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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. A. Majeed	:	Chairman
Mr. Abrar Hasan	:	Managing Director / Chief Executive
Mr. Waqar Hasan	:	Director
Mr. Khawar M. Butt	:	Director
Mr. Zahid Majeed	:	Director
Mr. Ebrahim Qassim	:	Director
Ms. Jamila Waqar	:	Director
Ms. M. E. Majeed (Appointed)	:	Director
Mr. Firasat Ali (Resigned)	:	Director (N.I.T. Nominee)
Mr. Habib A. Ismail Khairani	:	Company Secretary

AUDITORS

: **Riaz Ahmad, Saqib, Gohar & Company**
Chartered Accountants,
5-Nasim Co-operative Housing Society Ltd.
Major Nazir Bhatti Road,
Off Shaheed-e-Millat Road, Karachi.
Phone : 4945427 - 4946112 Fax: 4932629

REGISTRAR

: **Noble Computer Services (Pvt.) Limited**
14-Banglore Town Housing Society,
Sharea-e-Faisal, Karachi-75350.
Phones : 4546978-4520121 Fax: (92-21) 4314962

BANKERS

: **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
Garden Town Branch
Lahore City.
Phone : 5869366-8

Bank Al-falah Limited

B.A. Building. I.I Chundrigar Road, Karachi.
Phones : 2414030 (10 Lines) Fax: 2417006

Muslim Commercial Bank Limited

Clifton Corporate Branch, Kulsom Court,
Clifton, Karachi.
Phones : 5872286 - 5831835 Fax: 5872058

Habib Bank Limited

Hub River Road Branch, Karachi.
Phone : 2572197



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

AUDIT COMMITTEE

Mr. Waqar Hasan : Chairman
Mr. Khawar M. Butt : Member
Mr. Ebrahim Qassim : Member
Mr. Habib A. Ismail Khairani : Secretary

INTERNAL AUDITORS

M/s Feroz Aziz & Co.
Chartered Accountants

CHIEF FINANCIAL OFFICER

Mr. Abdul Rahim

COMPANY MANAGEMENT

Mr. Abrar Hasan : Chief Executive
Mr. Habib A. Ismail Khairani : General Manager Corporate Finance
Mr. Abdul Rahim : General Manager Finance
Mr. S.M.H. Wasti : General Manager Material Management
Mr. Shaikh Irfan Aziz : Exec. Manager Human Resource
Mr. Abdul Razzaq Kodvavi : Exec. Manager Logistics
Mr. Nasir Hameed : Exec. Manager Engineering & Development
Mr. Noman -ur-Rehman : Exec. Manager Quality & Process Engineering
Mr. M.Azhar Ali : Manager Production
Mr. Shoib Siddiqui : Marketing Manager
Mr. Zaheer Ahmed : Trade Marketing Manager



OUR VISION

Vision Statement

- To be an INNOVATIVE, MARKETING and RESEARCH oriented company
- To be a leader and take advantage of our leadership position in all product categories
- To develop products with market potential through the means of indigenous technology and Research & Development
- To market our products globally
- To target new, emerging segments of the food market
- To become a global brand

Company Mission

- To deliver consistent quality to our customers using pure ingredients, authentic recipes and the best available technology
- Dedicated to continuous improvement through active alliances with international companies by expanding technological and product horizons
- To maintain close and direct contact with our customers through consumer insights and dedicated service
- To provide external and internal customer service by excelling in functional management
- To promote professionalism at all levels through education, training and development of human resources
- To deliver a fair return to our valued investors and shareholders, annually, in line with industry norms and economic conditions



SIX YEARS AT A GLANCE

	1998	1999	2000	2001	2002	2003
PROFIT AND LOSS STATEMENT						
Sales	503,645	644,352	765,675	915,136	994,637	1,135,642
Cost of Sales	390,437	513,323	578,472	675,226	741,555	825,454
Gross Profit	113,208	131,029	187,203	239,910	253,082	310,188
Administration & Selling Expenses	89,430	103,998	148,338	189,975	212,021	264,186
Financial Charges	8,042	12,776	12,614	14,149	16,518	18,843
Other Charges	947	939	1,667	2,257	1,470	1,982
Other Income	815	1,277	994	2,157	1,854	4,850
Profit before Tax	15,604	14,593	25,578	35,686	24,927	30,027
Taxation	6,100	3,150	7,075	8,459	3,514	10,014
Profit after taxation	9,504	11,443	18,503	27,227	21,413	20,013
BALANCE SHEET						
Share Capital	36,961	42,505	42,505	42,505	42,505	42,505
Reserves	<u>38,808</u>	<u>38,757</u>	<u>48,121</u>	<u>62,597</u>	<u>73,385</u>	<u>80,646</u>
Shareholders' Equity	75,769	81,262	90,626	105,102	115,890	123,151
Long Term Obligations	5,995	7,583	14,209	13,811	8,697	54,713
Current Liabilities & Provisions	122,087	167,134	199,714	201,240	241,849	291,006
TOTAL	203,851	255,979	304,549	320,153	366,436	468,870
Fixed Assets - Tangible	75,128	78,299	84,938	109,210	138,996	187,564
Long Term Security Deposits	1,825	1,266	3,511	1,592	1,693	1,959
Current Assets	126,898	176,414	216,100	209,351	225,747	279,347
TOTAL	203,851	255,979	304,549	320,153	366,436	468,870



FINANCIAL RATIOS

	1998	1999	2000	2001	2002	2003
PERFORMANCE MEASURES						
Return on Shareholders' Equity	12.54%	14.08%	20.42%	25.91%	18.48%	16.25%
Operating Return	7.65%	5.70%	8.40%	11.15%	6.80%	6.40%
PROFITABILITY MEASURES						
Gross Profit Margin	22.48%	20.34%	24.45%	26.22%	25.44%	27.31%
Profit Margin	1.89%	1.78%	2.42%	2.98%	2.15%	1.76%
Earning per share (Rs.)	2.57	2.69	4.35	6.41	5.04	4.71
TESTS OF INVESTMENT UTILISATION						
Asset turnover (Times)	2.69	2.80	2.73	2.93	2.90	2.72
Receivables (Days)	13.51	10.69	10.34	11.31	14.34	14.81
Days' Inventory	78.55	83.55	100.10	88.98	76.84	81.67
Receivable turnover	27.02	34.13	35.30	32.26	25.45	24.64
Inventory Turnover (Times)	4.65	4.38	3.65	4.10	4.75	4.47
TESTS OF FINANCIAL CONDITION						
Current Ratio	1.04	1.06	1.08	1.04	0.93	0.96
Acid-test Ratio	0.26	0.22	0.19	0.29	0.27	0.24
Debt/Equity Ratio	7.91%	9.33%	15.68%	13.14%	7.50%	44.43%
Time Interest Earned	2.94	2.14	3.03	3.52	2.51	2.59
Book value per share	20.50	19.12	21.32	24.73	27.27	28.97%
Return on assets	5.07%	4.98%	6.60%	8.72%	6.24%	4.79



NOTICE OF MEETING

Notice is hereby given that the 32nd 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 Friday the 31st October 2003, at 11:00 a.m., to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 31st annual general meeting held on 30th October 2002.
 2. To receive, consider and approve the audited accounts for the year ended 30th June 2003.
 3. To approve payment of cash dividend @ 30% (Rs. 3.00 per share of Rs. 10 each) as recommended by the directors.
 4. To elect Directors for a period of 3 years. The Board of Directors have fixed number of Directors to be elected is 7 excluding any director(s) nominated by Development Financial Institutions. Following are the retiring directors who are also eligible to offer themselves for re-election:
 - i) Mr. A. Majeed
 - ii) Mr. Waqar Hasan
 - iii) Mr. Khawar M. Butt
 - iv) Mr. Abrar Hasan
 - v) Mr. Zahid Majeed
 - vi) Mr. Ebrahim Qassim
 - vii) Ms. Jamila Waqar
 - viii) Ms. M. E. Majeed
- Any person who seeks to contest the election of directors may file his consent to the Company in accordance with the Companies Ordinance, 1984.
5. To appoint auditors for the year 2003-2004 and to fix their remuneration. The retiring auditors Messrs. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants being eligible, have offered themselves for re-appointment as auditors.

Special Business:


6. To pass following resolution with or without modification:

Increase in Authorized Capital:

To increase the authorised capital of the company by Rs. 50 millions and to amend accordingly the Memorandum and Articles of Association of the Company by passing the following resolution as special resolution:

- i) "The authorized capital of the company be increased from Rs. 50,000,000 to Rs. 100,000,000 by creation of 5,000,000 new ordinary shares of Rs. 10 each".
 - ii) "The Memorandum of Association of the Company be altered by substituting for the figures and words "50,000,000 (Rupees fifty millions) and 5,000,000 appearing in Clause V, with the figures and words "100,000,000 (Rupees hundred millions)" and 10,000,000 respectively".
 - iii) "The Articles of Association of the Company be altered by substituting for the figures and words "50,000,000 (Rupees fifty million)" and 5,000,000 appearing in Article 4, with the figures and words "100,000,000 (Rupees hundred millions)" and 10,000,000 respectively.
7. To transact any other business with the permission of the Chairman.

By order of the Chairman



(HABIB A. ISMAIL KHAIRANI)
Company Secretary

Karachi: October 10, 2003.

NOTES :

1. The share transfer books of the Company will remain closed from October 22, 2003 to October 31, 2003 (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 must be a member of the Company.
4. In order to be valid, an instrument of proxy and the power of attorney or other authority 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. Shareholders are requested to notify immediately any change in their registered address.



REPORT OF DIRECTORS TO THE SHAREHOLDERS

On behalf of the executive Board of Directors of National Foods Limited, the audited accounts of National Foods Limited for the year 2002-03 are presented as follows:

Financial Performance

The Board of Directors of National Foods Limited is pleased to announce an appropriation of profits of Rs. 12,751,614/- to be paid in the form of Cash Dividend.

Year	2002-03	2001-02
Operating profit	46,001,549	41,061,855
Add: Other income	4,849,833	1,853,833
	<u>50,851,382</u>	<u>42,915,688</u>
Less: Financial and other charges	(20,824,539)	(17,987,877)
Profit before taxation	<u>30,026,843</u>	<u>24,927,811</u>
Less: Taxation	(10,013,531)	(3,514,124)
Profit after taxation	<u>20,013,312</u>	<u>21,413,687</u>
Add: Un-appropriated profit brought forward	67,282,369	56,495,027
Profit available for appropriation	<u>87,295,681</u>	<u>77,908,714</u>
APPROPRIATIONS:		
Proposed final dividend @ 30% (2002: 25%)	12,751,614	(10,626,345)
Un-appropriated profit carried forward	<u>74,544,067</u>	<u>67,282,369</u>



Management Summary

With reference to the previous year's annual report and subsequent quarterly reports published, the company has progressed significantly. Current Ratio has improved along with other performance indicators.

