.

**14.2** Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, the Companies Ordinance, 1984, the Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Group appoints the trustees and all trustees are employees of the Group.

**14.3** The latest actuarial valuation of the Fund as at June 30, 2015 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

| | Pension Plan | | Pensioners' Medical Plan | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| **14.4 Balance Sheet Reconciliation** | | | | |
| Present value of defined benefit obligations | **96,324** | 53,202 | **9,347** | 4,672 |
| Fair value of plan assets | **(79,110)** | (25,868) | **(7,066)** | (2,271) |
| Recognised liability | **17,214** | 27,334 | **2,281** | 2,401 |
| **14.5 Movement in the net liability recognised in the balance sheet** | | | | |
| Opening balance | **27,334** | 23,661 | **2,401** | 268 |
| Remeasurements recognised in Other Comprehensive Income | **36,137** | 3,320 | **5,011** | 2,141 |
| Charge for the year | **9,063** | 4,090 | **931** | 66 |
| Contribution made | **(55,320)** | (3,737) | **(6,062)** | (74) |
| Closing balance | **17,214** | 27,334 | **2,281** | 2,401 |
| **14.6 Remeasurements recognised in Other Comprehensive Income** | | | | |
| Acturial loss on defined benefit obligation | **35,018** | 2,280 | **4,899** | 2,640 |
| Acturial loss / (gain) on plan assets | **1,119** | 1,040 | **112** | (499) |
| | **36,137** | 3,320 | **5,011** | 2,141 |
| **14.7 Expense recognised in Profit and loss account** | | | | |
| Current service cost | **2,063** | 1,620 | **164** | 37 |
| Net interest cost | **7,000** | 2,470 | **767** | 29 |
| | **9,063** | 4,090 | **931** | 66 |
| **14.8 Movement in the present value of defined benefit obligations** | | | | |
| Obligation as at July 1 | **53,202** | 45,486 | **4,672** | 1,795 |
| Current service cost | **2,063** | 1,620 | **164** | 37 |
| Interest cost | **10,750** | 5,024 | **1,135** | 200 |
| Benefits paid | **(4,709)** | (1,208) | **(1,523)** | - |
| Acturial loss | **35,018** | 2,280 | **4,899** | 2,640 |
| Obligation as at June 30 | **96,324** | 53,202 | **9,347** | 4,672 |
| **14.9 Movement in the fair value of plan assets** | | | | |
| Plan Assets as at July 1 | **25,868** | 21,825 | **2,271** | 1,527 |
| Expected return on plan assets | **3,750** | 2,554 | **368** | 171 |
| Contribution made | **55,320** | 3,737 | **6,062** | 74 |
| Benefits paid | **(4,709)** | (1,208) | **(1,523)** | - |
| Acturial (loss) / gain | **(1,119)** | (1,040) | **(112)** | 499 |
| Plan Assets as at June 30 | **79,110** | 25,868 | **7,066** | 2,271 |





| | **2015** | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **14.10 Plan assets comprise of the following:** | | |
| Defence Savings Certificates | **26,514** | 23,777 |
| Cash at bank | **59,662** | 4,362 |
| | **86,176** | 28,139 |

| | **2015** | 2014 |
|---|---|---|
| **14.11 Principal actuarial assumptions** | (Percent Per Annum) | |
| Expected rate of increase in salaries | **10.50%** | 13.50% |
| Expected rate of increase in pension | **5.50%** | 8.50% |
| Expected rate of increase in medical benefits | **10.50%** | 13.50% |
| Discount factor used | **10.50%** | 13.50% |

**14.12** Pre-Retirement mortality was assumed to be SLIC (2001-2005), rated down one year.

**14.13** In case of the funded plans, the Group ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the Retirement benefit plan. Within this framework, the Group's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the Retirement benefit plan obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2015 consists of government bonds and term deposits. The Group believes that government bonds offer the best returns over the long term with an acceptable level of risk.

**14.14** The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected charge for the year ending June 30, 2016 works out to be Rs. 4.56 million and Rs. 269,565 for Pension Plan and Pensioners' Medical Plan respectively.

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.

Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2015.

**14.15 Sensitivity analysis for actuarial assumptions**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | | (Rupees in thousand) | |
| Discount rate at June 30 | 1.00% | 91,250 | 121,313 |
| Future salary increases | 1.00% | 101,548 | 89,607 |
| Future pension increases | 1.00% | 103,787 | 87,900 |
| Medical cost increases | 1.00% | 10,698 | 8,247 |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**14.16 Comparison for five years:**

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Fair value of plan assets | **86,176** | 28,139 | 23,352 | 17,135 | 11,214 |
| Present value of defined benefit obligation | **(105,671)** | (57,874) | (47,281) | (29,265) | (24,218) |
| Deficit | **(19,495)** | (29,735) | (23,929) | (12,130) | (13,004) |
| **Experience adjustments** | | | | | |
| (Loss) / gain on plan assets (as a percentage of plan assets) | **(1.43)** | (1.92) | 2.17 | (0.97) | 4.52 |
| Loss / (gain) on obligation (as a percentage of plan obligations) | **37.77** | 8.50 | 28.49 | 1.14 | (2.79) |





**14.17** The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the plan, at the beginning of the period, for returns over the entire life of the related obligation.

**14.18** The weighted average duration of defined benefit obligation is 14.62 years.

**14.19** Expected maturity analysis of undiscounted retirement benefit plans.

| | Less than a year | Between 1-2 year | Between 2-5 year | Over 5 years | Total |
|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | |
| Retirement benefit plans | 4,986 | 5,263 | 11,422 | 42,793 | 64,464 |

**14.20** During the year, the Group contributed Rs. 26.98 million (2014: Rs.22.24 million) to the provident fund.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **15. TRADE AND OTHER PAYABLES** | | |
| Creditors | **455,306** | 254,790 |
| Accrued liabilities | **968,549** | 892,193 |
| Workers' Profits Participation Fund - note 15.1 | **12,197** | - |
| Workers' Welfare Fund | **26,162** | 72,558 |
| Advances from customers | **107,785** | 45,822 |
| Payable to provident fund | **4,279** | 3,414 |
| Tax deducted at source | **23,890** | 13,463 |
| Due to related parties - directors | **14** | 260 |
| Due to related parties - others - note 15.2 | - | 364 |
| Advances from employees against sale of vehicles | **59,552** | 42,454 |
| Unclaimed dividend | **5,480** | 3,867 |
| Other liabilities | **15,796** | 7,497 |
| | **1,679,010** | 1,336,682 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **15.1 Workers' Profits Participation Fund** | | |
| Receivable / (payable) as at July 1 | **1,236** | (52,591 ) |
| Allocation for the year | **(76,859 )** | (55,502 ) |
| | **(75,623)** | (108,093 ) |
| Amount paid during the year | **63,426** | 109,329 |
| (Payable) / Receivable as at June 30 | **(12,197 )** | 1,236 |
| **15.2 Due to related parties - others** | | |
| Precision Rubber Products (Private) Limited | - | 364 |
| **16. SHORT TERM BORROWINGS** | | |
| Running finance under mark up arrangements | **284,094** | 555,242 |
| Murabaha loan | - | 26 |
| Export re-finance | **100,000** | 300,000 |
| Short term loans | - | 100,000 |
| | **384,094** | 955,268 |

**16.1** The facilities available from various banks amount to Rs. 3.44 billion (2014: Rs. 2.55 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 2015 and 2016.

