

National Foods Limited

Annual Report 1998

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Quality Policy

1. OUR CORPORATE MISSION

1. Quality, productivity & competitive position.
2. To be a consumer driven company, to satisfy consumers' needs and expectations better than anyone else.
3. To treat our people with dignity, fairness, and provide opportunities for enhancing their knowledge and skills.
4. To operate with honesty and integrity in everything we do.
5. To achieve excellence in business results, which include increased market share, new products, food safety, cost control and profit growth.

2. OPERATING PRINCIPLES

1. Be innovative and resourceful in achieving continuous improvement in operation and product quality.
2. Set specific goals to improve our speed and productivity on an annual basis.
3. Involvement of all employees in problem solving and solution implementation.
4. Provide training, development and growth opportunities to our employees.
5. Quality is the key to customer satisfaction, to inculcate quality culture throughout the organisation.

Mr. Abdul Majeed
Chairman

Mr. Waqar Hasan
Managing Director

ISO 9001

At National Foods, we selected ISO 9001 as our model for Quality Assurance. ISO 9001 is the most comprehensive quality standard available internationally. It covers all activities in the product cycle from product idea to post-sales consumer behaviour. This rigorous standard introduces modern systems techniques to product design/development, production, installation and servicing.

Research & Development

We aim to build a team of innovators at National Foods in order to conceive and nurture pioneering products for the future.

It is our goal to create products with a difference, combining sensation with science, and Pakistani tastes with Western technology.

Quality Assurance

We aim to maintain international standards of quality in all our products through our TQM (Total Quality Management) system and HACCP (Hazard Analysis Critical Control Points) programme,

Technology

We aim to improve quality, productivity and efficiency

by investing in new technologies and modernising our production facilities. We intend to adopt the newest, most appropriate technologies at National Foods.

Organisational Development

We aim to support our Corporate Growth Plan with a modern, flexible, proactive and responsible organisation, capable of meeting the challenges of the future.

Board of Directors

MR. A. MAJEED	Chairman
MR. WAQAR HASAN	Managing Director/Chief Executive
MR. KHAWAR M. BUTT	Director
MR. ABRAR HASAN	Director
MR. ZAHID MAJEED	Director
MR. M. AFZAL-ULLAH SIDDIQUI	Director (N.I.T. Nominee)
MR. MOHAMMED SHAFI	Director (N.I.T. Nominee)
MR. HABIB A. ISMAIL KHAIRANI	Company Secretary

REGISTERED OFFICE

12/CL-6, Claremont Road, Civil Lines, Karachi-75530.
P.O. Box No. 15509 Tlx: 20191 CATEL PK
Phones: 5662687, 5670540, 5670585, 5670646, 5670793
& 5672268 Fax No. 5684870 & 5671225

AUDITORS

RIAZ AHMAD, SAQIB, GOHAR & COMPANY,
Chartered Accountants,
5-Nasim Co-operative Housing Society Ltd,
Major Nazir Bhatti Road, Off Shahid-e-Millat Road, Karachi.
Phones: 4945427 - 4946112 Fax: 4932629

REGISTRAR

NOBLE COMPUTER SERVICES (PVT.) LIMITED
1st Floor, Al-Manzoor Building,
Dr. Ziauddin Ahmad Road, Karachi.
Phones: 2635511-14

BANKERS

MUSLIM COMMERCIAL BANK LIMITED,
Clifton Corporate Branch, Kulsom Court, Clifton, Karachi.
Phones :5872286-5831835 Fax:5872058

Wahdat Road Branch, Lahore.
Phones: 7235737

BANK AL-HABIB LIMITED
Mackinnons Building, I. I. Chundrigar Road, Karachi.
Phones : 2412986 (10 lines) Fax: 2419752

S.I.T.E. Branch,
Plot # B/76 S.S. Chambers S.I.T.E., Karachi.
Phones: 2571710-11 (92-21) 2571522

CITI BANK NA,
State Life Building No. 1, I. I. Chundrigar Road, Karachi.
Phones: 2412641-50 Fax: 2426773

HABIB BANK LIMITED
Hub River Road Branch, Karachi.
Phone: 2572197

Chairman's Review

MOVING AHEAD

Inspite of the turbulent conditions prevailing around us, National Foods Limited has completed another successful year, There are many bright features;

- a) Gross Sales increased approximately, 27.6%, inspite of decline in export sales.
- b) Pre-tax profit increased by 48.7% which by any standard reflects excellent management of all the resources.
- c) Consumption of material percentage is favourable as compared to the past year which was made possible by continuous process improvement and efficient process control.
- d) Reduction in financial expenses is the result of efficient use of financial resources.

Your company is moving towards its declared objectives rapidly which are:-

1. Imaginative marketing and careful cost control.
2. Introduction of new products in the range of convenience food of Ultra High Quality.
3. Entrance into Global Food Market of processed Food Varieties.
4. Introduction of better Packaging, to face the Environmental Laws in export markets.

My congratulations to the team for getting National Foods Ltd., ISO 9001 CERTIFICATION. Your Company is entering the new year full of confidence and hopefully we will see an upsurge in Export during the current year. We are also hoping to see value chain systems in place throughout our processes including procurement and storage.

Congratulation again to the young team for continuous progress.

A. MAJEED
Chairman

Chief Executive's Annual Report to the Shareholders for the year

It gives me great pleasure once again to present before you the annual performance of your company for the year 1997-98.

PERFORMANCE

The company has ended the year with a total Sales figure of Rs. 628,932,228, with a growth of 27.6 % over last year's Gross Sales. These Sales were achieved through a Local Growth of 35.4 % and a disappointing decline of 7.94 % in Exports.

