National Foods SINCE 1970

National Foods Limited

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Share Food, Share Love

National

Share Food Share Love

Annual Report 2016

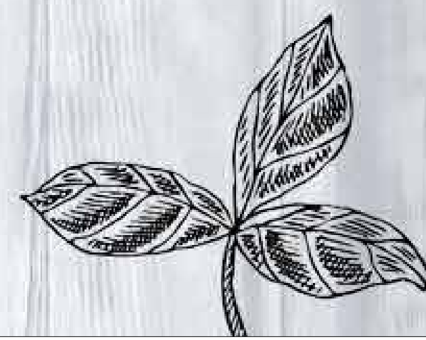
About the Report

“Share Food, Share Love”, essentially depicts our underlying ethos, which perpetuates our existence as National Foods.

We believe in providing the best food in terms of taste, nutrition and convenience, and consequently, in sharing this happiness with your loved ones.

Our Annual Report 2015-16 is a clear indication that we are on the right track. The hard work, determination and unity displayed by our employees, is reaping national and global benefits in driving, and achieving various goal posts and milestones that lead us on a prosperous and fulfilling route.

The theme of the report is in perfect harmony with the Vision 20/20 and signifies the impact our food can and is having on peoples’ lifestyle and happiness.



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Our Story

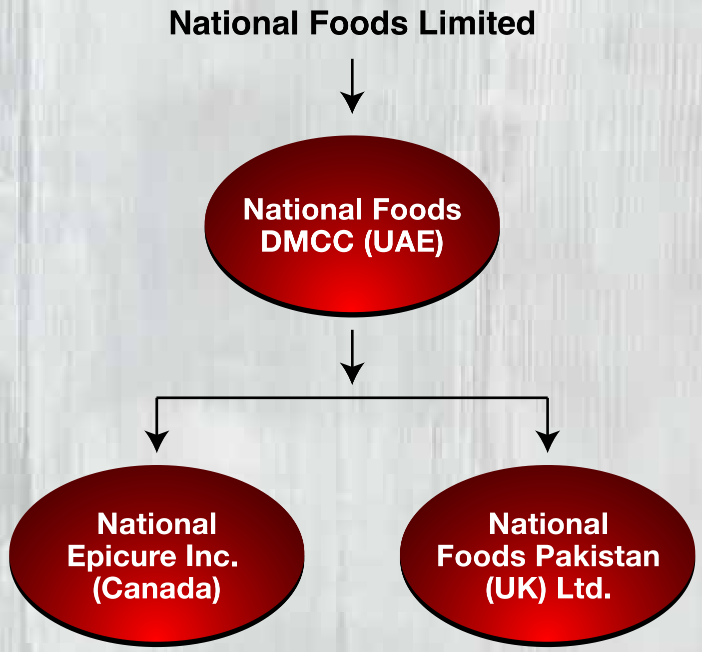
National Foods Limited (NFL), founded in 1970, is Pakistan's leading multi category foods company with over 250 different products in 12 categories. NFL holds ISO 9001, ISO 18001, ISO 22000 and HACCP certifications along with SAP Business Technology to drive its strong commitment to quality and management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

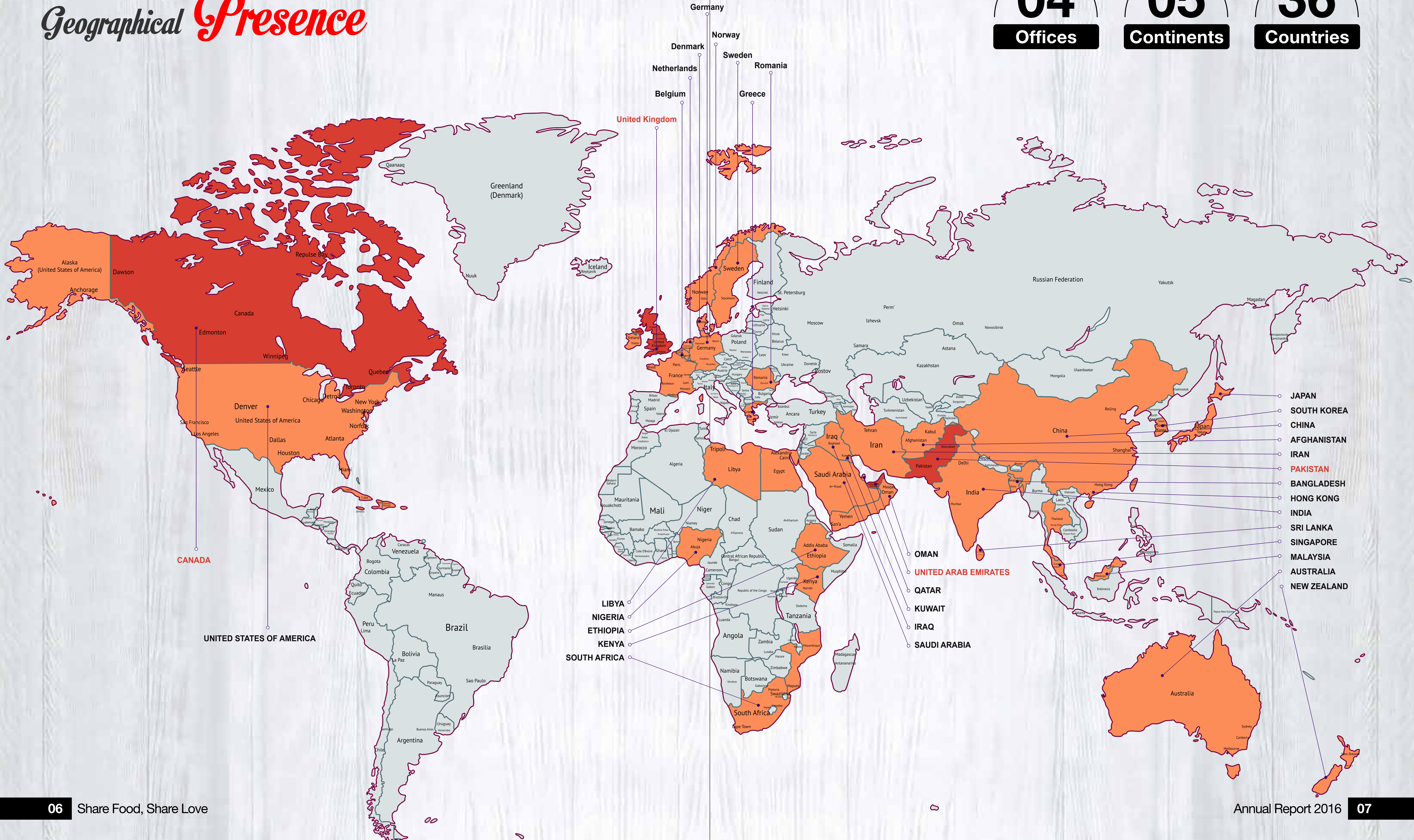


Geographical Presence

04 Offices

05 Continents

36 Countries



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.

History Timeline

1970 The present management acquires a small company called ‘National Food Laboratories Limited’, with the idea of introducing branded and packaged spices. Although the spice industry was flourishing locally, it lacked a formal structure. National Foods makes its mark by bringing a revolution in the Pakistani food market, by launching packaged spices. Red chilli, Turmeric and many other spices were introduced in a clean, attractive package to the consumers.

1971 National Foods moves its operations to Dinar Chambers West Wharf.

1978 National Foods expands by acquiring new spice mill and a packaging plant. National Foods launches its branded salt.

1986 A new factory complex is inaugurated at Site. National Foods launches its range of recipe mixes.

1988 National Foods becomes the certified vendor of McCormick, USA, as part of their Supplier Certification Program. The certification is awarded on the basis of excellent production and quality credentials. National Foods also becomes a Public Listed Company on the Stock Exchange within the same year.

1991 With the aim of bringing constant value to our consumers, National Foods diversifies its product portfolio with the launch of the Pickle range.

1992 National Foods as a committed and socially responsible organization join hands with UNICEF to spread awareness about the use of iodized salt which helps fight against widespread Iodine related deficiencies and diseases.

1993 National Foods goes into Salt Plant Modernization.

1996 National Foods introduces its first Human Resources Department.

1997 National Foods adds Ketchup to its product portfolio.

1998 National Foods launches its Jam and Jelly range. National Foods becomes an ISO Certified Company.

2000 National Foods launches its mainstream products in Australia to offer a taste of ethnic food to the Non-Asian consumers. National Foods crosses 1 billion rupees on its sales.

2001 National Foods launches its line of instant desserts.

2006 National Foods comes up with its “Vision 20/20”. The vision prepares NFL to be a Rs. 50 billion food company by the year 2020 in the convenience food segment. National Foods celebrates the opening of its brand new production facility at Port Qasim. This new factory is equipped with state of the art machinery and is spread over more than 10 acres.

2009 National Foods renews passion with revamp of its logo and packaging of all products.

2010 National Foods celebrates its 40 years of success.National Foods introduces the instant drink category with the launch of “Fruitily”.

2013 National Foods launches its first international subsidiary, NF DMCC, in Dubai.

2014 National Foods launches its “Saaf Pani Sehatmand Zindagi” as a CSR project whereby clean drinking water is given to NFL employees and their family. National Foods successfully pioneered as the first food company to establish strong system based controls for monitoring the presence of Allergens in its products through the implementation of Allergen Management System. National Foods also launches its first range of Halal frozen meals and traditional nimco snacks called National Authentic and National Masala Snax internationally.

2015 National Foods inaugurates Gujranwala Factory in line with its Vision 2020. This plant will focus on streamlining the value chain of Kasuri Methi, along with providing support to National Recipe Masala’s packaging processes. NFL launches its first Solar Energy Project at Port Qasim in line with sustainable energy developments. Charged directly from the sun, this project will help save millions in electrical, maintenance and repair costs in the coming years.

Awards and Certificates

8th International CSR Award

International CSR Awards held every year recognize and appreciate some of the most prominent initiatives taken by companies across different public and private sectors. We once again bagged the award in the prestigious category of **"Women Development & Welfare"**.

Best Workplace Award

We were recognized, not just as a leading and pioneering organization, but as one with a “Best Workplace” for the top minds in the country. Out of the participating 28 leading companies of Pakistan, we were placed in the Top 8 Companies.

Proficiency Testing

We participated in the Proficiency program with the worldwide provider, “LGC Standard United Kingdom Accreditation with UKAS” for laboratory testing. Our Microbiology Laboratory successfully qualified for the requirements of the laboratory proficiency testing programs. With this testing, we are now proud to be one of the few companies who achieved this feat by securing 4th position among 100 other companies from across the globe.

Project of the Year Award

We won the prestigious annual “Project of the Year Award” for the year 2015. Our Quality, Research and Development team submitted the “Allergen Control Program” as the project nomination and won this well-deserved award.

Food Safety System Certification (FSSC) 22000

FSSC was initiated and implemented at Port Qasim plant where it addressed control measures of all types of food hazards associated with raw materials and their packaging, handling & storage, manufacturing & processing, until the final dispatch of the products including food security and defense. The certification reflected a robust Food Safety Management System in place that met the requirements of our customers and consumers.

31st Corporate Excellence Awards & Certificates 2016

We won the Corporate Excellence certificate for showing outstanding performance, demonstrating progressive and enlightened management practices. This award is given to all companies which meet the MAP (Management Association of Pakistan) evaluation criteria.

ISO 17025 Surveillance Audit by PNAC Team

Pakistan National Accreditation Council (PNAC) team audited the ISO 17025 standards in our laboratory and granted us the Management Representative of Asia (MRA) status. This along with the association of Asian Pacific Laboratory Accreditation Cooperation (APLAC), our labs will be acknowledged worldwide.

Our People

For us, our people define our company. Their energy, vision, devotion and trust are the primary ingredients of National Foods success and we value them immeasurably. We strongly believe that for an organization to realize its optimum potential, it must create an environment where it can nurture values, talent and a high performance culture for its people.

Improving our Systems
With our belief in transforming traditional work ways, our people and environment to ensure maximum efficiency and results, we kick started the year by launching the first interactive and customized dashboard called the **"Automated Workflow Systems"**. This system has provided employees a convenient one-stop solution for processing their business application requests which includes advanced salary requests, leaves, vehicles applications, fuel and maintenance claims etc.

Furthermore, in the pursuit to strengthen our operations, we entered into a strategic partnership with SAP SUCCESS FACTORS and Siemens Pakistan. A game was developed by the name of "Star Quest" in order to familiarize the employees with the system and to get them to enter their goals into the system. The game had two major objectives: one to let each employee enter his/her goals into the system and second, to help each other across departments to put in the goals. The game led to greater team building and cohesion across functions besides ensuring alignment of their goals.

Learning and Development
Effective and inspirational leaders are critical to an organisation's success, and so it is important to develop leadership capacity in your organisation. In order to develop action plans for growth and development, and also to begin the process of formal leadership development attributes in the Company, we launched the first ever "Leadership 360 Feedback" surveys covering over 50 Senior Management individuals.

Team Building Retreats
To keep employees motivated and to give them opportunities to experience activities beyond the daily job responsibilities and to build the spirit of team work, away days were planned across the company for all departments. Adding to such employee engagement, an annual Eid Milan gathering was also organized following the month of Ramazan across the length and breadth of the Company.

Our Manufacturing Excellence

We believe in investing in technical knowledge, state of the art facilities, attention to safety, high performance culture and high standards of process and maintenance at National Foods, which comprehensively define our manufacturing excellence.

Site
In the recent years, our Paste plant team has successfully implemented several process improvements and production enhancement projects to help grow the business. Capitalizing on the same expertise of NFL's in-house team, successful improvements in the productivity of 3.25 kg and 100 gm sachet machine were achieved.

Induction of the FRYMA KROMA, a German machine based on vacuum cooking technology was a great addition to the current fleet and will further open a new world of cold sauces for National Foods. Furthermore, material warehousing was made more efficient by partnering with a logistics company by the name of Connect Logistics which provides the latest equipment and modern racking system for warehousing purposes to NFL, allowing for greater business efficiencies.

Port Qasim
At Port Qasim we inaugurated an independent manufacturing unit for International business at the plant allowing National Foods to cater to various complexities expected in International Business due to numerous packaging and product formulation requirements from different countries and regions. With this expansion, new doors of business opportunities opened up leading to improved shipment timings and availing maximum shelf space against competition.

Muridke
In Muridke, we had a productive year by enabling certain modification in existing production lines to increase plant capacity and productivity by nearly **12%**. Plant capacity increased from **108,000 units** to **120,000** per day. These modifications were proposed, developed and implemented by in-house maintenance team. Salt plant also showed good performance in achieving its monthly production compliance targets. Monthly plant compliance was **100%** throughout the year.

Gujranwala
After successful one year of operation, our Gujranwala plant showed remarkable growth in production. Having started with **500,000-1,000,000** units in the beginning, it recorded a monthly production of **2,200,000** units over the last year.

In line with its aim to deliver growth and quality along with innovation and technological prowess, NFL inducted a state of the art ketchup and sauce processing line at the plant along with automatized packing unit for ketchup. The project was in continuation to previous year's expansion of recipe packing and it will allow monitored progressive quality enhancement, time and cost efficiencies and major scale flexibility advantage in future.

Nooriabad
Completed before the mango cutting season, Nooriabad Project Phase 1 was a substantial step in the area of innovation and expansion towards achieving Vision 20/20. Covering an area of 13.84 acres, the project phase 1 scope included the complete boundary wall of the plant and facilities comprising of 60 brine tanks and a complete mango cutting area. Additionally, four new mango cutting lines were inducted to fully automate the mango cutting process, a significant first for the industry through which record production was achieved and the storage facility was fully utilized thereof.


National
IODIZED
Salt
Fruitily
ORANGE
Khatti Meethi
Imli
Finest Aromatic
BASMATI
RICE
Tomato
Ketchup
MIXED
PICKLE
Masala
Snax
Bareek Sev
Vanilla
Custard
Powder
Golden
Fried Onions
Extra Crispy
100% Vegetable Oil
Ready to Use
Apple
Jam
تکہ بوٹی
Tikka Boti
MASALA MIX
بریانی
Biryani
MASALA MIX
سرخ مرچ پاؤڈر
Pure
Chilli
POWDER
قصوری میتھی
Kasuri Methi
Authentics
CHICKEN
KORMA
with BASMATI RICE
KORMA AU POULET
300g
Synthetic
VINEGAR
SOY

Our Brands

Recipes: We continue to be a market leader in the recipe category by providing a delicious range of recipes to our consumers. Our brand provides a perfect balance between convenience and good taste thus enriching the flavor of each meal. National Recipe range covers a vast portfolio of rich flavors including Rice, Salan, BBQ, Bhunna, Fried and Vegetable. Through such a diverse offering our brand offers something for everyone.

Plain Spices: One of our pioneer brands, plain spices range, represents the true heritage of our Company. National Plain Spices and Ingredients are made from the finest, high-quality spices used in Pakistani cuisines to enhance taste and flavor of each dish. The consistent delivery of excellent quality has ensured that we maintain leadership in this category.

Desserts: We offer a complete Dessert solution to consumers by offering a diverse range of modern and traditional desserts. Each product in this range is developed using the finest ingredients in exactly the right measure to assist consumers to prepare authentic and delicious desserts with ease. The taste palette of the range appeals to a wide target audience where consumption is not limited to special occasions but to satisfy sugar cravings anytime.

Jams: Another thriving range, our National Jams is an essential part of the daily breakfast routine of Pakistanis. The appetizing taste of each flavor adds life to the breakfast table making the most important meal of the day full of energy and fruity fun. National Jams range offers a variety of mouthwatering fruity flavors that are a treat for children and adults alike.

Rice: National Rice is produced from the fields of Punjab, where Pakistan's finest rice grains are grown. The elongated grain, fine and beautiful texture and pure fragrance of National Rice serve as the perfect base to any rice dish. Pure, premium and aromatic basmati rice is our unique specialty.

Pickles: Our National Pickles range is prepared using the finest ingredients; freshly picked fruits, succulent vegetables immersed in delectable oils enhanced by our signature spice blend. The wide Pickles range aids in making all meals deliciously exciting. The superb taste, aroma and flavor are enough to add mouth-watering flavor to each bite of the food.

Salt: Although the Salt category is considered a commodity, We have been successful in not only branding the category but also emerging as a clear market leader. National Salt is a trusted brand that stands out from others in the market based on its exceptionally consistent and high quality offering. The free flowing salt enhances the taste of any dish and adds a delicious flavor to each meal.

Chinese: National Chinese range offers a complete solution for our consumers. These sauces enhance the flavor of any Chinese meal and ensure that consumers enjoy a delicious food experience.

Fruitily: Available in a range of mouth-watering fruity flavors, National Fruitily is a delightful instant drink mix loved by all our consumers. Each glass of Fruitily is bursting with essential nutrients that not only provide energy that the body and mind need, but also leave one refreshed, nourished and perked up!

Ketchup and Sauces: Our National Ketchup and Sauces range offers an exciting range of tasty and zesty flavors ensuring that National remains a leader in the category year on year. The assortment offered, allows our consumers to use the sauces as meal complements and as dipping sauces, adding a unique twist to the traditional taste of everyday food.

Snacks: Our National's Masala Snax range captures the authentic spice flavors of sub continent. Exotic, explosive and exciting, these snacks provide a burst of flavor that dazzle the taste buds and excite the senses. The range offers a variety of tantalizing flavors including Chilli Chips, Chatpatta Mix, Karachi Mix, Moong Dal and Bareek Sev which add a masala twist to your snacking experience.

Fried Onions: National Golden Fried Onions, aromatic and flavorsome in taste, make the meals special. Prepared from the finest onions and through the highest quality processes, give them a sunshine gold color and a deliciously crispy texture.

Whether cooked, seasoned or garnished, our National Golden Fried Onions, make the meals a magical mouthwatering experience.

Frozen Foods (Ready to eat meals): Rich in aroma, texture and flavor, our frozen meals are seasoned to perfection. Prepared with authentic National spices and served with the finest quality basmati rice, these authentic mouthwatering meals are available in four delicious flavors.

'National Authentics' meals (frozen) are microwaveable and ready to serve in 5 minutes, providing convenient solutions for all meal occasions. Experience the tradition with National frozen meals, Halal certified by HMA.

Pastes: Ginger and garlic are commonly used in the preparation of sub continental food, we provide a range of flavorsome pastes, which include ginger paste, garlic paste and ginger garlic paste. These products make the cooking experience more delightful by adding convenience and a touch of savory flavor to food.