**16.2** The rates of mark up range from one month KIBOR plus 0.2% to six months KIBOR plus 0.9% per annum (2014: one month KIBOR plus 0.1% to three months KIBOR plus 0.5% per annum).

**16.3** The facilities for opening letters of credit amount to Rs. 1.35 billion (2014: Rs. 945 million) and for letters of guarantee amount to Rs. 141 million (2014: Rs. 50.74 million) as at June 30, 2015 of which the amount remaining unutilised at year end were Rs. 1.21 billion (2014: Rs. 886.56 million) and Rs. 74.78 million (2014: Rs. 1.09 million) respectively.





**17. COMMITMENTS**

Aggregate commitments for capital expenditure as at June 30, 2015 amount to Rs. 188.60 million (2014: Rs. 38.1 million).

Aggregate commitments in respect of ujrah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2014: six months KIBOR + 0.75% to six months KIBOR + 1.95%) per annum for rentals payable monthly as at June 30, 2015 amount to:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Not later than one year | **53,984** | 39,514 |
| Over one year to five years | **71,322** | 58,245 |
| | **125,306** | 97,759 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **18. SALES** | | |
| **Manufactured goods** | | |
| Gross sales | | |
| Local sales | **15,089,114** | 12,099,634 |
| Export sales - note 18.1 | **1,269,417** | 1,178,354 |
| | **16,358,531** | 13,277,988 |
| Sales tax | **(1,956,026 )** | (1,577,377 ) |
| | **14,402,505** | 11,700,611 |
| Less: | | |
| Discount, rebates and allowances | **2,513,124** | 1,760,031 |
| Sales return | **173,741** | 211,396 |
| | **2,686,865** | 1,971,427 |
| | **11,715,640** | 9,729,184 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **18.1 Export sales comprise of sales made in the following regions:** | | |
| USA / Canada | **391,356** | 475,358 |
| Africa | **30,162** | 75,703 |
| Middle East Asia | **113,580** | 334,014 |
| Others | **734,319** | 293,279 |
| | **1,269,417** | 1,178,354 |

**18.2** The Group's customer base is diverse with no single customer accounting for more than 10% of net sales.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **19. COST OF SALES** | | |
| Raw material consumed | **4,712,481** | 3,775,236 |
| Packing material consumed | **2,012,418** | 1,548,288 |
| Salaries, wages and other benefits - note 19.1 | **438,333** | 496,233 |
| Contribution to provident fund | **9,569** | 8,399 |
| Depreciation / amortisation | **131,544** | 113,193 |
| Ujrah payments | **9,914** | 7,035 |
| Fuel and power | **167,559** | 157,637 |
| Insurance | **18,904** | 17,184 |
| Laboratory, research and development | **5,953** | 2,157 |
| Postage and communications | **6,523** | 1,996 |
| Printing and stationery | **821** | 784 |
| Rent, rates and taxes | **89,184** | 69,970 |
| Travelling | **71,317** | 62,515 |
| Repairs and maintenance | **36,984** | 37,395 |
| Security charges | **13,139** | 9,491 |
| Others | **4,984** | 3,032 |
| | **7,729,627** | 6,310,545 |
| Opening work in process | **592,587** | 596,054 |
| Closing work in process | **(817,850)** | (592,587) |
| Cost of goods manufactured | **7,504,364** | 6,314,012 |
| Opening stock of finished goods | **348,939** | 353,572 |
| Closing stock of finished goods | **(294,517)** | (348,939) |
| | **7,558,786** | 6,318,645 |

**19.1** This includes a reversal of an amount of Rs. 119.96 million accrued in prior years on account of employee benefits considered not payable.





| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **20. DISTRIBUTION COSTS** | | |
| Salaries, wages and other benefits | **371,314** | 311,702 |
| Advertising and sales promotion | **1,000,062** | 879,396 |
| Commission expense | **28,865** | 12,781 |
| Outward freight and handling charges | **465,982** | 421,033 |
| Contribution to provident fund | **10,024** | 7,938 |
| Depreciation / amortisation | **19,222** | 17,918 |
| Ujrah payments | **15,303** | 12,231 |
| Fuel and power | **6,423** | 2,514 |
| Forwarding charges | **19,187** | 10,183 |
| Insurance | **14,361** | 13,075 |
| Laboratory, research and development | **1,246** | 443 |
| Legal and professional charges | **33,743** | 12,060 |
| Postage and communications | **5,965** | 5,274 |
| Printing and stationery | **4,580** | 2,546 |
| Rent, rates and taxes | **59,712** | 47,046 |
| Travelling | **105,230** | 101,792 |
| Repairs and maintenance | **11,276** | 7,834 |
| Provision for doubtful debts | **5,632** | 567 |
| Bad debts written off | **-** | 1,443 |
| Security charges | **2,117** | 1,771 |
| Others | **3,264** | 1,413 |
| | **2,183,508** | 1,870,960 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **21. ADMINISTRATIVE EXPENSES** | | |
| Salaries, wages and other benefits - note 21.1 | **226,074** | 170,868 |
| Contribution to provident fund | **7,383** | 5,904 |
| Depreciation / amortisation | **44,337** | 22,388 |
| Ujrah payments | **14,360** | 13,687 |
| Fuel and power | **3,647** | 3,307 |
| Insurance | **5,392** | 4,564 |
| Legal and professional charges | **28,530** | 46,099 |
| Postage and communications | **16,572** | 9,970 |
| Printing and stationery | **3,160** | 2,661 |
| Rent, rates and taxes | **14,002** | 15,608 |
| Travelling | **34,913** | 26,092 |
| Repairs and maintenance | **47,050** | 32,189 |
| Security charges | **3,074** | 1,033 |
| Others | **23,540** | 15,321 |
| | **472,034** | 369,691 |

**21.1** Salaries, wages and other benefits include Rs. 9.99 million (2014: Rs. 4.16 million) in respect of charge for retirement benefit plans.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **22. OTHER EXPENSES** | | |
| Workers' Profits Participation Fund | **76,859** | 55,502 |
| Workers' Welfare Fund | **26,162** | 22,201 |
| Auditors' remuneration - note 22.1 | **8,911** | 6,047 |
| Donations - note 22.2 | **10,374** | 8,608 |
| | **122,306** | 92,358 |
| **22.1 Auditors' remuneration** | | |
| Audit fee | **3,087** | 2,582 |
| Limited review, special reports and other certifications | **4,469** | 2,720 |
| Taxation services | **1,171** | 566 |
| Out of pocket expenses | **184** | 179 |
| | **8,911** | 6,047 |

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

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **23. OTHER INCOME** | | |
| **Income from financial assets** | | |
| Exchange gain - net | **13,336** | 14,254 |
| Gain on sale of open ended mutual fund units | **34,006** | 4,357 |
| Gain on remeasurement of fair value of open ended mutual fund units | **221** | 29,320 |
| Dividend income on open ended mutual fund units | **390** | - |
| Return on savings accounts | **7,457** | 6,050 |
| Return on late payments by trade debtors | **1,136** | 628 |
| **Income from other than financial assets** | | |
| Profit on disposal of property, plant and equipment | **15,861** | 2,717 |
| **Others** | | |
| Liabilities no longer required written back | **18,324** | 3,078 |
| Others | **8,778** | 9,993 |
| | **99,509** | 70,397 |



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **24. FINANCE COSTS** | | |
| Mark up on running finance under mark up arrangements | **6,815** | 7,796 |
| Mark up on export re-finance | **8,836** | 30,487 |
| Mark up on short term loans | **6,795** | 30,183 |
| Bank charges | **22,223** | 21,022 |
| | **44,669** | 89,488 |
| **25. TAXATION** | | |
| Current | | |
| - for the year - note 25.1 | **455,923** | 323,365 |
| - for prior year | **(6,709)** | - |
| | **449,214** | 323,365 |
| Deferred | **(10,524)** | 474 |
| | **438,690** | 323,839 |

**25.1** This includes one-time super tax of Rs. 39.43 million imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 (as inserted by Finance Act, 2015).