The decline in Exports was caused mainly in the Saudi Arabian market. The reason was expulsion of large number of illegal immigrants in a clean up exercise. As the large number of immigrants were Ethnic based, this resulted in a temporary setback in exports due to a somewhat recessionary phase in that market.

QUALITY MANAGEMENT

For the past couple of years, the company is seeing stagnant or negative growth in the Export markets. This has made us realize that we have to strengthen our Export Marketing Infrastructure and develop products that are geared towards the Mainstream Markets.

With this mission in front of us, the company embarked on a challenge in February 1998 to certify its quality through international standards as set forth through ISO 9000. The discipline selected was ISO 9001 as it certifies our development and process at the same time thus enabling us to market our products with a guaranteed support for the international market.

By the grace of God and the very hard work of our Management, the company was successful in acquiring the certification in only 9 months, thus enabling us to be positioned on a strong platform in all the markets. ISO 9001 has proven to be a strong discipline for our team as it has helped us in streamlining our system so that future growth can be handled easily.

PRODUCT DEVELOPMENT

In our bid to sustain our growth and also to diversify ourselves into a food company, new products are

being launched and developed for the local as well as the export market. A lot of interesting projects are being worked at, this moment.

These products will help in establishing a clear positioning in the local as well as the export market. The products for the Export Market are being designed to meet the challenge of separate markets in terms of taste profiles, quality packaging and quality standards. Hopefully this strategy will boost our Export sales and give us stability for the future. We also hope to contribute heavily to the country's much needed foreign exchange.

OUTLOOK

As against the current financial crisis that the crisis that the country is facing, the outlook for the company on the other hand is quite encouraging. Despite problems of L/C margin's and elevated costs at all domestic levels, the company is working continuously and very hard in terms of reducing expenditure.

Work is being done by Re-engineering a lot of old processes to make them more efficient. This is being brought about by Work, Time and Motion studies by deploying Industrial Engineering principles. A dedicated department for this very purpose has been created and through their recommendations, automation and new work methods are being designed and deployed at the floor level. This should help us in reducing our process wastage as well.

Through all these measures the company hopes to achieve and sustain its present rate of growth and deliver a higher net return in the future for its shareholders.

DIRECTORS

During the yea/under report, the following changes have taken place in the Board of Directors. The following directors were elected un-opposed for three years, in the last Annual General Meeting held on 27th December 1997.

Mr. A. Majeed
Mr. Waqar Hasan
Mr. Khawar M. Butt
Mr. Abrar Hasan
Mr. Zahid Majeed
Mr. Abdul Waheed Mian (Nominee N.I.T.)
Mr. Muhammad Shafi (Nominee N.I.T.)
Mr. Waqar Hasan was re-appointed as Chief Executive for three years.

Mr. Muhammad Afzalullah Siddiqui, was appointed as nominee of National Investment Trust Limited in place of Mr. Abdul Waheed Mian. The Board wishes to place on records its appreciation of the valuable services rendered to the company by all the outgoing directors, during their respective tenures.

AUDITORS

The present Auditors Messrs. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, retire, being eligible for re-appointment, have offered themselves, for re-appointment as auditors for the year 1998-1999.

PATTERN OF SHARE HOLDING

The Pattern of Share Holding as referred by Section 236 of Companies Ordinance 1984 is enclosed.

MANAGEMENT

Once again I am delighted by the management's performance. The management team has to be congratulated for its efforts in working as a team to achieve the company's Goals and Objectives; thus fulfilling the Strategic Vision set forth by the company.

I hope the following year will help us in achieving all the Goals set forth and we hope to deliver next year even stronger results.

WAQAR HASAN
Managing Director

Notice of Meeting

Notice is hereby given that the 27th Annual General Meeting of National Foods Limited will be held at the Registered Office situated at 12/CL-6, Claremont Road, Civil Lines Karachi, on Wednesday the 30th December 1998, at 12.30 p.m. to transact the following business:

1. To read and confirm the minutes of the Last Annual General Meeting held on 27th December

- 1997.
2. To receive, consider and approve the Audited Accounts for the year ended 30th June 1998.
 3. To approve issue of bonus shares @ 15% to such share-holders whose names appear on the members' book on 30th December 1998.
 4. To appoint Auditors for the year 1998-1999 and to fix their remuneration. The present auditors Messrs. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants retire, being eligible, have offered themselves for re-appointment as Auditors.
 5. To transact any other business with the permission of the Chairman.

By order of the Chairman

Karachi: 6th December, 1998

(HABIB A. ISMAIL KHAIRANI)
Company Secretary

NOTES:

1. The share transfer books of the Company will remain closed from 23rd December 1998 to 30th December 1998. (Both days inclusive).
2. All members are entitled to attend and vote at the meeting.
3. A member entitled to attend and vote at the Meeting may appoint a proxy to attend, speak and vote for him/her. A proxy needs to be a member of the Company.
4. In order to be valid, an instrument of proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.
5. Share-holders are requested to notify immediately, any change in their Registered address.

NATIONAL FOODS LIMITED

RATIO ANALYSIS

	1994	1995	1996	1997	1998
LIQUIDITY RATIOS					
Current Ratio	1.24	1.07	1.02	1.01	1.04
Acid Test Ratio	0.60	0.39	0.25	0.28	0.26
GEARING RATIOS					
Debt/Equity Ratio	5.09%	3.92%	5.39%	4.61%	7.91%
interest Cover	3.39	3.33	2.28	2.28	2.94
OPERATING RATIOS					
Return On shareholder's Equity	15.71%	18.74%	13.48%	12.77%	12.54%
Gross Profit Margin	23.41%	20.21%	20.15%	20.21	22.48%
Operating Profit	9.79%	8.59%	6.27%	6.15%	7.70%
Net Profit Margin	3.57%	3.56%	2.31%	2.14%	1.89%
TURNOVER RATIOS					
Asset Turnover	1.91	1.99	2.07	2.31	2.48
Equity Turnover	4.40	5.26	5.83	5.96	6.65
Debtor's Turnover	9.20	11.23	17.75	23.79	27.02
Receivable Days	39.69	32.49	20.56	15.34	13.51
Inventory Turnover	4.94	4.69	3.95	4.16	4.65
Days Inventory	73.81	77.86	92.33	87.82	78.55
OPERATING EXPENSES					
Administrative Expenses	3.99%	3.63%	3.50	3.50	3.38%
Selling Expenses	13.00%	11.15%	11.54%	12.20%	14.37%
Financial Expenses	2.14%	1.85%	2.38	2.08	1.60%