All investments planned have been deployed and their returns have started to generate.

The company has performed very strongly for the first three quarters but has finished with a poor 4th quarter in terms of export sales. Due to instability in the Gulf region, our export orders for the 4th quarter for the region were affected and orders received were late and not according to our planned timeline. This has led to a break even performance in the 4th quarter.

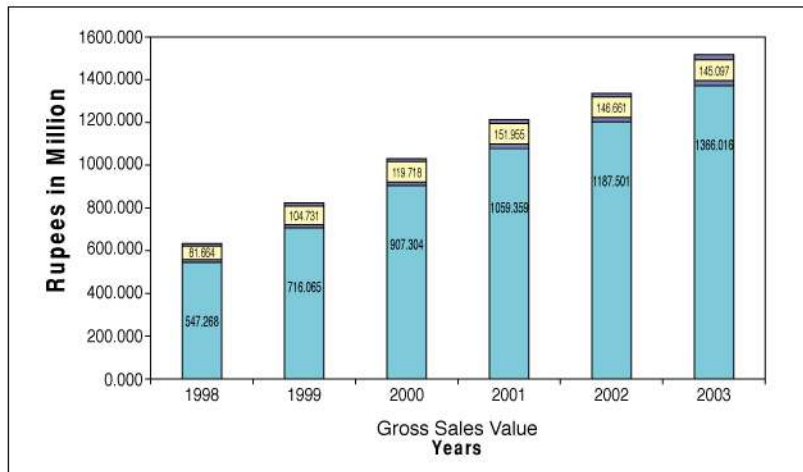
Operational Analysis

The company has finished with the following key Business Performance Indices.

Sales Analysis

Gross Sales	2002-03	2001-02	Growth
Total Sales	1,511,112,722	1,334,161,610	13.26%
Local Sales	1,366,015,556	1,187,500,635	15.03%
Export Sales	145,097,166	146,660,975	-1.07%

Gross Sales Value



Net Sales	2002-03	2001-02	Growth
Total Sales	1,135,641,771	994,637,612	14.18%
Local Sales	1,002,596,110	864,805,077	15.93%
Export Sales	133,045,661	129,832,535	2.47%

The budgeted growth in Local Sales was met and the company finished as planned. However the export target could not be met. Despite having very good first 3 quarters in export, the last quarter of export sales target was not met due to disturbances in the Middle East region. The orders were delayed significantly and the result was adversely affected.



Profitability Analysis

	2002-03	2001-02	Growth
Operating profit	46,001,549	41,061,856	12.03%
Other income	4,849,833	1,853,833	161.61%
Pre-Tax Profit	30,026,843	24,927,811	20.46%
Net Profit	20,013,312	21,413,687	-6.54%

Profitability and Performance Measure

	2002-03	2001-02
Gross Profit Margin	27.31%	25.44%
Net Profit Margin	1.76%	2.15%
Earnings per Share	4.71	5.04
Operating Return	6.40%	6.80%

The Gross Margin has registered a healthy increase due to better Material Management and efficient production. Due to investments in new plants and systems, the depreciation charge has been offset to create a liability of a large tax amount which has reduced the net profit margin.

Investments Analysis

	2002-03	2001-02
Asset Turnover (Times)	2.72	2.90
Invested Capital Turnover (Times)	6.38	7.98
Equity Turnover (Times)	9.22	8.58
Capital Intensity (Times)	6.05	7.16
Receivables (Days)	14.81	14.34
Days' Inventory	81.67	76.84
Receivable Turnover	24.64	45.45
Inventory Turnover (Days)	4.47	4.75
Return on Shareholders Equity	16.25%	18.48%

The company has made the following investments during the year:

- 1) New Sauce Manufacturing Plant
- 2) Deployment of new ERP (Operations Management Software) system
- 3) Renovation in Warehouses
- 4) Renovation in Pickles Production area

ERP System is now operational. The new sauce plant has been operational since January 2003. The returns from these investments will contribute significantly in the future in terms of managing growth and also diversification for future plans.



Financial Analysis

	2002-03	2001-02
Current Ratio	0.96	0.93
Acid-test Ratio	0.24	0.27
Debt/Equity Ratio	44.43%	7.50%
Book value per share	28.97	27.27
Return on Assets	4.79%	6.24%

The current Ratio has improved significantly. The financial viability of the company remains good with adequate liquidity. In line with investments, the company sustains healthy payouts towards its shareholders thus maintaining a strong Book Value of Share. The financial package has been revamped completely. The company has moved from long term running finance borrowing to short term money market advances at very competitive rates.

Management and Achievements

The management of the company has worked efficiently and diligently in line with the company's strategic objectives. Following significant achievements have been made during the year:

- Marketing and Sales organizations have been divisionalized as per their function to create autonomy within their functions.
- The International Division has also been divisionalized as per the potential of regional markets.
- The sales organization has been made more efficient in line with the Divisionalization at distributor levels.
- ERP system deployed during the year
- Erection and commissioning of the new sauce manufacturing plant is complete
- Warehousing at Port Qasim is being utilized at full capacity
- Sales Tax refund claim on advertisement expenses objective achieved
- Re-branding and re-imaging of company and its entire product line is complete
- New website launched
- CRM division and Kids Club launched to promote customer loyalty
- Financial package completely restructured in line with falling interest rates
- Re-negotiated the long term loan to a lower rate in line with falling interest for the sauce plant investment.
- Up gradation to ISO 9001: 2000 standard from ISO 9001
- HACCP accreditation for the new sauce manufacturing plant
- Company newsletter (Reflections) launched



Future Outlook

The future outlook of the company remains positive in line with all the current investments. Trade with new markets is being initiated. New additions include African countries and Afghanistan.

Investment in the new plant has positioned us to compete globally in the value added sector of the mainstream market.

It is also expected that the new ERP system will increase the efficiency of our operations and also help us to rapidly expand our business operations both locally and globally.

Restructuring of key business operations should help us in improved service focus and better and efficient results in terms of sales and profits.

Corporate Governance

Compliance of Corporate Governance is annexed.

Pattern of Shareholding

The pattern of shareholding of the company is annexed.

Auditors

The present Auditors Messrs. Riaz Ahmad, Saqib, Gohar & Company, retire and being eligible, offered themselves for re-appointment.

CODE OF CORPORATE OF GOVERNANCE

As required under the Code of Corporate Governance, the Board of Directors states that:

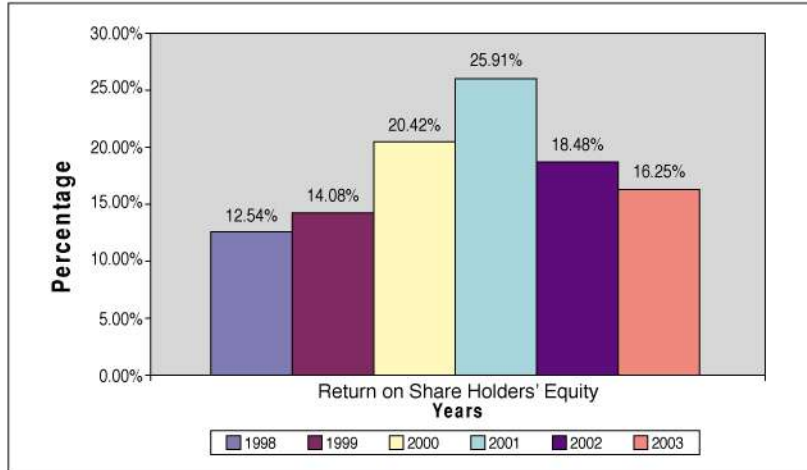
- The financial statements present fairly the state of affairs of the company, the result of its operations, cash flow and changes in equity;
- Proper books of accounts of the company have been maintained;
- Accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent judgment;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- A statement regarding key financial data for the last six years is annexed to this report.
- There are no significant doubts upon the company's ability to continue as a going concern.
- The following is the value of investments based on audited accounts of provident fund Rs.22,450,000/=.
- The Board of Directors in its meeting held on April, 23rd 2003 has outsourced the internal audit function to a firm of Chartered Accountants M/s Feroze Aziz & Co.
- Please refer note 25 to the annexed audited accounts for outstanding taxes and levies.
- The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The Committee regularly meets as per requirements of the Code. The Committee assists the Board in reviewing internal audit manual and internal audit system..