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **25.2** Reconciliation between tax expense and accounting profit: | | |
| Profit before taxation | **1,433,846** | 1,058,439 |
| Tax at applicable rate of 33% (2014: 34%) | **473,169** | 359,869 |
| Tax effect of permanent differences | **3,932** | 998 |
| Tax effect of final tax regime | **(47,239)** | (833) |
| Effect of exempt income | **(7,574)** | (20,326) |
| Effect of prior year tax | **(6,709)** | - |
| Change in tax rate | **(16,417)** | - |
| Super Tax | **39,431** | - |
| Effect of tax credits | **(10,885)** | (17,780) |
| Others | **10,982** | 1,911 |
| | **438,690** | 323,839 |

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **26. EARNINGS PER SHARE** | | |
| Profit after taxation attributable to ordinary shareholders | **995,156** | 734,600 |
| | | (Re-stated) |
| Weighted average number of shares in issue during the year (in thousand) | **103,607** | 103,607 |
| Earnings per share - Basic and diluted (Rupees) | **9.61** | 7.09 |

**26.1** The weighted average number of shares as at June 30, 2014 have been increased to reflect share split during the year, as explained in note 12.

**26.2** A diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at June 30, 2015 and 2014 which would have any effect on the earnings per share if the option to convert is exercised.

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **27. CASH GENERATED FROM OPERATIONS** | | |
| Profit before taxation | **1,433,846** | 1,058,439 |
| Adjustments for non-cash charges and other items | | |
| Depreciation | **175,324** | 145,329 |
| Amortisation | **19,779** | 8,170 |
| Profit on disposal of property, plant and equipment | **(15,861)** | (2,717) |
| Property, plant and equipment written off | **61** | 5,048 |
| Unrealised foreign exchange (loss) / gain - net | **2,068** | (1,162) |
| Gain on sale of open ended mutual fund units | **(34,006)** | (4,357) |
| Gain on remeasurement of fair value of open ended mutual fund units | **(221)** | (29,320) |
| Finance costs | **44,669** | 89,488 |
| Retirement benefits expense | **9,994** | 4,156 |
| | **201,807** | 214,635 |
| Profit before working capital changes | **1,635,653** | 1,273,074 |
| EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES | | |
| (Increase) / decrease in current assets | | |
| Stores, spare parts and loose tools | **(363)** | (349) |
| Stock in trade | **(39,251)** | (317,960) |
| Trade debts | **(271,755)** | (148,214) |
| Advances | **3,480** | (5,021) |
| Trade deposits and prepayments | **(11,681)** | (1,020) |
| Other receivables | **73** | 4,399 |
| | **(319,497)** | (468,165) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | **340,715** | 27,433 |
| Due to the government | **17,022** | (15,261) |
| | **357,737** | 12,172 |
| | **1,673,893** | 817,081 |





| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| **28. CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **174,547** | 98,775 |
| Short term borrowings | **(284,094 )** | (555,242 ) |
| | **(109,547 )** | (456,467 ) |

**29. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

**29.1** 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 | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (Rupees in thousand) | | | | | |
| Managerial remuneration and allowances | **13,234** | 10,564 | **-** | 4,516 | **163,063** | 140,183 |
| Technical advisory fee | **-** | - | **9,660** | 13,900 | **-** | - |
| Utilities | **1,327** | 1,056 | **497** | 452 | **15,701** | 13,494 |
| Bonus / variable pay | **2,206** | 2,761 | **-** | 452 | **26,604** | 42,863 |
| Housing | **5,955** | 4,754 | **-** | 2,032 | **70,955** | 60,585 |
| Retirement benefits | **7,709** | 4,809 | **5,554** | 304 | **15,288** | 12,614 |
| Other expenses | **3,651** | 1,965 | **-** | 505 | **67,673** | 65,138 |
| | **34,082** | 25,909 | **15,711** | 22,161 | **359,284** | 334,877 |
| Number of persons | **1** | 1 | **2** | 2 | **120** | 137 |

**29.2** In addition to the above, fee paid to 6 (2014: 5) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 1,112,500 (2014: Rs. 475,000).

**29.3** The Chief Executive, two non-executive directors and certain executives of the Group are also provided with Group maintained cars and residential and mobile telephones.

| | | 2015 | 2014 |
|---|---|---|---|
| **30. RELATED PARTY DISCLOSURES** | | (Rupees in thousand) | |
| Disclosure of transactions between the Group and related parties | | | |
| Relationship with the Group | Nature of transaction | | |
| Associated Companies / Undertakings: | Sale of goods | **1,151,664** | 812,491 |
| | Purchase of goods | **-** | 59,165 |
| | Rent charges paid / payable | **8,225** | 7,814 |
| | Commission expense | **28,865** | 13,892 |
| Staff retirement funds: | Expense charged for defined contribution plan | **26,976** | 22,241 |
| | Payments to retirement contribution plan | **51,214** | 56,531 |
| | Contribution to defined benefit plans | **61,382** | 3,811 |
| Directors: | Technical advisory services | **9,660** | 13,900 |
| **Key management personnel compensation:** | | | |
| Salaries and other short-term employee benefits | | **169,662** | 128,698 |
| Retirement benefits | | **17,055** | 8,938 |

The related party status of outstanding balances as at June 30, 2015 is included in trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

| | 2015 | 2014 |
|---|---|---|
| **31. PLANT CAPACITY AND PRODUCTION** | Actual production Metric Tons | |
| Actual production of plants in metric tons | **87,275** | 67,704 |

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

| | (Un-audited) 2015 | (Audited) 2014 |
|---|---|---|
| **32. PROVIDENT FUND RELATED DISCLOSURES** | (Rupees in thousand) | |
| Size of the fund - Total assets | **376,040** | 338,490 |
| Fair value of investments | **211,063** | 203,187 |
| Percentage of investments made | **56%** | 60% |

**32.1** The cost of above investments amounted to Rs. 144.42 million (2014: Rs. 151.68 million).



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

| | (Un-audited) 2015 | (Audited) 2014 | (Un-audited) 2015 | (Audited) 2014 |
|---|---|---|---|---|
| | Percentage | | (Rupees in thousand) | |
| **32.2** The break-up of fair value of investments is: | | | | |
| National savings scheme | **90%** | 57% | **189,350** | 114,984 |
| Bank deposits | **4%** | 38% | **8,167** | 77,366 |
| Unit trust schemes | **6%** | 5% | **13,546** | 10,837 |
| | **100%** | 100% | **211,063** | 203,187 |

**32.3** 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.

| | 2015 | 2014 |
|---|---|---|
| **33. NUMBER OF EMPLOYEES** | | |
| Number of employees at June 30 | | |
| - Permanent | **644** | 595 |
| - Contractual | **18** | 23 |
| Average number of employees during the year | | |
| - Permanent | **614** | 584 |
| - Contractual | **21** | 26 |