COST OF SALES

Materials	83.62%	84.87%	84.80%	84.94%	83.24%
Direct Labor	4.43%	4.65%	4.93%	4.59%	4.61%
Overheads	11.95%	10.48%	10.27%	10.47%	12.15%
OPERATING EXPENSES (% OF GP)					
Admin.	17.04%	17.95%	17.33%	17.25%	15.05%
Selling	55.55%	55.14%	57.30	60.43	63.96
Financial	9.16%	9.17%	11.74%	10.27%	7.10%
STOCK MARKET RATIOS					
Earnings Per Share	3.18	3.66	2.61	2.58	2.57
Dividend Per Share	2.00	2.00	2.00	1.25	1.50
Dividend Cover	1.59	1.83	1.30	2.06	1.71

**Pattern of Share Holding
as at 30th June, 1998**

**FORM 34
THE COMPANIES ORDINANCE 1984
(SECTION 236)**

Number of Shareholders	Share Holdings		Total Shares Held
	From	To	
1,064	1	100	16,643
278	101	500	63,209
66	501	1,000	47,392
117	1,001	5,000	235,235
9	5,001	10,000	64,135
3	10,001	15,000	38,178
1	15,001	20,000	17,339
3	20.00	25,000	72,646
2	45.00	50,000	91,316
1	60.00	65,000	63,239
1	70.00	75,000	73,243
1	105.00	110,000	106,042
1	110.00	115,000	112,510
1	115,001	120,000	119,053
1	150,001	155,000	152,668
1	165,001	170,000	167,350
1	280,001	285,000	280,759
1	850001	855,000	854,911
1	1,120,001	1,125,000	1,120,252
-----			-----
1,553			3,696,120
=====			=====

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. INDIVIDUALS	1,540	1,495,684	40.467
2. INVESTMENT COMPANIES	1	17,339	0.469
3. INSURANCE COMPANIES	1	152,668	4.130
4. JOINT STOCK COMPANIES	4	855,028	23.133
5. FINANCIAL INSTITUTIONS	1	1,120,252	30.309
6. MODARABA	3	6,139	0.166
7. FOREIGN INVESTORS	-	-	-
8. CO-OPERATIVE SOCIETIES	1	45,132	1.221
9. CHARITABLE TRUSTS	1	3,358	0.091
10. OTHERS	1	520	0.014
-----		-----	-----
	1,553	3,696,120	100.000
=====		=====	=====

Auditors' Report to the Members

We have audited the annexed balance sheet of National Foods Limited as at 30 June, 1998 and the related profit and loss account and the cash flow statement, 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 and after due verification thereof, we report that:

(a) in our opinion, proper books of account 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 account 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, investment 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 and the cash flow statement, together with the notes forming part thereof, 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 30 June 1998 and of the profit for the year then ended; and

(d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

RIAZ AHMAD, SAQIB, GOHAR & CO.
Chartered Accountants

Karachi: 30th November, 1998.

Balance Sheet
as on 30th June 1998

	NOTE	1998 Rupees	1997 Rupees
CAPITAL AND LIABILITIES			
Capital and Reserves			
Authorised Capital 5,000,000 (1997: 5,000,000) ordinary shares of Rs.10/- each		50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid-up capital	2	36,961,200	32,854,400
Capital reserve - share premium		6,102,100	6,102,100
Reserve for Issue of bonus shares		5,544,180	4,106,800
Unappropriated profit		27,161,624	23,201,752
		-----	-----
		75,769,104	66,265,052
Long Term liabilities - Secured			
Liabilities against assets subject to finance lease	3	1,145,116	1,605,027
Deferred Tax		4,850,000	1,450,000
		-----	-----
		5,995,116	3,055,027
Current Liabilities and Provisions			
Current portion of long term liabilities	4	2,079,534	2,041,893
Finances utilized under mark-up arrangements - Secured	5	73,868,439	65,928,944
Creditors, accrued & other liabilities	6	45,069,135	33,430,005

		-----	-----
Contingencies Commitments	7	121,017,108	101,400,842
		-	-
		-----	-----
		202,781,328	170,720,921
		=====	=====
 PROPERTY AND ASSETS			
Fixed Capital Expenditure			
Fixed assets	8	75,127,793	57,816,425
Capital work-in-progress	9	-	7,094,511
		-----	-----
		75,127,793	64,910,936
 Long Term Deposits		925,458	823,496
 Deferred Expenditure	10	900,000	2,800,000
 Current Assets			
Stock-in-trade	11	94,579,968	73,462,638
Trade debts - unsecured - Considered good		18,218,515	19,057,254
Advances, deposits, prepayments, and other receivables	12	12,314,167	8,974,134
Cash and bank balances	13	715,427	692,463
		-----	-----
		125,828,077	102,186,489
		-----	-----
		202,781,328	170,720,921
		=====	=====

N.B. The annexed notes form an integral part of these accounts.
Auditors' report annexed.