ABRAR HASAN
Chief Executive

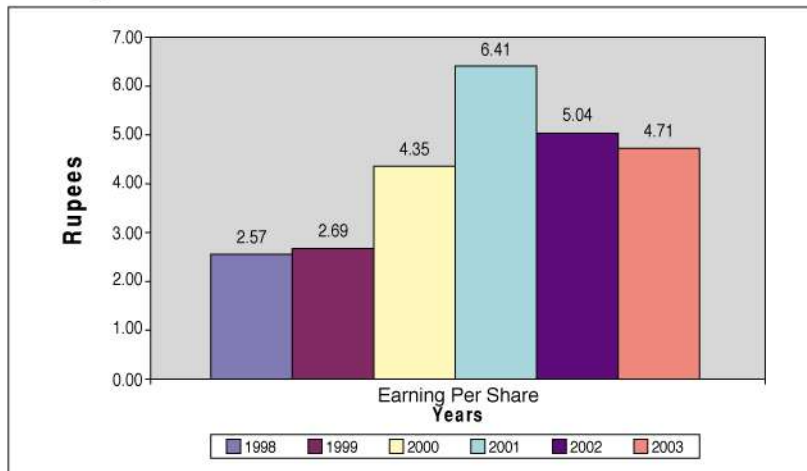


PERFORMANCE AT A GLANCE

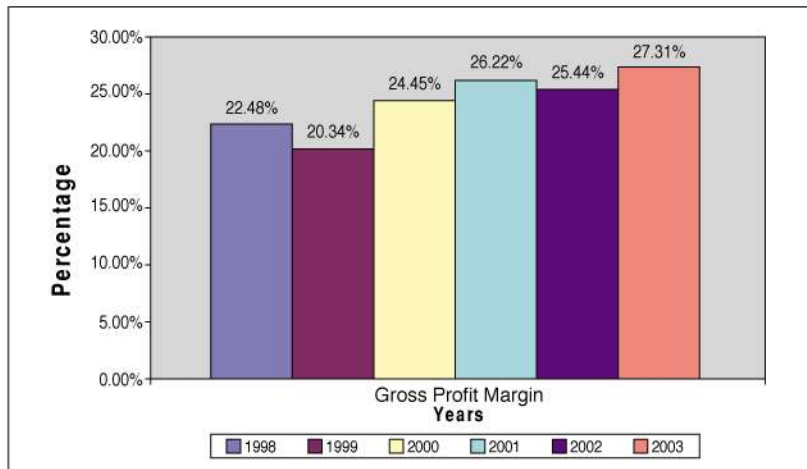
Return on Share Holders Equity



Earning Per Share

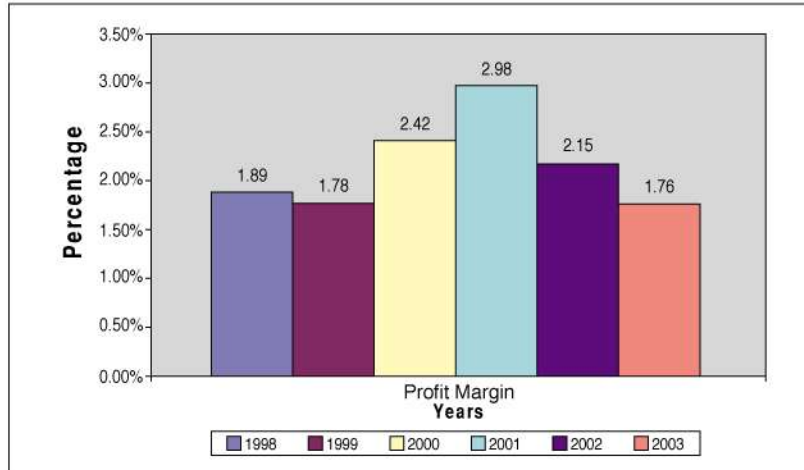


Gross Profit Margin

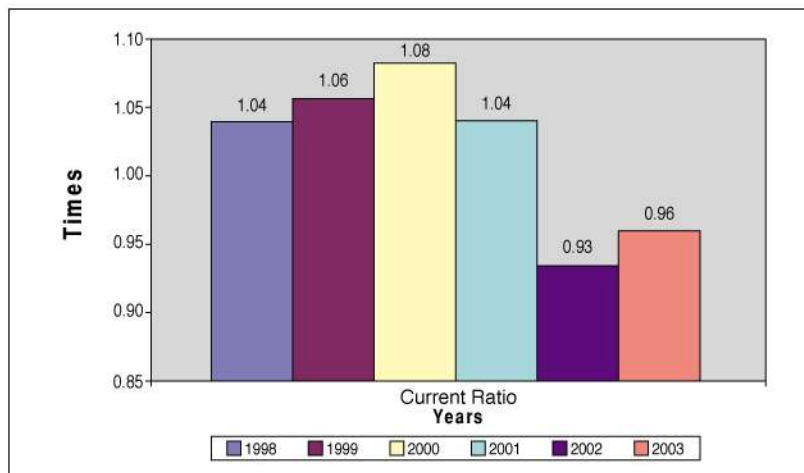




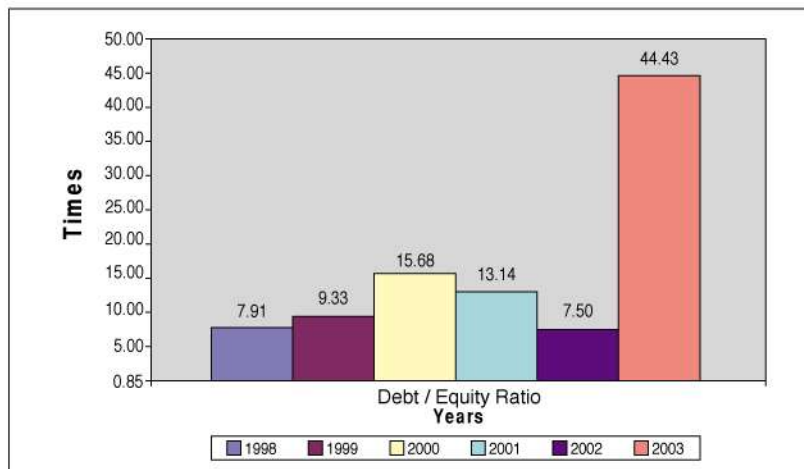
Profit Margin



Current Ratio

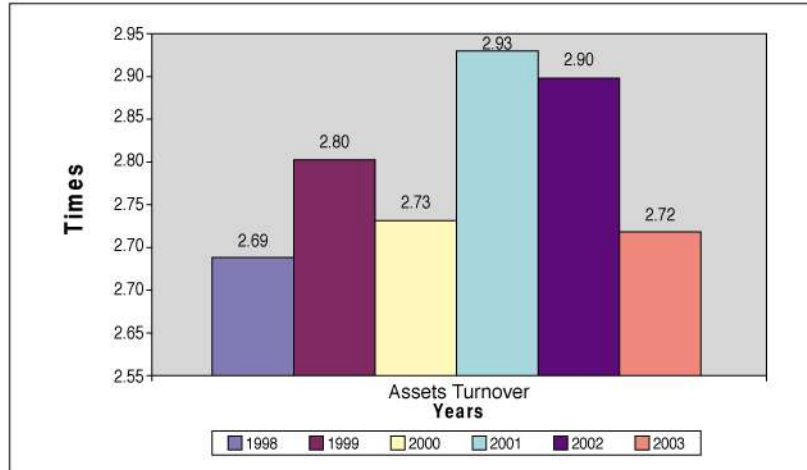


Debt / Equity Ratio

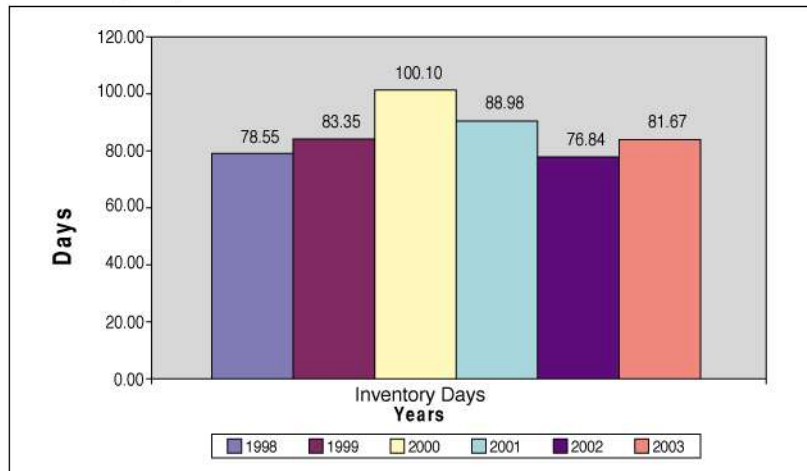




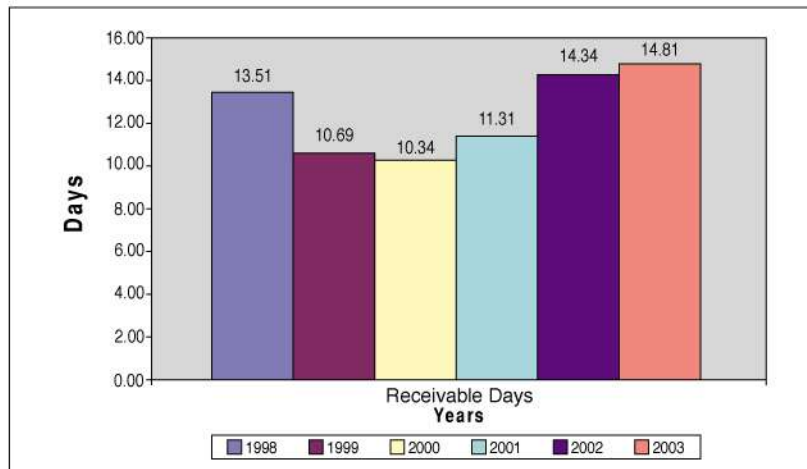
Assets Turnover



Inventory Days



Receivable Days





STATEMENT OF PURCHASE & SALE OF SHARES

(Annexure I)

Statement showing shares bought and sold by directors, CEO, CFO,
Company Secretary and the minor family members
from July 01, 2002 to June 30, 2003

S. No.	Name	Designation	Shares bought	Shares Gifted
1.	Mr. A. Majeed	Chairman	–	–
2.	Mr. Abrar Hasan	Chief Executive	–	–
3.	Mr. Waqar Hasan	Director	–	–
4.	Mr. Khawar M. Butt	Director	–	27,625
5.	Mr. Zahid Majeed	Director	–	–
6.	Mr. Ebrahim Qassim	Director	–	–
7.	Ms. Jamila Waqar	Director	–	–
8.	Ms. M. E. Majeed	Director	–	–
9.	Mr. Firasat Ali	Director (NIT Nominee)	–	–
10.	Mr. Habib A. Ismail Khairani	Company Secretary	–	–
11.	Mr. A. Rahim	Chief Financial Officer	–	–
12.	Minor Family Members		–	–

(Annexure II)

Statement showing attendance of Board meetings
from July 01, 2002 to June 30, 2003

S. No.	Name	Designation	Attended	Leave Granted
1.	Mr. A. Majeed	Chairman	4	–
2.	Mr. Abrar Hasan	Chief Executive	4	–
3.	Mr. Waqar Hasan	Director	4	–
4.	Mr. Khawar M. Butt	Director	3	1
5.	Mr. Zahid Majeed	Director	3	1
6.	Mr. Ebrahim Qassim	Director	4	–
7.	Ms. Jamila Waqar	Director	3	1
8.	Ms. M.E. Majid (Appointed31/3/2003)	Director	1	–
9.	Mr. Firasat Ali (Resigned31/3/2003)	Director (NIT Nominee)	3	–



(Annexure III)
Combined Pattern of CDC & Normal Share Holdings
as at June 30, 2003

Nuner of Shareholders	From	Share Holding	To	Total Shares Held
899	1	-	100	25,335
316	101	-	500	69,217
54	501	-	1000	41,236
88	1001	-	5000	187,984
5	5001	-	10000	43,543
3	10001	-	15000	38,668
1	15001	-	20000	16,787
7	25001	-	30000	191,428
1	40001	-	45000	41,053
1	60001	-	65000	63,500
3	70001	-	75000	216,985
1	85001	-	90000	85,379
1	120001	-	125000	122,322
1	135001	-	140000	139,210
1	200001	-	205000	204,010
1	320001	-	325000	324,872
1	390001	-	395000	394,222
1	635001	-	640000	635,239
1	1405001	-	1410000	1,409,548
1,386				4,250,538