**34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**34.1 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.

**34.2 Financial assets and liabilities by category and their respective maturities**

| | Interest / Mark up bearing | | | Non-interest / Non-mark up bearing | | | |
|---|---|---|---|---|---|---|---|
| | Maturity up to one year | Maturity after one year | Sub-total | Maturity up to one year | Maturity after one year | Sub-total | Total |
| | (Rupees in thousand) | | | | | | |
| **FINANCIAL ASSETS** | | | | | | | |
| **Loans and Receivables** | | | | | | | |
| Trade debts | - | - | - | 1,072,111 | - | 1,072,111 | **1,072,111** |
| Trade deposits | - | - | - | 13,260 | 34,768 | 48,028 | **48,028** |
| Other receivables | - | - | - | 11,017 | - | 11,017 | **11,017** |
| Cash and bank balances | - | - | - | 174,547 | - | 174,547 | **174,547** |
| **Fair value through profit and loss** | | | | | | | |
| Investments | - | - | - | 389,245 | - | 389,245 | **389,245** |
| **June 30, 2015** | **-** | **-** | **-** | **1,660,180** | **34,768** | **1,694,948** | **1,694,948** |
| June 30, 2014 | - | - | - | 1,377,639 | 22,125 | 1,399,764 | 1,399,764 |
| **FINANCIAL LIABILITIES** | | | | | | | |
| Trade and other payables | - | - | - | 1,445,145 | - | 1,445,145 | **1,445,145** |
| Accrued interest / mark up | - | - | - | 2,520 | - | 2,520 | **2,520** |
| Short term borrowings | 384,094 | - | 384,094 | - | - | - | **384,094** |
| **June 30, 2015** | **384,094** | **-** | **384,094** | **1,447,665** | **-** | **1,447,665** | **1,831,759** |
| June 30, 2014 | 955,268 | - | 955,268 | 1,170,312 | - | 1,170,312 | 2,125,580 |
| **ON BALANCE SHEET GAP** | | | | | | | |
| **June 30, 2015** | **(384,094)** | **-** | **(384,094)** | **212,515** | **34,768** | **247,283** | **(136,811)** |
| June 30, 2014 | (955,268) | - | (955,268) | 207,327 | 22,125 | 229,452 | (725,816) |

**OFF BALANCE SHEET ITEMS**

| | |
|---|---|
| Letters of credit | **135,383** |
| June 30, 2014 | 58,438 |
| Letters of guarantees | **66,220** |
| June 30, 2014 | 49,650 |

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.





**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. 1.69 billion (2014: Rs. 1.4 billion) the financial assets exposed to the credit risk amounted to Rs. 1.69 billion (2014: Rs. 1.4 billion).

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, 2015 trade debts of Rs. 426.27 million (2014: Rs. 191.61 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, 2015, net financial assets of Rs. 592.54 million (2014: Rs. 436.47 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2015, if the Pak Rupee had weakened / strengthened by 4% (2014: 6%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 23.70 million (2014: Rs. 26.19 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 percentage 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.

At June 30, 2015, the Group had variable interest bearing financial liabilities of Rs. 384.09 million (2014: Rs. 955.27 million), and had the interest rates varied by 100 basis points (2014: 150 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 3.86 million (2014: Rs. 14.33 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2015

The sensitivity of 100 basis points (2014: 150 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 (2014: 150 basis points) per annum.

**34.3 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 2015 the Group's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2015 was as follows:

| | 2015 | 2014 |
|---|---|---|
| | (Rupees in thousand) | |
| Total Borrowings | **386,614** | 966,609 |
| Cash and Bank | **(174,547)** | (98,775) |
| Net Debt | **212,067** | 867,834 |
| Total Equity | **2,791,448** | 2,238,817 |
| Total Capital | **3,003,515** | 3,106,651 |
| Gearing Ratio | **7%** | 28% |

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.

**34.4 Fair values of financial assets and liabilities**

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

**35. EVENTS OCCURRING AFTER BALANCE SHEET DATE**

The Board of Directors in its meeting held on August 21, 2015 proposed a cash dividend for the year ended June 30, 2015 of Rs. 10 per share amounting to Rs. 1.04 billion (2014: cash dividend of Rs. 8 per share amounting to Rs. 414.43 million) subject to the approval of the Group in the annual general meeting.

Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the Group are in excess of its paid up capital and the Group derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

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, 2016.

**36. DATE OF AUTHORISATION**

These financial statements were authorised for issue by the Board of Directors of the Group on August 21, 2015.

Chief Executive

Director



# Notice of Annual Genaral Meeting

Notice is hereby given that the 44th Annual General Meeting of National Foods Limited will be held on Wednesday, October 21, 2015 at 3:00 p.m. at Beach Luxury Hotel, Karachi, to transact the following business:

**Ordinary Business:**

1. To confirm the minutes of the 43rd annual general meeting held on October 22, 2014.

2. To receive, consider and adopt the Audited Financial Statement of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' Report thereon.

3. To approve and declare the dividend on the Ordinary Share of the Company. The Directors have recommended final dividend of 200% (Rs. 10.00/- per Ordinary share of Rs. 5/- each) on Ordinary Shares, for the year ended June 30, 2015.

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, 2016.

5. To elect 7 (seven) Directors, as fixed by the Board in accordance with the provision of Section 178(1) of the Companies Ordinance, 1984, for a term of 3 (three) years commencing from the date of holding AGM i.e. October 21, 2015.

The names of retiring directors of the Company, also eligible to offer themselves for re-election, are as follows:

i) Mr. Abdul Majeed
ii) Mr. Abrar Hasan
iii) Mr. Waqar Hasan
iv) Mr. Zahid Majeed
v) Mr. Khawaja Munir Mashooqullah
vi) Mr. Ebrahim Qassim
vii) Mr. Iqbal Alimohamed

**Special Business:**

6. To consider and if thought fit, pass with or without modification, the following resolutions as special resolutions for the alterations and additions to be made in the Articles of Association of the Company:

**"RESOLVED THAT** alterations and additions in the existing Articles of Association of the company as per the Comparative Statement attached to the Notice of Annual General Meeting as Annexure-A, as laid before the meeting initialed by the Company Secretary for the purpose of identification, be and are hereby approved.

**RESOLVED FURTHER THAT** any changes, as may be required by the Securities and Exchange Commission of Pakistan, in the revised articles shall be treated as approved and adopted by the shareholders and the same shall have effect from the date of passing of this special resolution

**RESOLVED FURTHER THAT** Chief Executive or Secretary of the Company be and are hereby authorized to do or cause to be done any and all acts, deeds and things that may necessary or expedient to complete any or all corporate and legal formalities to give effect to the above resolution."

7. To transact any other business with the permission of the Chair.

A STATEMENT UNDER SECTION 160 (1) (b) of the Companies Ordinance, 1984 is appended to the notice and being sent, along with Comparative Statements showing alterations & additions in Existing and Proposed Clauses of the Articles of Association (Annexure-A).

By Order of the Board

Karachi
September 21, 2015

Farhan Abdul Latif
Company Secretary

**NOTES:**

1. Book Closure

The share transfer books of the Company will remain closed from October 14, 2015 to October 21, 2015 (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, 2015, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and to attend and vote at the meeting.