WAQAR HASAN
CHIEF EXECUTIVE

KHAWAR M. BUTT
DIRECTOR

Profit and Loss Account
For the year ended 30 June 1998

	NOTE	1998 Rupees	1997 Rupees
Sales	14	503,645,413	395,094,052
Less: Cost of sales	15	390,437,503	315,279,604
		-----	-----
Gross profit		113,207,910	79,814,448
Less: Administrative expenses	16	17,033,811	13,771,521
Selling and distribution expenses	17	72,396,569	48,220,661
Financial expenses	18	8,041,687	8,193,848
Workers' profit participation fund		822,000	481,421
Workers' welfare fund		125,000	325,226
		-----	-----
		98,419,067	70,992,677
		-----	-----
Operating Profit		14,788,843	8,821,771
Add: Other income	19	815,209	1,672,078
		-----	-----
Profit before taxation		15,604,052	10,493,849
Taxation	20	6,100,000	2,030,436
		-----	-----
Profit after taxation		9,504,052	8,463,413
Add: Unappropriated profit brought forward from pervious year		23,201,752	18,845,139

Profit available for appropriation	32,705,804	27,308,552
APPROPRIATION:		
Reserve for Issue of Bonus Share (1997:12.50%).	5,544,180	4,106,800
Unappropriated profit carried forward to balance sheet	32,705,804	23,201,752
	=====	=====

The annexed notes form an integral part of these accounts.

WAQAR HASAN
CHIEF EXECUTIVE

KHAWAR M. BUTT
DIRECTOR

**Statement of Changes in Financial
Position (Cash Flow Statement)
For the year ended 30 June 1998**

	1998 Rupees	1997 Rupees
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before taxation	15,604,052	10,493,849
Adjustments for non cash charges and other items		
Depreciation	10,642,922	7,811,043
Amortisation of deferred expenses	1,900,000	-
Profit on sale of fixed assets	(469,487)	(407,657)
Internal/Adjustment fixed assets	550	-
Financial charges	8,041,687	8,193,848
	-----	-----
	20,115,672	15,597,234
	-----	-----
Operating profit before working capital changes	35,719,724	26,091,083
(Increase)/decrease in current assets		
Stock in trade	(21,117,330)	4,789,074
Trade debts	838,739	(4,902,434)
Advances, deposits, prepayments and other receivables	(2,260,649)	2,060,803
	-----	-----
	(22,539,240)	1,947,443
(Decrease) in current liabilities		
Creditors, accrued and other liabilities	11,898,098	(157,670)
	-----	-----
	25,078,582	27,880,856
Financial charges paid	(8,041,924)	(10,254,526)
Taxes paid	(3,779,384)	(2,557,497)
	-----	-----
	(11,821,308)	(12,812,023)
	-----	-----
Net cash from operating activities	13,257,274	15,068,833
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure	(21,253,219)	(12,980,365)
Sale proceeds of fixed assets	2,600,377	1,260,536
Long term deposits	(101,962)	(104,645)
Finance leased assets	(1,738,000)	(2,743,825)
Deferred expenses	-	(2,800,000)
	-----	-----
Net cash used in Investing activities	(20,492,804)	(17,368,299)
	-----	-----
	(7,235,530)	(2,299,466)

CASH FLOW FROM FINANCING ACTIVITIES:

Repayment of long term loan	(2,160,270)	(484,268)
Dividend paid including fraction of bonus shares	(258,731)	(2,750,783)
Proceed from finance lease	1,738,000	909,199
	-----	-----
Net cash used in financing activities	(681,001)	(2,325,852)
	-----	-----
Net decrease in cash & cash equivalent	(7,916,531)	(4,625,318)
Cash & cash equivalent at the beginning of the year	(65,236,481)	(60,611,163)
	-----	-----
Cash & cash equivalent at the end of the year	(73,153,012)	(65,236,481)
	=====	=====
CASH & CASH EQUIVALENTS:		
Cash & bank balance	715,427	692,463
Finance utilized under mark-up arrangements	(73,868,439)	(65,928,944)
	-----	-----
	(73,153,012)	(65,236,481)
	=====	=====

WAQAR HASAN
CHIEF EXECUTIVE

KHAWAR M. BUTT
DIRECTOR

Notes to the Accounts

For the year ended 30 June, 1998

1. ACCOUNTING POLICIES:**1.1 Accounting Convention:**

These accounts have been prepared on historical cost convention without taking into account the effect of inflation or current cost.

1.2 Taxation:

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax rebates and credits.

The company provides for deferred taxation, if any, using the liability method. However, no provision is made if it is estimated that this would not reverse in the foreseeable future.

1.3 Staff Retirement Benefits:

The company operates a funded gratuity scheme covering all permanent employees and is calculated on the basis of 30 days of the last drawn salary and length of service of the employees. Provision to cover this obligation is made annually.

The company also operates a funded provident fund scheme, covering all permanent employees. Monthly contribution is made at the rate of 5 percent of the pay of employees to the fund.

1.4 Fixed Assets and Depreciation:

All fixed assets except lease hold lands and capital work-in-progress are stated at written down value which is arrived at by deducting accumulated depreciation from cost. Lease hold lands and capital work-in-progress are stated at cost. Cost in relation to certain fixed assets signifies historical cost and cost of borrowing during construction period in respect of loans taken for specific project.

Depreciation is charged on reducing balance method whereby the cost of asset is written off over its expected useful life. Maintenance and normal repairs are charged to income. Major renewals and replacement are capitalised and the assets so replaced, if any, are retired. Full year's depreciation is charged on assets acquired during the year whereas no depreciation is charged on assets deleted. Gains and losses on disposal of assets are included in income currently.

1.5 Assets subject to Finance Lease:

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are amortized over the useful life of the asset on a reducing balance method at the rates given in the relevant note. Amortization of leased assets is charged to current year's income.