**Combined Pattern of CDC & Physical Share Holdings
as at June 30, 2003**

Category No.	Categories of Share Holders	No. of Shares Held	Category Wise No. of Folios/CDC Accounts	Category Wise Shares Held	Percentage %
1.	Individuals		1,354	1,365,661	32.13
2.	Investment Companies				
3.	Joint Stock Companies		10	6,317	0.15
4.	Directors, Chief Executive Officer and Their spouse and minor children		15	1,462,062	34.40
	1. Mr. Abdul Majid	324,872			
	2. Mr. Waqar Hasan	204,510			
	3. Mr. Khawar M. Butt	465,983			
	4. Mrs. Jamila Waqar w/o Mr. Waqar Hassan	122,322			
	5. Mr. Abrar Hasan	139,210			
	6. Mr. Zahid Majid	85,379			
	7. Mr. Ebrahim Qassim	72,352			
	8. Mr. Firasat Ali (Nominee NIT) (Resigned)	–			
	9. Mrs. M. E. Majeed w/o Mr. Abdul Majeed	16,787			
	10. Mrs. Kulsum Banoo w/o Mr. Ebrahim Qassim	30,647			
5.	Executives	–	2	1,094	0.03
6.	NIT / ICP Investment Corporation of Pakistan	582	1	582	0.01
7.	Associated Companies, undertakings and Related Parties Associated Textile consultants (Pvt.) Limited	1,409,548	1	1,409,548	33.16
8.	Public Sector Companies and Corporations				
9.	Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds		2	1,413	0.03
10.	Foreign Investors				
11.	Co-operative Societies				
12.	Charitable Trusts		1	3,861	0.09
13.	Others				
	Totals		1,386	4,250,538	100.00

Shareholders holding ten percent or more voting interest in the listed company

Total paid-up capital of the company 4,250,538 Shares
10% of the paid-up capital of the company 425,053 Shares

Name(s) of Shareholder(s)	Description	No. of Shares held	Percentage %
Mr. Khawar M. Butt	Falls in category # 4	465,983	10.96
Mr. Javaid Iqbal	Falls in category # 1	635,239	14.94
Associated Textile Consultants (Pvt.) Limited	Falls in category # 7	1,409,548	33.16
	Total	2,510,770	59.06



STATEMENT OF COMPLIANCE WITH BEST PRACTICE OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. The board comprises of eight directors, including the CEO.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. The casual vacancy, which occurred in the Board during the current year due to the resignation of the Nominee director of NIT, was filled within the specified time.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. 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 decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notice 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. The Board arranged orientation course for its directors during the year, apprised them of their duties and responsibilities and briefed them regarding amendments in the Companies Ordinance, / Corporate Laws.
10. The Chief Financial Officer and Company Secretary were appointed prior to the implementation of the Code of Corporate Governance. Remuneration, terms and conditions in case of future appointments on these positions will be approved by the Board. However, the outsourcing of the internal audit function including its terms and conditions have been approved by the Board.
11. The directors' report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the 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.
15. The Board has formed an audit committee. It comprises of three members, two of whom are non-executive directors.
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.
17. The Board of Directors in its meeting held on April 23, 2003 has approved the outsourcing of the Internal audit Department and the same has been established as required under the Code.



18. 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, 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.
19. 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 guideline in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

ABRAR HASAN

ABRAR HASAN

Chief Executive

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICE OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **National Foods Limited** to comply with the Listing Regulation No. 37 (Chapter XI), No. 43 (Chapter XIII) and No. 36 (Chapter XI) of the Karachi, Lahore and Islamabad Stock Exchanges respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

The Board, in its meeting held on April 23, 2003 has approved the outsourcing of internal audit department, which has started its operations formally in July 2003.

Based on our review except for the matter noted in the previous paragraph, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2003.

Karachi: September 29, 2003

Riaz Ahmad, Saqib, Gohar & Co.
Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2003 and the related profit & 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 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, 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 & 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, 2003 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.

Karachi: September 29, 2003

Riaz Ahmad, Saqib, Gohar & Co.
Chartered Accountants



BALANCE SHEET

	Notes	2003 Rupees	2002 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Operating assets	3	178,575,387	117,092,441
Capital work-in-progress	4	8,988,598	21,903,418
		187,563,985	138,995,859
Long term deposits		1,959,180	1,693,180
		189,523,165	140,689,039
CURRENT ASSETS			
Stock-in-trade	5	208,977,895	160,415,449
Trade debts - unsecured, considered good		46,895,754	45,271,758
Due from associated undertakings	6	4,904	1,737,353
Advances, deposits, prepayments and other receivables	7	22,454,957	17,307,363
Cash and bank balances	8	1,013,204	1,015,037
		279,346,714	225,746,960
TOTAL ASSETS		468,869,879	366,435,999

The annexed notes form an integral part of these accounts.



AS AT 30 JUNE, 2003

	Notes	2003 Rupees	2002 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
5,000,000 (2002: 5,000,000) ordinary shares of Rs. 10 each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid-up capital	9	42,505,380	42,505,380
Reserves	10	<u>80,646,167</u>	<u>73,384,469</u>
		123,151,547	115,889,849
NON-CURRENT LIABILITIES			
Long term finance	11	45,000,000	-
Liabilities against assets subject to finance lease	12	953,932	2,613,288
Deferred liability	13	<u>8,758,798</u>	<u>6,083,679</u>
		54,712,730	8,696,967
CURRENT LIABILITIES			
Short term finances utilised under mark-up arrangements	14	<u>174,589,090</u>	<u>130,185,116</u>
Current portion of long term finance	11	5,000,000	-
Current portion of liabilities against assets subject to finance lease	12	1,566,687	7,223,888
Due to associated undertakings	15	4,780	8,177
Creditors, accrued and other liabilities	16	<u>97,093,431</u>	<u>93,805,657</u>
Proposed dividend		<u>12,751,614</u>	<u>10,626,345</u>
		291,005,602	241,849,183
COMMITMENTS	17	-	-
TOTAL EQUITY AND LIABILITIES		<u>468,869,879</u>	<u>366,435,999</u>

The annexed notes form an integral part of these accounts.

ABDUL RAHIM
Chief Financial Officer

ABRAR HASAN
Chief Executive

KHAWAR M. BUTT
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE, 2003

	Note	2003 Rupees	2002 Rupees
Sales	18	1,135,641,771	994,637,612
Cost of goods sold	19	<u>(825,454,118)</u>	<u>(741,554,862)</u>
Gross profit		310,187,653	253,082,750
Operating Expenses			
Administrative expenses	20	<u>30,234,300</u>	<u>26,068,624</u>
Selling and distribution expenses	21	<u>233,951,804</u>	<u>185,952,271</u>
		<u>(264,186,104)</u>	<u>(212,020,895)</u>
Operating profit		46,001,549	41,061,855
Other income	22	<u>4,849,833</u>	<u>1,853,833</u>
		50,851,382	42,915,688
Financial charges	23	<u>18,842,461</u>	<u>16,517,599</u>
Other charges	24	<u>1,982,078</u>	<u>1,470,278</u>
		<u>(20,824,539)</u>	<u>(17,987,877)</u>
Profit before taxation		30,026,843	24,927,811
Taxation	25	<u>(10,013,531)</u>	<u>(3,514,124)</u>
Profit after taxation		20,013,312	21,413,687
Unappropriated profit brought forward		<u>67,282,369</u>	<u>56,495,027</u>
Profit available for appropriation		87,295,681	77,908,714
APPROPRIATIONS:			
Proposed final dividend @ 30% (2002: 25%)		<u>12,751,614</u>	<u>(10,626,345)</u>
Unappropriated profit carried forward		<u>74,544,067</u>	<u>67,282,369</u>
Earnings per share - basic and diluted	26	<u>4.71</u>	<u>5.04</u>

The annexed notes form an integral part of these accounts.


ABDUL RÄHIM
 Chief Financial Officer


ABRAR HASAN
 Chief Executive


KHAWAR M. BUTT
 Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE, 2003

	Note	2003 Rupees	2002 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		30,026,843	24,927,811
Adjustment for non-cash charges and other items:			
Depreciation/amortisation on operating assets	3.3	23,111,946	15,505,145
Financial charges	23	18,842,461	16,494,348
Gain on disposal of fixed assets	3.4	(996,344)	(664,463)
		<u>40,958,063</u>	<u>31,335,030</u>
Cash flows operating profit before working capital changes		70,984,906	56,262,841
Working capital changes			
Decrease/(Increase) in current assets			
Stock-in-trade		(48,562,446)	(8,612,869)
Trade debts		(1,623,996)	(12,389,458)
Due from associated undertakings		1,732,449	(1,664,402)
Advances, deposits, prepayments and other receivables		867,023	11,567,019
		<u>(47,586,970)</u>	<u>(11,099,710)</u>
Increase/(decrease) in current liabilities			
Creditors, accrued and other liabilities		4,967,287	(1,155,479)
Due to associated undertakings		(3,397)	(259,068)
		<u>4,963,890</u>	<u>(1,414,547)</u>
Income tax paid		(13,353,029)	(5,248,847)
Financial charges paid		(20,631,126)	(16,665,010)
Net cash (outflow)/inflow from operating activities		<u>(5,622,329)</u>	<u>21,834,727</u>
B. CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditure paid		(74,500,516)	(44,896,462)
Sale proceeds of fixed assets	3.4	3,816,788	2,741,908
Net decrease in long term deposits		(266,000)	(521,000)
Net cash (outflow) from investing activities		<u>(70,949,728)</u>	<u>(42,675,554)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long term finance		50,000,000	-
Payment of liabilities against assets subject to finance leases		(7,223,888)	(7,243,519)
Dividend paid		(10,609,862)	(12,704,342)
Net cash inflow/(outflow) from financing activities		<u>32,166,250</u>	<u>(19,947,861)</u>
Net decrease in cash and cash equivalent		<u>(44,405,807)</u>	<u>(40,788,688)</u>
Cash and cash equivalent at the beginning of the year		(129,170,079)	(88,381,391)
Cash and cash equivalent at the end of the year	30	<u>(173,575,886)</u>	<u>(129,170,079)</u>

The annexed notes form an integral part of these financial statements


ABDUL RAHIM
Chief Financial Officer


ABRAR HASAN
Chief Executive


KHAWAR M. BUTT
Director





STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2003

	Issued, Subscribed and Paid-up Capital	Capital Reserve Shares premium	Revenue Reserve Unappropriated Profit	Total
Balance as at July 01, 2001	42,505,380	6,102,100	56,495,027	105,102,507
Profit for the year	-	-	21,413,687	21,413,687
Proposed dividend	-	-	(10,626,345)	(10,626,345)
Balance as at June 30, 2002	42,505,380	6,102,100	67,282,369	115,889,849
Profit for the year	-	-	20,013,312	20,013,312
Proposed dividend	-	-	(12,751,614)	(12,751,614)
Balance as at June 30, 2003	42,505,380	6,102,100	74,544,067	123,151,547

The annexed notes form an integral part of these accounts.