2. Appointment of Proxy and Participation in the AGM

a) A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote for his/her behalf. A proxy must 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.

b) 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 219, The Forum, G-20 Block-9, Khayabane-e-Jami, Clifton Karachi, at least 48 hours before the time of the meeting. Form of Proxy is enclosed. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.

c)Owners of the physical shares and of the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original valid Computerized National Identity Card (CNIC) or Passport, for identification purposes, at the time of attending the meeting.

3. Election of Directors

Every candidate for election as a Director, whether a retiring Director or otherwise, shall file with the Company not later than 14 (fourteen) days' before the date of Annual General Meeting a notice of his/her intention to offer himself/herself for election as a Director along with (a) the consent to serve as a Director in the prescribed Form 28, (b) a detailed profile with office address and (c) a declaration confirming following facts, including the one required under the Code of Corporate Governance, to his/her appointment as Director of the Company.

i. He/She is not ineligible to become a Director of the Company under any applicable laws and regulations (including listing regulations of Stock exchanges).

ii. He/She is not serving as a Director in seven (7) or more listed companies excluding directorships in listed subsidiaries of listed holding company.

iii. He/she is a registered taxpayer

iv. Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.





4. Submission of Copies of Valid CNICs:

SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the companies to issue dividend warrant crossed as "A/c Payee only" which should also bear the Computerized National Identity Card (CNIC) of the registered member. Availability of valid CNIC of all members is also necessary for filing, with SECP, of the list of members along with Annual Return of the Company.

Members, who have not yet submitted attested photocopy of their valid CNIC along with folio number are requested to send the same, at the earliest, directly to the Company's Share Registrar.

In case of non-availability of valid copy of CNIC of any member, in the Company's records, the Company may withhold the Dividend Payment, which will be released only upon providing the copy.

5. Dividend Mandate Option / E-Dividend Facility

Dividend Mandate Forms are available at the Registered Office of the Company and the same are also placed on the Company's website. 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.

6. Changes in Members Addresses

Members are requested to notify any change in their addresses immediately to the Share Registrar M/s. Central Depository Company of Pakistan Limited.

7. Deduction of Income Tax under Section 150 of the Income Tax Ordinance, 2001

a) Pursuant to the Finance Act, 2015, effective July 01, 2015, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to a NON-FILER of income tax return is prescribed as 17.5% and for FILER of Tax Returns as 12.5%. List of Filers is available at Federal Board of Revenue's (FBR) website: http://www.fbr.gov.pk. Members are therefore advised to update their tax FILER status latest by October 13, 2015.

b) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

| Folio/CDC A/c No. | Total number of shares | Principal Shareholders | | Joint Holder(s) | |
|---|---|---|---|---|---|
| | | Name and CNIC No. | Shareholding Proportion (No. of Shares) | Name and CNIC No. | Shareholding Proportion (No. of Shares) |
| | | | | | |

The required information must reach our Share Registrar by the close of business (5:00 p.m) on October 13, 2015; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

c) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

d) The information received within the above specified time would enable the Company to deduct income tax at the applicable rates from the payment of dividend if announced by the Company on October 21, 2015.

e) Members seeking exemption from deduction of income tax or deduction at a reduced rate under the relevant provisions of the Income Tax Ordinance, 2001, are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be, latest by October 13, 2015.

f) For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following email addresses:

Company: Corporate.Secretary@nfoods.com

Share Registrar: info@cdcpak.com

8. Availability of Financial Statements and Reports on the Website:

The Annual Report of the Company for the year ended June 30, 2015 has been placed on the Company's website at the given link: http://nfoods.com/contents/our-company/financials/

9. Electronic Transmission of Financial Statements and Notice of Meeting

Members who desire to receive annual financial statements and notice of meeting for the financial year ending June 30, 2016 or onward through e-mail, instead of registered post/courier, are requested to submit their consent on the FORM available for the purpose on Company's website.

**STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984**

This Statement sets out the material facts concerning Election of Directors and the Special Business to be transacted at the 44th Annual General Meeting and the proposed Resolution related thereto:t

**Agenda Item No. 5**
**ELECTION OF DIRECTORS**

The term of office of the present Board of Directors of the Company will expire on October 21, 2015. In terms of Section 178 (1) of the Companies Ordinance, 1984, the directors, at their meeting held on August 21, 2015, have fixed the number of elected directors at Seven (7) to be elected at the Annual General Meeting ("AGM") for a period of three years.

Every candidate for election as a Director, whether retiring Director or otherwise, shall file with the Company not later than 14 (fourteen) days' before the date of Annual General Meeting a notice of his intention to offer himself for election as a Director along with the consent to serve as a Director in the prescribed Form 28 and a detailed profile with office address along with a declaration confirming that:

i. He/She is not ineligible to become a Director of the Company under any applicable laws and regulations (including listing regulations of Stock exchanges)

ii. He/She is not serving as a Director in seven (7) or more listed companies excluding directorships in listed subsidiaries of listed holding company

iii. Neither he/she nor his/her spouse is engaged in the business of brokerage or is a sponsor director or officer of a corporate brokerage house.

The present Directors have no interest in the matter, except to the extent that they are eligible for re-election as Directors of the Company.





**AGENDA ITEM NO. 6**
**ALTERATIONS & ADDITIONS IN THE EXISTING ARTICLES OF ASSOCIATION OF THE COMPANY**

The existing Articles of Association of the Company (the Articles) contains some regulations which are no longer in conformity with the provisions of the Companies Ordinance, 1984 (the Ordinance). Accordingly, the Board of Directors has recommended certain alterations and additions to the Articles to bring the same in line with the provisions of the Ordinance, recently issued notifications and the Code of Corporate Governance, 2012.

Further alterations in certain provisions of the Articles are proposed to make editorial corrections, not having any effect on the substance of the provisions thereto.

The Board has also proposed amendment in the Article 62 whereby fee for attending directors and committees meetings is being proposed to be revised from Rs. 25,000/- to Rs. 50,000/- per meeting so as to encourage value creation by the board members as envisaged under the Code of Corporate Governance as well.

A Comparative Statement of existing clauses of the Articles and proposed alteration and additions is annexed as Annexure-A, and being sent along with the notice of AGM.

The aforesaid comparative statement and the revised/amended Articles of Association are also placed at the Registered Office of the Company for inspection during business hours.

Pursuant to Section 28 of the Companies Ordinance, 1984 the consent of the members of the Company by way of a Special Resolution is required for alterations and additions in the Articles of Association of the Company. Accordingly, this matter has been placed before the shareholders for approval.

The Directors of the Company have no interest in the proposed alterations and additions in the Articles of Association, except to the extent of revised meeting fee of directors or committees meetings or remuneration payable to them for performing extra services and their shareholding in the Company.