1.6 Stock-in-Trade:

Raw materials, work-in-progress and packing materials are valued at average cost whereas finished goods are valued at lower of cost and net realisable value. Appropriate manufacturing overheads are included in the cost of finished goods. Goods-in-transit are stated at cost.

1.7 Foreign Currency Translation:

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. The resulting gains and losses are charged to current year's income.

1.8 Revenue Recognition:

Revenue is recognised on the basis of sales which are recorded at the time of despatch of goods. Returns are booked as and when advised. Goods are sold subject to reservation of title, as is customary in this trade.

	1998 Rupees	1997 Rupees
2. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL:		
1,255,990 (1997: 1,255,990) Ordinary Shares of Rs.10/- each fully paid in cash	12,559,900	12,559,900
2,440,130 (1997: 2,029,450) Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares	24,401,300	20,294,500
	-----	-----
	36,961,200	32,854,400
	=====	=====
3. LIABILITIES AGAINST ASSETS		
SUBJECT TO FINANCE LEASE:		
Present value of minimum lease rental payments	3,224,650	3,646,920
Less: Current portion shown under current liabilities	2,079,534	2,041,893
	-----	-----
	1,145,116	1,605,027
	=====	=====
4. CURRENT PORTION OF LONG TERM LIABILITIES:		
Liabilities against assets subject to finance lease	2,079,534	2,041,893
	=====	=====
5. FINANCES UTILIZED UNDER MARK-UP ARRANGEMENTS - SECURED:		
Muslim Commercial Bank Limited		
Export refinance	5.1	29,550,000
Running finance	5.2	9,387,792
		16,063,424

		38,937,792
		44,323,424
Citibank		
Running finance	5.3 (a)	13,286,154
		-
Bank Al Habib Limited		
Running finance	5.4 (a)	21,644,493
		21,605,520

		73,868,439
		65,928,944
		=====
		=====

	LIMIT Rupees	EXPIRY	RATE OF MARK-UP	SECURITY
5.1	Rs. 30,000,000 (1997: 28,500,000)	31 Dec. 1998	13%per annum on daily product basis.	(i) Banks lien on export L/Cs contract and hypothecation of stock & equitable mortgage of properties and 949,845 shares of National Foods Limited (ii) Collaterally secured against property mentioned in note 5.2 below.
5.2	Rs. 18,000,000 (1997: 17,700,000)	31 Dec. 1998	45 paisa per Rs.1,000 on	(i) Hypothecation of raw, packing materials, finished goods, equitable mortgage of factory premises

5.3 (a) Rs.20,000,000
(1997 - Nil and)
(b) Sub limit = US\$ 200,000

5.4 Rs. 27,000,000
(1997: 22,000,000)

31 Mar.
1999

30 June
1998
on daily
product basis.

daily product
basis.

44 paisa per
Rs.1,000 on daily
product basis.

In between 14%
& 16% per annum

valued at Rs.6.144 million. First charge on fixed
and current assets and Registered charge of Rs. 50
million with Registrar, Joint Stock Companies.

i) Registered hypothecation agreement over stocks
and receivables for Rs.27.00 million.

(i) Registered hypothecation over movables to the
extent of Rs.27.00 million.

(ii) Personal guarantee and securities of the directors
amounting to Rs.27.00 million.

1998
Rupees

1997
Rupees

6. CREDITORS, ACCRUED AND OTHER LIABILITIES:

Creditors		17,140,575	12,772,311
Accrued expenses		6,662,009	3,730,997
Advance from customers		3,784,729	3,247,930
Mark-up accrued on secured loans		-	25,237
Unclaimed dividend		227,298	486,029
Due to associated undertakings		18,409	366,181
Due to directors		44,697	12,884
Due to gratuity trust		3,574,274	7,795,696
Payable to employees provident fund trust		479,446	81,338
Sales tax payable		1,056,322	1,015,651
Workers' welfare fund		450,226	575,891
Workers' profit participation fund	6.1	882,057	536,579
Other liabilities		10,749,093	2,783,281
		-----	-----
		45,069,135	33,430,005
		=====	=====

6.1 Workers Profit Participation Fund;

Opening balance		536,579	604,609
Allocation for the year		822,000	481,421
		-----	-----
		1,358,579	1,086,030
Interest on funds utilized in company's business		60,000	35,000
Less: Payment to beneficiaries		536,522	584,451
		-----	-----
		882,057	536,579
		=====	=====

7. CONTINGENCIES AND COMMITMENTS:

7.1 Company has committed to pay against discounting of export bills amounting to Rs.8,653,325 as on 30-06-98 (1997: Nil).

7.2 Company has issued letter of Guarantees through a Bank in favour of Collector of Customs Karachi, amounting to Rs.2,693,000 as on 30-06-98 (1997: Nil).

7.3 Company has commitment against outstanding letters of Credit established for imports of goods amounting to Rs. 1,089,000 as on 30-06-98 (1997: Nil).

8. FIXED ASSETS

Particulars	COST		As at 30 June 1998	RATE	DEPRECIATION		Written Down value as at 30 June 1998
	As on 1 July 1997	Additions (Deletions) During the			As on 1 July 1997	Charge for the year	