ABDUL RAHIM
 Chief Financial Officer


ABRAR HASAN
 Chief Executive


KHAWAR M. BUTT
 Director



NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2003

1 STATUS AND NATURE OF BUSINESS

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These accounts have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Basis of measurement

These accounts have been prepared on the basis of historical cost convention.

2.3 Fixed assets - owned

Tangible

These are stated at cost less accumulated depreciation and impairment, if any, except for leasehold land and capital work-in-progress which are stated at cost less any identified impairment loss. Cost in relation to certain fixed assets signifies historical cost and cost of borrowing as referred to in note 2.10.

Depreciation is charged to income applying the reducing balance method over the estimated useful lives of related assets, at the rates specified in note 3 to the accounts. Full year's depreciation on fixed assets is charged in the year of acquisition, whereas no depreciation is charged in the year of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

Gains and losses on disposal of fixed assets are included in income currently.

The company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to the recoverable amount.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any.

Amortisation charge is based on the reducing balance method whereby the cost of an asset is written-off over its estimated useful life. Using the rate as specified at note 3.



2.4 Assets subject to finance lease

Assets held under finance lease are accounted for by recording the assets and related liability at the amounts determined on the basis of lower of fair value of the asset 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.

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

Depreciation is charged on the leased assets on the basis similar to that of owned tangible assets.

2.5 Stock-in-trade

Raw materials, work-in-process and packing materials are valued at cost determined on average basis.

Finished goods are valued at lower of cost determined on average basis and net realisable value.

Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

Goods in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of the business less costs of completion and the estimated costs necessary to make the sale.

2.6 Trade debts

Trade debts originated by the company are recognised and carried at original invoice amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as and when incurred.

2.7 Provisions

Provisions are recorded when the company has a present obligation as a result of past events, which it is probable will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.8 Foreign currency translation

Foreign currency transactions are converted into rupees at the rates of exchange approximating to those ruling at the date of transaction. Assets and liabilities in foreign currencies have been translated into rupees at the rates of exchange approximating those ruling at the balance sheet date. Exchange gains or losses are included in income currently.

2.9 Revenue recognition

Sales are recognised on despatch of goods to customers. Sales return are booked as and when advised. Goods are sold subject to reservation of title, as is customary in this trade.

2.10 Borrowing costs

Mark-up, interest and other charges on long term borrowings are capitalised upto the date of commissioning of the related fixed asset, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to profit.

2.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any, and any under/over provisions in respect of prior years.



Deferred

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, un-absorbed tax losses to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and significant taxable income will be available against which the deductible temporary differences or un-absorbed tax losses can be utilised.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

2.12 Staff retirement benefits

i) Defined benefit plan

Previously, the company was operating a funded gratuity scheme which covered all permanent employees. Gratuity was calculated on the basis of 30 days of the last drawn salary and length of service of the employees. Provision was being made to cover this obligation on the basis of valuation carried out by actuaries.

However, with effect from July 01, 2002, the company has decided to discontinue the funded gratuity scheme by merging the Employees Gratuity Fund with Employees Provident Fund. Hence, the gratuity amount appearing as payable against the respective employee is being credited to his/her account in the Employees Provident Fund for which approval has been obtained from the commissioner of Income Tax, Zone II, Karachi.

ii) Defined contribution plan

The company operates an approved provident fund scheme for all its employees who are eligible for the benefit. Equal monthly contributions @ 10% of salary are made by the company and its employees.

iii) Compensated absences

The company accounts for these benefit in the period in which the absences are earned.

2.13 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.

2.14 Cash and cash equivalents

Cash on hand and in banks and short term deposits, if any, are carried at cost.

For the purposes of the cash flow statement, cash and cash equivalents consists of cash on hand, bank balances net off short term finances utilised under mark-up arrangement.

2.15 Financial instruments

All the financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on the recognition and derecognition of the financial assets and liabilities is included in the income currently.



	Note	2003 Rupees	2002 Rupees
3 OPERATING ASSETS			
Tangible	3.1	173,770,309	117,092,441
Intangible	3.2	4,805,078	—
		178,575,387	<u>117,092,441</u>

3.1 Tangible

Particulars	COST			Depreciation Rate	DEPRECIATION			Written Down value as on 30 June, 2003
	As at July 01, 2002	Additions/ (Disposals)/ *Reclassification	As at June 30, 2003		As at July 01, 2002	Charge for the year/ (Disposals)/ *Reclassification	As at June 30, 2003	
	Rupees			%	Rupees			Rupees
Owned -								
Land - Leasehold	12,789,235	225,000	13,014,235	—	—	—	—	13,014,235
Buildings - on leasehold Land	35,943,785	20,274,963	56,218,748	10	19,441,832	3,677,693	23,119,525	33,099,223
Plant, Machinery and Generators	61,480,437	44,024,544 *15,230,000	120,734,981	10	28,501,163	8,809,693 *4,137,050	41,447,906	79,287,075
Furniture and Fixtures	11,189,242	1,911,394	13,100,636	10	4,750,744	834,954	5,585,698	7,514,938
Motor Vehicles	28,269,190	12,233,623 (6,652,600) *5,281,500	39,131,713	20	13,227,847	5,477,463 (3,950,129) *2,466,652	17,221,833	21,909,880
Office and other equipments	28,619,704	3,092,779 (226,000)	31,486,483	15	14,753,517	2,526,168 (108,027)	17,171,658	14,314,825
Laboratory equipments	2,707,906	—	2,707,906	10	951,761	175,616	1,127,377	1,580,529
	180,999,499	81,762,303 (6,878,600) *20,511,500	276,394,702		81,626,864	21,501,587 (4,058,156) *6,603,702	105,673,997	170,720,705
Leased -								
Plant, machinery and Generators	15,230,000	— *(15,230,000)	—	10	4,137,050	— *(4,137,050)	—	—
Motor Vehicles	10,619,836	— *(5,281,500)	5,338,336	20	3,992,980	762,404 *(2,466,652)	2,288,732	3,049,604
	25,849,836	— *(20,511,500)	5,338,336		8,130,030	762,404 *(6,603,702)	2,288,732	3,049,604
	206,849,335	81,762,303 (6,878,600)	281,733,038		89,756,894	22,263,991 (4,058,156)	107,962,729	173,770,309
2002	184,176,809	28,240,611 (5,568,085)	206,849,335		77,742,389	15,505,145 (3,490,640)	89,756,894	117,092,441



3.2 Intangible

Particulars	COST			Amortisation Rate	AMORTISATION			Written Down value as at June 30, 2003
	As at July 01, 2002	Additions (Disposals)	As at June 30, 2003		As at July 01, 2002	Charge for the year/	As at June 30, 2002	
	Rupees			%	Rupees			Rupees
Computer software and ERP system	-	5,653,033	5,653,033	15	-	847,955	847,955	4,805,078
2002	-	-	-		-	-	-	-

3.3 The depreciation/amortisation for the year has been allocated as follows:

Cost of goods manufactured
Administrative expenses
Selling and distribution expenses

**2003
Rupees**

**2002
Rupees**

16,564,246

9,381,350

2,741,547

2,452,809

3,806,153

3,670,986

23,111,946

15,505,145

3.4 Particulars of disposal of operating assets

Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
	Rupees						
MOTOR VEHICLES							
Suzuki Shogun Reg. No. KAR - 8195	62,500	36,900	25,600	33,000	7,400	Company Policy	Mr. Mian Abdul Rauf Bhatti No. 21 Nishter Road, Lasbela Market, Karachi
Suzuki Mehran Reg. No. ABU-378	264,500	156,161	108,339	108,339	-	Company Policy	Mr. Adil s/o S. Anwer Hussain 71-A/22 Suleman-e-Faree Society, Malir, Karachi.
Yamaha YB Reg. No. RIW-8254	61,000	36,014	24,986	24,986	-	Company Policy	Mr. Malik Imran Shahzad Gulberg 2, Jalil Street, Lahore.
Suzuki Mehran Reg. No. RIW--9333	345,500	232,286	113,214	115,714	2,500	Company Policy	Mr. Mohammad Kashif Javed Bungalow Road, Mohallah Kot Mohammad Yar, Lalian Teshil Chiniot Dist. Jhang.
Balance carried forward	733,500	461,361	272,139	282,039	9,900		



Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
Balance brought forward	733,500	461,361	272,139	282,039	9,900		
Honda CD 70 Reg. No. SKF - 2811	38,000	25,548	12,452	12,486	34	Company Policy	Mr. Abdul Haleem Abdul Ghani 400/A Atta Mohammad Jamali Street, Dingran, Dingran Mohallah Jacobabad.
Suzuki Shogun Reg No. KAR - 2413	56,640	38,080	18,560	18,608	48	Company Policy	Mr. Adil Siddiqui D-29 Hasan Lodge, Block - 7, F.B. Area, Karachi.
Suzuki Shogun Reg. No. KAR - 2412	56,640	38,080	18,560	19,092	532	Company Policy	Mr. Abdul Ghaffar Room No. 9, 2nd Floor Punchwani Mansion Okhai Memon Society Karachi.
Suzuki Margalla Plus Reg. No. ABM - 966	534,000	359,019	174,981	267,000	92,019	Company Policy	Mr. Wasi Ahmed No. 42 Amir Khusro Road, Block-7/B, Bahadur Yar Jhang Society, Karachi.
Suzuki Mehran Reg. No. ABL - 798	264,500	177,829	86,671	86,671	—	Company Policy	Mr. Syed Tanweer Anjum No. 956, P.I.B. Colony, Karachi.
Honda CD 70 Reg. No. KAR - 23	59,000	39,667	19,333	30,814	11,481	Company Policy	Mr. Mohammad Arshad No. 1726/683 Baldia Town, Karachi.
Honda CD 70 Reg. No. LXE - 4748	57,000	38,322	18,678	18,678	—	Company	Mr. Mohammad Yasin Daar No. 22 Shahzada Shaheed Colony Gujranwala.
Honda CD 70 Reg. No. KCC - 8823	57,300	38,524	18,776	20,700	1,924	Company Policy	Mr. Habib Khan No. 1469/14 F.B Area, Dastagir Society, Karachi.
Honda CD 70 Reg. No. RIW - 3417	58,700	39,466	19,234	22,850	3,616	Company Policy	Mr. Irfan Niazi No. 2/183, Street No. 28, Dhoke Ratta Rawalpindi.
Suzuki Shogun Reg. No. KAR - 5082	60,000	35,424	24,576	24,576	—	Company Policy	Mr. Mudassir Suleman No. 43/22, Salman Farsi Society, Malir Halt, Karachi.
Balance carried forward	1,975,280	1,291,320	683,960	803,514	119,554		



Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
Balance brought forward	1,975,280	1,291,320	683,960	803,514	119,554		
Vespa 150cc Reg. No. KCC - 6573	58,500	43,164	15,336	27,723	12,387	Company Policy	Mr. Mohammad Shakil House No. 5/407, Nursery Liaquatabad, Karachi.
Suzuki Shogun Reg. No. KAR - 2414	56,640	38,080	18,560	18,608	48	Company Policy	Mr. Abdul Wasim Khan P.G Dispensary, Minora Road, Sukkur.
Suzuki Shogun Reg. No. BRG - 3749	56,640	38,080	18,560	18,608	48	Company Policy	Mr. Zahid Saeed Akhter House No. 113, Street No. 4, Mohammad Pura Khanpur, Rahim Yar Khan.
Suzuki Shogun Reg. No. KAR - 8399	62,500	36,900	25,600	25,600	-	Company Policy	Mr. Mohammad Saleem 1/18-A, Shah Faisal Colony, Karachi.
Suzuki Shogun Reg. No. KAR - 0588	62,500	36,900	25,600	25,600	-	Company Policy	Mr. Rahat Ali Khan House No. 14, Sarvay No. 719, Shabana Town, Jinnah Square, Malir, Karachi.
Honda CD 70 Reg. No. STJ - 8830	62,500	36,900	25,600	25,600	-	Company Policy	Mr. Mohammad Shahkeel Maqsood Street No. 1, Wahdat Colony, Gujranwala.
Suzuki Khyber Reg. No. ACN - 896	444,500	214,676	229,824	229,824	-	Company Policy	Mr. Amjad Hussain R-185, Block-A, Bagh-e-Malir, Karachi.
Suzuki Mehran Reg. No. ABL - 904	264,500	177,829	86,671	146,127	59,456	Company Policy	Mr. Abdul Sultan Khan Plot No. 51, Flat No. 6, Saleem Plaza, Alyabad Colony, F.B. Area, Karachi.
Yamaha YB Reg. No. MNT - 8953	58,300	43,017	15,283	16,015	732	Company Policy	Mr. Mohammad Matloob A-189, Shareefpura, Gojra District, Toba Teksing.
Suzuki Shogun Reg. No. KAR - 2411	56,640	38,080	18,560	18,608	48	Company Policy	Mr. Mohammad Arif Block-F, South 66/7, Jinnah Square, Malir Extension Colony, Karachi.
Suzuki Khyber Reg. No. ABQ - 068	345,500	232,286	113,214	114,255	1,041	Negotiation	Mr. Adeel Siddiqui 47-B/1, Khayaban-e Hilal, Phase 7, D.H.A., Karachi.
Balance carried forward	3,504,000	2,227,232	1,276,768	1,470,082	193,314		



Particulars	Original cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss) on disposal	Mode of disposal	Particulars of buyers
Rupees							
Balance brought forward	3,504,000	2,227,232	1,276,768	1,470,082	193,314		
Suzuki Swift Reg. No. AAY - 115	368,000	271,531	96,469	270,000	173,531	Negotiation	Mr. Mohammad Arif B/30, Sector 11, 11-C, Sir Syed Town, North Karachi, Karachi.
Honda City EX Reg. No. ABX - 434	610,000	360,144	249,856	261,768	11,912	Negotiation	Mr. Khurram Saeed House No. 128/10-C, Block-10, F.B. Area, Karachi.
Suzuki Khyber Reg. No. ABC - 539	300,000	146,400	153,600	270,000	116,400	Negotiation	Mr. Abdul Rasheed C-8, Commercial Lane, D.H.A., Karachi.
Toyota Carolla GLI Reg. No. ABQ - 984	869,000	584,246	284,754	640,000	355,246	Negotiation	Mr. Abdul Rahim No. B-12, Hashoo Terrace, Block-5, Clifton, Karachi.
Honda Civic Reg. No. ADA - 457	865,000	311,400	553,600	700,000	146,400	Negotiation	Mr. Syed Noor Khan C-128, Block-10, F.B. Area, Karachi.
Honda CD 70 Reg. No. KCT - 6087	68,300	24,588	43,712	60,000	16,288	Insurance Claim	EFU General Insurance Ltd 2nd Floor, K.D.L.B. Bldg. 58, West Wharf Road, Karachi.
Honda CD 70 Reg. No. KCT - 6836	68,300	24,588	43,712	60,000	16,288	Insurance Claim	EFU General Insurance Ltd 2nd Floor, K.D.L.B. Bldg., 58, West Wharf Road, Karachi.
	6,652,600	3,950,129	2,702,471	3,731,850	1,029,379		
OFFICE AND OTHER EQUIPMENTS							
Dell Laptop computer	226,000	108,027	117,973	84,938	(33,035)	Insurance Claim	EFU General Insurance Ltd 2nd Floor, K.D.L.B. Bldg., 58, West Wharf Road, Karachi.
	6,878,600	4,058,156	2,820,444	3,816,788	996,344		
2002	5,568,085	3,490,640	2,077,445	2,741,908	664,463		



	Notes	2003 Rupees	2002 Rupees
4 CAPITAL WORK-IN-PROGRESS			
Building		–	16,627,987
Plant and machinery		7,449,848	5,275,431
Computer software and ERP system		1,538,750	–
		8,988,598	21,903,418
5 STOCK-IN-TRADE			
Raw material		68,321,182	51,098,350
Work-in-process		53,187,614	43,068,041
Finished goods		36,485,867	29,809,064
Packing material		47,356,269	33,591,289
General material		1,695,234	1,311,296
Goods in transit		1,931,729	1,537,409
		208,977,895	160,415,449
6 DUE FROM ASSOCIATED UNDERTAKINGS – Unsecured			
Majaz Corporation (Private) Limited		4,770	7,985
Associated Textile Consultants (Private) Limited		–	180,277
Precision Rubber Products Limited		–	1,097,273
Pakistan Card Clothing Company (Private) Limited		134	451,818
		4,904	1,737,353

6.1 These are in the normal course of the business and are interest free. The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 1,730,818 (2002: Rs. 2,634,811).

7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good			
Employees - against expenses		30,500	28,000
Suppliers		3,839,452	4,175,555
Others		1,390,303	2,920,063
		5,260,255	7,123,618
Income tax - net		13,314,264	7,299,647
Deposits			
For assets acquired on leases		–	420,000
Other		114,400	114,400
		114,400	534,400
Prepayments		1,145,139	826,478
Other receivables			
Sales tax refundable	7.1	1,000,000	1,000,000
Employees' Provident Fund		696,934	–
Rebate		538,758	395,091
Insurance claims		114,763	31,965
Others		270,444	96,164
		2,620,899	1,523,220
		22,454,957	17,307,363



7.1 This represents sales tax paid under protest against arbitrary levy on table salt and other spices amounting to Rs. 87.8 million (later reduced to Rs. 30.7 million). As a result of the appeal the matter has been set aside by the Tribunal by accepting the appeal. However, the department has preferred an appeal against the order of the Tribunal and for the stay of refund claimed by the company before the High Court of Sindh.

8 CASH AND BANK BALANCES	Notes	2003 Rupees	2002 Rupees
Cash in hand		502,913	411,499
Cash at banks - on current accounts			
Local currency	8.1	232,228	476,905
Foreign currency		278,063	126,633
		510,291	603,538
		1,013,204	1,015,037

8.1 This includes a separate account for deposits from dealers amounting to Rs. 84,284 (2002: Rs. 84,284).

9 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each

Number of shares				
2003	2002			
1,255,990	1,255,990	Fully paid in cash	12,559,900	12,559,900
2,994,548	2,994,548	Issued as fully paid bonus shares	29,945,480	29,945,480
4,250,538	4,250,538		42,505,380	42,505,380

10 RESERVES

Capital reserve			
Share premium		6,102,100	6,102,100
Revenue reserve			
Unappropriated profit		74,544,067	67,282,369
		80,646,167	73,384,469

11 LONG TERM FINANCE - Secured

Under mark-up arrangement	11.1	50,000,000	-
Current portion		(5,000,000)	-
		45,000,000	-

11.1 This facility has been obtained from a commercial bank and secured against equitable mortgage over factory buildings to the extent of Rs. 117 million. Mark-up is charged at the rate ranging from 10% to 12% per annum. The last installment of the facility is payable on November 18, 2008.



12 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2 0 0 3		2 0 0 2	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees	Rupees	Rupees	Rupees
Within one year	1,829,558	1,566,687	8,291,578	7,223,888
After one year but not more than five years	1,049,659	953,932	2,979,408	2,613,288
Total minimum lease payments	2,879,217	2,520,619	11,270,986	9,837,176
Less: Amounts representing finance charges	358,598	—	1,433,810	—000
Present value of minimum lease payments	2,520,619	2,520,619	9,837,176	9,837,176
Less: Current portion	1,566,687	1,566,687	7,223,888	7,223,888
	953,932	953,932	2,613,288	2,613,288

The above schedule represents finance lease agreements entered into with leasing companies for plant and machinery and motor vehicles. Financing rates of 14% to 19% per annum (2002: 14% to 19%) approximately have been used as discounting factor. The company has an option to purchase the leased assets upon completion of the lease period by adjusting the security deposit and has intention to exercise the option.

	Notes	2003 Rupees	2002 Rupees
13 DEFERRED LIABILITY			
Deferred taxation			
	13.1	8,758,798	6,083,679
13.1 Deferred taxation is composed of:			
Deferred tax liability :			
Difference between written down value and tax base of owned assets		7,753,238	5,472,767
Lease rentals		2,561,932	1,523,989
		10,315,170	6,996,756
Deferred tax assets:			
Difference between written down value and tax base of leased assets and compensated absences		(1,556,372)	(913,077)
		8,758,798	6,083,679



	Notes	2003 Rupees	2002 Rupees
14 SHORT TERM FINANCES UTILISED UNDER MARK-UP ARRANGEMENTS - Secured			
Short term running finance	14.1 & 14.4	60,589,090	61,185,116
Export re-finance	14.2 & 14.4	69,000,000	69,000,000
Money market advance	14.3 & 14.4	45,000,000	–
		174,589,090	130,185,116

14.1 The company has running finance facilities under mark-up arrangements in aggregate of Rs. 115,000,000 (2002: Rs. 80,000,000) from commercial banks having mark-up ranging from 7.5% to 12% per annum (2002: 14% to 15% per annum). The unutilised balance at the end of the year was Rs. 54,410,910 (2002: Rs. 18,814,884). The expiry date of facilities ranges from October 31, 2003 to February 28, 2004 and is renewable.