Our Marketing Communications

Made Easy Digital Platform

With hundreds of recipes, culinary tips and "Chef Saadat's" quick meal ideas to choose from, we launched an enhanced version of **madeeasy.com.pk** as our first consumer centric website. The website offers one minute quick meal videos of a variety of dishes offering convenience at every step to the user who wants easy-to-cook recipes. Made Easy application on the App Store and Play Store allows accessibility on mobile and tablets. Looking to the future, "Made Easy" will help us collaborate with E-commerce portals to promote and sell our products online.

National Jams School Program

Titled "National Jamtastic Mornings", the school program was initiated this year; targeting 127 schools in Karachi, Lahore, Islamabad, Faisalabad, Gujranwala and Sialkot. The objective was to create brand awareness leading to recall of National Jams among the core target group through direct engagement. Positioning National Jams as a breakfast essential, kids from ages 6 to 12 were made to try the product and spoken to about the importance and nutritional value of a healthy National breakfast, as they also played various games that showcased their inner strength.

National Desserts Relaunch

Encompassing the wide range of audience taste and the need for a holistic approach for desserts marketing, we relaunched our modern desserts portfolio with the tagline "Jaisay Dil Chahey" utilizing a comprehensive 360 degrees approach, spanning TV, Radio, Outdoor, Print, Digital, In-store and BTL.

National Pickles Campaign

Complementing the ATL campaign, BTL initiative "Chatkharay Dar Mehfil" allowed us to engage women all over Pakistan via this home gathering initiative, which gave women the experience of "taste of happiness" as they were educated on why branded pickle is healthier and hygienic as compared to unbranded pickles.

Wohi Pyar Bhari Recipes

Unfolding a vital insight that every women blossoms into her mother, we launched a very heart touching campaign “Wohi Pyar Bhari Recipes”; showcasing a strong bond between a daughter and mother taking her through various stages of her life, which helps strengthen bonds, making every moment special and worth remembering. The campaign reinforced the message that National is synonymous with familial bonds and is the Number One brand when it comes to food.

National Ketchup Zaroori

With a continued focus on improving penetration and increasing consumption, we activated the National Ketchup Zaroori campaign on ATL and BTL medium throughout the year. The brand does not discriminate on the basis of age; hence all activities were designed to ensure that everyone from children to adults engaged with the brand. School activation covered nine towns and 130 schools and was tied in with Ketchup trials. In order to cater to housewives and penetrate the brand into the deeper pockets of Pakistan, DDS activities were organized successfully intercepting over 90,000 households nationwide. Pre-Ramazan season saw the brand active at retail and bazaar level using Ketchup Floats and Genies integrating engagement with trials.

Beating the heat with Fruitily

In line with Fruitily's objective to increase brand awareness and generate trials, we set an ambitious target at 1 million taste trials during the summer season. Schools, universities, cinemas, bazaars and retail environment were tapped through extensive sampling programs and each sampling program was tied in with a sales pull to increase off-take and ordering. Photo booths and props were set-up alongside trial stands in schools, universities and cinemas to create engaging activities, enabling brand endorsement and pull on the digital medium. Our intention for this engagement was to reinforce trust in our brand.

Our Technological Developments

We apply industry best practices and an innovation mindset to meet the needs of today while envisioning our world of tomorrow. We led transformational growth in a way that enabled speed, agility and empowerment. Process efficiencies and target measurement clarity was brought about by IT-Business value mapping activities, customer engagements and change management.

Key project highlights

SAP Server: Our strategic collaboration with Rapid Compute (Pakistan's first public cloud platform) led to hosting of SAP PRD on Cloud allowing greater flexibility, agility and speed of access over secure internet for all our users and customers.

Corporate Website: Our corporate website **www.nfoods.com** was revamped with completely updated information, interactive features, simpler and aesthetically pleasing user interface and deeper linkages with social media and consumer input for content creation and feedback.

Enhancing Systems

Our first ever non-SAP based workflow system was implemented, allowing seamless interaction of entire NFL community with HR and IT. This system (integrated with SAP) significantly reduced paper, ensured transparency and quick decision-making.

Furthermore, we launched the “Success Factors”, a Human Resource Capital Management Solution, which aims to empower employees to better manage their career growth and tracks their goals throughout the year. We also fully automated our end-to-end processes of Sales and Operations Planning within SAP, allowing the establishment of benchmarks for production and sales numbers. The SnOP system was streamlined with demand and production planning using forecasting mechanism by analyzing historical sales trends.

Furthermore, we implemented SAP native release strategy and workflows for approval/rejection of Purchase Requisitions. Through this dispersed SAP users can create and submit their PRs which can be approved at multi-level either within SAP, or via Email (system and mobile enabled), thus significantly reducing time and cost inefficiencies.

Being Future Ready

Coping with future challenges, we expanded the PQ data center, ensuring that current and future needs of the plant are addressed with a separate data center and Power Room. Secondly, in order to migrate to latest SAP landscapes such as HANA, we implemented Personas and FIORI, ensuring SAP technical upgradation from EHP 0 to EHP 7. Oracle was similarly upgraded. In order to provide real-time analytics of large quantity of structured and unstructured data, Tableau and Oracle Apex were also implemented.

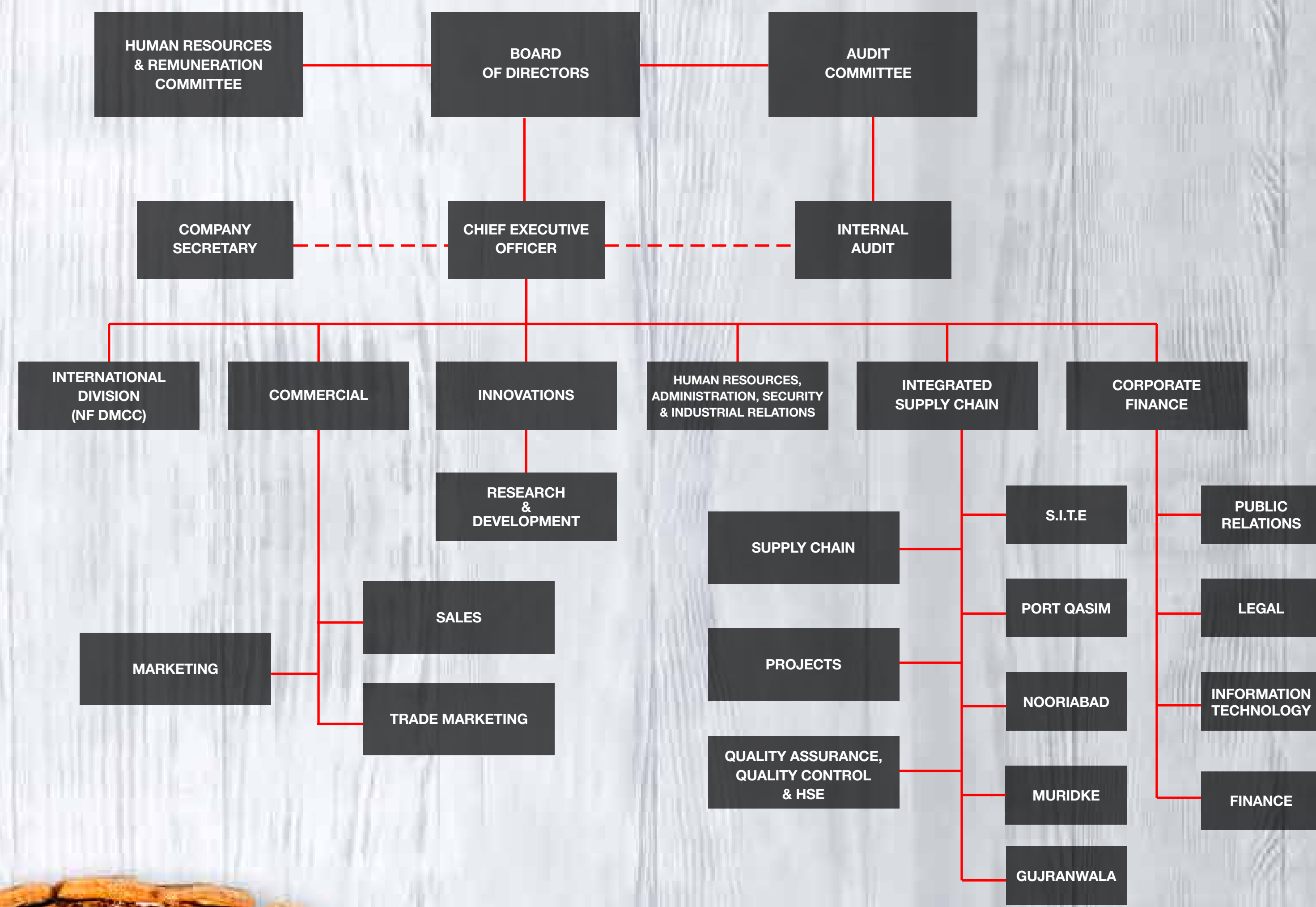
Our Quality, Research & Development

Innovation has been at the heart of our company since its beginning. Each day we strive to make our products tastier and healthier choices that help consumers care for themselves and their families. This would not have been possible without our unmatched R&D capability, nutrition science and passion for quality in everything we do.

The year turned out to be about numerous new products, line extensions and achieving new global quality recognition and acknowledgements. In the ambit of new product development, we introduced two new exciting flavors of Fruitily, “Peach” and “Pineapple”, which was a big success as per market surveys. Secondly, the custard range was enhanced with the launch of chocolate-coffee flavor, being the first in the market to introduce such a flavor in the custard range. The exciting new flavor of custard was launched in three SKUs i.e. 21 gm sachet, 120 gm & 240 gm. Furthermore, the National Jelly range was launched with a new and improved recipe and was also featured in an exciting TVC campaign. Underline extensions, recipe mix of 5 variants was launched for the local market as well as for the International Markets. Keeping up with the spirit of Ramazan, there was another remarkable addition to the range of Sauces. “Khatti Meethi Imli” Sauce was launched with a delightful sweet and sour flavor and in convenient standalone pouches.

For the International markets, new Recipe variants namely Tikka Boti, Seekh Kabab, Lahori Chargha, Chana Chaat and Fried Chops, were added to the recipe mix portfolio, to further strengthen our category’s presence and meet consumer demand for expanded flavors. The products were successfully launched and shipped to most markets. Furthermore, new Rice variants, Golden Sella, Classic Supreme (Steamed), and Everyday Rice were launched in North America and Europe.

Organizational Chart



Company Information

BOARD OF DIRECTORS

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mrs. Noreen Hasan	Director
Mrs. Saadia Naveed	Director
Mr. Ehsan A. Malik	Director

AUDIT COMMITTEE

Mr. Zahid Majeed	Chairman
Mr. Ebrahim Qassim	Member
Mrs. Saadia Naveed	Member
Mr. Ehsan A. Malik	Member

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Zahid Majeed	Chairman
Mr. Ebrahim Qassim	Member
Mrs. Saadia Naveed	Member

CHIEF FINANCIAL OFFICER

Mr. Gabriel Cravero

COMPANY SECRETARY

Mr. Fazal ur Rehman Hajano

HEAD OF INTERNAL AUDIT AND SECRETARY AUDIT COMMITTEE

Mr. Shahid Hussain

INTERNAL AUDITORS

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

MANAGEMENT COMMITTEE

Mr. Abrar Hasan	Chief Executive Officer
Mr. Gabriel Cravero	Director Corporate Finance
Mr. Kamal Baig	Chief Executive Officer NF DMCC
Mr. Farhan Irfan Siddiqi	Director Sales & Marketing
Mr. Shakaib Arif	Director Integrated Supply Chain
Ms. Saira A. Khan	General Manager-HR, Admin, IR & Security

AUDITORS

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

SHARE REGISTRATION OFFICE

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PRINCIPAL BANKERS

Bank Al-Habib Limited	Main Branch, Karachi S.I.T.E. Branch, Karachi New Garden Town Branch, Lahore
Bank Al Falah Limited (Islamic Banking Group)	UTK Main 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

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P.O. Box No. 15509
Phone: (92-21) 35662687, 35670540, 35670585,
35670793 & 35672268 Fax: (92-21) 35684870

SITE PLANT

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

PORT QASIM PLANT

A-13, North Western Industrial Zone, Bin Qasim, Karachi
Phone: 021-3475-0373 – 7

MURIDKE PLANT

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

GUJRANWALA PLANT

53-KM G.T. Road, Chainwala Mord Amanabad,
Gujranwala near Gujranwala Kamoki Tool Plaza
Phone: 055-3409560, 3409660

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

Calendar of Events
(2015 - 2016)

July 2015
NFL Launches Season 3 of **National Ka Pakistan**

September 2015
NFL wins **"Best Workplace"** Award

NFL undertakes **Clothes & Toys Drive at Dar-ul-Sukoon and Indus Hospital**

NFL launches its First **Automated Workflow** System

Port Qasim Plant launches **New Export Facility** on its premises

"Turnstile" Gates launched at Port Qasim Plant

NFL holds **3rd Annual Distributor** Meeting in Washington DC, USA

October 2015
NFL Holds **Breast Cancer Awareness Sessions** Company wide

NFL launches **New Corporate Website**

November 2015
NFL holds **Sales Conference** in Turkey

NFL holds a **Football Match and a Donation Ceremony** for Karachi Kickers Club

December 2015
NFL inaugurates **Nooriabad Project** Phase-I

January 2016
NFL wins the **8th International CSR Award** for Women's Development & Welfare

February 2016
NFL clears the **LGC Proficiency Tests**

NFL unveils New Corporate Branding: **"Share Food, Share Love"**

NFL re-launches its modern desserts portfolio with the tagline **"Jaisay Dil Chahey"**

March 2016
NFL's **Corporate Website** launched in Urdu

SAP SuccessFactors

April 2016
Launch of **Success Factors**

NFL achieves **Food Safety System** (FSSC) 22000 Certification

May 2016
NFL Launches its **Management Trainee Drive**

Away Days for all functions

June 2016
Performance Appraisals for all functions through Success Factors

CEO's Message

The year 2015-16 has been a tough year for NFL, strewn with challenging decisions that have paved the way for growth leading to excellent opportunities for the future. The greatest challenge has been in the area of revamping some of our key distributors in both domestic and international markets. As a result, sales achievements were slightly depressed for some time with growth targets not being delivered; mainly due to distributors own limitations. This hard decision to change the distributors has resulted in a temporary supply gap which resulted in the company not meeting its intended budgeted sales targets for the outgoing year. This had become necessary and the change now is expected to realign the potential with the structures thus created. The positive results have already started to come in. Despite this realignment, the company still delivered an excellent revenue growth for the outgoing year.

Sustaining high growth on a year on year basis has resulted in our capacities of various production centers stretched and exhausted on an annual basis. To tackle the increased demand, and in line with our growth plans, a separate plant was inaugurated solely for pickle. This new plant at Nooriabad has three sections: one for pickles, one for salt and the third will act as a centralized warehouse. Similarly, Bhalwal was also launched with the intention of catering to an enhanced product portfolio. With these new plants, comprehensive logistics and supply chain overview has resulted in new arrangements and alignments to drive greater value addition. Existing plants and their performance was augmented in terms of space and processes. An independent export facility was launched at Port Qasim to cater to increasing demand and the need to maintain timely production, for our businesses overseas.

In our quest to implement global best practices, we launched the SAP SUCCESS FACTORS (SF) solutions in order to not only simplify HR management platform but also to aid growth plans through a more robust and integrated performance and support constant technological innovation of processes. With cloud solutions from SAP SF, we expect to drive multifold benefits in defining an agile process with a focus on driving growth and cost optimization across the business. Efforts to improve operational efficiency were further complemented when an automated workflow system was introduced company-wide which assisted in reducing paper and time when processing any business application or employee related facility such as reimbursements, management leaves, or vehicle requests.

While improvements were continuously made on ground to expedite growth and productivity, similar efforts were made to improve the corporate image of the company. The digital face of National Foods was revamped by introducing a new corporate website, with improved accessibility, speed, content and layout, thus serving as a worthy ambassador of the ever evolving National Foods on the cyber space. We have always believed that product innovation is the lifeblood of our business. We invent brands and products that create and transform lifestyles, and build consumer trial and lead to value creation in those categories for years — often for decades. With rigorous efforts in activating our social media channels we have positively driven our category market growth, creating sustainable image enhancements for our retail customers.

When it comes to giving back to the society, National Foods leaves no stone unturned. This time around, we engaged in community development by providing underprivileged children an opportunity to play football by donating 100 footballs to Karachi Kickers Club. Clothes drives were conducted in old age homes and Indus Hospital to share the festivities of Eid with the old and the forgotten.

This year we would like to dedicate the year's success of the company solely to the people of National Foods, who have spent their time, effort and energy in bringing this company amongst the top ranked companies of Pakistan and hence closer to achieving our Vision 20/20. We are hopeful and determined to scale newer heights with greater vigor and zest.

To yet another successful year Inshallah…

Abrar Hasan
CEO

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 Officer

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.

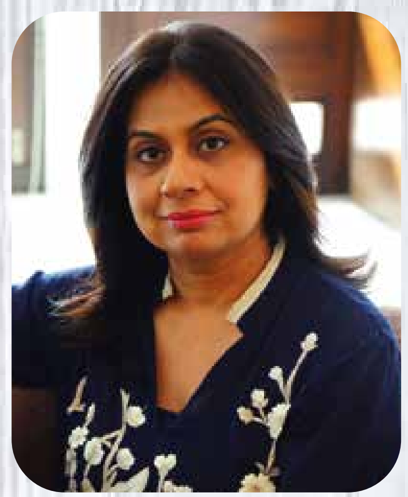
Mr. Abrar Hasan graduated with a Bachelor's Degree in Industrial Management with a minor in Industrial Engineering from Purdue University, Indiana, USA.

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 Master's Degree in Textile Technology at University of New South Wales, Australia. 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.



Mrs. Noreen Hasan
Director

Mrs. Noreen Hasan graduated in 1991 after completing her Bachelor's Degree with HONS in "Medieval and Modern World History" from the University of Birmingham, UK; being awarded with two First classes for her dissertation on "The Guatemalan Crisis of 1956 and Anglo American Relations", it was published by the University.

Mrs. Hasan's experience is well focused on CSR and philanthropic activities. Her present involvement includes activities for the "Children's Cancer Foundation Pakistan Trust". She has actively organized and raised funds on a continuous basis for the Trust which is now affiliated with the Indus Hospital to increase sustainability and awareness. On a smaller scale, Mrs. Hasan has also been involved in various other charity groups some of which include financially supporting the Education and Children's Health Organization (ECHO) Foundations in Gharo and sponsoring underprivileged children for a school in Rashidabad.

Directors' Profile

Mr. Ebrahim Qassim
Director

Mr. Ebrahim Qassim joined the Board of Directors of National Foods Limited in 2000. He served at a British Pharmaceutical Company in Pakistan for 3 years at different capacities finally as Country Manager. Later Mr. Ebrahim Qassim set up his own distribution business by the name of Premier Distributors in 1971, which has now 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 Biscuit Manufacturers (Pvt.) Ltd, Coronet Foods Private Limited and is also the Chairman of Shield Corporation Limited.

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

Mr. Ehsan Ali Malik
Director

Mr. Ehsan A. Malik is currently serving as the Chief Executive Officer of Pakistan Business Council. From 1st September 2006 to 31 October 2014 Mr. Malik was the Chief Executive Officer of Unilever Pakistan Limited and a director of Unilever Pakistan Foods Limited. Prior to this he was Chairman and CEO, Unilever Sri Lanka Limited. His earlier international appointments covered Unilever's regional business in Egypt, Lebanon, Jordan, Syria and Sudan as well as Unilever's Head Office in UK. These preceded senior commercial and financial roles at Unilever Pakistan. He is also a Member of the Board of Directors of Abbott Laboratories Pakistan Limited and IGI Life Insurance Limited.

Mr. Malik is a Fellow of the Institute of Chartered Accountants of England and Wales and alumni of the Wharton and Harvard Business Schools.

Mrs. Saadia Naveed
Director

Mrs. Saadia Naveed is the Deputy Managing Director of English Biscuit Manufacturers (Pvt.) Ltd. (EBM). She was also the President of the Management Association of Pakistan (MAP), the first ever female President, since June 2013 till March 2015.