	Year				(Adjustment)	Rupees	Rupees	Rupees
	Rupees	Rupees	Rupees	%	Rupees			
Leasehold Land	1,450,235	-	1,450,235	-	-	-	-	1,450,235
Buildings on Leasehold Land	25,397,365	4,266,585	29,663,950	10	9,834,409 (87)*	1,982,962	11,817,284	17,846,666
Plant, Machinery, Equipment & Generators	33,284,840	8,489,443	41,774,283	10	14,503,555 (1,083)*	2,727,194	17,229,666	24,544,617
Office and other Equipment	13,356,035	4,018,805	17,301,490	15	6,407,873 (58,909) 1,242*	1,642,710	7,992,916	9,308,574
Laboratory Equipment	1,083,816	241,675	1,325,491	10	343,700 16*	98,183	441,899	883,592
Motor Vehicles	10,757,077	9,134,620 (3,208,570)	16,683,127	20	4,798,600 (1,336,721) 354*	2,644,179	6,106,412	10,576,715
Furniture and Fixtures	5,536,793	2,196,602	7,733,395	10	1,724,611 108*	600,877	2,325,596	5,407,799
	90,866,161	28,347,730 (3,281,920)	115,931,971		37,612,748 (1,395,630) 550*	9,696,105	45,913,773	70,018,198
Assets subject to finance lease								
Machinery	3,090,000	-	3,090,000	10	445,350	264,465	709,815	2,380,185
Motor vehicles	2,705,235	1,738,000 (305,750)	4,137,485	20	786,873 (61,150)	682,352	1,408,075	2,729,410
	5,795,235	1,738,000 (305,750)	7,227,485		1,232,223 (61,150)	946,817	2,117,890	5,109,595
Total 1998:	96,661,396	30,085,730 (3,587,670)	123,159,456		38,844,971 (1,456,780) 550	10,642,922	48,031,663	75,127,793
Total 1997:	78,688,103	19,599,918 (1,626,625)	96,661,396		31,807,674 (773,746)	7,811,043	38,844,971	57,816,425

* These represent adjustments made on account of rounding off differences identified after physical stock taking of fixed assets.

8.1 Depreciation has been allocated as follows:

	1998 Rupees	1997 Rupees
Cost of sales	7,860,923	5,246,278
Administrative expenses	1,341,457	1,298,505
Selling and distribution expense	1,440,542	1,266,260
	10,642,922	7,811,043

8.2 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Book Value	Sold for	Profit (Loss)	Mode of Disposal
	Rs.	Rs.	Rs.	Rs.	Rs.	

MOTOR VEHICLES

Honda CD 70 cc
Reg. No. KCI- 2333

Sold to Mr. Mohammad Asif H. No. 24 Liaquat Ashraf Colony No.2 Mehmodabad No. 6, Karachi.	29,500	21,767	7,733	18,616	10,883By Negotiation
Honda CD 70 cc Peg. No. KCS-3189 Sold to Mr. Mohammad Ibrahim B-6, Five Star Arcade Block.14 Gulshan-e-Iqbal, Karachi.	29,900	22,062	7,838	18,869	11,031By Negotiation
Honda CD 70 cc Peg. No. KOS-4836 Sold to Mr. Mudassir Suleman 43/22 Sulman Farsi Society Malir Halt, Karachi.	29,900	22,062	7,838	19,250	11,412Company Scheme
Yamaha 100 cc Peg. No. FDP - 2759 Sold to Mr. Mohammad Matloob A/169, Sharifpura Gojra Distt. T. T. Singh.	32,500	23,980	8,520	20,510	11,990Company Scheme
Suzuki Mehran 800 cc Peg. No. U-3066 Sold to Mr. Manzoor Hussain Flat No.1-SB-31,Block-K North Nazimabad, Karachi.	142,970	105,491	37,479	70,000	32,521By Negotiation
Honda CD 70 cc Peg No. LOQ-1501 Sold to Mr. M. Asif Javid C/o Arshad Javid Rawal Textile Mills Monoo House Montgomery Road Lahore	32,600	21,918	10,682	21,641	10,959Company Scheme
Honda CD 70 cc Peg No. LOQ-9025 Sold to Mr. Syed Mansoor Ahmed H. No. 41, Gala No.4 Blochl0 Peoples Colony, Gujranwala.	34,000	22,859	11,141	24,400	13,259Company Scheme
Toyota Carolla Peg. No T-7946 Sold to Mr. Muhammad Ajmal Oh. Ghulam Nabi Farm Mithan Kot Distt. Rajanpur.	434,000	256,234	177,766	200,000	22,234By Negotiation
TOTAL	765,370	496,373	268,997	393,286	124,289
Suzuki Margalla Reg. No. W-0578 Sold to Mrs. Mumtaz Rahim Flat No. I-614-615 Sultanabad Gulbahar Karachi	370,000	218,448	151,552	170,000	18,448By Negotiation
Honda CD 70 cc Reg. No. STF-9576 Sold to Mr. Mohammad Azam Bund Road Farooqabad, Lahore	39,000	23,026	15,974	28,850	12,876Company Scheme
Honda CD 70 cc Reg. No. KCK-7470 Claim E. F. U. General Insurance Ltd.	45,500	26,863	18,637	48,000	29,363Insurance Claim
Yamaha 100 cc Reg. No. KCK-9362					