14.2 The aggregate export re-finance facilities amounting to Rs. 120,000,000 (2002: Rs. 70,000,000) from commercial banks having mark-up ranging from 7% to 7.25% per annum (2002: 8% to 9% per annum) Out of the aggregate facilities Rs.50,000,000 can be interchange into running finance facility. The expiry date of facilities ranges from October 31, 2003 to February 28, 2004 and is renewable.

14.3 The aggregate facility amounting to Rs. 45,000,000 has been obtained from Bank Al-Habib Limited. Mark-up is charged at the rate of 3% per annum. The expiry date of facility ranges from June 30, 2003 to July 15, 2003.

14.4 These arrangements are secured by first pari passu hypothecation charge on stock-in-trade and book debts of the company for Rs. 278 million.

	2003 Rupees	2002 Rupees
15 DUE FROM ASSOCIATED UNDERTAKINGS - Unsecured		
Associated Textile Consultants (Private) Limited	931	–
Precision Rubber Products Limited	3,849	–
Associated Textile Engineers (Private) Limited	–	8,177
	4,780	8,177

15.1 These are in the normal course of the business and are interest free. The maximum aggregate amount due to associated undertakings at the end of any month during the year was Rs. 323,821 (2002: Rs. 98,117).



	Notes	2003 Rupees	2002 Rupees
16 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		34,652,416	28,851,942
Accrued liabilities			
Salaries, wages and earned leaves		16,238,259	7,035,339
Mark-up on short term finances		695,697	2,819,930
Accrued expenses		6,488,972	5,954,456
		23,422,928	15,809,725
Other liabilities			
Workers' profit participation fund	16.1	1,600,446	1,680,951
Workers' welfare fund	16.2	532,006	150,374
Employees' provident fund		—	12,344,084
Sales tax payable		8,657,449	7,971,095
Due to directors		113,073	1,107
Advances from customers		8,247,710	7,664,009
Security deposits from customers		77,500	78,500
Tax deducted at source		70,601	328,718
Unclaimed dividend		740,938	724,455
Miscellaneous		18,978,364	18,200,697
		39,018,087	49,143,990
		97,093,431	93,805,657
16.1 Workers' profit participation fund			
Balance as at the beginning of the year		1,680,951	2,139,538
Allocation for the year		1,600,446	1,319,904
		3,281,397	3,459,442
Interest on fund utilised in the company's business		—	361,047
		3,281,397	3,820,489
Amount paid to the fund		(1,680,951)	(2,139,538)
		1,600,446	1,680,951
16.2 Workers' welfare fund			
Balance as at the beginning of the year		150,374	347,878
Allocation for the year		381,632	150,374
		532,006	498,252
		—	(347,878)
Amount paid to the fund		532,006	150,374

17. COMMITMENTS

Company has commitments against outstanding letters of credit established for import of goods amounting to Rs. 14,365,822 (2002: Rs. 38,299,000).





	Notes	2003 Rupees	2002 Rupees
18 SALES			
Local sales	18.1	1,002,596,110	864,805,077
Export sales	18.2	133,045,661	129,832,535
		1,135,641,771	994,637,612
18.1 Local sales			
Gross sales		1,366,015,556	1,187,500,635
Return		18,482,208	15,246,853
Trade discount		154,810,817	142,657,195
Cartage/freight		28,360,683	23,022,160
Sales tax		161,765,738	141,769,350
		(363,419,446)	(322,695,558)
		1,002,596,110	864,805,077
18.2 Export sales			
Gross sales		145,097,166	146,660,975
Return		—	4,928,100
Trade discount / commission		491,217	509,925
Freight		7,317,868	7,964,654
Forwarding charges		4,242,420	3,425,761
		(12,051,505)	(16,828,440)
		133,045,661	129,832,535
19 COST OF GOODS SOLD			
Opening stock of finished goods		29,809,064	22,102,549
Cost of goods manufactured	19.1	832,372,005	750,175,880
		862,181,069	772,278,429
Closing stock of finished goods		(36,485,867)	(29,809,064)
		825,695,202	742,469,365
Export rebate		(241,084)	(914,503)
		825,454,118	741,554,862



	Notes	2003 Rupees	2002 Rupees
19.1 Cost of goods manufactured			
Raw materials consumed	19.1.1	450,973,971	420,744,187
Packing materials consumed	19.1.2	234,741,500	194,020,733
Salaries, wages and other benefits		49,880,675	39,672,105
Direct labour		26,998,274	23,098,579
Professional services		1,491,715	1,038,175
Staff retirement benefits		2,681,087	5,972,706
Bonus		10,173,322	9,074,352
Repairs and maintenance		18,107,911	12,189,676
Rent, rates and taxes		3,555,115	3,253,277
Fuel and power		16,968,594	14,256,621
Insurance		1,820,501	1,674,684
Postage, telephone and telegram		522,972	319,770
Traveling and conveyance		6,293,849	4,779,002
Printing and stationery		654,498	590,114
Laboratory, research and development expenses		1,063,348	813,742
Depreciation	3.3	16,564,246	9,381,350
		842,491,578	740,879,073
Opening stock of work-in-process		43,068,041	52,364,848
Closing stock of work-in-process		(53,187,614)	(43,068,041)
Cost of goods manufactured		832,372,005	750,175,880
19.1.1 Raw materials consumed			
Opening stock		51,098,350	44,389,818
Purchases		468,196,803	427,452,719
		519,295,153	471,842,537
Closing stock		(68,321,182)	(51,098,350)
		450,973,971	420,744,187
19.1.2 Packing materials consumed			
Opening stock		33,591,289	29,602,500
Purchases		248,506,480	198,009,522
		282,097,769	227,612,022
Closing stock		(47,356,269)	(33,591,289)
		234,741,500	194,020,733



20 ADMINISTRATIVE EXPENSES	Notes	2003 Rupees	2002 Rupees
Salaries, allowances and other benefits		15,219,547	10,370,405
Staff retirement benefits		877,656	2,124,253
Bonus		3,060,006	2,621,054
Travelling, conveyance and vehicle running expenses		2,218,073	2,556,171
Rent, rates and taxes		472,159	464,409
Scholarship and donation	20.1	49,300	78,000
Utility charges		389,552	352,691
Postage, telephone and telegram		1,039,414	873,035
Repairs and maintenance		974,524	935,570
Insurance		448,748	556,046
Depreciation/amortisation on operating assets	3.3	2,741,547	2,452,809
Fee and subscription		310,541	463,083
Meeting expenses		84,229	47,249
Entertainment		350,807	234,421
Printing and stationery		1,044,997	1,007,203
Legal and professional charges		803,200	832,225
Auditors' remuneration	20.2	150,000	100,000
		30,234,300	26,068,624

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

20.2 Auditors' remuneration

Audit fee	75,000	75,000
Half yearly review	37,500	-
	112,500	75,000
Out-of-pocket expenses	37,500	25,000
	150,000	100,000



	Notes	2003 Rupees	2002 Rupees
21 SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits		35,014,713	24,842,165
Staff retirement benefits		1,193,087	2,439,801
Bonus		4,529,415	3,746,251
Travelling, conveyance and vehicle running expenses		10,944,619	10,179,102
Rent, rates and taxes		186,140	149,700
Scholarship and course fee		333,101	668,665
Postage, telephone and telegram		3,557,545	3,017,378
Repairs and maintenance		1,270,127	968,886
Insurance		1,133,153	1,194,598
Depreciation/amortisation on operating assets	3.3	3,806,153	3,670,986
Fees and subscription		202,373	159,760
Entertainment		490,663	490,070
Printing and stationery		1,170,582	977,525
Legal, professional and trade mark registration		3,617,979	1,737,670
Sales promotion meetings and conferences		3,216,914	6,086,969
Advertisement and art work		163,285,240	125,622,745
		233,951,804	185,952,271
22 OTHER INCOME			
Gain on disposal of fixed assets	3.4	996,344	664,463
Sales tax refunded		3,509,605	—
Insurance claim		77,654	560,586
Miscellaneous		266,230	628,784
		4,849,833	1,853,833
23 FINANCIAL CHARGES			
Bank charges		488,663	205,876
Mark-up on long term finance		3,134,356	—
Mark-up under finance leases		1,071,387	1,991,361
Mark-up on short term finances		14,148,055	13,959,315
Interest on Workers' profit participation fund		—	361,047
		18,842,461	16,517,599
24 OTHER CHARGES			
Workers' profit participation fund	16.1	1,600,446	1,319,904
Workers' welfare fund	16.2	381,632	150,374
		1,982,078	1,470,278



25 TAXATION	Notes	2003 Rupees	2002 Rupees
Current	25.1	8,021,329	4,045,524
Prior	25.2	(682,917)	(170,019)
Deferred		2,675,119	(361,381)
		10,013,531	3,514,124
25.1 Current			
Under normal assessment	25.1.1	6,544,991	2,578,914
Under section 115(4) of Income Tax Ordinance, 2001 - on exports		1,476,338	1,466,610
		8,021,329	4,045,524

25.1.1 Relationship between tax expense and accounting profit

	2003	2002		
	Effective tax rate %			
Profit before taxation	-	-	30,026,843	24,927,811
Tax at the applicable rate	35.00	35.00	10,509,395	8,724,734
Tax effect of expenses that are not deductible in determining taxable profits	28.19	40.56	8,464,166	10,109,570
Tax effect of exempt income and expenses that are deductible from but are not included in accounting profit	(41.39)	(65.21)	(12,428,570)	(16,255,390)
	21.80	10.35	6,544,991	2,578,914

25.2 The prior year tax charge includes the assessment in respect of assessment year 1998-1999 finalised during the year by Income Tax Department.

25.3 The income tax assessments have been finalised upto the assessment year 2001-2002. Return of income files for the assessment year 2002-2003 is pending for finalisation.