Mrs. Saadia Naveed after completing her graduation moved to the field of chartered accountancy and was associated with A.F. Ferguson & Co. for over four years, conducting and supervising audits as a senior in various national and multinational organizations.

She joined EBM in the year 2002 and held the challenging position of Director Operations prior to her appointment as Deputy Managing Director in 2008. Under her leadership, EBM has witnessed exponential growth from sales of 11,000 tons in 2001 to 115,000 tons in 2014. The company has also undergone numerous upgrades and expansions in its production capabilities as well as its technical and human resources. Saadia is a true team leader who works closely with Departmental Heads to further improve organizational systems, processes and policies. It is her contribution and sound knowledge of finance that made EBM a self-sufficient and debt-free organisation.

As President of MAP also she had contributed significantly to raise the profile of what is already one of the most acclaimed management organisations in the country. She focused on creating greater awareness of good management practices, and promoted the recognition of companies who actively engage in them.

Saadia is a great example of a dynamic leader and an inspiration for Pakistani women aspiring to take leadership roles. In 2012, she received Marketing Excellence and Wonder Women of the Year Award for her contributions to business excellence in Pakistan. Soft-spoken and deeply interested in uplifting the lives of those around her, she is a keen supporter of various philanthropic initiatives in addition to her professional role. She is also an active member of several professional organizations including Pakistan Business Council (PBC), Institute of Directors (IOD) London, National Academy of Performing Arts (NAPA), Korangi Association of Trade and Industry, Karachi Chamber of Commerce and Industry, Arts Council of Pakistan and Chairman, AKUH Cancer Society.

Board Committees

Audit Committee

The Committee assists the Board in the effective discharge of its responsibilities for corporate governance and financial reporting. The Audit Committee comprises of four members, one being independent and all others being Non-Executive Directors. The Chairman of the audit committee is a Non-Executive Director. The brief terms of reference of the audit committee are as follows:

- Review quarterly, half yearly and annual financial statements of the company prior to their approval by the Board of Directors;
- Review preliminary announcements of results prior to publication;
- At least once a year, meeting external auditors without Director Corporate Finance and Internal Auditors;
- At least once a year, meeting Internal Auditors without Director Corporate Finance and External Auditors;
- Recommend the appointment of external auditors to the Board of Directors and consider any questions of resignation or removal of external auditors, if any, audit fees, and provision by external auditors of any service in addition to audit of financial statements;
- Review management letter issued by the external auditors and management response thereto;
- Determination of appropriate measures to safeguard the Company's assets; and
- Consideration of any other issue or matter as may be assigned to the Committee by the Board of Directors.

Human Resource and Remuneration Committee

The committee consists of three Non-Executive Directors. The committee is responsible for dealing with matters relating to human resource policies including training, remuneration, performance evaluation and succession planning. The brief term of reference of the Human Resource and Remuneration Committee are as follows:

- Recommending human resource management policies to the board;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer;
- Recommending to the board the selection, evaluation, compensation (including retirement benefits) of Director Integrated Supply Chain, Director Corporate Finance, Company Secretary and Head of Internal Audit; and
- Consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer or Director Integrated Supply Chain.

Corporate Governance

Performance Evaluation of the Board

The Board of Directors' performance was evaluated by providing all members of the Board with an Evaluation Questionnaire to assess the performance of Board. Furthermore, new members joining the Board were given an orientation pack which included all the necessary information about the Company. The members of the Board were required to fill an online questionnaire. The evaluation was done on the basis of the effectiveness of the Board's performance.

CEO Performance Review

The CEO provides an overview of the Company's performance to the Board and addresses any specific questions of the Board members. The performance of the CEO is assessed through the evaluation system set by National Foods Limited. The principle factors of evaluation include financial performance, business processes, compliance, business excellence and people management.

Role of Chairman

The Chairman provides leadership and governance to the Board. The Chairman has the responsibility to monitor and ensure the effective functioning of the Board. The Chairman ensures that the Board as a whole plays a full and constructive part in the development and determination of the organization's strategies and policies. Furthermore, the Chairman also ensures that the organization's strategies are being implemented effectively. The Chairman conducts the Board meetings and ensures that all directors fully participate in the decision-making procedure of the Board.

Role of Chief Executive

The Chief executive leads the management in the day-to-day running of the organization's business in accordance with the business plans and within the budgets approved by the Board. The Chief Executive is also responsible for oversight of the directions of the Board, in accordance with the Companies Ordinance, 1984. It is the responsibility of the Chief Executive to ensure that the organization's resources are allocated efficiently.

Management Committee

Sitting from left to right

Mr. Abrar Hasan
Chief Executive Officer

Mr. Gabriel Cravero
Director Corporate Finance

Standing from left to right

Mr. Farhan Irfan Siddiqi
Director Sales & Marketing

Ms. Saira A. Khan
General Manager HR,
Admin, IR & Security

Mr. Kamal Baig
Chief Executive Officer (NF DMCC)

Mr. Shakaib Arif
Director Integrated Supply Chain

Sustainability

We believe in sharing prosperity with all our stakeholders, be it consumers, suppliers, our employees and the society at large. Sustainability at NFL covers our extensive CSR initiatives, our efforts to create a healthy, safe and secure environment for our employees and in protecting our planet.

Corporate Social Responsibility

Football Donation and Match

In collaboration with Mac-Millar and The Rotary International, we donated **100 footballs** to the young players of Karachi Kickers Club, who hail from less privileged areas of Karachi and have a passion for playing football. Following the donation, a friendly match was organized between our employees and the young players of Karachi Kickers Club.

Clothes and Toys Drive

Passionate about philanthropy, our employees volunteered to conduct a "Clothes drive" a week before Eid-ul-Fitr and distributed clothes to deserving people residing at Dar-ul-Sukoon (an old age home). A total of 20 cartons of clothes were gifted to these people. Similarly, a clothes and toys drive was conducted at Indus Hospital at their Pediatric and General ward where our employees engaged with the patients wholeheartedly.

Let's Go Pink Again-Breast Cancer Awareness Session

Breast cancer awareness sessions in collaboration with Shaukat Khanum Memorial Cancer Hospital were organized at 3 of our locations raising awareness amongst our employees on breast cancer symptoms, risks and treatment. Dr. Najeeb Niamatullah, a Consultant Oncologist at Liaquat National Hospital, gave a detailed lecture to the participants on the symptoms of breast cancer, importance of doing self-checks and early detection, and maintaining healthy lifestyles.

Blood Drives

Blood drives were conducted at Site plant in collaboration with Indus Hospital. Indus Hospital organized a detailed orientation and sensitization session prior to the blood donation to enlighten all the employees on the benefits of giving blood.

Occupational Health, Safety and Security

Medical Facilities

A successful organization knows the value of a positive, safe culture for its employees. Keeping this in mind, we launched a new in-house clinic at Gujranwala plant which is well equipped and has a qualified dispenser as well. Furthermore, benefits (like Maternity leave, Room Limits etc.) for all employees were significantly improved at all locations. OPD tests such as Malaria tests and Complete Blood Count (CBCs) tests were conducted at a 20% discount for all dependents of NFL family.

Worker's Canteen

In terms of providing the best services and environment for its workers, we launched a workers canteen in Gujranwala with not only subsidized rates but also healthy and hygienic food for our staff. Worker's canteen at Site plant was also revamped.

Safety Trainings

We believe and strive for "Zero Injury" in all our operations. Keeping in mind the importance of maintaining safety, we conducted safety trainings for all our employees. A training session on "Emergency Handling & Firefighting" was conducted with the help of Rescue 1122 (Emergency Response Service) at the Gujranwala factory. The drill prepared all the employees on the essentials of firefighting.

Security

Security of our employees and our premises is of prime importance. Efforts were taken throughout the year to ensure that there were armed security personnel at all plants. Access Control Management System was also established at both PQ Plant and Forum office which was effectively utilized for controlling access, visitor management, time management as well as monitoring headcount during any emergency situation. Furthermore, a centralized monitoring system was established with a Master Control Center which aides in clock monitoring, recording and reporting of all facilities.

Energy Conservation

An environment-friendly initiative was undertaken by installing “Skylights” in the Production hall, Kasuri Methi processing & mixing rooms at Gujranwala plant. This was initiated with the aim of conserving electricity, reducing costs and improving overall sustainability of the functions.

Rural Development Programs (RDP)

Our Rural Development Program (RDP) has remained an essential driver for our growth and focus on RDP has contributed to greater national penetration and brand awareness. As part of the RDP, we launched “Jashn-e-Zaiqa Mela” across the rural towns of Punjab and Sindh. This was a large scale holistic brand engagement initiative encompassing competitions and games for participants as well as product sampling of National Biryani and Quorma. The festival was an overall success, with audience figures surpassing all previous events and reached coverage of more than 130 towns.

Further strengthening the RDP, “Asli Te Khalis” was launched across rural Pakistan, whereby we started a rural specific float activation and house to house engagement. The activation aimed at familiarizing the audience with National Recipe Mixes while highlighting the differences between the authentic brands and counterfeits, thus driving a connection with rural consumers that was more personal and long-lasting.

Directors' Report

Directors' Report

Fellow shareholders
The Directors of National Foods Limited (NFL) are pleased to present the financial statements of the Company for the year ended June 30, 2016.

Economic and Business Overview
The world economic scenario continued the bearish trend in all major economies, including China. Oil continued losing value from $55/barrel a year ago to $48/barrel in June 2016, hitting lows of around $35/barrel, which has continued to affect the oil dependent economies of the world.

Pakistan is undergoing structural changes to consolidate its economy, largely dominated by IMF terms. It has shown a record growth rate of +4%, with inflation and discount rates at 2.9% and 6.25% respectively. However, the private sector investments have not shown an encouraging response. This has been largely an effect of fiscal measures somewhat detrimental to the business environment. The power generation could not cope with the positive growth in demand and despite the historically low international oil prices, the benefits have not been fully passed through, thus affecting not only the cost of doing business but also the purchasing power of the general consumers.

The FY16 Profit After Tax reached 5.9% of net sales, 2.6pt lower than last year. This was mainly due to higher raw material costs and investments in the commercial structure made to support growth.

The material costs increased versus the last year primarily driven by chilli, pepper, garlic and coriander, negatively affected by weather conditions. The competitive landscape did not allow a proportional pass through of these costs, but as in the past further material price fluctuations can be expected that could lead to lower prices.

The commercial structures were engineered for a 25% Revenue growth in FY16, including new staff and new categories. However, the Company managed to grow only by 17.6% and this 7.4% missing sales are allocated as follows:

Local sales Deferment of new category launch, change of one regional distributor, price and volume impacts	(5.5)%
International sales Mainly due to change of distributors (1%) and inaccessibility of some markets in Middle East and Africa (0.5%)	(1.9)%
Total revenue shortfall against budget	**(7.4)%**

The Company's performance was also impacted by changes in distributors both in the local and international markets. During the year, the Company replaced one local regional distributor and two international due to their non-performance against the given targets.

Key Category Review
The drive in the volume was sustained through aggressive marketing and trade marketing activities piloted during the year. Various activations, airing and promotions were steered for the key categories of the business like:

- A new TVC for Recipe category was aired during the year that focused on the spirit of brand and its relationship with the consumer;
- The 3rd season of successful series of "National ka Pakistan" was aired during the first half of the year.
- Madeeasy.com.pk is NFL's first consumer centric website that offers hundreds of recipes, culinary tips and quick meals ideas to choose from. An airing for the same was done during the first half to build the corporate image of the Company while promoting the entire range of categories.
- Airing of the Dessert category "Jaisay Dil Chahey" was done during the third quarter to create the awareness and associations of consumers with National Foods' Desserts.
- 'National Ketchup Zarori' and 'Chatkharon ki Chakachak' for Ketchup and Pickle respectively, kept adding spark of taste and tanginess during the year.
- Rural market development continued with 2nd round of National Jashn-e-Zaiqa Mela which generated a lot of trial and interest to strengthen the brand image in this segment of consumer as well.

Exports
The past fiscal year has revolved around strengthening and investing in human capital and building international structure by deploying resources in key strategic markets. The Company faced some challenges, including distribution transitions in Afghanistan, political elements and currency devaluation in various markets including Australia, Canada and UK. However, with the corrective actions in place, the next Fiscal Year is expected to be an important year for the growth in exports. Overall, the International Division has made a sizeable contribution of 10.5% to the Profit After Tax, which originated from sales of over 1.4 billion PKR. During the year new Recipe and Rice variants were launched that were appreciated thoroughly by the consumers. Focused marketing activities were executed in various regions, including USA, UK and UAE to create awareness and trial generation of key categories; Recipe, Pickles and Sauces. During the year, the Company was present in major trade fairs, including Gulf Food 2016 (UAE), National Restaurant Association Show in Chicago and Fancy Foods in New York. These initiatives have allowed the Company to generate new distribution leads and explore potential business opportunities. The Company held the third North American distributor conference in Washington DC, where distributors from the region along with the Senior Management of the Company focused on the current and future outlook of the North American region.

Our People
Knowing that our people make all the difference, we endeavor to constantly attract, hire, train, retain, develop and motivate high quality talent. Together we combine our strengths and skills to build our competitive edge and this allows us to continue our legacy of excellence. An important element of our success is the sense of ownership that our employees have. 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 motivational level. Smooth communication is recognized as an integral element and is therefore encouraged to facilitate smooth flow of information across the organization. In NFL, we believe in diversity, and have instigated a strict non-discrimination policy that further sets us apart as a company ardent about crafting a progressive and just atmosphere at all levels. These determined efforts have allowed us to continue our focus on creation of a highly passionate and dynamic team which critically contributes to our bottom-line growth with its insistent quest for excellence, and drive for success.

In line with strengthening our structures, developing employees' career streams and encouraging multi-generational workforce, that is fully aligned to the external environment, we have been participating and using the Mercer system of evaluation and surveys, to guide and determine our Compensation and Benefits Philosophy, leading to a more robust and transparent system of reward and growth. Another key initiative launched in September 2015 was the "Sales Incentive Plan" (SIP) which is closely aligned to our Pay for Performance Philosophy. SIP is designed to recognize, reward and compensate our Field Sales Force in line with the sales objectives and strategy, playing a vital role in highlighting and acknowledging our high performers whilst raising their motivation levels. It is yet another step towards developing rewards and appreciation for individuals based purely on performance.

With many such projects in the pipeline, we are confident that NFL will continue to live its purpose-inspired growth strategy to serve its valued customers for years to come.

Corporate Sustainability

NFL has an unshakable commitment towards improving the life of our stakeholders, and above all that of our host communities. We contributed over 10.5 million PKR under our Corporate Social Responsibility (CSR) program. We successfully managed to run various programs with 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 affected 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 being on Breast and Lung cancer. This year NFL collaborated with Mac-Miller and Rotary International to donate footballs to young players of Karachi Kickers Club to promote young children of less privileged areas. Further, our continual drive of 'Saaf Pani Sehat Mand Zindagi' provided over 450,000 liters of clean drinking water to our employees.

Business Ethics and Anti-Corruption Measures

Along with good corporate governance, ethical behavior is a fundamental part of NFL. Treating stakeholders fairly is considered as an essential part of our success therefore we follow a strict and unwavering code of ethics and conduct. These codes 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 the National Exchequer has further increased and the Company paid over 3,124 million PKR (2015: 2,428 million PKR) 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 1,072 million PKR (2015: 1,195 million PKR) was also generated through export of products which further reflects our contribution in the national economy.

Dividend

The Board of Directors has recommended final cash dividend of Rs. 2.75 per share. Total profit distributed by way of dividend amounts to 37% (2015: 104%) of the corporate profit.

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 as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Board has constituted an Audit Committee consisting of four members, including Chairman of the Committee. The Chairman of Audit Committee is a non-executive 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 251 million PKR.
- During the last business year six meetings of the Board of Directors were held. Attendance by each Director was as follows:

Sr. #	Name of Directors	No. of Board Meetings		
		Entitled to attend	Attended	Leave Granted
1	Mr. A. Majeed	6	6	-
2	Mr. Abrar Hasan	6	6	-
3	Mr. Waqar Hasan *	2	0	2
4	Mr. Zahid Majeed	6	6	-
5	Mr. Ebrahim Qasim	6	6	-
6	Mr. Khawaja Munir Mashooqullah *	2	1	1
7	Mr. Iqbal Alimohamad *	2	0	2
8	Mrs. Noreen Hasan **	4	4	-
9	Mrs. Saadia Naveed **	4	4	-
10	Mr. Imran Ali Khan ***	3	1	2
11	Mr. Ehsan Ali Malik ****	1	1	-

* Retired on October 21, 2015.
** Elected on October 21, 2015
*** Elected on October 21, 2015 and resigned on May 26, 2016.
**** Appointed on the casual vacancy on May 27, 2016.

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
Mrs. Noreen Hasan	700 (purchase)	December 2, 2015
Mr. Ehsan Ali Malik	500 (purchase)	May 27, 2016

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 August 25, 2016.

EXTERNAL AUDITORS

National Foods' auditors, M/s A.F. Ferguson & Co., have completed their twelfth consecutive engagement for the year ended June 30, 2016 and as in previous years, have once more indicated their consent to continue for another period.

In the past days the Company has received a notice from a shareholder, under section 253(1) of the Companies Ordinance, 1984 proposing the appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors for the fiscal year ending June 30, 2017. The Audit Committee and the Board, recognizing the good practice of audit firms rotation, have endorsed such request with a recommendation to the forthcoming Annual General Meeting of the Company.

The Board of Directors, the Audit Committee and the Managers express their gratitude to M/s A.F. Ferguson & Co. for its substantial contribution in these last twelve years that have witnessed the formidable expansion of National Foods.

FUTURE OUTLOOK

NFL continues to follow a focused approach to aggressively grow the business by driving volumes and reaping the benefits of high scale. The results of FY16 evidently show the success of the same enabling a volume driven double digit growth. The management is confident that the Company will be able to progress on the growth trajectory in the upcoming years as well. Further, the management is consistently putting in efforts to discover new areas, sectors and markets that can supplement the growth ambitions. We are assertive that National Foods will continue to live its purpose and to bring the affordable and nutritious products that guarantee wholesome goodness to its consumers.