Sold to Mr. Abdul Rasheed H. No.2174 Rashidabad Karachi 51.	48,600	23,717	24,883	36,741	11,858	Company Scheme
Honda Civic Ex Reg. No. Z-5742 Sold to Mr. Haroon Rasheed Apartment 504, Hawaia Home Block-2 Clifton, Karachi	675,550	329,668	345,882	460,000	114,118	By Negotiation
Suzuki Mehran Reg. No. Z-8761 Sold to Mr. Kamran Rasheed 7/11, 7 Green House Khatir Jinnah Colony, Karachi	244,750	119,438	125,312	140,000	14,688	By Negotiation
Honda CD 70 cc Reg. No. HDL - 4960 Sold to Mr. Pervez Khan Qtr. No.323/B Ayoob Colony Latifabad No.11, Hyderabad	46,000	22,448	23,552	36,000	12,448	Company Scheme
Honda CD 70 cc Reg. No. KCV- 7882 Claim E. F. U. General Insurance Ltd.	56,000	20,160	35,840	53,000	17,160	Insurance Claim
TOTAL	1,525,400	783,768	741,632	972,591	230,959	
Honda CD 70 cc Reg. No. PRR - 764 Claim E. F. U. General Insurance Ltd.	55,500	19,980	35,520	56,000	20,480	Insurance Claim
Yamaha YB 100 cc Reg. No. KCV - 9254 Claim E. F. U. General Insurance Ltd.	59,000	11,800	47,200	59,000	11,800	Insurance Claim
Yamaha YB 100 cc Reg. No. KCC-1310 Claim E. F. U. General Insurance Ltd	59,000	11,800	47,200	57,500	10,300	Insurance Claim
Yamaha YB 100 cc Reg. No. KCC-4133 Claim E. F. U. General Insurance Ltd.	65,000	13,000	52,000	60,000	8,000	Insurance Claim
Honda CD 70 cc Reg. No. KCC-8824 Claim E. F. U. General Insurance Ltd.	57,300	-	57,300	58,000	700	Insurance Claim
Honda CD 70 cc Reg. No. KCC-7585 Claim E. F. U. General Insurance Ltd	59,500	-	59,500	60,000	500	Insurance Claim
Yamaha YB 100 cc Reg. No. KCC-9198 Claim E. F. U. General Insurance Ltd	59,000	-	59,000	60,000	1,000	Insurance Claim
Yamaha YB 100 cc Reg. No. KCC-9199 Claim E. F. U. General Insurance Ltd	59,000	-	59,000	60,000	1,000	Insurance Claim
Yamaha YB 100 cc Reg. No KCC- 3906 Claim E. F. U. General insurance Ltd	60,500	-	60,500	61,000	500	Insurance Claim
Honda CD 70 cc Reg. No. K00-3734 Claim E. F. U. General Insurance Ltd	59,000	-	59,000	60,000	1,000	Insurance Claim

Suzuki Mehran Reg No. ABJ- 871 Claim E. F. U. General Insurance Ltd	264,500	-	264,500	265,000	500Insurance Claim
Yamaha YB 100 cc Reg. No. KAR-238 Claim E. F. U. General Insurance Ltd	60,500	-	60,500	62,000	1,500Insurance Claim
OFFICE EQUIPMENTS					
P.A.B.X DCX 4 + 20 Trade in to Megatech	73,350	58,909	14,441	26,000	11,559Trade-in
Sub Total	991,150	115,489	875,661	944,500	68,839
Total	3,281,920	1,395,630	1,886,290	2,310,377	424,087

8.3 Disposal of Leased Assets:

Particulars	Cost	Accumulated Depreciation	Book Value	Sold for	Profit /(Loss)	Mode of Disposal
	Rs.	Rs.		Rs.	Rs.	
Suzuki Mehran (Leasing) Reg. No. AAJ-402 Claim E.F.U. General Insurance Ltd.	305,750	61,150	24,600	290,000	45,400	Insurance Claim

1998
Rupees

1997
Rupees

9. CAPITAL WORK-IN-PROGRESS:

Building	-	6,537,792
Plant & Machinery	-	556,719
	-	7,094,511
	=====	=====

10. DEFERRED EXPENDITURE:

Gratuity	900,000	1,800,000
Advertisement	-	1,000,000
	900,000	2,800,000
	=====	=====

10.1 Gratuity has been provided on the basis of last drawn salary and length of services of employees and calculated on 30 days per annum basis.

11. STOCK IN TRADE:

Raw materials	36,281,782	16,286,468
Work in process	28,383,250	31,769,675
Finished goods	11,106,022	11,468,939
Packing material	16,190,724	12,362,042
Goods in transit	2,618,190	1,575,514
	94,579,968	73,462,638
	=====	=====
	1998	1997

**12. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES:**

		Rupees	Rupees
Advances			
Staff - considered good		1,626,542	2,977,440
Income tax		3,149,680	2,070,296
Others - Considered good		5,431,094	1,423,076
		-----	-----
		10,207,316	6,470,812
Prepayments			
Deposits		701,507	360,085
Export rebate receivable- considered good		114,400	114,400
Due from associated undertakings	12.1	660,674	632,036
Others considered good		630,270	1,331,245
		-	65,556
		-----	-----
		12,314,167	8,974,134
		=====	=====

12.1 Maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs.966,000 (1997: 1,331,245).

13. CASH AND BANK BALANCES

In hand		85,500	70,500
With banks in current accounts		629,927	621,963
		-----	-----
		715,427	692,463
		=====	=====

14. SALES:

Local Sales:			
Gross sales			
Less:	Discount	547,268,194	404,120,699
	Cartage/Freight	58,071,705	45,022,647
	Sales tax	13,222,855	10,532,554
	Sales returns	31,738,564	27,615,325
		8,560,001	8,092,938
		-----	-----
		111,593,125	91,263,464
		-----	-----
		435,675,069	312,857,235
Export Sales:			
Gross Sales			
Less:	Freight	81,664,034	88,709,788
	Forwarding charges	4,231,241	4,459,788
	Commission / discount	1,906,781	1,709,331
		7,555,668	303,852
		-----	-----
		13,693,690	6,472,971
		-----	-----
		67,970,344	82,236,817
		-----	-----
		503,645,413	395,094,052
		=====	=====

15. COST OF SALES:

Opening stock of work in process		31,769,675	31,701,448
Add: Material consumed	15.1	321,239,954	264,251,741
Direct wages		18,010,810	14,483,688
Factory overheads	15.2	47,437,397	32,995,937
		-----	-----
		386,688,161	311,731,366
		-----	-----
		418,457,836	343,432,814
Less: Closing stock of work in process		28,383,250	31,769,675

Cost of goods manufactured	390,074,586	311,663,139
Add: Opening stock of finished goods	11,468,939	15,085,404
	-----	-----
Cost of goods available for sale	401,543,525	326,748,543
Less: Closing stock of finished goods	11,106,022	11,468,939
	-----	-----
	390,437,503	315,279,604
	=====	=====