# Comparative Statement of Existing and Proposed (Alterations & Additions) in the Articles of Association

Special Resolution proposed to be passed at the 44th Annual General Meeting

| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| 2. | In these Regulations unless there is something inconsistent in the subject or context following shall mean:- | 2. | In these Regulations unless there is something inconsistent in the subject or context following shall mean:- |
| | "The Ordinance" means the Companies Ordinance 1984 with such statutory modifications as may from time to time be made. | | (a) "The Ordinance" means the Companies Ordinance 1984 with such statutory modifications as may from time to time be made. |
| | "Special Resolution" has the meaning assigned thereto by Section 2 (1) (36) ; of the Ordinance. | | (b) "Special Resolution" has the meaning assigned thereto by Section 2 (1) (36) of the Ordinance. |
| | "The Company" means National Foods Limited. | | (c ) "The Company" means National Foods Limited. |
| | "The Seal" means the common seal of the Company. | | (d) "The Seal" means the common seal of the Company. |
| | "The Directors" means the Directors for the time being of the Company. | | (e) "The Directors" means the Directors for the time being of the Company. |
| | "The Board" means the Board of Directors for the time being of the Company. | | (f) "The Board" means the Board of Directors for the time being of the Company. |
| | "Office" means the Registered Office of the Company for the time being. | | (g) "Office" means the Registered Office of the Company for the time being. |
| | | | (h)"Electronic" and "Electronically" includes electrical, digital, magnetic, optical, bio-metric, electro-chemical, wireless, electromagnetic technology or by any other means of information technology. |
| | "The Register" means the register of members to be kept pursuant to section 147 of the Ordinance. | | (i) "The Register" means the register of members of the Company to be kept pursuant to Section 147 of the Ordinance, whether maintained on papers or in electronic form. |
| | "Dividend" includes bonus. | | (j) "Dividend" includes bonus. |
| | "Month" means calendar month according to the English Calendar. | | (k) "Month" means calendar month according to the English Calendar. |
| | "Proxy" includes Attorney duly constituted under a power of Attorney. | | (l) "Proxy" includes Attorney duly constituted under a power of Attorney. |
| | "Inwritting" and "Writtens" include printing, lithography, type-writing and other modes of representing or reproducing words in visible form. | | (m) "Writing, in writing" or "written" include printing, lithography, type-writing and where permitted or specified by the Board, also includes Electronic transmission, including but not limited to facsimiles, telex, downloading through computers, electronic mail, other modes of representing or reproducing words in a visible form and any usual substitutes. |



| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| | Words importing the singular number also include the plural number and vice versa. | | (n) Words importing the singular number also include the plural number and vice versa. |
| | Words importing the masculine gender also include the feminine gender. | | (o) Words importing the masculine gender also include the feminine gender. |
| 3. | None of the funds of the Company shall be employed in the purchase of or lent on the security of shares of the Company and the Company shall not, except as, authorized by section 95 of the Ordinance give any financial assistance for the purpose of or in connection with any purchase of shares in the Company. | 3. | None of the funds of the Company shall be employed in the purchase of or lent on the security of shares of the Company and the Company shall not, except as authorized by section 95 of the Ordinance give any financial assistance for the purpose of or in connection with any purchase of shares in the Company. The Company may, however, purchase its own shares and hold them as 'treasury shares' as may be permitted under Section 95-A of the Ordinance or any rules or regulations made thereunder from time to time. |
| | **SHARE CAPITAL** | | |
| 9. | Shares may be registered in the name of any limited Company or other corporate body but not in the name of a firm. Not more than two persons shall be registered as joint holders of any shares. | 9. | Shares may be registered in the name of any limited Company or other corporate body but not in the name of a firm. Not more than four persons shall be registered as joint holders of any shares. |
| | **CERTIFICATE** | | |
| 13. | For every certificate issued under last preceding Article there shall be paid to the Company the sum of Rs.2/- (Rupees Two) or such smaller sum as the Director may determine. | 13. | For every certificate to be issued there shall be paid to the Company such fee as the Directors may determine from time to time. |
| 14. | The certificate of shares registered in the name of two persons shall be delivered to the person first named on the register. | 14. | The certificate of shares registered in the name of joint holders shall be delivered to the person first named on the register. |
| | **TRANSFER AND TRANSMISSION** | | |
| 15. | The instrument of transfer of any shares shall be signed both by the transferor and transferee and shall contain the name and address and occupation both of the transferor and transferee and shall be duly stamped and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Each signature to such transfer instrument shall be duly attested by the signature of one creditable witness who shall add his address and occupation. | 15. | The instrument of transfer of any shares shall be signed both by the transferor and transferee and shall contain the names, address, occupation and CNIC or Passport Number (in case of non-resident) of both of the transferor and transferee and shall be duly stamped and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Each signature to such transfer instrument shall be duly attested by the signature of one creditable witness who shall add his address and occupation. |

# Comparative Statement of Existing and Proposed (Alterations & Additions) in the Articles of Association

Special Resolution proposed to be passed at the 44th Annual General Meeting

| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| 17. | The instrument of transfer of any share shall be in writing in the following form or in any usual or common from which the Directors shall approve.<br><br>I of<br>In consideration of the sum of Rs..........................<br>Paid to me<br>by.................................................................<br>...........................<br>Of hereinafter called the said<br>Transferee, do hereby transfer to the said<br>transferee.......................................................<br>.................................................................<br>...........<br>Share (or shares)<br>numbered.......................................................<br>..........<br>In the undertaking called National Foods Ltd to hold into the said transferee, his executors, administrators, and assigns subject to the several conditions on which I held the same immediately before the execution thereof and I, the said transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid.<br><br>As witness our hands this..........................day of................................<br><br>Transferor.......................................................<br>Transferee.......................................................<br>Witness.........................................................<br>Address.........................................................<br>Witness.........................................................<br>Address......................................................... | 17. | The instrument of transfer of any share shall be in writing in the following form or in any usual or common from which the Directors shall approve.<br><br>I _____________ of _____________ in consideration of the sum of Rupees_____________ paid to me by _____________of _______________ (hereinafter called "the "Transferee"), do hereby transfer to the said transferee _____________ the share (or shares) numbered _____________ to ____________ inclusive in the NATIONAL FOODS LIMITED to hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said Transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid.<br><br>As witness our hands this _____________ day of _____<br>Witness / Transferor<br>Signature:___________ / Signature:_____________<br>Name: ______________ / Name:______________<br>Occupation:__________ / Father/Husband's Name:______________<br>CNIC No. ___________ / Occupation:___________<br>Address:____________ / Address:______________<br>____________________ / ____________________<br>CNIC/Passport: _________<br><br>Witness / Transferor<br>Signature:___________ / Signature:_____________<br>Name: ______________ / Name:______________<br>Occupation:__________ / Father/Husband's Name:______________<br>CNIC No. ___________ / Occupation:___________<br>Address:____________ / Address:______________<br>____________________ / ____________________<br>CNIC/Passport: _________<br><br>**Dividend Mandate**<br>In case the transferee intends that the cash dividend declared by the Company, if any, is directly credited in his/her/its bank account, |



| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| | | | instead of issue of dividend warrants, then please fill in the following details:<br><br>Transferee Detail<br>Title of Bank Account:<br>Banks's Name:<br>Branch Name and Address:<br>Cell number of Transferee:<br>Landline number of Transferee, if any:<br><br>It is stated that the above-mentioned information is correct and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur.<br><br>____________________<br>Transferee |
| 20. | Every instrument of transfer shall be left at the office for registration accompanied by the Certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the transferor or his right to transfer the shares, the transferee shall be registered as a member in respect of such shares. The Directors may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction. | 20. | Every instrument of transfer shall be left at the Office of the Company or Share Registrar for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the transferor or his right to transfer the shares, the transferee shall be registered as a member in respect of such shares. The Directors may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction. |
| | | | **COMMISSION AND BROKERAGE [ADDITION]** |
| | | 23A | The Company may from time to time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures of the Company or procuring or agreeing to procure subscription (whether absolute or conditional) for any shares or debentures of the Company. The Company, to pay commission, shall comply with the provisions of Section 82 of the Ordinance. The Company may also pay such brokerage as may be lawful on any issue of shares or debentures. |
| | **INCREASE AND REDUCTION OF CAPITAL** | | |
| 24. | Board of Directors or the Company in General Meeting may be Ordinary Resolution from time to time increase the capital by the creation of new shares of such amount as may be deemed expedient. | 24. | The Company in General Meeting may by Ordinary Resolution from time to time increase the authorized capital by the creation of new shares of such amount as may be deemed expedient. |