ACKNOWLEDGEMENT

The Board would like to convey its earnest gratitude to all the people involved with NFL for enabling it to flourish and deliver a consistent performance over the last five years. Our people are unswerving to the welfare of the Company and have showed 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

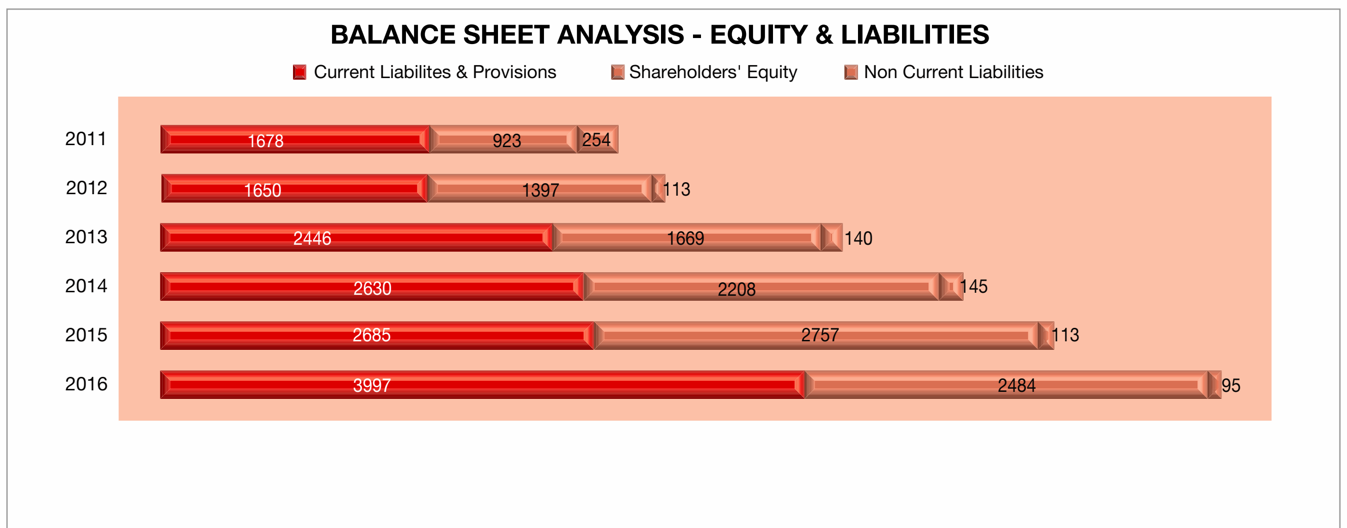
2016	2015
Tax Burden 70%	Tax Burden 69%
Interest Burden 94%	Interest Burden 97%
Operating Margin 9%	Operating Margin 13%
Asset Turnover 2.17	Asset Turnover 2.20
Leverage Ratio 2.31	Leverage Ratio 2.12
Return on Equity 30%	Return on Equity 40%

Financial Ratios

	Unit	2016	2015	2014	2013	2012	2011
Profitability Ratios							
Gross Profit Ratio	%	**32.21**	34.88	35.05	34.61	32.52	28.51
Operating Profit to Sale	%	**8.95**	12.69	11.51	12.33	12.66	8.83
Net Profit to Sales	%	**5.87**	8.58	7.29	7.88	8.14	4.18
EBITDA Margin to Sales	%	**10.60**	14.37	13.09	13.68	14.02	10.62
Operating Leverage Ratio	%	**(142.80)**	163.60	45.35	84.10	288.57	385.63
Return on Equity	%	**29.53**	40.02	36.55	43.96	50.28	27.70
Return on Capital Employed	%	**43.29**	56.28	53.82	63.51	67.55	48.17
Return on Assets	%	**11.77**	17.89	14.22	15.84	18.46	8.08
Liquidity Ratios							
Current Ratio	Times	**1.11**	1.46	1.39	1.28	1.33	1.23
Quick / Acid Test Ratio	Times	**0.30**	0.62	0.54	0.50	0.39	0.20
Cash to Current Liabilities	Times	**(0.21)**	(0.09)	(0.18)	0.01	(0.01)	(0.18)
Cash Flow from Operations to Sales	%	**3.31**	11.18	5.63	4.21	14.91	7.65
Working Capital Turnover	Times	**28.83**	9.30	9.51	12.32	12.97	14.20
Activity / Operating Performance Ratios							
No. of Days in Inventory	Days	**112.41**	108.44	119.59	113.32	124.12	149.57
No. of Days in Receivables	Days	**29.78**	30.69	27.19	20.10	14.68	17.88
No. of Days in Payables	Days	**13.37**	17.04	15.33	16.94	24.74	28.89
Operating Cycle	Days	**128.82**	122.08	131.45	116.48	114.07	138.56
Asset Turnover	Times	**2.17**	2.20	2.11	2.31	2.38	2.00
Inventory Turnover	Times	**3.25**	3.37	3.05	3.22	2.94	2.44
Receivables Turnover	Times	**12.26**	11.89	13.43	18.16	24.86	20.42
Payables Turnover	Times	**27.30**	21.42	23.82	21.55	14.75	12.63
Investment / Market Ratios							
Earnings Per Share	Rs.	**7.47**	9.59	6.84	6.50	5.63	2.23
Price Earning Ratio	Times	**37.63**	35.43	58.60	27.72	17.06	16.85
Dividend Yield Ratio	%	**0.98**	2.94	1.00	2.77	3.12	3.33
Dividend Payout Ratio	%	**36.83**	104.28	58.49	76.88	53.29	56.16
Dividend Cover Ratio	Times	**2.72**	0.96	1.71	1.30	1.88	1.78
Cash Dividend Per Share	Rs.	**2.75**	10.00	8.00	7.50	6.00	2.50
Cash Dividend	%	**55.00**	200.00	80.00	75.00	60.00	25.00
Stock Dividend Per Share	Rs.	**-**	-	-	2.50	-	-
Stock Dividend	%	**-**	-	-	25.00	-	-
Market Value Per Share at the end of the year	Rs.	**281.00**	339.73	801.43	360.65	192.14	75.00
Low during the year	Rs.	**276.50**	318.12	302.25	187.80	57.21	39.01
High during the year	Rs.	**366.65**	433.73	801.43	391.40	220.99	88.00
Breakup Value Per Share without Surplus on Revaluation of Fixed Assets	Rs.	**23.97**	26.61	42.62	40.27	33.72	22.27
Market Capitalisation (in millions)	Rs.	**29,113.51**	35,198.34	41,516.80	14,946.33	7,962.81	3,108.00
Capital Structure Ratios							
Financial Leverage Ratio	%	**52.80**	13.93	43.20	56.99	36.38	102.33
Weighted Average Cost of Debt	%	**7.89**	5.51	9.02	10.01	9.53	11.12
Debt to Equity Ratio	%	**-**	-	-	-	-	18.39
Interest Coverage Ratio	Times	**17.51**	39.43	12.80	14.08	12.77	3.88
No. of Ordinary Shares (in millions)	EA	**103.61**	103.61	51.80	41.44	41.44	41.44

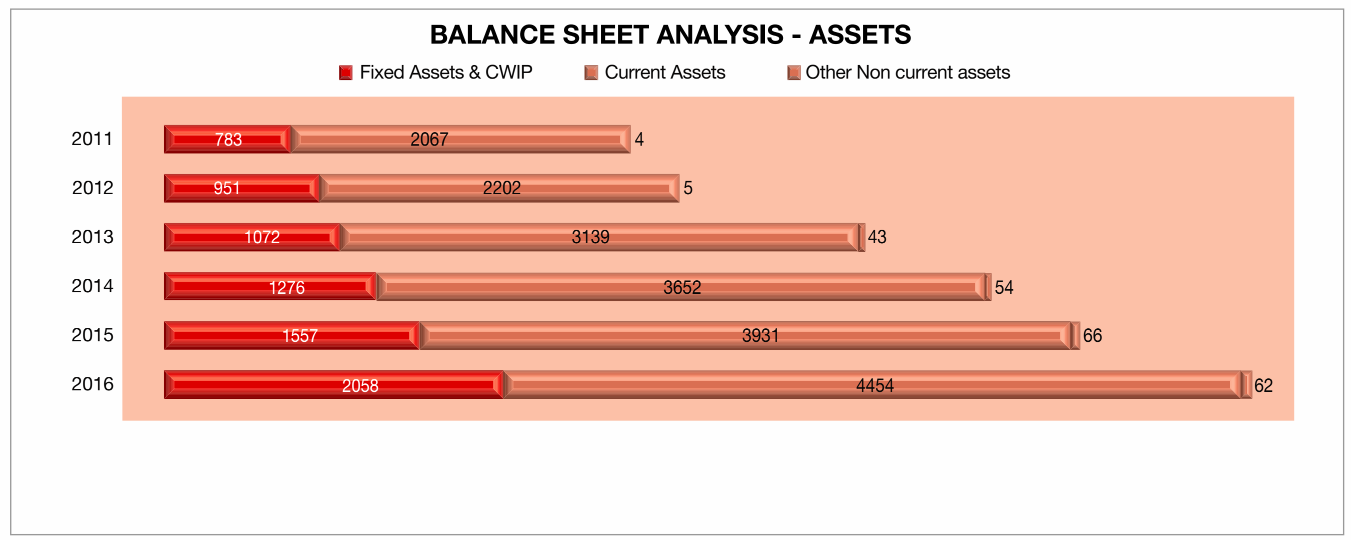
Horizontal Analysis

	2016	2015	2014	2013	2012	2011
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	**13.83%**	19.09%	13.80%	19.21%	29.85%	22.96%
Cost of sales	**18.51%**	19.41%	13.02%	15.53%	22.56%	24.77%
Gross profit	**5.10%**	18.49%	15.27%	26.86%	48.11%	18.63%
Administrative expenses	**10.25%**	32.03%	31.94%	29.37%	13.29%	9.39%
Distribution costs	**19.80%**	9.41%	18.32%	36.81%	33.97%	-2.61%
Other expenses	**-19.08%**	32.40%	9.93%	9.09%	132.04%	89.46%
Finance costs	**80.68%**	-57.41%	16.95%	5.33%	-43.48%	26.50%
Other income	**-50.12%**	57.37%	6.26%	56.47%	254.74%	-48.04%
Profit before taxation	**-22.36%**	38.74%	5.44%	17.08%	131.17%	127.26%
Taxation	**-22.89%**	35.47%	6.09%	20.66%	92.88%	80.60%
Profit after taxation	**-22.13%**	40.24%	5.15%	15.52%	152.94%	166.40%
BALANCE SHEET						
Issued, subscribed and paid-up capital	**0.00%**	0.00%	25.00%	0.00%	0.00%	0.00%
Unappropriated profit	**-12.20%**	32.49%	34.73%	27.63%	93.31%	55.22%
Share capital and reserves	**-9.91%**	24.86%	32.31%	19.44%	51.41%	24.38%
Long term obligations	**-16.24%**	-21.95%	3.11%	24.53%	-55.59%	140.23%
Total long term liabilities and shareholder equities	**-10.16%**	**21.99%**	**30.05%**	**19.82%**	**28.34%**	**38.81%**
Fixed Assets, CWIP and Intangibles	**32.17%**	22.05%	19.02%	12.67%	21.47%	-4.53%
Other Non current assets	**-5.70%**	23.47%	24.02%	647.08%	32.69%	-2.86%
Current Assets	**13.31%**	7.63%	16.35%	42.54%	6.55%	11.77%
Total Assets	**18.37%**	11.49%	17.10%	34.65%	10.68%	6.74%
less: Current Liabilities and Provisions	**48.85%**	2.10%	7.53%	48.23%	-1.69%	-8.13%
Net Assets	**-10.16%**	**21.99%**	**30.05%**	**19.82%**	**28.34%**	**38.81%**



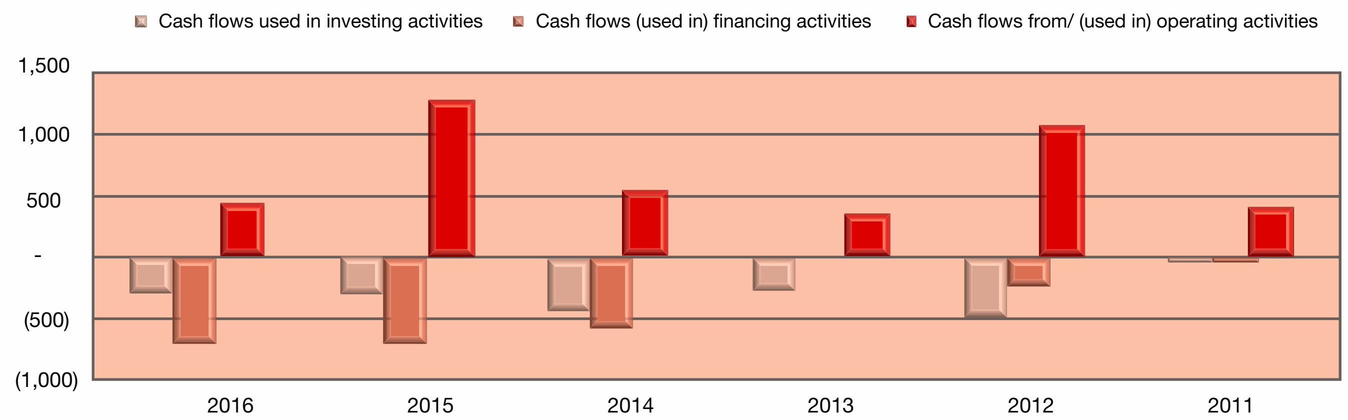
Vertical Analysis

	2016	2015	2014	2013	2012	2011
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	**67.79%**	65.12%	64.95%	65.39%	67.48%	71.49%
Gross profit	**32.21%**	34.88%	35.05%	34.61%	32.52%	28.51%
Administrative expenses	**3.84%**	3.96%	3.57%	3.08%	2.84%	3.26%
Distribution costs	**19.11%**	18.15%	19.76%	19.01%	16.56%	16.05%
Other expenses	**0.74%**	1.04%	0.94%	0.97%	1.06%	0.59%
Finance costs	**0.51%**	0.32%	0.90%	0.88%	0.99%	2.28%
Other income	**0.42%**	0.97%	0.73%	0.78%	0.60%	0.22%
Profit before taxation	**8.43%**	12.37%	10.61%	11.46%	11.67%	6.55%
Taxation	**2.57%**	3.79%	3.33%	3.57%	3.53%	2.38%
Profit after taxation	**5.87%**	8.58%	7.29%	7.88%	8.14%	4.18%
BALANCE SHEET						
Issued, subscribed and paid-up capital	**20.09%**	18.05%	22.02%	22.91%	27.45%	35.23%
Unappropriated profit	**76.24%**	78.01%	71.83%	69.34%	65.09%	43.21%
Share capital and reserves	**96.33%**	96.07%	93.85%	92.25%	92.54%	78.44%
Long term obligations	**3.67%**	3.93%	6.15%	7.75%	7.46%	21.56%
Total long term liabilities and shareholder equities	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Fixed Assets, CWIP and Intangibles	**79.83%**	54.27%	54.24%	59.26%	63.02%	66.58%
Other Non current assets	**2.43%**	2.32%	2.29%	2.40%	0.38%	0.37%
Current Assets	**172.76%**	136.98%	155.25%	173.53%	145.87%	175.70%
Total Assets	**255.02%**	193.57%	211.79%	235.19%	209.28%	242.65%
less: Current Liabilities and Provisions	**155.02%**	93.57%	111.79%	135.19%	109.28%	142.65%
Net Assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**



Summary of Cash Flow Statement

(Rupees in Millions)	**2016**	2015	2014	2013	2012	2011
Cash flows from/ (used in) operating activities	**437**	1,295	548	360	1,069	423
Cash flows used in investing activities	**(312)**	(354)	(460)	(302)	(500)	(55)
Cash flows (used in) financing activities	**(732)**	(713)	(597)	(15)	(271)	(54)
Net increase / (decrease) in cash and cash equivalents	**(607)**	228	(509)	43	298	314
Cash and cash equivalents at the beginning of the year	**(247)**	(475)	34	(9)	(307)	(621)
Cash and cash equivalents at the end of the year	**(854)**	(247)	(475)	34	(9)	(307)

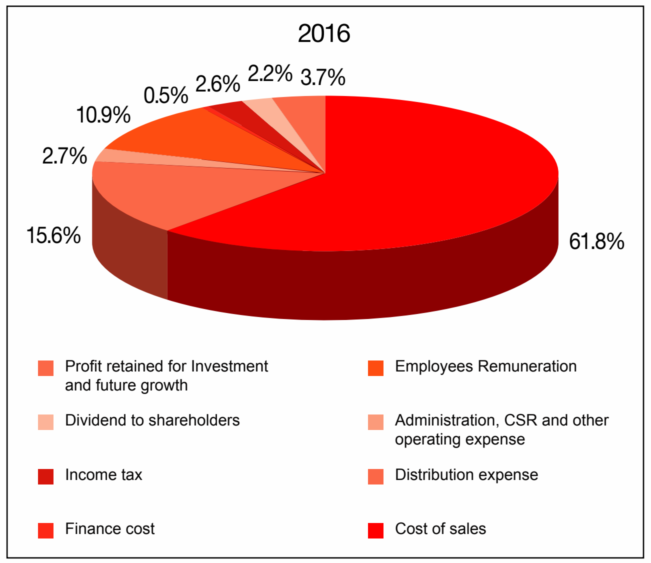


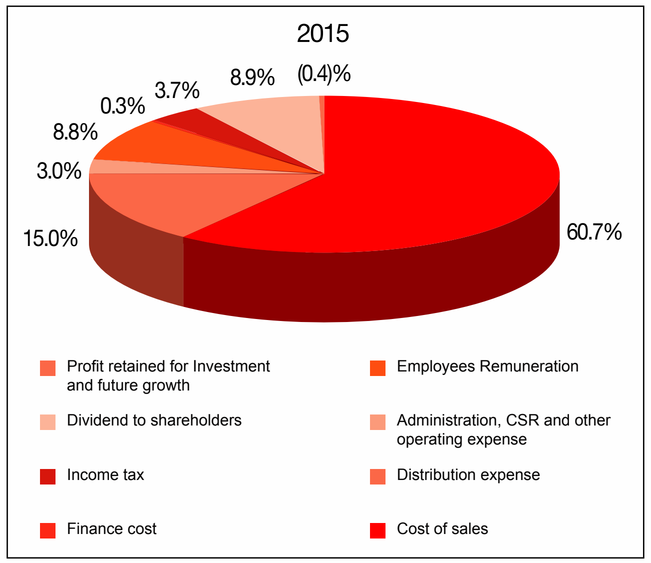
Six Year Cash Flows Using Direct Method

	2016	2015	2014	2013	2012	2011
	(Rupees in thousand)					
Cash received from customers	10,138,770	11,250,248	9,580,776	8,182,818	7,167,351	5,486,088
Cash paid for goods & services	(9,412,323)	(9,702,456)	(8,767,930)	(7,405,406)	(5,785,854)	(4,836,013)
Cash generated from operations	**726,447**	**1,547,792**	**812,846**	**777,412**	**1,381,497**	**650,075**
Financial cost paid	(60,884)	(46,090)	(99,708)	(63,287)	(84,768)	(128,298)
Net increase in long term deposits	3,789	(12,643)	(10,429)	(5,884)	(1,432)	129
Retirement benefit obligation	(23,876)	(61,382)	(3,811)	(4,113)	(4,536)	(10,707)
Income tax refund / (paid)	(208,625)	(132,640)	(151,202)	(344,466)	(221,995)	(88,606)
Net cash flow from operating activities	**436,851**	**1,295,037**	**547,696**	**359,662**	**1,068,766**	**422,593**
Purchase of property, plant & equipment	(684,084)	(467,720)	(346,450)	(216,616)	(265,585)	(63,625)
Purchase of intangible assets	(46,958)	(22,740)	(21,212)	(21,848)	(3,525)	(250)
Sale proceeds from disposal of property, plant and equipment	21,767	29,988	7,761	4,590	5,932	8,868
Sale proceeds of open ended mutual fund units	546,048	884,555	50,000	423,992	253,465	-
Purchased of open ended mutual fund units	(150,000)	(777,988)	(150,000)	(460,000)	(490,000)	-
Investment in National Foods DMCC, Dubai UAE	-	-	-	(31,719)	-	-
Purchase of treasury bills	(147,810)	-	-	-	-	-
Proceeds from sale of treasury bills	148,731	-	-	-	-	-
Net cash flow from investing activities	**(312,306)**	**(353,905)**	**(459,901)**	**(301,601)**	**(499,713)**	**(55,007)**
Short term borrowings obtained	1,000,000	508,696	550,000	655,000	180,000	1,001,788
Repayment of short term borrowings	(700,000)	(808,722)	(980,000)	(280,000)	(131,239)	(1,150,302)
Decrease in long term financing - net	-	-	-	-	(214,000)	154,000
Decrease in liabilities against assets subject to finance lease - net	-	-	-	-	(2,343)	(10,155)
Dividend paid	(1,031,839)	(412,814)	(166,781)	(390,202)	(103,239)	(49,478)
Net cash flow from financing activities	**(731,839)**	**(712,840)**	**(596,781)**	**(15,202)**	**(270,821)**	**(54,147)**
Net cash flows	**(607,294)**	**228,292**	**(508,986)**	**42,859**	**298,232**	**313,439**

Statement of Value Added and its Distribution

	2016		2015	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Value Addition				
Revenue	13,183,185	99.6	11,581,436	99.0
Other Income	55,850	0.4	111,965	1.0
Total	**13,239,035**	100	**11,693,401**	100
Value Distribution				
Cost of sales	8,187,337	61.8	7,093,902	60.7
Distribution expense	2,070,468	15.6	1,751,175	15.0
Administration, CSR and other operating expense	357,881	2.7	346,106	3.0
Employees Remuneration	1,444,058	10.9	1,032,696	8.8
Finance cost	67,338	0.5	37,269	0.3
Income tax	338,277	2.6	438,690	3.7
Dividend to shareholders	284,919	2.2	1,036,069	8.9
Profit retained for Investment and future growth	488,757	3.7	(42,506)	(0.4)
Total	**13,239,035**	100.0	**11,693,401**	100.0





Pattern of Shareholding

Combined Pattern of CDC & Physical Shareholdings as at June 30, 2016

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
Abdul Majeed	1	3,959,974	3.82
Abrar Hasan	1	10,218,262	9.86
Zahid Majeed	1	6,101,662	5.89
Ebrahim Qassim	1	1,763,566	1.70
Noreen Hasan	1	19,700	0.02
Saadia Naveed	1	673,350	0.65
Ehsan Ali Malik	1	500	0.00
Associated Companies, undertakings and related parties			
Associated Textile Consultants (Pvt) Ltd	1	34,357,724	33.16
Executives	-	-	-
Public Sector Companies and Corporations	2	1,000,674	0.97
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	8	106,574	0.10
Mutual Funds			
CDC - Trustee Akd Index Tracker Fund	1	10,000	0.01
CDC - Trustee First Capital Mutual Fund	1	3,400	0.00
General Public			
a. Local	2029	29,243,539	28.23
b. Foreign	1	500	0.00
Foreign Companies	7	16,044,150	15.49
Others	28	103,283	0.10
Totals	**2085**	**103,606,858**	**100.00**

Shareholders holding 5% or more	Shares Held	Percentage
Associated Textile Consultants (Pvt) Ltd	34,357,724	33.16
Kingsway Fund-frontier Consumer Franchises	13,675,100	13.20
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, 2016

Number of Share Holders	Shareholdings' Slab			Total Shares Held
718	1	to	100	32,253
637	101	to	500	182,677
223	501	to	1000	173,381
292	1001	to	5000	710,805
90	5001	to	10000	669,744
40	10001	to	15000	480,686
16	15001	to	20000	291,272
8	20001	to	25000	180,800
3	25001	to	30000	81,674
6	30001	to	35000	195,260
3	35001	to	40000	119,952
3	40001	to	45000	126,954
4	45001	to	50000	191,054
10	50001	to	55000	518,506
1	75001	to	80000	78,700
1	80001	to	85000	81,842
1	150001	to	155000	154,564
1	225001	to	230000	230,000
1	320001	to	325000	321,730
1	405001	to	410000	409,180
3	425001	to	430000	1,288,352
1	435001	to	440000	440,000
1	535001	to	540000	535,040
1	620001	to	625000	624,000
3	670001	to	675000	2,020,050
1	705001	to	710000	706,450
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	1115001	to	1120000	1,116,728
1	1175001	to	1180000	1,175,800
1	1215001	to	1220000	1,218,750
1	1250001	to	1255000	1,252,514
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	13675001	to	13680000	13,675,100
1	34355001	to	34360000	34,357,724
2085				**103,606,858**

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the Pakistan Stock Exchange Limited Regulations, 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 Director

   Mr. Ehsan Malik

   Executive Director

   Mr. Abrar Hasan

   Non-Executive Directors

   Mr. Abdul Majeed
   Mr. Ebrahim Qassim
   Mr. Zahid Majeed
   Mrs. Noreen Hassan
   Mrs. Sadia Naveed

   The independent director meet the criteria of independence under clause 5.19.1. (b) of the Code of Corporate Governance.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the 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 the stock exchange.