15.1 Material Consumed:

Opening stock	28,648,510	27,206,192
Purchases during the year	345,063,950	265,694,059
Less: Closing stock	52,472,506	28,648,510
	-----	-----
	321,239,954	264,251,741
	=====	=====

15.2 Factory Overheads

Salaries Allowances & benefits	15,432,199	9,537,845
Bonus	2,760,327	2,461,776
Gratuity	1,233,066	1,728,285
Rent, rates & taxes	1,564,897	1,354,335
Insurance	1,001,865	679,853
Power, electricity, gas and water	8,724,127	6,735,911
Depreciation	7,860,923	5,246,278
Repairs & maintenance	7,285,057	4,680,495
Laboratory expenses, research & development	1,574,936	571,159
	-----	-----
	47,437,397	32,995,937
	=====	=====

16. ADMINISTRATIVE EXPENSES:

Salaries Allowances & benefits		8,595,569	7,346,598
Bonus		1,877,692	1,279,011
Gratuity		942,695	810,262
Scholarship and donations	16.1	25,000	-
Travelling		98,929	126,048
Rent, rates & taxes		186,000	185,000
Insurance		235,708	247,656
Depreciation		1,341,457	1,298,505
Entertainment		64,649	50,442
Legal & professional		269,780	202,950
Printing, stationery, books & periodicals		741,744	411,382
Postage, telephone & telegraph		402.23	215,005
Repairs & maintenance		363.89	313,277
Motor vehicles		859,706	592,253
Electricity		305,690	258,199
Auditors' remuneration	16.2	70,000	70,000
Annual general meeting		645,435	364,933
Zakat		7,633	-
		-----	-----
		17,033,811	13,771,521
		=====	=====

16.1 The directors or their spouses did not have any interest in the donee's fund.

16.2 Auditors' Remuneration:

Audit fee		45,000	45,000
Out of pocket expenses & Central Excise duty		25,000	25,000
		-----	-----
		70,000	70,000
		=====	=====

17. SELLING AND DISTRIBUTION EXPENSES:

Salaries, Allowances & benefits	6,297,073	4,924,642
Bonus	1,526,329	1,015,529
Gratuity	730,170	602,468
Travelling & daily allowances	5,183,274	4,425,254
Rent, rates & taxes	44,560	99,160
Insurance	545,058	633,742
Depreciation	1,440,542	1,266,260
Entertainment	113,402	119,978
Postage, telephone & telegraph	1,543,635	1,368,604
Printing, stationery, books & periodicals	807,450	646,011
Repairs & maintenance	281,295	249,873
Motor vehicles	1,082,325	736,375
Bank charges	256,240	191,259
Sales promotion, meeting & conferences	3,832,961	2,034,722
Legal & professional	582,669	1,283,252
Scholarship and donations	113,053	21,514
	-----	-----
	24,380,036	19,618,643
Advertisement and artwork	48,016,533	28,602,018
	-----	-----
	72,396,569	48,220,661
	=====	=====

18. FINANCIAL EXPENSES:

Mark-up and interest on long term loans	567,507	977,402
Mark-up and interest on short term loans	7,437,012	6,851,338
Excise duty on loans	-	335,068
Bank charges	37,168	30,040
	-----	-----
	8,041,687	8,193,848
	=====	=====

19. OTHER INCOME:

Export rebate	213,702	1,264,421
Profit on sale of fixed assets	469,487	407,657
Insurance claim	132,020	-
	-----	-----
	815,209	1,672,078
	=====	=====

20. TAXATION:

Current year		2,700,000	2,030,436
Deferred	20.1	3,400,000	-
		-----	-----
		6,100,000	2,030,436
		=====	=====

20.1 Deferred tax liability as at 30 June, 1998 works out to be Rs. 4,850,000 arising mainly due to accelerated tax depreciation allowance.

**21. REMUNERATION OF CHIEF EXECUTIVE,
DIRECTORS AND OTHER EXECUTIVES:**

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees	1998 Rupees	1997 Rupees
Basic Salary	321,360	282,600	1,125,480	972,000	3,415,141	1,977,780
House rent	144,600	127,200	506,340	437,460	1,538,925	889,960
Utilities	32,040	28,200	112,260	97,020	341,836	197,510
Bonus	161,010	73,015	561,595	251,140	1,671,476	515,095
Others	-	-	-	-	202,375	28,015
	-----	-----	-----	-----	-----	-----
	659,010	511,015	2,305,675	1,757,620	7,169,753	3,608,360
	=====	=====	=====	=====	=====	=====

Number of persons 1 1 4 4 22 14

=====

21.1 In addition the Chief Executive and two Directors are provided with free use of the company cars and residential telephones. A few Executives are also provided with free use of motor vehicles.

22. PLANT CAPACITY AND ACTUAL PRODUCTION (IN METRIC TONS):

	1998		1997	
	Installed	Utilised	Installed	Utilised
On Single Shift Basis				
Spices	3,900		3,540	3,210
Pickles	1,800		2,080	1,360
Pastes	1,000		330	-
On Three Shift Basis				
Salt	15,000	14,000	15,000	11,150

- The reasons for under utilization of capacity is due to frequent power break downs and disturbances in city.

- New project for pastes manufacturing has been installed during the year.

- Excess utilization of capacity in pickle has been achieved with some extra working hours.

23. GENERAL:

23.1 Previous year's figures have been re-arranged and re-grouped where deemed necessary for the purpose of comparison.

23.2 Figures have been rounded off to the nearest rupee.

WAQAR HASAN
CHIEF EXECUTIVE

KHAWAR M. BUTT
DIRECTOR