# Comparative Statement of Existing and Proposed (Alterations & Additions) in the Articles of Association

Special Resolution proposed to be passed at the 44th Annual General Meeting

| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
|---|---|---|---|
| | **EXISTING ARTICLE OF ASSOCIATION** | | **PROPOSED ARTICLES OF ASSOCIATION** |
| 25. | Where the Company decides to increase the capital of the company by the issue of further shares, such shares shall except where such shares are being issued pursuant to an order made by Court of competent jurisdiction, be offered to the members and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer is not accepted will be deemed to be declined and after the expiration of such time or receipt of an intimation from the member to whom such notice is given that he declined to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the company. | 25. | Where the Directors decides to increase the capital of the company by the issue of further shares, such shares shall except where such shares are being issued pursuant to an order made by Court of competent jurisdiction, be offered to the members and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer if not accepted will be deemed to be declined and after the expiration of such time or receipt of an intimation from the member to whom such notice is given that he declined to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the company. |
| | **SUB-DIVISION AND CONSOLIDATION OF SHARES** | | |
| 28. | Subject to provision of section 92 (1) of the Ordinance, the Company may, by Ordinary resolution passed in General Meeting sub-divide or consolidate its shares or any of them. | 28. | Subject to provision of section 92 (1) of the Ordinance, the Company may, by special resolution passed in General Meeting sub-divide or consolidate its shares or any of them. |
| | **GENERAL MEETING** | | |
| 39. | Subject to the provisions of section 158 of the Ordinance, Annual General Meeting of the Company shall be held at least once in every calendar year at such time not being more than fifteen months after the holding of the last preceding meeting and within a period of six months following the close of its financial year. | 39. | Subject to the provisions of section 158 of the Ordinance, Annual General Meeting of the Company shall be held at least once in every calendar year at such time not being more than fifteen months after the holding of the last preceding meeting and within a period of four months following the close of its financial year. |
| 40. | The General Meeting referred to in last preceding Article shall be called "Annual General Meeting" all other Meeting of the company shall be called "Extra-Ordinary Meeting". | 40. | (i) The General Meeting referred to in last preceding Article shall be called "Annual General Meeting" all other Meeting of the company shall be called "Extra-Ordinary Meeting".<br><br>ii) The Company may provide video conference facility in General Meeting to its members at places other than the town in which General Meeting is taking place and for provision of such facility the Company shall comply with the guidelines or directives issued by the Commission from time to time.<br><br>iii) The Company may transmit notices of general meetings and annual reports to the members of the Company through electronic mail or any other modes, as may be permitted by the Commission from time to time; subject to the conditions imposed thereof. |
| 41. | c) Any meeting convened under this Article by the requisitionists shall be convened in the same manner or as nearly as possible as that in which meetings are to be convened by the Directors and shall be held at the | 41. | c) Any meeting convened under this Article by the requisitionists shall be convened in the same manner or as nearly as possible as that in which meetings are to be convened by the Directors. |

| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
|---|---|---|---|
| | **EXISTING ARTICLE OF ASSOCIATION** | | **PROPOSED ARTICLES OF ASSOCIATION** |
| | Company's registered office. | | |
| | **PROCEEDING AT GENERAL MEETINGS** | | |
| 43. | Subject to the provisions of section 160 (2) (a) of the Ordinance, three members present in person who present not less than 25% of the total voting power either on their own account or as proxies shall be a quorum for general meeting. | 43. | Subject to the provisions of section 160 (2) (a) of the Ordinance, ten members present in person who present not less than 25% of the total voting power either on their own account or as proxies shall be a quorum for general meeting. |
| | **DIRECTORS** | | |
| 61. | The qualification of a Director of the Company shall, from time be determined by the Directors and until so determined, it shall be the holding of at least Fifty (50) shares in the company. A Director, who is required to hold a qualification may act as a Director before acquiring his qualification and shall in any case acquire the same within two months from appointment. | 61. | The qualification of a Director, in addition to his being a Member, where required, shall be his holding of at least Five Hundred (500) shares in the Company, in his own name unless exempted under Section 187 (h) of the Ordinance. |
| 62. | Subject to the provisions of capital issues (Exemption Order 1967) every Directors other than Chief Executive and full time working Director shall be entitled to a fee of not more than Rupees 25,000 for attending every meeting plus the actual travelling expenses incurred by him for attending the meeting, the remuneration for extra services performed by the directors shall be determined by the Board of Directors or the shareholders in general meeting. | 62. | Every Director other than Chief Executive and full time working Director shall be entitled to a fee of not more than Rupees 50,000 for attending every meeting of directors, including committee meetings, plus the actual travelling expenses incurred by him for attending the meeting. The remuneration for extra services performed by the directors shall be determined by the Board of Directors or shareholders in general meeting. |
| 66. | The Directors of this company may be or become Directors of any company promoted by this company or in which it may be interested as a vendor, shareholder or otherwise and no such Directors shall be accountable for any benefit either on Directors or members of such company. | 66. | Subject to restrictions and compliances placed by the Ordinance the Directors of this company may be or become Directors of any company promoted by this company or in which it may be interested as a vendor, shareholder or otherwise and no such Director shall be accountable for any benefit either to Directors or members of such company. |
| | **PROCEEDINGS OF DIRECTORS** | | |
| 67. | The Directors may meet together for the dispatch of business, adjourn and other wise regulate their meeting and proceeding as they think fit, and may determine the quorum necessary for the transaction of the business provided further that if within half an hour from the time appointed for a meeting a quorum is not present, the meeting shall stand adjourned to the same day next week at the same time and place and if at such adjourned meeting two Directors are present, they shall be a quorum and may transact the business for which the meeting was called, subject to the provision of section 193 of the | 67. | The Directors may meet together in person or via teleconferencing or videoconferencing or by any other electronic means , for the dispatch of business, adjourn and other wise regulate their meeting and proceeding as they think fit, provided that if within half an hour from the time appointed for a meeting quorum is not present, the meeting shall stand adjourned to the same day next week at the same time and place, and may transact the business for which the meeting was called, subject to the provision of section 193 of the Ordinance the quorum shall not be less than one-third of their number or four, whichever is |