4. A casual vacancy occurred on the Board of Director's on 26th May 2016, which was filled on 27th May 2016.

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 of four (04) directors, of whom three are non-executive directors and one is an independent director. The chairman of the committee is a non-executive 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 three (03) directors of whom all are non-executive directors and the chairman of the committee is a non-executive 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 exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

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 29, 2016

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, 2016 to comply with the Code contained in regulation No. 5.19 of the Pakistan Stock Exchange Limited Regulations where the Company is listed.

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 the 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 requires 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, 2016.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 6, 2016

Name of the Engagement Partner: Farrukh Rehman

Auditors' Report to the Members

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2016 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, 2016 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 6, 2016

Name of the Engagement Partner: Farrukh Rehman

Balance Sheet

AS AT JUNE 30, 2016

	Note	2016	2015
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**1,997,039**	1,518,286
Intangibles	4	**61,295**	39,089
Long term investment - subsidiary	5	**31,719**	31,719
Long term deposits		**30,979**	34,768
		2,121,032	1,623,862
CURRENT ASSETS			
Stores, spare parts and loose tools		**6,605**	5,897
Stock in trade	6	**3,250,374**	2,254,723
Trade debts	7	**1,000,468**	1,150,666
Advances	8	**95,455**	50,404
Trade deposits and prepayments	9	**38,068**	29,736
Other receivables	10	**6,272**	13,452
Investments in mutual fund units - at fair value through profit or loss		**-**	389,245
Cash and bank balances	11	**56,979**	37,041
		4,454,221	3,931,164
		6,575,253	5,555,026
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	12	**518,034**	518,034
Unappropriated profit		**1,965,738**	2,238,854
		2,483,772	2,756,888
NON-CURRENT LIABILITIES			
Deferred taxation	13	**80,934**	93,414
Retirement benefits obligations	14	**13,634**	19,495
		94,568	112,909
CURRENT LIABILITIES			
Trade and other payables	15	**1,960,435**	1,672,683
Accrued interest / mark up		**8,974**	2,520
Short term borrowings	16	**1,311,326**	384,094
Taxation - Provision less payments		**622,721**	484,578
Sales tax payable		**93,457**	141,354
		3,996,913	2,685,229
		4,091,481	2,798,138
COMMITMENTS	17		
		6,575,253	5,555,026

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, 2016

	Note	2016	2015
		(Rupees in thousand)	
Sales	18	**13,183,185**	11,581,436
Cost of sales	19	**(8,937,467)**	(7,541,804)
Gross profit		**4,245,718**	4,039,632
Distribution costs	20	**(2,518,730)**	(2,102,512)
Administrative expenses	21	**(505,866)**	(458,844)
Other expenses	22	**(97,681)**	(120,719)
Other income	23	**55,850**	111,965
Operating profit		**1,179,291**	1,469,522
Finance costs	24	**(67,338)**	(37,269)
Profit before taxation		**1,111,953**	1,432,253
Taxation	25	**(338,277)**	(438,690)
Profit after taxation		**773,676**	993,563
Other comprehensive income / (loss)			
Items that will not be reclassified to Profit or Loss			
Loss on remeasurements of retirement benefit obligations		**(14,712)**	(41,148)
Impact of deferred tax		**3,989**	10,982
		(10,723)	(30,166)
Items that may be subsequently reclassified to Profit or Loss		**-**	-
Total comprehensive income		**762,953**	963,397
Earnings per share - basic and diluted (Rupees)	26	**7.47**	9.59

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, 2016

	Note	2016	2015
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	27	**726,447**	1,547,792
Finance cost paid		**(60,884)**	(46,090)
Income tax paid		**(208,625)**	(132,640)
Retirement benefits obligations paid		**(23,876)**	(61,382)
Net increase / (decrease) in long term deposits		**3,789**	(12,643)
Net cash flow from operating activities		**436,851**	1,295,037
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(684,084)**	(467,720)
Sale proceeds from disposal of property, plant and equipment		**21,767**	29,988
Purchase of intangible assets		**(46,958)**	(22,740)
Purchase of open ended mutual fund units		**(150,000)**	(777,988)
Sale of open ended mutual fund units		**546,048**	884,555
Purchase of treasury bills		**(147,810)**	-
Sale proceeds of treasury bills		**148,731**	-
Net cash used in investing activities		**(312,306)**	(353,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings obtained		**1,000,000**	508,696
Repayment of short term borrowings		**(700,000)**	(808,722)
Dividend paid		**(1,031,839)**	(412,814)
Net cash used in financing activities		**(731,839)**	(712,840)
Net (decrease) / increase in cash and cash equivalents		**(607,294)**	228,292
Cash and cash equivalents at beginning of the year		**(247,053)**	(475,345)
Cash and cash equivalents at end of the year	28	**(854,347)**	(247,053)

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, 2016

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	(Rupees in thousand)		
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 loss 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**
Final dividend for the year ended June 30, 2015 @ Rs 10.00 per share	-	**(1,036,069)**	**(1,036,069)**
Total comprehensive income for the year ended June 30, 2016			
- Profit for the year ended June 30, 2016	-	**773,676**	**773,676**
- Other comprehensive loss for the year ended June 30, 2016	-	**(10,723)**	**(10,723)**
	-	**762,953**	**762,953**
Balance as at June 30, 2016	**518,034**	**1,965,738**	**2,483,772**

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 Pakistan Stock Exchange. 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. 01 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 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.

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:

(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 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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to the Company's operations.

IFRS 10, 'Consolidated financial statements' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statements', 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 presently does not impact 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. There are no changes to disclosures on application of the standard on the company's financial statements.

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. There are no changes to disclosures on application of the standard on the company's financial statements.

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 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. There are no changes to disclosures on application of the standard on the company's financial statements.

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

Except as stated above, the new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 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

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.

- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The change will impact the disclosures of the Company's financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated 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

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 overheadcost.

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, 2016.

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.

	2016	2015
	(Rupees in thousand)	
3. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - note 3.1	**1,227,020**	1,210,693
Capital work in progress - at cost - note 3.2	**770,019**	307,593
	1,997,039	1,518,286

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, 2016									
Opening net book value (NBV)	**210,497**	**343,910**	**536,435**	**22,629**	**19,929**	**48,452**	**10,671**	**18,170**	**1,210,693**
Additions (at cost) - note - 3.1.1	**19**	**32,462**	**131,957**	**2,610**	**15,885**	**20,921**	**3,556**	**14,248**	**221,658**
Disposals (at NBV)	**-**	**-**	**-**	**-**	**-**	**(749)**	**-**	**(11,081)**	**(11,830)**
Depreciation charge	**(4,168)**	**(27,953)**	**(109,417)**	**(7,245)**	**(5,938)**	**(29,521)**	**(2,120)**	**(7,139)**	**(193,501)**
Closing net book value	**206,348**	**348,419**	**558,975**	**17,994**	**29,876**	**39,103**	**12,107**	**14,198**	**1,227,020**
Gross carrying value basis									
At June 30, 2016									
Cost	**230,606**	**555,694**	**1,124,754**	**63,135**	**70,727**	**146,978**	**25,529**	**61,137**	**2,278,560**
Accumulated depreciation	**(24,258)**	**(207,275)**	**(565,779)**	**(45,141)**	**(40,851)**	**(107,875)**	**(13,422)**	**(46,939)**	**(1,051,540)**
Net book value	**206,348**	**348,419**	**558,975**	**17,994**	**29,876**	**39,103**	**12,107**	**14,198**	**1,227,020**
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
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	10	5	

3.1.1 This includes Rs. 64.85 million (2015: Rs. 102.2 million) transferred from capital work in progress.

	2016	2015
	(Rupees in thousand)	
3.2 Capital work in progress		
These comprise of:		
Civil work in progress	**391,176**	93,856
Plant and machinery	**272,273**	145,084
Office equipment	**25,146**	1,697
Advance against acquisition of land	**81,424**	66,956
	770,019	307,593

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						
"	1,699	85	1,614	1,554	Company Policy	Mr. Farhan Latif Executive
"	1,353	23	1,330	1,533	"	Mr. Ashraf Ali Executive
"	1,188	79	1,109	1,125	"	Mr. SM Umair Executive
"	1,124	37	1,087	960	"	Mr. Sarwar-e-Azam Executive
"	1,168	97	1,071	1,200	"	Mr. Khurram Riaz Merchant Executive
"	1,080	18	1,062	1,153	"	Mr. Rafiq Islam Executive
"	969	16	953	1,136	"	Mr. Idrees Executive
"	984	33	951	1,268	"	Mr. Adnan Malik Executive
"	1,608	1,045	563	854	"	Mr. Syed Waqar Haider Rizivi Executive
"	416	7	409	593	"	Mr. Wasi Haider Executive
"	217	4	213	396	"	Mr. Adeel Noor Executive
"	150	5	145	286	"	Mr. Ali Kazmi Executive
"	87	1	86	415	"	Mr. Mumtaz Khaleel Executive
"	70	9	61	60	"	Mr. Kamran Ahmed Executive
"	61	5	56	58	"	Mr. Shakeel Abbas Executive
"	64	8	56	60	"	Mr. Shaikh Muhammad Imran Executive
"	64	13	51	58	"	Mr. Ghulam Abbas Executive
Total	12,302	1,485	10,817	12,709		

	2016	2015
	(Rupees in thousand)	
4. INTANGIBLES		
Computer softwares and ERP System - note 4.1	**56,223**	39,089
Systems under development	**5,072**	-
	61,295	39,089
4.1 Computer softwares and ERP System		
Net carrying value basis		
Opening net book value	**39,089**	34,962
Additions (at cost)	**41,886**	23,906
Amortisation for the year	**(24,752)**	(19,779)
Closing net book value	**56,223**	39,089
Gross carrying value basis		
Cost	**170,752**	128,972
Accumulated amortisation	**(114,529)**	(89,883)
Net book value	**56,223**	39,089
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.

	2016	2015
	(Rupees in thousand)	
6. STOCK IN TRADE		
Raw materials (including in transit Rs. 193.83 million; 2015: Rs. 25.05 million)	**1,450,684**	931,433
Provision for obsolescence	**(21,489)**	(7,557)
	1,429,195	923,876
Packing materials (including in transit Rs. 5.06 million; 2015: Rs. Nil)	**358,185**	270,888
Provision for obsolescence	**(50,161)**	(37,495)
	308,024	233,393
Work in process	**973,140**	824,179
Provision for obsolescence	**(9,360)**	(6,329)
	963,780	817,850
Finished goods	**562,659**	293,316
Provision for obsolescence	**(13,284)**	(13,712)
	549,375	279,604
	3,250,374	2,254,723

6.1 Stock in trade includes Rs. 1.94 billion (2015: Rs. 1.21 billion) held with third parties.

6.2 The above balances include items costing Rs. 59.75 million (2015: Rs. 30.64 million) valued at net realisable value of Rs. 51.74 million (2015: Rs. 26.27 million).

6.3 The Company has made a provision of Rs. 67.58 million for obsolescence (2015: Rs. 29.21 million) and has written off stocks against the provision amounting to Rs. 38.38 million (2015: Rs. 13.25 million) during the year.

	2016	2015
	(Rupees in thousand)	
7. TRADE DEBTS		
Considered good - unsecured		
Related parties - note 7.2	**565,034**	719,202
Others		
- local	**435,434**	428,701
- foreign	**-**	2,763
	1,000,468	1,150,666
Considered doubtful	**6,093**	7,600
	1,006,561	1,158,266
Less: Provision for doubtful trade debts	**(6,093)**	(7,600)
	1,000,468	1,150,666

7.1 As at June 30, 2016, trade debts of Rs. 310.39 million (2015: Rs. 347.93 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:

	2016	2015
	(Rupees in thousand)	
Up to 3 months	**274,494**	286,499
3 to 6 months	**32,668**	24,001
More than 6 months	**3,237**	37,430
	310,399	347,930

7.2 Receivable from related parties

	2016	2015
Premier Distributor	**52,234**	59,587
Premier Agency	**65,246**	56,046
National Foods DMCC	**447,554**	603,569
	565,034	719,202

As at June 30, 2016, trade debts of Rs. 93.1 million (2015: Rs. 98.6 million) from related parties were past due but not impaired. The age analysis of these trade debts is as follows:

	2016	2015
	(Rupees in thousand)	
Up to 3 months	**81,827**	98,241
3 to 6 months	**5,725**	-
More than 6 months	**5,554**	421
	93,106	98,662

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	(Rupees in thousand)	
8. ADVANCES		
Considered good		
Employees - against expenses	**3,311**	1,079
Suppliers	**92,144**	49,325
	95,455	50,404
Considered doubtful		
Suppliers	**3,413**	3,413
	98,868	53,817
Less: Provision for doubtful advances to suppliers	**(3,413)**	(3,413)
	95,455	50,404

8.1 These advances do not carry any mark up arrangement.

	2016	2015
9. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	**12,479**	12,479
Prepayments	**25,589**	17,257
	38,068	29,736
Considered doubtful		
Deposits	**1,553**	1,553
	39,621	31,289
Less: Provision for doubtful deposits	**(1,553)**	(1,553)
	38,068	29,736

9.1 These trade deposits and prepayments are mainly against rent, insurance and utilities. These do not carry any mark up arrangement.

	2016	2015
	(Rupees in thousand)	
10. OTHER RECEIVABLES		
Workers' Profits Participation Fund - note 10.1	**1,432**	-
Due from related parties		
- National Foods DMCC - Subsidiary	**2,435**	2,435
- Associated Textile Consultants (Private) Limited	**905**	848
- Director	**187**	108
Others	**1,313**	10,061
	6,272	13,452
10.1 Workers' Profits Participation Fund		
(Payable) / receivable as at July 1	**(12,197)**	1,236
Allocation for the year	**(58,577)**	(76,859)
	(70,774)	(75,623)
Interest on funds utilised in company's business - note 24	**(10,955)**	-
Amount paid during the year	**83,161**	63,426
Receivable / (payable) as at June 30	**1,432**	(12,197)

	2016	2015
	(Rupees in thousand)	
11. CASH AND BANK BALANCES		
Cash in hand	**1,394**	1,285
Cash at bank		
- current accounts - note 11.1		
- local currency	**3,296**	26,333
- foreign currency	**52,289**	9,423
	55,585	35,756
	56,979	37,041

11.1 This includes current account maintained with Islamic Bank having balance of Rs. 1.33 million (2015: Rs. 1.04 million).

12. SHARE CAPITAL

Authorised share capital

2016	2015		2016	2015
Number of Shares			(Rupees in thousand)	
150,000,000	150,000,000	Ordinary shares of Rs. 5 (2015: Rs. 5) each	**750,000**	750,000

Issued, subscribed and paid-up capital
Ordinary shares of Rs. 5 (2015: Rs. 5) each

2016	2015		2016	2015
Number of Shares			(Rupees in thousand)	
		Shares allotted:		
2,511,980	2,511,980	for consideration paid in cash	**12,560**	12,560
101,094,878	101,094,878	as bonus shares	**505,474**	505,474
103,606,858	103,606,858		**518,034**	518,034

12.1 Movement in issued, subscribed and paid-up capital
Ordinary shares of Rs. 5 (2015: Rs. 5) each

2016	2015		2016	2015
Number of Shares			(Rupees in thousand)	
103,606,858	51,803,429	Opening shares outstanding		
-	51,803,429	Share Split	**-**	-
103,606,858	103,606,858		**518,034**	518,034

Notes to the Financial Statements
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	2016	2015
	(Rupees in thousand)	
13. DEFERRED TAXATION		
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	**108,635**	115,350
Provision for stock obsolescence	**(26,552)**	(17,372)
Provision for doubtful trade debts	**1,652**	(2,028)
Provision for retirement benefits obligations	**(2,801)**	(2,536)
	80,934	93,414

13.1 Deferred tax liability is restricted to 90.37% (2015: 88.96%) 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.

	2016	2015
	(Rupees in thousand)	
14. RETIREMENT BENEFITS OBLIGATIONS		
Pension Plan	**11,764**	17,214
Pensioners' Medical Plan	**1,870**	2,281
	13,634	19,495

14.1 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, 2016.

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 Company appoints the trustees and all trustees are employees of the Company.

14.3 The latest actuarial valuation of the Fund as at June 30, 2016 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	
	2016	2015	**2016**	2015
	(Rupees in thousand)		(Rupees in thousand)	
14.4 Balance sheet reconciliation				
Present value of defined benefit obligations	**106,503**	96,324	**16,932**	9,347
Fair value of plan assets	**(94,739)**	(79,110)	**(15,062)**	(7,066)
Recognised liability	**11,764**	17,214	**1,870**	2,281
14.5 Movement in the net liability recognised in the balance sheet				
Opening balance	**17,214**	27,334	**2,281**	2,401
Remeasurements recognised in Other Comprehensive Income	**7,206**	36,137	**7,506**	5,011
Charge / (income) for the year	**4,558**	9,063	**(1,255)**	931
Contribution made	**(17,214)**	(55,320)	**(6,662)**	(6,062)
Closing balance	**11,764**	17,214	**1,870**	2,281
14.6 Remeasurements recognised in other comprehensive income				
Acturial loss on defined benefit obligation	**2,045**	35,018	**10,781**	4,899
Acturial loss / (gain) on plan assets	**5,161**	1,119	**(3,275)**	112
	7,206	36,137	**7,506**	5,011
14.7 Expense recognised in Profit and loss account				
Current service cost	**2,839**	2,063	**194**	164
Net interest cost / (income)	**1,719**	7,000	**(1,449)**	767
	4,558	9,063	**(1,255)**	931
14.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	**96,324**	53,202	**9,347**	4,672
Current service cost	**2,839**	2,063	**194**	164
Interest cost	**10,004**	10,750	**991**	1,135
Benefits paid	**(4,709)**	(4,709)	**(4,381)**	(1,523)
Acturial loss	**2,045**	35,018	**10,781**	4,899
Obligation as at June 30	**106,503**	96,324	**16,932**	9,347
14.9 Movement in the fair value of plan assets				
Plan Assets as at July 1	**79,110**	25,868	**7,066**	2,271
Expected return on plan assets	**8,285**	3,750	**2,440**	368
Contribution made	**17,214**	55,320	**6,662**	6,062
Benefits paid	**(4,709)**	(4,709)	**(4,381)**	(1,523)
Acturial (loss) / gain	**(5,161)**	(1,119)	**3,275**	(112)
Plan Assets as at June 30	**94,739**	79,110	**15,062**	7,066

	2016	2015
	(Rupees in thousand)	
14.10 Plan assets comprise of the following:		
Defence Savings Certificates	**101,115**	26,514
Cash at bank	**1,241**	59,662
Investment in mutual fund	**7,445**	-
	109,801	86,176
14.11 Principal actuarial assumptions		
Expected rate of increase in salaries	**9.00%**	10.50%
Expected rate of increase in pension	**4.00%**	5.50%
Expected rate of increase in medical benefits	**9.00%**	10.50%
Discount factor used	**9.00%**	10.50%

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 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 2016 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.