26 EARNINGS PER SHARE	2003 Rupees	2002 Rupees
There is no dilutive effect on the basic earnings per share of the company, which is based on:		
Profit after taxation	20,013,312	21,413,687
Weighted average number of ordinary shares	4,250,538	4,250,538
Earnings per share - basic and diluted	4.71	5.04



27 TRANSACTIONS WITH RELATED PARTIES ASSOCIATED UNDERTAKINGS

Loan provided to associated company		
Interest received/receivable from associated companies		
Common expenses charged to associated companies		

**2003
Rupees**

**2002
Rupees**

–	3,500,000
–	131,413
6,593,460	4,302,786
<hr/>	
223,739,663	219,814,561
22,536,136	–
246,275,799	219,814,561

Related parties

Gross sales to Premier Distributors	
Gross sales to Premier Agencies	

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2003 Rupees	2002 Rupees	2003 Rupees	2002 Rupees	2003 Rupees	2002 Rupees	2003 Rupees	2002 Rupees
Managerial remuneration	766,728	765,960	2,427,348	2,203,608	14,899,302	11,101,801	18,093,378	14,071,369
Housing	345,024	344,676	1,092,276	991,572	6,704,195	4,995,187	8,141,495	6,331,435
Bonus	429,150	374,128	1,320,625	1,090,081	8,183,617	5,363,763	9,933,392	6,827,972
Utilities	76,668	76,584	242,724	220,320	1,489,545	1,109,811	1,808,937	1,406,715
Others	–	1,200	–	4,800	3,397,223	1,604,185	3,397,223	1,610,185
	1,617,570	1,562,548	5,082,973	4,510,381	34,673,882	24,174,747	41,374,425	30,247,676
Number of persons	1	1	4	4	77	55	82	60

28.1 The Chief Executive and certain executives are also provided with free use of company owned and maintained cars and residential telephones. A few executives are also provided with free use of motor vehicles.

28.2 Aggregate amount charged in these accounts in respect of non-executive directors fee is Rs. 11,000 (2002: Rs. 7,500).

29 PLANT CAPACITY AND ACTUAL PRODUCTION (IN METRIC TONS)

	2 0 0 3		2 0 0 2	
	Installed	Utilized	Installed	Utilized
Spices	3,900	3,574	3,900	3,412
Pickles	1,800	4,252	1,800	3,663
Pastes	6,570	3,277	2,000	2,402
Salt	16,800	17,137	15,000	16,969

- Installed capacity of Pastes increased due to new plant imported.
- Capacity of spices remained under utilised due to decline in sales of plain spices due to imposition of Sales tax @ 15%
- Excess utilisation of installed capacity in pickles and salt has been achieved with extra shifts / working hours.





30 CASH AND CASH EQUIVALENTS	2003 Rupees	2002 Rupees
Cash and bank balances	1,013,204	1,015,037
Short term finances utilised under mark-up arrangements	(174,589,090)	(130,185,116)
	<u>(173,575,886)</u>	<u>(129,170,079)</u>

31 MATURITIES OF ASSETS AND LIABILITIES

	2 0 0 3			
	Total	Upto one one year	Over one year to five years	Over five years
	Rupees			
Assets				
Fixed assets	187,563,985	-	-	187,563,985
Long term deposits	1,959,180	-	1,959,180	-
Stock-in-trade	208,977,895	208,977,895	-	-
Trade debts	46,895,754	46,895,754	-	-
Due from associated undertakings	4,904	4,904	-	-
Advances, deposits, prepayments and other receivables	22,454,957	22,454,957	-	-
Cash and bank balances	1,013,204	1,013,204	-	-
	<u>468,869,879</u>	<u>279,346,714</u>	<u>1,959,180</u>	<u>187,563,985</u>
Liabilities				
Term finance	50,000,000	5,000,000	40,000,000	5,000,000
Liabilities against assets subject to finance lease	2,520,619	1,566,687	953,932	-
Deferred liabilities	8,758,798	-	8,758,798	-
Short term finances	174,589,090	174,589,090	-	-
Due to associated undertakings	4,780	4,780	-	-
Creditors, accrued and other liabilities	97,093,431	97,093,431	-	-
Proposed dividend	12,751,614	12,751,614	-	-
	<u>345,718,332</u>	<u>291,005,602</u>	<u>49,712,730</u>	<u>5,000,000</u>
Net assets	<u>123,151,547</u>	<u>(11,658,888)</u>	<u>(47,753,550)</u>	<u>182,563,985</u>
Represented by:				
Issued subscribed and paid-up capital	42,505,380			
Reserves	80,646,167			
	<u>123,151,547</u>			



2 0 0 2

	Total	Upto one one year	Over one year to five years	Over five years
	Rupees	Rupees	Rupees	Rupees
Assets				
Fixed assets	138,995,859	–	–	138,995,859
Long term deposits	1,693,180	–	1,693,180	–
Stock-in-trade	160,415,449	160,415,449	–	–
Trade debts	45,271,758	45,271,758	–	–
Due from associated undertakings	1,737,353	1,737,353	–	–
Advances, deposits, prepayments and other receivables	17,307,363	17,307,363	–	–
Cash and bank balances	1,015,037	1,015,037	–	–
	<u>366,435,999</u>	<u>225,746,960</u>	<u>1,693,180</u>	<u>138,995,859</u>
Liabilities				
Liabilities against assets subject to finance lease	9,837,176	7,223,888	2,613,288	–
Deferred liabilities	6,083,679	–	6,083,679	–
Short term finances	130,185,116	130,185,116	–	–
Due to associated undertakings	8,177	8,177	–	–
Creditors, accrued and other liabilities	93,805,657	93,805,657	–	–
Proposed dividend	10,626,345	10,626,345	–	–
	<u>250,546,150</u>	<u>241,849,183</u>	<u>8,696,967</u>	<u>–</u>
Net assets	<u>115,889,849</u>	<u>(16,102,223)</u>	<u>(7,003,787)</u>	<u>138,995,859</u>
Represented by:				
Issued subscribed and paid-up capital	42,505,380			
Reserves	73,384,469			
	<u>115,889,849</u>			



32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

32.1 Maturities of financial assets and liabilities As at June 30, 2003

	Effective mark-up rate %	Mark-up bearing maturity			Non-mark-up bearing maturity			Total Rupees
		Upto one year Rupees	Over upto five years Rupees	Over five years Rupees	Upto one year Rupees	Over upto five years Rupees	Over five years Rupees	
		Sub-total Rupees	Sub-total Rupees	Sub-total Rupees	Sub-total Rupees	Sub-total Rupees	Sub-total Rupees	
Financial assets								
Deposits	-	-	-	-	114,400	1,959,180	-	2,073,580
Trade debts	-	-	-	-	46,895,754	-	-	46,895,754
Due from associated undertakings	-	-	-	-	4,904	-	-	4,904
Advances and other receivables	-	-	-	-	1,082,141	-	-	1,082,141
Cash and bank balances	-	-	-	-	1,013,204	-	-	1,013,204
	-	-	-	-	49,110,403	1,959,180	-	51,069,583
Financial liabilities								
Term finance	10.00 - 12.00	5,000,000	40,000,000	5,000,000	-	-	-	50,000,000
Liabilities against assets subject to finance lease	14.00 - 19.00	1,566,687	953,932	-	2,520,619	-	-	2,520,619
Short term finance	3.00 - 12.00	174,589,090	-	-	174,589,090	-	-	174,589,090
Due to associated undertakings	-	-	-	-	4,780	-	-	4,780
Creditors, accrued and other liabilities	-	-	-	-	80,040,171	-	-	80,040,171
Proposed dividend	-	-	-	-	12,751,614	-	-	12,751,614
	-	181,155,777	40,953,932	5,000,000	227,109,709	92,796,565	-	319,906,274
Maturities of financial assets and liabilities As at June 30, 2002								
Financial assets								
Deposits	-	-	-	-	534,400	1,693,180	-	2,227,580
Trade debts	-	-	-	-	45,271,758	-	-	45,271,758
Due from associated undertakings	-	-	-	-	1,737,353	-	-	1,737,353
Advances and other receivables	-	-	-	-	128,129	-	-	128,129
Cash and bank balances	-	-	-	-	1,015,037	-	-	1,015,037
	-	-	-	-	48,686,677	1,693,180	-	50,379,857
Financial liabilities								
Liabilities against assets subject to finance lease	14.00 - 19.00	7,223,888	2,613,288	-	9,837,176	-	-	9,837,176
Short term finance	8% - 17.5%	130,185,116	-	-	130,185,116	-	-	130,185,116
Due to associated undertakings	-	-	-	-	8,177	-	-	8,177
Creditors, accrued and other liabilities	-	-	-	-	77,763,335	-	-	77,763,335
Proposed dividend	-	-	-	-	10,626,345	-	-	10,626,345
	-	137,409,004	2,613,288	-	140,022,292	88,397,857	-	228,420,149



32.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. As indicated in note 32.1, the company is not materially exposed to interest rate risk as most of the financial instruments are either for a short term period or not exposed to interest rate risk.

32.3 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. To guard against this risk the company's assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure that adequate liquidity is maintained. The liquidity profile of the company is disclosed in note 32.1.

32.4 Credit risk

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The company is not exposed to credit risk as the customers are reputable local and foreign parties.

32.5 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of all the financial assets and liabilities are not materially different from their book values as at the balance sheet date.

32.6 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. The company exports its products to various countries and is exposed to movement in foreign exchange rates. As at June 30, 2003 the company's foreign exposure is as follows:

	Trade debts	Advances from customers	Total
	Rupees equivalent		
US Dollar	25,726,249	(798,846)	24,927,403
2002	28,680,790	(118,861)	28,561,929

33 NUMBER OF EMPLOYEES

The total number of permanent employees at the year end were 391 (2002: 387)



34 DATE OF AUTHORISATION

These accounts were authorised for issue on 29th September, 2003 by the Board of Directors of the company.

35 GENERAL

35.1 Figures in these accounts have been rounded off to the nearest rupee.

35.2 Previous year's figures have been re-arranged and re-classified, wherever necessary for the purpose of comparison.


ABDUL RAHIM
Chief Financial Officer


ABRAR HASAN
Chief Executive


KHAWAR M. BUTT
Director



The Secretary
NATIONAL FOODS LIMITED
 12/CL-6, Claremont Road,
 Civil Lines, Karachi-75530.
 P.O. Box No. 15509

Form of Proxy
 32nd Annual General Meeting

I/We _____ of
 _____ being member(s) of
 National Foods Limited holding _____ ordinary shares as per Registered
 Folio No./CDC A/c No. (for members who have shares in CDS) _____
 hereby appoint Mr./Mrs./Miss _____ of
 (full address) _____ or failing him/her
 Mr./Mrs./Miss _____ of
 (full address) _____
 (being member of the Company) as my/our Proxy to attend, act and vote for me/us and on
 my/our behalf at the 32nd Annual General Meeting of the Company to be held on Friday
 31st October 2003 and / or any adjournment thereof.

As witness my/our hand seal this _____ day of _____ 2003.
 Signed by _____ in the
 presence of (i) _____
 (ii) _____

Signature on
 Rs. 5/-
 Revenue Stamp

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

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

- For CDC Account Holders/Corporate Entities:**
- In addition to the above following requirements have to be met:
- (i) The Proxy form shall be witnessed by two persons whose names, addresses and NIC Numbers shall be mentioned on the form.
 - (ii) Attested copies of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (iii) The proxy shall produce his/her original NIC or original Passport at the time of the meeting.
 - (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