# Comparative Statement of Existing and Proposed (Alterations & Additions) in the Articles of Association

Special Resolution proposed to be passed at the 44th Annual General Meeting

| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| | Ordinance four directors shall be a quorum. | | greater. Subject to any rules framed under any regulations or directives issued pursuant to the Companies Ordinance, Directors may participate in a meeting of the Directors by means of any communication equipment whereby all persons participating in the meeting can speak to and hear each other. Participation in a meeting in this manner shall be deemed to constitute presence of such Director at such meetings for the purposes of constituting a quorum. |
| 68. | The Directors may at any time and upon the request of a Director convene a meeting of the Directors. It shall not be necessary to give notice of a meeting to the director who is not in Pakistan. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote. | 68. | The Directors may at any time and upon the request of a Director convene a meeting of the Directors. A notice sent to a Director by telex or facsimile transmission or electronic email to his address in or outside Pakistan, notified by him to the Company for this purpose, shall constitute a proper notice. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote. |
| 73. | Except for the purpose of section 206 of the companies Ordinance, a resolution in writing signed or initialed by all the Directors for the time being in Pakistan (not being less than one third of their numbers of four, Whichever is greater shall be valid and effectual as it had been passed at a meeting of the Directors duly called and constituted. | 73. | Except for the purpose of Section 196 and any other provision of the Ordinance, a resolution in writing signed by all the Directors for the time being in Pakistan (not being less than one third of their numbers or four, whichever is greater) shall be valid and effectual as it had been passed at a meeting of the Directors duly called and constituted. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors. A telex message or facsimile transmission or electronic mail sent by a Director shall be deemed to be a document signed by him for the purposes of this Article. |
| | **DIVIDENDS** | | |
| 81. | Any general meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular, of paid up shares, debentures or debentures-stocks of the company or other company or in one or more of such ways | 81. | Any general meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular, of paid up shares, debentures or debentures-stocks of the company or other company or in one or more of such ways. The dividend shall be paid either electronically, in accordance with the given mandate, or by cheque or warrant sent through the post / courier to the registered address of the member or person entitled thereto, or in the case of joint holders to any one of such joint holders at his registered address, or to such person and at such address as the Member or person entitled or such joint holders, as the case may be, may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, or to order of such other person as the Member or person entitled or such joint holders, as the case may be, may direct. |



| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| 84. | All dividends unclaimed for six years after having been declared shall be kept in trust by the company but may be invested or otherwise made use of by the Directors for the benefit of the company until claimed. | 84. | All dividends unclaimed for one year after having been declared shall be kept in trust by the company but may be invested or otherwise made use of by the Directors for the benefit of the company until claimed. No dividend shall bear interest as against the Company. |
| | | | **CAPITALIZATION OF PROFITS [NEW ADDITION]** |
| | | 84A. | The Company in General Meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution and accordingly that such sum be set free for distribution amongst the Members who would be entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied in or towards paying up in full un-issued shares or debentures or redeemable capital of the Company to be allotted and distributed and credited as fully paid up to and amongst such Members in the proportion aforesaid and the Directors shall give effect to such resolution; provided that a share premium account may, for the purposes of this Article, only be applied in paying up of un-issued shares to be allotted to Members as fully paid bonus shares<br><br>Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up of any further shares or debentures or redeemable capital to which they may be entitled upon such capitalisation, and any agreement made under such authority shall be effective and binding on all such Members. The Directors may, if they think fit, make provision for the registration of any or all of such shares as aforesaid in the names of such persons as the Members entitled thereto may in writing request. |

# Comparative Statement of Existing and Proposed (Alterations & Additions) in the Articles of Association

Special Resolution proposed to be passed at the 44th Annual General Meeting

| EXISTING ARTICLE OF ASSOCIATION | | PROPOSED ARTICLES OF ASSOCIATION | |
|---|---|---|---|
| NO. | EXISITNG CLAUSE | NO. | PROPOSED CLAUSE (ALTERATION/ADDITION) |
| **ARTICLE NO.** | **WORDS APPEARING IN THE EXISTING CLAUSE AS** | **ARTICLE NO.** | **WORDS TO BE SUBSTITUTED/REPLACED IN THE AMENDED CLAUSE** |
| 1 | "the same arc" | 1 | "the same are" |
| 10 | "Company's Secretary" | 10 | "Company Secretary" |
| 12 | "related." | 12 | "relates." |
| 18 | "or his invalidity" | 18 | "of its invalidity" |
| 22 | "servivors" , "shares, nothing" and jourisdiction" | 22 | "survivors" , "shares. Nothing" and jurisdiction" |
| 30 | "or there wise." | 30 | "otherwise." |
| 31 | "creditors like (PICIC)" | 31 | "creditors" |
| 34 | "stock." | 34 | "stock," |
| 42 | "shall he deemed special." | 42 | "shall be deemed special." |
| 54 | "attorney" and "special proxy" | 54 | "attorney" and "proxy" |
| 56 | "special proxy" | 56 | "proxy" |
| 64 | "Provided that clause (h) shall not in he case of:-" | 64 | "Provided that clause (h) shall not in the case of:-" |
| 74 (b) | "of the committee the committee of Directors." | 74 (b) | "of the committee of Directors." |
| 76 (c) | "peroperty" | 76 (c) | "property" |
| 76 (g) | "defend compound" and "company. Subject" | 76 (g) | "defend, compound" and "company, subject" |
| 76 (k) | "receipts acceptances" | 76 (k) | "receipts, acceptances" |
| 76 (n) | "such mortgage may company's properly" and "convenant" | 76 (n) | "such mortgage on company's property" and "covenants" |
| 86 | "meeting" | 86 | "General Meeting of the Company" |
| 87 | "Article 125" | 87 | "Article 86" |
| 88 (ii) | "classes, of members." | 88(ii) | "classes of member." |
| 88(iii) | "sensation" and "member. shall' | 88(iii) | "sanction" and "member shall" |



# Glossary

**NFL:** National Foods Limited
**HR:** Human Resources
**CSR:** Corporate Social Responsibility
**OHSAS:** Occupational Health and Safety Advisory Services
**QRD:** Quality Research and Development
**NF-DMCC:** National Foods - Dubai Multi Commodities Centre
**HACCP:** Hazard Analysis and Critical Control Points
**SAP:** System, Applications and Products in data processing
**GMP:** Good Manufacturing Practice
**QMS:** Quality Management System
**SKU:** Stock Keeping Units
**JBP:** Joint Business Plans
**ATL:** Above the Line
**BTL:** Below the Line
**OD:** Organization Development
**PAS:** Pakistan Advertisers Society
**CRYSTAL:** Computerized Reporting Yield for Sales and Trade Automation Landscape
**TVC:** Television Commercial
**LMT:** Local Modern Trade
**HORECA:** Hotels, Restaurants and Cafes
**IMT:** International Modern Trade
**P&D:** Projects and Development
**WBS:** Work Breakdown Structure
**BAHL:** Bank Al-Habib Limited
**HBL:** Habib Bank Limited
**IR:** Industrial Relations
**ID:** International Division
**GCC:** Gulf Cooperation Council
**BI/BO:** Business Intelligence & Business Objects
**SCM:** Supply Chain Management
**MRP:** Material Resource Planning
**TCF:** The Citizens Foundation
**IDA:** Iron Deficiency Anemia
**PAC:** Pakistan Agriculture Coalition
**WHO:** World Health Organization
**IDP:** Internally Displaced Persons
**IDF:** Internally Displaced Families
**NRSP:** National Rural Support Program
**FIC:** Food Information for Consumer
**CFIA:** Canadian Food Inspection Agency
**QM:** Quality Module
**MDF:** Market Development Facility
**URS:** United Registrar of System

# Jama Punji Information




# Form of Proxy

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 44th Annual General Meeting of the Company to be held on October 21, 2015 and/or any adjournment thereof.

As witness my/our hands seal this________________ day of______________ 2015.

Signed by____________________________________ in the

| 1. Witness | 2. Witness |
| --- | --- |
| Signature ______________ | Signature ______________ |
| Name: ______________ | Name: ______________ |
| Address: ______________ | Address: ______________ |
| CNIC No. | CNIC No. |

**Important:**

| Signature on Rs. 5/- Revenue Stamp |
| --- |
| (Signature must agree with the specimen signature registered with the company) |

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 Entitles:**

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.