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, 2017 works out to be Rs. 4.23 million and Rs. 0.51 million 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, 2016.

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%	107,404	143,343
Future salary increases	1.00%	113,531	100,044
Future pension increases	1.00%	116,299	97,981
Medical cost increases	1.00%	19,394	14,928

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:

	2016	2015	2014	2013	2012
	(Rupees in thousand)				
Fair value of plan assets	**109,801**	86,176	28,139	23,352	17,135
Present value of defined benefit obligation	**(123,435)**	(105,671)	(57,874)	(47,281)	(29,265)
Deficit	**(13,634)**	(19,495)	(29,735)	(23,929)	(12,130)
Experience adjustments					
(Loss) / gain on plan assets (as a percentage of plan assets)	**(1.72)**	(1.43)	(1.92)	2.17	(0.97)
Loss on obligation (as a percentage of plan obligations)	**10.39**	37.77	8.50	28.49	1.14

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 of pension plan and pensioners' medical plan is 14.40 and 13.26 years respectively.

14.19 Expected maturity analysis of undiscounted retirement benefit plans.

	Less than a year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Total
	(Rupees in thousand)				
Retirement benefit plans	5,998	6,124	12,644	41,805	66,571

14.20 During the year, the Company contributed Rs. 34.31 million (2015: Rs. 26.98 million) to the provident fund.

	2016	2015
	(Rupees in thousand)	
15. TRADE AND OTHER PAYABLES		
Creditors	**203,986**	450,832
Accrued liabilities	**1,511,012**	962,661
Workers' Profits Participation Fund - note 10.1	**-**	12,197
Workers' Welfare Fund	**46,522**	26,162
Advances from customers	**62,718**	107,742
Payable to provident fund	**8,298**	4,279
Tax deducted at source	**47,938**	23,890
Due to related parties - directors	**87**	14
- others	**-**	4,078
Advances from employees against sale of vehicles	**68,140**	59,552
Unclaimed dividend	**9,710**	5,480
Other liabilities	**2,024**	15,796
	1,960,435	1,672,683
16. SHORT TERM BORROWINGS		
Running finance under mark up arrangements	**911,326**	284,094
Export re-finance	**400,000**	100,000
	1,311,326	384,094

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16.1 This includes running finance balance maintained with Islamic Bank having balance of Rs. 287.37 million (2015: Nil).

16.2 The facilities available from various banks amount to Rs. 2.93 billion (2015: Rs. 3.44 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 2016 and 2017.

16.3 The rates of mark up range from one month KIBOR plus 0.05% to six months KIBOR plus 0.2% per annum (2015: one month KIBOR plus 0.2% to six months KIBOR plus 0.9% per annum).

16.4 The facilities for opening letters of credit amount to Rs. 1.19 billion (2015: Rs. 1.35 billion) and for letters of guarantee amount to Rs. 243.3 million (2015: Rs. 141 million) as at June 30, 2016 of which the amount remaining unutilised at year end were Rs. 1.07 billion (2015: Rs. 1.21 billion) and Rs. 76.75 million (2015: Rs. 74.78 million) respectively.

17. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2016 amount to Rs. 404.46 million (2015: Rs. 188.60 million).

A ggregate 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% (2015: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at June 30, 2016 amount to:

	2016	2015
	(Rupees in thousand)	
Not later than one year	**55,332**	53,984
Over one year to five years	**80,769**	71,322
	136,101	125,306

	2016	2015
	(Rupees in thousand)	
18. SALES		
Manufactured goods		
Gross sales		
Local sales	**17,801,422**	15,003,578
Export sales - note 18.1	**987,460**	1,204,409
	18,788,882	16,207,987
Sales tax	**(2,380,572)**	(1,956,026)
	16,408,310	14,251,961
Less:		
Discount, rebates and allowances	**2,937,685**	2,496,784
Sales return	**287,440**	173,741
	3,225,125	2,670,525
	13,183,185	11,581,436

FOR THE YEAR ENDED JUNE 30, 2016

18.1 Export sales represents sales made to NF DMCC - a wholly owned subsidiary of the Company.

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

	2016	2015
	(Rupees in thousand)	
19. COST OF SALES		
Raw material consumed	**5,600,410**	4,580,377
Packing material consumed	**2,237,022**	2,012,418
Stores and spares consumed	**63,654**	61,054
Brine and cutting charges	**41,084**	42,978
Salaries, wages and other benefits	**738,333**	438,333
Contribution to provident fund	**11,797**	9,569
Depreciation / amortisation	**145,411**	131,544
Ujrah payments	**14,525**	9,914
Fuel and power	**188,140**	167,559
Insurance	**21,863**	18,904
Laboratory, research and development	**6,330**	5,953
Postage and communications	**6,186**	6,523
Printing and stationery	**1,008**	821
Rent, rates and taxes	**125,821**	89,184
Travelling	**74,862**	71,317
Repairs and maintenance	**35,262**	36,984
Security charges	**21,087**	13,139
Inventory destruction charges	**17,007**	-
Others	**3,366**	4,984
	9,353,168	7,701,555
Opening work in process	**817,850**	592,587
Closing work in process	**(963,780)**	(817,850)
Cost of goods manufactured	**9,207,238**	7,476,292
Opening stock of finished goods	**279,604**	345,116
Closing stock of finished goods	**(549,375)**	(279,604)
	8,937,467	7,541,804

	2016	2015
	(Rupees in thousand)	
20. DISTRIBUTION COSTS		
Salaries, wages and other benefits	**434,027**	341,313
Advertising and sales promotion	**1,115,316**	956,983
Commission expense	**38,242**	54,004
Outward freight and handling charges	**575,214**	464,597
Contribution to provident fund	**14,235**	10,024
Depreciation / amortisation	**20,829**	19,140
Ujrah payments	**20,925**	15,303
Fuel and power	**4,949**	6,049
Forwarding charges	**21,896**	19,187
Insurance	**14,231**	14,235
Laboratory, research and development	**510**	759
Legal and professional charges	**14**	3,252
Postage and communications	**9,660**	5,965
Printing and stationery	**4,003**	4,580
Rent, rates and taxes	**80,915**	59,712
Travelling	**121,340**	105,230
Repairs and maintenance	**10,011**	11,276
(Reversal) / provision for doubtful debts	**(1,507)**	5,632
Sales conference expenses	**26,520**	-
Security charges	**2,534**	2,117
Advance written off	**3,033**	-
Others	**1,833**	3,154
	2,518,730	2,102,512

	2016	2015
	(Rupees in thousand)	
21. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 21.1	**237,379**	226,074
Contribution to provident fund	**8,287**	7,383
Depreciation / amortisation	**52,013**	44,337
Ujrah payments	**19,288**	14,360
Fuel and power	**7,193**	3,647
Insurance	**5,988**	5,392
Legal and professional charges	**32,589**	26,201
Postage and communications	**24,640**	16,292
Printing and stationery	**3,458**	3,032
Rent, rates and taxes	**15,447**	10,121
Travelling	**31,161**	28,574
Repairs and maintenance	**49,245**	46,817
Security charges	**5,000**	3,074
Others	**14,178**	23,540
	505,866	458,844

21.1 Salaries, wages and other benefits include Rs. 3.33 million (2015: Rs. 9.99 million) in respect of charge for retirement benefit plans.

	2016	2015
	(Rupees in thousand)	
22. OTHER EXPENSES		
Workers' Profits Participation Fund	**58,577**	76,859
Workers' Welfare Fund	**20,360**	26,162
Auditors' remuneration - note 22.1	**8,242**	7,324
Donations	**10,502**	10,374
	97,681	120,719
22.1 Auditors' remuneration		
Audit fee	**1,500**	1,500
Limited review, special reports and other certifications	**1,924**	4,469
Taxation services	**4,509**	1,171
Out of pocket expenses	**309**	184
	8,242	7,324
23. OTHER INCOME		
Income from financial assets		
Exchange gain - net - note 23.1	**19,628**	15,638
Gain on sale of open ended mutual fund units - note 23.2	**6,803**	34,006
Gain on remeasurement of fair value of open ended mutual fund units	**-**	221
Dividend income on open ended mutual fund units	**-**	390
Return on savings accounts - note 23.3	**3,391**	7,457
Return on late payments by trade debtors	**1,134**	1,136
Gain on sale of treasury bills	**921**	-
Income from other than financial assets		
Profit on disposal of property, plant and equipment	**9,937**	15,861
Others		
Dividend income from subsidiary	**3,130**	10,154
Liabilities no longer required written back	**-**	18,324
Others	**10,906**	8,778
	55,850	111,965

23.1 Income earned from exchange gain is actual currency and not from derivative financial instrument.

23.2 These amounts represents gain from mutual funds that as per their offering documents are not specifically categorised as Islamic mutual funds.

23.3 This represents profit earned on bank balances maintained under conventional banking system, except for Rs. 1.03 million (2015: Nil) earned from deposits with Islamic bank.

	2016	2015
	(Rupees in thousand)	
24. FINANCE COSTS		
Mark up on running finance under mark up arrangements - note - 24.1	**7,402**	5,599
Mark up on Istisna facility	**9,924**	-
Mark up on export re-finance	**10,238**	8,836
Interest on Workers' Profits Participation Fund	**10,955**	-
Mark up on short term loans - note 24.2	**10,315**	6,795
Bank charges	**18,504**	16,039
	67,338	37,269

24.1 This represents running finance balance maintained with Conventional Banks.

24.2 This represents markup on short term loans obtained from Islamic Banks.

25. TAXATION

	2016	2015
	(Rupees in thousand)	
Current		
- for the year - note 25.1	**346,768**	455,923
- for prior year	**-**	(6,709)
	346,768	449,214
Deferred	**(8,491)**	(10,524)
	338,277	438,690

25.1 This includes super tax of Rs. 31.09 million (2015: Rs. 39.43 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 through Finance Act, 2016 and 2015.

25.2 Reconciliation between tax expense and accounting profit:

	2016	2015
	(Rupees in thousand)	
Profit before taxation	**1,111,953**	1,432,253
Tax at applicable rate of 32% (2015: 33%)	**355,825**	472,643
Tax effect of permanent differences	**13,755**	3,932
Tax effect of final tax regime	**(48,158)**	(47,239)
Effect of exempt income	**-**	(7,048)
Effect of prior year tax	**-**	(6,709)
Change in tax rate	**-**	(16,417)
Super Tax	**31,097**	39,431
Effect of tax credits	**(15,140)**	(10,885)
Others	**898**	10,982
	338,277	438,690

26. EARNINGS PER SHARE

	2016	2015
	(Rupees in thousand)	
Profit after taxation attributable to ordinary shareholders	**773,676**	993,563
Weighted average number of shares in issue during the year (in thousand)	**103,607**	103,607
Earnings per share - Basic and diluted (Rupees)	**7.47**	9.59

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

26.1 A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at June 30, 2016 and 2015 which would have any effect on the earnings per share if the option to convert is exercised.

27. CASH GENERATED FROM OPERATIONS

	2016	2015
	(Rupees in thousand)	
Profit before taxation	**1,111,953**	1,432,253
Adjustments for non-cash charges and other items		
Depreciation	**193,501**	175,242
Amortisation	**24,752**	19,779
Profit on disposal of property, plant and equipment	**(9,937)**	(15,861)
Property, plant and equipment written off	**-**	61
Gain on sale of open ended mutual fund units	**(6,803)**	(34,006)
Gain on remeasurement of fair value of open ended mutual fund units	**-**	(221)
Gain on sale of treasury bills	**(921)**	-
Finance costs	**67,338**	37,269
Retirement benefits expense	**3,303**	9,994
	271,233	192,257
Profit before working capital changes	**1,383,186**	1,624,510
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	**(708)**	(363)
Stock in trade	**(995,651)**	(28,161)
Trade debts	**150,198**	(354,042)
Advances	**(45,051)**	1,903
Trade deposits and prepayments	**(8,332)**	(11,660)
Other receivables	**7,180**	(77)
	(892,364)	(392,400)
Increase / (decrease) in current liabilities		
Trade and other payables	**283,522**	298,660
Sales tax payable	**(47,897)**	17,022
	235,625	315,682
	726,447	1,547,792

28. CASH AND CASH EQUIVALENTS

	2016	2015
	(Rupees in thousand)	
Cash and bank balances	**56,979**	37,041
Short term borrowings	**(911,326)**	(284,094)
	(854,347)	(247,053)

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 Company are as follows:

	Chief Executive		Directors		Executives	
	2016	2015	**2016**	2015	**2016**	2015
	(Rupees in thousand)					
Managerial remuneration and allowances	**15,794**	13,234	**-**	-	**208,564**	157,004
Technical advisory fee	**-**	-	**8,400**	9,660	**-**	-
Utilities	**1,579**	1,327	**793**	497	**20,857**	15,701
Bonus / variable pay	**18,770**	2,206	**-**	-	**37,446**	26,459
Housing	**7,107**	5,955	**-**	-	**93,854**	70,652
Retirement benefits	**1,579**	7,709	**5,194**	5,554	**19,121**	14,853
Other expenses	**3,349**	3,651	**-**	-	**97,226**	67,604
	48,178	34,082	**14,387**	15,711	**477,068**	352,273
Number of persons	**1**	1	**2**	2	**161**	119

29.2 In addition to the above, fee paid to 6 (2015: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 1,750,000 (2015: Rs. 1,112,500).

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

30. RELATED PARTY DISCLOSURES

Disclosure of transactions between the Company and related parties:

Relationship with the Company	Nature of transaction	**2016**	2015
		(Rupees in thousand)	
Subsidiary Company:	Commission expense	**-**	25,139
	Sale of goods	**983,409**	875,265
	Dividend income	**3,130**	10,154
Associated Companies / Undertakings:	Sale of goods	**1,473,634**	1,151,664
	Rent charges paid / payable	**8,431**	8,225
	Commission expense	**38,242**	28,865
Staff retirement funds:	Expense charged for defined contribution plan	**34,319**	26,976
	Payments to retirement contribution plan	**91,986**	51,214
	Contribution to defined benefit plans	**23,876**	61,382
Directors:	Technical advisory services	**8,400**	9,660
Key management personnel compensation:			
- Salaries and other short-term employee benefits		**177,889**	169,662
- Retirement benefits		**10,378**	17,055

The related party status of outstanding balances as at June 30, 2016 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.

31. PLANT CAPACITY AND PRODUCTION

	2016	2015
	Actual production Metric Tons	
Actual production of plants	**90,176**	87,275

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

32. PROVIDENT FUND RELATED DISCLOSURES

	(Un-audited)	(Audited)
	2016	2015
	(Rupees in thousand)	
Size of the fund - Total assets	**446,000**	376,219
Fair value of investments	**250,650**	211,222
Percentage of investments made	**56%**	56%

32.1 The cost of above investments amounted to Rs. 176.32 million (2015: Rs. 144.42 million).

32.2 The break-up of fair value of investments is:

	(Un-audited) 2016	(Audited) 2015	**(Un-audited) 2016**	(Audited) 2015
	Percentage		(Rupees in thousand)	
National savings scheme	**91%**	90%	**229,361**	189,345
Bank deposits	**3%**	4%	**6,977**	8,331
Unit trust schemes	**6%**	6%	**14,312**	13,546
	100%	100%	**250,650**	211,222

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.

33. NUMBER OF EMPLOYEES

	2016	2015
Number of employees at June 30		
- Permanent	**662**	643
- Contractual	**8**	18
Average number of employees during the year		
- Permanent	**658**	614
- Contractual	**10**	21

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 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.

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	-	-	-	1,000,468	-	1,000,468	1,000,468
Trade deposits	-	-	-	12,479	30,979	43,458	43,458
Other receivables	-	-	-	6,272	-	6,272	6,272
Cash and bank balances	-	-	- 5	6,979	-	56,979	56,979
June 30, 2016	**-**	**-**	**-**	**1,076,198**	**30,979**	**1,107,177**	**1,107,177**
June 30, 2015	-	-	-	1,602,883	34,768	1,637,651	1,637,651
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	1,726,819	-	1,726,819	1,726,819
Accrued interest / mark up	-	-	-	8,974	-	8,974	8,974
Short term borrowings	1,311,326	-	1,311,326	-	-	-	1,311,326
June 30, 2016	**1,311,326**	**-**	**1,311,326**	**1,735,793**	**-**	**1,735,793**	**3,047,119**
June 30, 2015	384,094	-	384,094	1,441,381	-	1,441,381	1,825,475
ON BALANCE SHEET GAP							
June 30, 2016	**(1,311,326)**	**-**	**(1,311,326)**	**(659,595)**	**30,979**	**(628,616)**	**(1,939,942)**
June 30, 2015	(384,094)	-	(384,094)	161,502	34,768	196,270	(187,824)
OFF BALANCE SHEET ITEMS							
Letters of credit							**128,260**
June 30, 2015							135,383
Letters of guarantees							**166,550**
June 30, 2015							66,220

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

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

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. 1.11 billion (2015: Rs. 1.64 billion) the financial assets exposed to the credit risk amounted to Rs. 1.11 billion (2015: Rs. 1.64 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, 2016 trade debts of Rs. 310.39 million (2015: Rs. 347.93 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 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, 2016, net financial assets of Rs. 400.35 million (2015: Rs. 597.25 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2016, if the Pak Rupee had weakened / strengthened by 4% (2015: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 16.01 million (2015: Rs. 23.89 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, 2016, the Company had variable interest bearing financial liabilities of Rs. 1,311.32 million (2015: Rs. 384.09 million), and had the interest rates varied by 100 basis points (2015: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 13.11 million (2015: Rs. 3.86 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2015: 100 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 (2015: 100 basis points) per annum.

34.3 Capital Risk Management

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

During 2016, the Company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2016 was as follows:

	2016	2015
	(Rupees in thousand)	
Total Borrowings	**1,320,300**	386,614
Cash and Bank	**(56,979)**	(37,041)
Net Debt	**1,263,321**	349,573
Total Equity	**2,483,772**	2,756,888
Total Capital	**3,747,093**	3,106,461
Gearing Ratio	**34%**	11%

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

34.4 Fair values of financial assets and liabilities

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

35. CORRESPONDING FIGURE

Following reclassification has been made for better presentation:

Reclassification from component	Reclassification to component	Rupees in thousand
Profit and loss account		
Distribution Cost	Sales	22,854

36. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2016 proposed a cash dividend for the year ended June 30, 2016 of Rs. 2.75 per share amounting to Rs. 0.28 billion (2015: cash dividend of Rs. 10 per share amounting to Rs. 1.04 billion) 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.

37. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on August 29, 2016.

Chief Executive

Director

Consolidated Financial Statements 2016

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, 2016 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, 2016 and the results of their operations for the year then ended.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 23, 2016

Name of Engagement Partner: Farrukh Rehman

Consolidated Balance Sheet

AS AT JUNE 30, 2016

	Note	2016	2015
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	**1,997,110**	1,518,435
Intangibles	4	**61,295**	39,089
Long term deposits		**30,979**	34,768
		2,089,384	1,592,292
CURRENT ASSETS			
Stores, spare parts and loose tools		**6,605**	5,897
Stock in trade	5	**3,280,590**	2,269,636
Trade debts	6	**933,274**	1,072,111
Advances	7	**138,928**	50,651
Trade deposits and prepayments	8	**38,870**	30,517
Other receivables	9	**5,071**	11,017
Investments in mutual fund units - at fair value through profit or loss		**-**	389,245
Cash and bank balances	10	**249,667**	174,547
		4,653,005	4,003,621
		6,742,389	5,595,913
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	11	**518,034**	518,034
Unappropriated profit		**2,022,873**	2,272,475
Exchange revaluation reserve		**2,849**	939
		2,543,756	2,791,448
NON-CURRENT LIABILITIES			
Deferred taxation	12	**80,934**	93,414
Retirement benefits obligations	13	**13,634**	19,495
		94,568	112,909
CURRENT LIABILITIES			
Trade and other payables	14	**2,067,587**	1,679,010
Accrued interest / mark up		**8,974**	2,520
Short term borrowings	15	**1,311,326**	384,094
Taxation - Provision less payments		**622,721**	484,578
Sales tax payable		**93,457**	141,354
		4,104,065	2,691,556
		4,198,633	2,804,465
COMMITMENTS	16		
		6,742,389	5,595,913

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, 2016

	Note	2016	2015
		(Rupees in thousand)	
Sales	17	**13,569,350**	11,692,786
Cost of sales	18	**(9,073,765)**	(7,558,786)
Gross profit		**4,495,585**	4,134,000
Distribution costs	19	**(2,682,631)**	(2,160,654)
Administrative expenses	20	**(521,821)**	(472,034)
Other expenses	21	**(99,217)**	(122,306)
Other income	22	**32,694**	99,509
Operating profit		**1,224,610**	1,478,515
Finance costs	23	**(89,143)**	(44,669)
Profit before taxation		**1,135,467**	1,433,846
Taxation	24	**(338,277)**	(438,690)
Profit after taxation		**797,190**	995,156
Other comprehensive income / (loss)			
Items that will not be reclassified to Profit or Loss			
Loss on remeasurements of retirement benefit obligations		**(14,712)**	(41,148)
Impact of deferred tax		**3,989**	10,982
		(10,723)	(30,166)
Items that may be subsequently reclassified to Profit or Loss		**1,910**	2,068
Total comprehensive income		**788,377**	967,058
Earnings per share - Basic and diluted (Rupees)	25	**7.69**	9.61

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, 2016

	Note	2016	2015
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	**803,436**	1,673,893
Finance cost paid		**(82,689)**	(53,490)
Income tax paid		**(208,625)**	(132,640)
Retirement benefits obligations paid		**(23,876)**	(61,382)
Net increase / (decrease) in long term deposits		**3,789**	(12,643)
Net cash flow from operating activities		**492,035**	1,413,738
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(684,086)**	(467,793)
Sale proceeds from disposal of property, plant and equipment		**21,767**	29,988
Purchase of intangible assets		**(46,958)**	(22,740)
Purchase of open ended mutual fund units		**(150,000)**	(777,988)
Sale of open ended mutual fund units		**546,048**	884,555
Purchase of treasury bills		**(147,810)**	-
Sale proceeds of treasury bills		**148,731**	-
Net cash used in investing activities		**(312,308)**	(353,978)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings obtained		**1,000,000**	508,696
Repayment of short term borrowings		**(700,000)**	(808,722)
Dividend paid		**(1,031,839)**	(412,814)
Net cash used in financing activities		**(731,839)**	(712,840)
Net (decrease) / increase in cash and cash equivalents		**(552,112)**	346,920
Cash and cash equivalents at beginning of the year		**(109,547)**	(456,467)
Cash and cash equivalents at end of the year	27	**(661,659)**	(109,547)

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, 2016

	Issued, subscribed and paid-up capital	Unappropriated profit	Exchange Revaluation Reserve	Total
	(Rupees in thousand)			
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 loss 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**
Final dividend for the year ended June 30, 2015 @ Rs 10.00 per share	-	**(1,036,069)**	-	**(1,036,069)**
Total comprehensive income for the year ended June 30, 2016				
- Profit for the year ended June 30, 2016	-	**797,190**	-	**797,190**
- Other comprehensive loss for the year ended June 30, 2016	-	**(10,723)**	**1,910**	**(8,813)**
	-	**786,467**	**1,910**	**788,377**
Balance as at June 30, 2016	**518,034**	**2,022,873**	**2,849**	**2,543,756**

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 Pakistan Stock Exchange. 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.

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.

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:

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 12.1 and 24

(ii) Retirement benefits obligations - note 13

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2015 and are considered to be relevant to the Group's operations.

IFRS 10, 'Consolidated financial statements' replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation - special purpose entities'. IAS 27 is renamed 'Separate financial statements', 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 presently does not impact financial statements of the group.

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. There are no changes to disclosures on application of the standard on the Group's financial statements.

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. There are no changes to disclosures on application of the standard on the Group's financial statements.

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 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. There are no changes to disclosures on application of the standard on the Group's financial statements.

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

Except as stated above, the new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 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

IAS 1, 'Presentation of financial statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation.

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

- Notes – confirmation that the notes do not need to be presented in a particular order.

- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

The change will impact the disclosures of the Group's financial statements.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated 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, 2016.

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.

3. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	(Rupees in thousand)	
Operating assets - note 3.1	**1,227,091**	1,210,842
Capital work in progress - at cost - note 3.2	**770,019**	307,593
	1,997,110	1,518,435

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, 2016									
Opening net book value (NBV)	**210,497**	**343,910**	**536,435**	**22,629**	**19,929**	**48,601**	**10,671**	**18,170**	**1,210,842**
Additions (at cost) - note - 3.1.1	**19**	**32,462**	**131,957**	**2,610**	**15,885**	**20,921**	**3,556**	**14,248**	**221,658**
Disposals (at NBV)	**-**	**-**	**-**	**-**	**-**	**(749)**	**-**	**(11,081)**	**(11,830)**
Depreciation charge	**(4,168)**	**(27,953)**	**(109,417)**	**(7,245)**	**(5,938)**	**(29,601)**	**(2,120)**	**(7,139)**	**(193,581)**
Net exchange difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
Closing net book value	**206,348**	**348,419**	**558,975**	**17,994**	**29,876**	**39,174**	**12,107**	**14,198**	**1,227,091**
Gross carrying value basis									
At June 30, 2016									
Cost	**230,606**	**555,694**	**1,124,754**	**63,135**	**70,727**	**147,220**	**25,529**	**61,137**	**2,278,802**
Accumulated depreciation	**(24,258)**	**(207,275)**	**(565,779)**	**(45,141)**	**(40,851)**	**(108,046)**	**(13,422)**	**(46,939)**	**(1,051,711)**
Net book value	**206,348**	**348,419**	**558,975**	**17,994**	**29,876**	**39,174**	**12,107**	**14,198**	**1,227,091**
Net carrying value basis									
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
Gross carrying value basis									
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
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	10	5	

3.1.1 This includes Rs. 64.85 million (2015: Rs. 102.2 million) transferred from capital work in progress.

	2016	2015
	(Rupees in thousand)	
3.2 Capital work in progress		
These comprise of:		
Civil work in progress	**391,176**	93,856
Plant and machinery	**272,273**	145,084
Office equipment	**25,146**	1,697
Advance against acquisition of land	**81,424**	66,956
	770,019	307,593

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						
"	1,699	85	1,614	1,554	Company Policy	Mr. Farhan Latif - Executive
"	1,353	23	1,330	1,533	"	Mr. Ashraf Ali - Executive
"	1,188	79	1,109	1,125	"	Mr. SM Umair - Executive
"	1,124	37	1,087	960	"	Mr. Sarwar-e-Azam - Executive
"	1,168	97	1,071	1,200	"	Mr. Khurram Riaz Merchant - Executive
"	1,080	18	1,062	1,153	"	Mr. Rafiq Islam - Executive
"	969	16	953	1,136	"	Mr. Idrees - Executive
"	984	33	951	1,268	"	Mr. Adnan Malik - Executive
"	1,608	1,045	563	854	"	Mr. Syed Waqar Haider Rizvi - Executive
"	416	7	409	593	"	Mr. Wasi Haider - Executive
"	217	4	213	396	"	Mr. Adeel Noor - Executive
"	150	5	145	286	"	Mr. Ali Kazmi - Executive
"	87	1	86	415	"	Mr. Mumtaz Khaleel - Executive
"	70	9	61	60	"	Mr. Kamran Ahmed - Executive
"	61	5	56	58	"	Mr. Shakeel Abbas - Executive
"	64	8	56	60	"	Mr. Shaikh Muhammad Imran - Executive
"	64	13	51	58	"	Mr. Ghulam Abbas - Executive
Total	**12,302**	**1,485**	**10,817**	**12,709**		

	2016	2015
	(Rupees in thousand)	
4. INTANGIBLES		
Computer softwares and ERP System - note 4.1	**56,223**	39,089
Systems under development	**5,072**	-
	61,295	39,089
4.1 Computer softwares and ERP System		
Net carrying value basis		
Opening net book value	**39,089**	34,962
Additions (at cost)	**41,886**	23,906
Amortisation for the year	**(24,752)**	(19,779)
Closing net book value	**56,223**	39,089
Gross carrying value basis		
Cost	**170,752**	128,972
Accumulated amortisation	**(114,529)**	(89,883)
Net book value	**56,223**	39,089

	2016	2015
	(Rupees in thousand)	
5. STOCK IN TRADE		
Raw materials (including in transit Rs. 193.83 million; 2015: Rs. 25.05 million)	**1,450,684**	931,433
Provision for obsolescence	**(21,489)**	(7,557)
	1,429,195	923,876
Packing materials (including in transit Rs. 5.06 million; 2015: Rs. Nil)	**364,939**	270,888
Provision for obsolescence	**(50,161)**	(37,495)
	314,778	233,393
Work in process	**973,140**	824,179
Provision for obsolescence	**(9,360)**	(6,329)
	963,780	817,850
Finished goods	**586,121**	308,229
Provision for obsolescence	**(13,284)**	(13,712)
	572,837	294,517
	3,280,590	2,269,636

5.1 Stock in trade includes Rs. 1.94 billion (2015: Rs. 1.21 billion) held with third parties.

5.2 The above balances include items costing Rs. 59.75 million (2015: Rs. 30.64 million) valued at net realisable value of Rs. 51.74 million (2015: Rs. 26.27 million).

5.3 The Group has made a provision of Rs. 67.58 million for obsolescence (2015: Rs. 29.21 million) and has written off stocks against the provision amounting to Rs. 38.38 million (2015: Rs. 13.25 million) during the year.

	2016	2015
	(Rupees in thousand)	
6. TRADE DEBTS		
Considered good - unsecured		
Related parties - note 6.2	**117,480**	115,633
Others		
- local	**435,434**	473,428
- foreign	**380,360**	483,050
	933,274	1,072,111
Considered doubtful	**6,093**	7,600
	939,367	1,079,711
Less: Provision for doubtful trade debts	**(6,093)**	(7,600)
	933,274	1,072,111

6.1 As at June 30, 2016, trade debts of Rs. 448.15 million (2015: Rs. 426.27 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:

	2016	2015
	(Rupees in thousand)	
Up to 3 months	**374,959**	349,118
3 to 6 months	**46,373**	38,221
More than 6 months	**26,823**	38,926
	448,155	426,265

	2016	2015
	(Rupees in thousand)	
6.2 Receivable from related parties		
Premier Distributor	**52,234**	59,587
Premier Agency	**65,246**	56,046
	117,480	115,633

As at June 30, 2016, trade debts of Rs. 50.3 million (2015: Rs. 0.42 million) from related parties were past due but not impaired. The age analysis of these trade debts is as follows:

	2016	2015
	(Rupees in thousand)	
Up to 3 months	**39,056**	-
3 to 6 months	**5,725**	-
More than 6 months	**5,554**	421
	50,335	421

	2016	2015
	(Rupees in thousand)	
7. ADVANCES		
Considered good		
Employees - against expenses	**3,311**	1,079
Suppliers	**135,617**	49,572
	138,928	50,651
Considered doubtful		
Suppliers	**3,413**	3,413
	142,341	54,064
Less: Provision for doubtful advances to suppliers	**(3,413)**	(3,413)
	138,928	50,651

7.1 These advances do not carry any mark up arrangement.

	2016	2015
	(Rupees in thousand)	
8. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	**13,281**	13,260
Prepayments	**25,589**	17,257
	38,870	30,517
Considered doubtful		
Deposits	**1,553**	1,553
	40,423	32,070
Less: Provision for doubtful deposits	**(1,553)**	(1,553)
	38,870	30,517

8.1 These trade deposits and prepayments are mainly against rent, insurance and utilities. These do not carry any mark up arrangement.

	2016	2015
	(Rupees in thousand)	
9. OTHER RECEIVABLES		
Workers' Profits Participation Fund - note 9.1	**1,432**	-
Due from related parties		
- Associated Textile Consultants (Private) Limited	**905**	848
- Director	**187**	108
Others	**2,547**	10,061
	5,071	11,017
9.1 Workers' Profits Participation Fund		
(Payable) / receivable as at July 1	**(12,197)**	1,236
Allocation for the year	**(58,577)**	(76,859)
	(70,774)	(75,623)
Interest on funds utilised in Group's business - note 23	**(10,955)**	-
Amount paid during the year	**83,161**	63,426
Receivable / (payable) as at June 30	**1,432**	(12,197)

	2016	2015
	(Rupees in thousand)	
10. CASH AND BANK BALANCES		
Cash in hand	**1,394**	1,285
Cash at bank - current accounts - note 10.1		
- local currency	**3,296**	46,911
- foreign currency	**244,977**	126,351
	248,273	173,262
	249,667	174,547

10.1 This includes current account maintained with Islamic Bank having balance of Rs. 1.33 million (2015: Rs. 1.04 million).

11. SHARE CAPITAL

Authorised share capital

2016	2015		2016	2015
Number of Shares			(Rupees in thousand)	
150,000,000	150,000,000	Ordinary shares of Rs. 5 (2015: Rs. 5) each	**750,000**	750,000

Issued, subscribed and paid-up capital
Ordinary shares of Rs. 5 (2015: Rs. 5) each

2016	2015		2016	2015
Number of Shares			(Rupees in thousand)	
		Shares allotted:		
2,511,980	2,511,980	for consideration paid in cash	**12,560**	12,560
101,094,878	101,094,878	as bonus shares	**505,474**	505,474
103,606,858	103,606,858		**518,034**	518,034

11.1 Movement in issued, subscribed and paid-up capital

Ordinary shares of Rs. 5 (2015: Rs. 5) each

2016	2015		2016	2015
Number of Shares			(Rupees in thousand)	
103,606,858	51,803,429	Opening shares outstanding	**518,034**	518,034
-	51,803,429	Share Split	**-**	-
103,606,858	103,606,858		**518,034**	518,034

	2016	2015
	(Rupees in thousand)	
12. DEFERRED TAXATION		
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	**108,635**	115,350
Provision for stock obsolescence	**(26,552)**	(17,372)
Provision for doubtful trade debts	**1,652**	(2,028)
Provision for retirement benefits obligations	**(2,801)**	(2,536)
	80,934	93,414

12.1 Deferred tax liability is restricted to 90.37% (2015: 88.96%) of the total deferred tax liability based on the following assumptions:

- Export sales will continue to fall under Final Tax Regime.
- Historical trend of export and local sales ratio will continue to be approximately the same in foreseeable future.

13. RETIREMENT BENEFITS OBLIGATIONS

	2016	2015
	(Rupees in thousand)	
Pension Plan	**11,764**	17,214
Pensioners' Medical Plan	**1,870**	2,281
	13,634	19,495

13.1 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, 2016.

13.2 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.

13.3 The latest actuarial valuation of the Fund as at June 30, 2016 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	
	2016	2015	2016	2015
	(Rupees in thousand)		(Rupees in thousand)	
13.4 Balance Sheet Reconciliation				
Present value of defined benefit obligations	**106,503**	96,324	**16,932**	9,347
Fair value of plan assets	**(94,739)**	(79,110)	**(15,062)**	(7,066)
Recognised liability	**11,764**	17,214	**1,870**	2,281
13.5 Movement in the net liability recognised in the balance sheet				
Opening balance	**17,214**	27,334	**2,281**	2,401
Remeasurements recognised in Other Comprehensive Income	**7,206**	36,137	**7,506**	5,011
Charge / (income) for the year	**4,558**	9,063	**(1,255)**	931
Contribution made	**(17,214)**	(55,320)	**(6,662)**	(6,062)
Closing balance	**11,764**	17,214	**1,870**	2,281
13.6 Remeasurements recognised in other comprehensive income				
Acturial loss on defined benefit obligation	**2,045**	35,018	**10,781**	4,899
Acturial loss / (gain) on plan assets	**5,161**	1,119	**(3,275)**	112
	7,206	36,137	**7,506**	5,011
13.7 Expense recognised in Profit and loss account				
Current service cost	**2,839**	2,063	**194**	164
Net interest cost / (income)	**1,719**	7,000	**(1,449)**	767
	4,558	9,063	**(1,255)**	931

	Pension Plan		Pensioners' Medical Plan	
	2016	2015	2016	2015
	(Rupees in thousand)		(Rupees in thousand)	
13.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	**96,324**	53,202	**9,347**	4,672
Current service cost	**2,839**	2,063	**194**	164
Interest cost	**10,004**	10,750	**991**	1,135
Benefits paid	**(4,709)**	(4,709)	**(4,381)**	(1,523)
Acturial loss	**2,045**	35,018	**10,781**	4,899
Obligation as at June 30	**106,503**	96,324	**16,932**	9,347
13.9 Movement in the fair value of plan assets				
Plan Assets as at July 1	**79,110**	25,868	**7,066**	2,271
Expected return on plan assets	**8,285**	3,750	**2,440**	368
Contribution made	**17,214**	55,320	**6,662**	6,062
Benefits paid	**(4,709)**	(4,709)	**(4,381)**	(1,523)
Acturial (loss) / gain	**(5,161)**	(1,119)	**(3,275)**	(112)
Plan Assets as at June 30	**94,739**	79,110	**15,062**	7,066

13.10 Plan assets comprise of the following:

	2016	2015
	(Rupees in thousand)	
Defence Savings Certificates	**101,115**	26,514
Cash at bank	**1,241**	59,662
Investment in mutual fund	**7,445**	-
	109,801	86,176

13.11 Principal actuarial assumptions

	2016	2015
	(Percent Per Annum)	
Expected rate of increase in salaries	**9.00%**	10.50%
Expected rate of increase in pension	**4.00%**	5.50%
Expected rate of increase in medical benefits	**9.00%**	10.50%
Discount factor used	**9.00%**	10.50%

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

13.13 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 2016 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.

13.14 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, 2017 works out to be Rs. 4.23 million and Rs. 0.51 million 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, 2016.

13.15 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%	107,404	143,343
Future salary increases	1.00%	113,531	100,044
Future pension increases	1.00%	116,299	97,981
Medical cost increases	1.00%	19,394	14,928

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.

13.16 Comparison for five years:

	2016	2015	2014	2013	2012
	(Rupees in thousand)				
Fair value of plan assets	**109,801**	86,176	28,139	23,352	17,135
Present value of defined benefit obligation	**(123,435)**	(105,671)	(57,874)	(47,281)	(29,265)
Deficit	**(13,634)**	(19,495)	(29,735)	(23,929)	(12,130)
Experience adjustments					
(Loss) / gain on plan assets (as a percentage of plan assets)	**(1.72)**	(1.43)	(1.92)	2.17	(0.97)
Loss / (gain) on obligation (as a percentage of plan obligations)	**10.39**	37.77	8.50	28.49	1.14

13.17 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.

13.18 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 14.40 and 13.26 years respectively.

13.19 Expected maturity analysis of undiscounted retirement benefit payments.

	Less than a year	Between 1-2 year	Between 2-5 year	Between 5-10 year	Total
	(Rupees in thousand)				
Retirement benefit plans	5,998	6,124	12,644	41,805	66,571

13.20 During the year, the Group contributed Rs. 34.31 million (2015: Rs. 26.98 million) to the provident fund.

	2016	2015
	(Rupees in thousand)	
14. TRADE AND OTHER PAYABLES		
Creditors	**204,304**	455,306
Accrued liabilities	**1,566,778**	968,549
Workers' Profits Participation Fund - note 9.1	**-**	12,197
Workers' Welfare Fund	**46,522**	26,162
Advances from customers	**113,786**	107,785
Payable to provident fund	**8,298**	4,279
Tax deducted at source	**47,938**	23,890
Due to related parties - directors	**87**	14
Advances from employees against sale of vehicles	**68,140**	59,552
Unclaimed dividend	**9,710**	5,480
Other liabilities	**2,024**	15,796
	2,067,587	1,679,010

	2016	2015
	(Rupees in thousand)	
15. SHORT TERM BORROWINGS		
Running finance under mark up arrangements	**911,326**	284,094
Export re-finance	**400,000**	100,000
	1,311,326	384,094

15.1 This includes running finance balance maintained with Islamic Bank having balance of Rs. 287.37 million (2015: Nil).

15.2 The facilities available from various banks amount to Rs. 2.93 billion (2015: Rs. 3.44 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 2016 and 2017.

15.3 The rates of mark up range from one month KIBOR plus 0.05% to six months KIBOR plus 0.2% per annum (2015: one month KIBOR plus 0.2% to six months KIBOR plus 0.9% per annum).

15.4 The facilities for opening letters of credit amount to Rs. 1.19 billion (2015: Rs. 1.35 billion) and for letters of guarantee amount to Rs. 243.3 million (2015: Rs. 141 million) as at June 30, 2016 of which the amount remaining unutilised at year end were Rs. 1.07 billion (2015: Rs. 1.21 billion) and Rs. 76.75 million (2015: Rs. 74.78 million) respectively.

16. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2016 amount to Rs. 404.46 million (2015: Rs. 188.60 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% (2015: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at June 30, 2016 amount to:

	2016	2015
	(Rupees in thousand)	
Not later than one year	**55,332**	53,984
Over one year to five years	**80,769**	71,322
	136,101	125,306

	2016	2015
	(Rupees in thousand)	
17. SALES		
Manufactured goods		
Gross sales		
Local sales	**17,801,422**	15,089,114
Export sales - note 17.1	**1,435,116**	1,269,417
	19,236,538	16,358,531
Sales tax	**(2,380,572)**	(1,956,026)
	16,855,966	14,402,505
Less:		
Discount, rebates and allowances	**2,999,176**	2,535,978
Sales return	**287,440**	173,741
	3,286,616	2,709,719
	13,569,350	11,692,786

	2016	2015
	(Rupees in thousand)	
17.1 Export sales comprise of sales made in the following regions:		
USA / Canada	**592,036**	391,356
Africa	**5,956**	30,162
Middle East Asia	**614,223**	113,580
Others	**222,901**	734,319
	1,435,116	1,269,417

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

	2016	2015
	(Rupees in thousand)	
18. COST OF SALES		
Raw material consumed	**5,610,836**	4,608,449
Packing material consumed	**2,371,443**	2,012,418
Stores and spares consumed	**63,654**	61,054
Brine and cutting charges	**41,084**	42,978
Salaries, wages and other benefits	**738,333**	438,333
Contribution to provident fund	**11,797**	9,569
Depreciation / amortisation	**145,411**	131,544
Ujrah payments	**14,525**	9,914
Fuel and power	**188,140**	167,559
Insurance	**21,863**	18,904
Laboratory, research and development	**6,330**	5,953
Postage and communications	**6,186**	6,523
Printing and stationery	**1,008**	821
Rent, rates and taxes	**125,821**	89,184
Travelling	**74,862**	71,317
Repairs and maintenance	**35,262**	36,984
Security charges	**21,087**	13,139
Inventory destruction charges	**17,007**	-
Others	**3,366**	4,984
	9,498,015	7,729,627
Opening work in process	**817,850**	592,587
Closing work in process	**(963,780)**	(817,850)
Cost of goods manufactured	**9,352,085**	7,504,364
Opening stock of finished goods	**294,517**	348,939
Closing stock of finished goods	**(572,837)**	(294,517)
	9,073,765	7,558,786

	2016	2015
	(Rupees in thousand)	
19. DISTRIBUTION COSTS		
Salaries, wages and other benefits	**441,976**	348,460
Advertising and sales promotion	**1,192,937**	1,000,062
Commission expense	**38,242**	28,865
Outward freight and handling charges	**582,438**	465,982
Contribution to provident fund	**14,235**	10,024
Depreciation / amortisation	**20,909**	19,222
Ujrah payments	**20,925**	15,303
Fuel and power	**5,724**	6,423
Forwarding charges	**21,896**	19,187
Insurance	**14,231**	14,361
Laboratory, research and development	**4,168**	1,246
Legal and professional charges	**66,442**	33,743
Postage and communications	**9,660**	5,965
Printing and stationery	**4,003**	4,580
Rent, rates and taxes	**80,915**	59,712
Travelling	**121,340**	105,230
Repairs and maintenance	**10,011**	11,276
(Reversal) / provision for doubtful debts	**(1,507)**	5,632
Sales conference expenses	**26,520**	-
Security charges	**2,534**	2,117
Advance written off	**3,033**	-
Others	**1,999**	3,264
	2,682,631	2,160,654

	2016	2015
	(Rupees in thousand)	
20. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 20.1	**237,379**	226,074
Contribution to provident fund	**8,287**	7,383
Depreciation / amortisation	**52,013**	44,337
Ujrah payments	**19,288**	14,360
Fuel and power	**7,193**	3,647
Insurance	**5,988**	5,392
Legal and professional charges	**32,589**	28,530
Postage and communications	**25,746**	16,572
Printing and stationery	**4,815**	3,160
Rent, rates and taxes	**24,939**	14,002
Travelling	**34,721**	34,913
Repairs and maintenance	**49,245**	47,050
Security charges	**5,000**	3,074
Others	**14,618**	23,540
	521,821	472,034

20.1 Salaries, wages and other benefits include Rs. 3.33 million (2015: Rs. 9.99 million) in respect of charge for retirement benefit plans.

	2016	2015
	(Rupees in thousand)	
21. OTHER EXPENSES		
Workers' Profits Participation Fund	**58,577**	76,859
Workers' Welfare Fund	**20,360**	26,162
Auditors' remuneration - note 21.1	**9,778**	8,911
Donations	**10,502**	10,374
	99,217	122,306
21.1 Auditors' remuneration		
Audit fee	**3,036**	3,087
Limited review, special reports and other certifications	**1,924**	4,469
Taxation services	**4,509**	1,171
Out of pocket expenses	**309**	184
	9,778	8,911

	2016	2015
	(Rupees in thousand)	
22. OTHER INCOME		
Income from financial assets		
Exchange gain - net	**-**	13,336
Gain on sale of open ended mutual fund units - note 22.1	**6,803**	34,006
Gain on remeasurement of fair value of open ended mutual fund units	**-**	221
Dividend income on open ended mutual fund units	**-**	390
Return on savings accounts - note 22.2	**3,391**	7,457
Return on late payments by trade debtors	**1,134**	1,136
Gain on sale of treasury bills	**921**	-
Income from other than financial assets		
Profit on disposal of property, plant and equipment	**9,937**	15,861
Others		
Liabilities no longer required written back	**-**	18,324
Others	**10,508**	8,778
	32,694	99,509

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22.1 These amounts represents gain from mutual funds that as per their offering documents are not specifically categorised as Islamic mutual funds.

22.2 This represents profit earned on bank balances maintained under conventional banking system, except for Rs. 1.03 million (2015: Nil) earned from deposits with Islamic bank.

	2016	2015
	(Rupees in thousand)	
23. FINANCE COSTS		
Mark up on running finance under mark up arrangements - note - 23.1	**7,402**	6,815
Mark up on Istisna facility	**9,924**	-
Mark up on export re-finance	**10,238**	8,836
Interest on Workers' Profits Participation Fund	**10,955**	-
Mark up on short term loans - note 23.2	**10,315**	6,795
Exchange loss - note 23.3	**8,046**	-
Bank charges	**32,263**	22,223
	89,143	44,669

23.1 This represents running finance balance maintained with Conventional Banks.

23.2 This represents markup on short term loans obtained from Islamic Banks.

23.3 This represents exchange loss arising from actual currency fluctuation and not from derivative financial instrument.

	2016	2015
	(Rupees in thousand)	
24. TAXATION		
Current		
- for the year - note 24.1	**346,768**	455,923
- for prior year	**-**	(6,709)
	346,768	49,214
Deferred	**(8,491)**	(10,524)
	338,277	438,690

24.1 This includes super tax of Rs. 31.09 million (2015: Rs. 39.43 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 through Finance Act, 2016 and 2015.

	2016	2015
	(Rupees in thousand)	
24 .2 Reconciliation between tax expense and accounting profit:		
Profit before taxation	**1,135,467**	1,433,846
Tax at applicable rate of 32% (2015: 33%)	**363,349**	473,169
Tax effect of permanent differences	**13,755**	3,932
Tax effect of final tax regime	**(48,158)**	(47,239)
Effect of exempt income	**(7,524)**	(7,574)
Effect of prior year tax	**-**	(6,709)
Change in tax rate	**-**	(16,417)
Super Tax	**31,097**	39,431
Effect of tax credits	**(15,140)**	(10,885)
Others	**898**	10,982
	338,277	438,690

25. EARNINGS PER SHARE

	2016	2015
	(Rupees in thousand)	
Profit after taxation attributable to ordinary shareholders	**797,190**	995,156
Weighted average number of shares in issue during the year (in thousand)	**103,607**	103,607
Earnings per share - Basic and diluted (Rupees)	**7.69**	9.61

25.1 A diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at June 30, 2016 and 2015 which would have any effect on the earnings per share if the option to convert is exercised.

26. CASH GENERATED FROM OPERATIONS

	2016	2015
	(Rupees in thousand)	
Profit before taxation	**1,135,467**	1,433,846
Adjustments for non-cash charges and other items		
Depreciation	**193,581**	175,324
Amortisation	**24,752**	19,779
Profit on disposal of property, plant and equipment	**(9,937)**	(15,861)
Property, plant and equipment written off	**-**	61
Unrealised foreign exchange loss	**1,910**	2,068
Gain on sale of open ended mutual fund units	**(6,803)**	(34,006)
Gain on remeasurement of fair value of open ended mutual fund units	**-**	(221)
Gain on sale of treasury bills	**(921)**	-
Finance costs	**89,143**	44,669
Retirement benefits expense	**3,303**	9,994
	295,028	201,807
Profit before working capital changes	**1,430,495**	1,635,653
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	**(708)**	(363)
Stock in trade	**(1,010,954)**	(39,251)
Trade debts	**138,837**	(271,755)
Advances	**(88,277)**	3,480
Trade deposits and prepayments	**(8,353)**	(11,681)
Other receivables	**5,946**	73
	(963,509)	(319,497)
Increase / (decrease) in current liabilities		
Trade and other payables	**384,347**	340,715
Sales tax payable	**(47,897)**	17,022
	336,450	357,737
	803,436	1,673,893

	2016	2015
	(Rupees in thousand)	
27. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**249,667**	174,547
Short term borrowings	**(911,326)**	(284,094)
	(661,659)	(109,547)

28. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2016	2015	2016	2015	2016	2015
	(Rupees in thousand)					
Managerial remuneration and allowances	**15,794**	13,234	**-**	-	**214,510**	163,063
Technical advisory fee	**-**	-	**8,400**	9,660	**-**	-
Utilities	**1,579**	1,327	**793**	497	**20,857**	15,701
Bonus / variable pay	**18,770**	2,206	**-**	-	**37,624**	26,604
Housing	**7,107**	5,955	**-**	-	**93,854**	70,955
Retirement benefits	**1,579**	7,709	**5,194**	5,554	**19,121**	15,288
Other expenses	**3,349**	3,651	**-**	-	**98,637**	67,673
	48,178	34,082	**14,387**	15,711	**484,603**	359,284
Number of person	**1**	1	**2**	2	**162**	119

28.2 In addition to the above, fee paid to 6 (2015: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 1,750,000 (2015: Rs. 1,112,500).

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

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29. RELATED PARTY DISCLOSURES

Disclosure of transactions between the Group and related parties:

Relationship with the Group	Nature of transaction	2016	2015
		(Rupees in thousand)	
Associated Companies / Undertakings:	Sale of goods	**1,473,634**	1,151,664
	Rent charges paid / payable	**8,431**	8,225
	Commission expense	**38,242**	28,865
Staff retirement funds:	Expense charged for defined contribution plan	**34,319**	26,976
	Payments to retirement contribution plan	**91,986**	51,214
	Contribution to defined benefit plans	**23,876**	61,382
Directors:	Technical advisory services	**8,400**	9,660
Key management personnel compensation:			
- Salaries and other short-term employee benefits		**177,889**	169,662
- Retirement benefits		**10,378**	17,055

The related party status of outstanding balances as at June 30, 2016 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.

	2016	2015
	Actual production Metric Tons	
30. PLANT CAPACITY AND PRODUCTION		
Actual production of plants	**90,176**	87,275

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

	(Un-audited)	(Audited)
	2016	2015
	(Rupees in thousand)	
31. PROVIDENT FUND RELATED DISCLOSURES		
Size of the fund - Total assets	**446,000**	376,219
Fair value of investments	**250,650**	211,222
Percentage of investments made	**56%**	56%

31.1 The cost of above investments amounted to Rs. 176.32 million (2015: Rs. 144.42 million).

31.2 The break-up of fair value of investments is:

	(Un-audited) 2016	(Audited) 2015	(Un-audited) 2016	(Audited) 2015
	Percentage		(Rupees in thousand)	
National savings scheme	**91%**	90%	**229,361**	189,345
Bank deposits	**3%**	4%	**6,977**	8,331
Unit trust schemes	**6%**	6%	**14,312**	13,546
	100%	100%	**250,650**	211,222

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

	2016	2015
32. NUMBER OF EMPLOYEES		
Number of employees at June 30		
- Permanent	**663**	664
- Contractual	**8**	18
Average number of employees during the year		
- Permanent	**659**	614
- Contractual	**10**	21

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Financial risk factors

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

33.2 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	-	-	-	933,274	-	933,274	933,274
Trade deposits	-	-	-	13,281	30,979	44,260	44,260
Other receivables	-	-	-	5,071	-	5,071	5,071
Cash and bank balances	-	-	-	249,667	-	249,667	249,667
June 30, 2016	-	-	-	1,201,293	30,979	1,232,272	1,232,272
June 30, 2015	-	-	-	1,660,180	34,768	1,694,948	1,694,948
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	1,782,903	-	1,782,903	1,782,903
Accrued interest / mark up	-	-	-	8,974	-	8,974	8,974
Short term borrowings	1,311,326	-	1,311,326	-	-	-	1,311,326
June 30, 2016	1,311,326	-	1,311,326	1,791,877	-	1,791,877	3,103,203
June 30, 2015	384,094	-	384,094	1,447,665	-	1,447,665	1,831,759
ON BALANCE SHEET GAP							
June 30, 2016	(1,311,326)	-	(1,311,326)	(590,584)	30,979	(559,605)	(1,870,931)
June 30, 2015	(384,094)	-	(384,094)	212,515	34,768	247,283	(136,811)

OFF BALANCE SHEET ITEMS

Letters of credit	**128,260**
June 30, 2015	135,383
Letters of guarantees	**166,550**
June 30, 2015	66,220

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

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

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. 1.23 billion (2015: Rs. 1.69 billion) the financial assets exposed to the credit risk amounted to Rs. 1.23 billion (2015: Rs. 1.69 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, 2016 trade debts of Rs. 448.15 million (2015: Rs. 426.27 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 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, 2016, net financial assets of Rs. 445.99 million (2015: Rs. 592.54 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2016, if the Pak Rupee had weakened / strengthened by 4% (2015: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 17.83 million (2015: Rs. 23.70 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, 2016, the Group had variable interest bearing financial liabilities of Rs. 1,311.32 million (2015: Rs. 384.09 million), and had the interest rates varied by 100 basis points (2015: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 13.11 million (2015: Rs. 3.84 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, 2016

The sensitivity of 100 basis points (2015: 100 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 (2015: 100 basis points) per annum.

33.3 Capital Risk Management

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

During 2016, the Group's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2016 was as follows:

	2016	2015
	(Rupees in thousand)	
Total Borrowings	**1,320,300**	386,614
Cash and Bank	**(249,667)**	(174,547)
Net Debt	**1,070,633**	212,067
Total Equity	**2,543,756**	2,791,448
Total Capital	**3,614,389**	3,003,515
Gearing Ratio	**30%**	7%

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

33.4 Fair values of financial assets and liabilities

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

34. CORRESPONDING FIGURE

Following reclassification have been made for proper presentation:

Reclassification from component	Reclassification to component	Rupees in thousand
Profit and loss account		
Distribution Cost	Sales	22,854

35. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on August 29, 2016 proposed a cash dividend for the year ended June 30, 2016 of Rs. 2.75 per share amounting to Rs. billion 0.28 (2015: cash dividend of Rs. 10 per share amounting to Rs. 1.04 billion) 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 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.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Group on August 29, 2016.

Chief Executive

Director

Notice of Annual General Meeting

Notice is hereby given that the 45th Annual General Meeting of National Foods Limited will be held on Thursday, October 20, 2016 at Beach Luxury Hotel, Karachi, at 3:00 pm to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 44th Annual General Meeting held on October 21, 2015.

2. To receive, consider and adopt the Audited Financial Statement of the Company for the year ended June 30, 2016 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 55% (Rs. 2.75/- per Ordinary share of Rs. 5/- each) on Ordinary shares, for the year ended June 30, 2016.

4 To appoint External Auditors of the Company for the ensuing year and to fix their remuneration. The retiring auditors, M/s A. F. Ferguson & Co. Chartered Accountants, had indicated their consent to continue as auditors. The Company had also received a notice, under Section 253(1) of the Companies Ordinance, 1984, from one of its shareholders proposing the replacement. The Board of Directors and the Audit Committee, has thus proposed the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants in place of retiring auditors M/s A. F. Ferguson & Co. Chartered Accountants, for the year ending June 30, 2017.

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

By Order of the Board

Karachi
Date: September 28, 2016

Fazal ur Rehman Hajano
Company Secretary

Notice of Annual General Meeting

NOTES:

1. Book Closure

The share transfer books of the Company will remain closed from October 14, 2016 to October 20, 2016 (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, 2016, 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 409, 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. 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.

4. 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.

5. 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.

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

a) Pursuant to the Finance Act, 2016, effective July 01, 2016, 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 20% 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, 2016.

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, 2016; 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 20, 2016.

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, 2016.

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

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

The Annual Report of the Company for the year ended June 30, 2016 has been placed on the Company's website at the given link: http:// http://nfoods.com/investor-relations/financial-report/

8. Transmission of Annual Financial Statements and Notice of Meeting through Email

In terms of SRO No 787(I)/2014 dated September 8, 2014, shareholders can opt to obtain annual balance sheet and profit and loss account, auditor's report and directors report etc. alongwith the notice of Annual General Meeting through email. Members who desire to receive annual financial statements and notice of meeting for the financial year ending June 30, 2017 or onward through e-mail, instead of registered post/courier, are requested to submit their consent alongwith your valid email ID on the FORM available for the purpose on Company's website.

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Glossary

ATL:	Above the Line
APLAC:	Asian Pacific Laboratory Accreditation Cooperation
BTL:	Below the Line
CEO:	Chief Executive Officer
CSR:	Corporate Social Responsibility
DDS:	Door to Door Service
DMCC:	Dubai Multi Commodities Centre
FSSC:	Food Safety System Certification
HACCP:	Hazard Analysis and Critical Control Points
HMA:	Halal Monitoring Authority
HR:	Human Resource
ID:	International Division
ISO:	International Standard Organisation
NFL:	National Foods Limited
PNAC:	Pakistan National Accredation Council
PR:	Purchase Requisition
RDP:	Rural Development Programs
SAP:	System, Applications and Products in data processing
SIP:	Sales Incentive Plan
SKU:	Stock Keeping Units
SnOP:	Sales and Operations Planning
TVC:	Television Commercial
UNICEF:	United Nations International Children's Emergency Fund

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 45th Annual General Meeting of the Company to be held on October 20, 2016 and/or any adjournment thereof.

As witness my/our hands seal this________________day of________________2016.

Signed by________________________________in the

1. Witness	2. Witness
Signature________________	Signature________________
Name: ________________	Name: ________________
Address:________________	Address:________________
CNIC No. _____ - _______ - _	CNIC No. _____ - _______ - _

Signature on Rs. 5/- Revenue Stamp

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

Important:

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

For CDC Account Holders/Corporate Entities:

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

i. The Proxy form shall be witnessed by two persons whose names, address and CNIC Numbers shall be mentioned on the form.

ii. Attested copies of CNIC or Passport of the beneficial owners and proxy shall be furnished with the proxy form.

iii. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

iv. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form.