



www.nfoods.com

RISING ABOVE

annual report 2005



R I S I N G A B O V E



Since the beginning of our journey, each passing year has been a milestone. Our successful progression through the past years and our commitment and enthusiasm to conquer the ones to come, is the underlying theme for this year's annual report.

We continue to progress, surpassing standards to rise above the rest and commemorate 35 years of being the name you trust.

contents

1	Company Information
3	Our Vision & Mission
4	Chief Executive's Outlook
5	Social Welfare
6	Corporate Activities
8	At the Factory/Internal Events
9	Six Years at a Glance
10	Financial Ratios
11	Performance at a Glance
14	Notice of Meeting
16	Report of Directors to the Shareholders
25	Statement of Compliance
27	Review Report to the Members on Statement
28	Auditor's Report to the Members
29	Balance Sheet
30	Profit & Loss Account
31	Cash Flow Statement
32	Statement of Changes in Equity
33	Notes to the Financial Statements
53	Form of Proxy

company information

Board of Directors

Mr. A. Majeed
Mr. Abrar Hasan
Mr. Waqar Hasan
Mr. Khawar M. Butt
Mr. Zahid Majeed
Mr. Ebrahim Qasim
Mr. Jawaid Iqbal

Chairman
Managing Director / Chief Executive
Director
Director
Director
Director
Director

Audit Committee

Mr. Waqar Hasan
Mr. Khawar M. Butt
Mr. Ebrahim Qassim

Chairman
Member
Member

Company Secretary / Secretary Audit Committee

Mr. Muhammad Kashif Iqbal

Internal Auditor

Mr. Haider Ali Talpur

Chief Financial Officer

Mr. Shakaib Arif

Company Management

Mr. Abrar Hasan
Mr. Zahid Majeed
Mr. Nasir Hameed
Mr. S.M.H. Wasti
Mr. Waqas Abrar Khan
Mr. Shakaib Arif
Mr. Zaheer Ahmed
Mr. Syed Ahmed Iqbal
Dr. Syed Asad Sayeed

Chief Executive
Corporate Director
General Manager Operations
General Manager Material Management
Group Human Resource Manager
Head of Finance
Head of Trade Marketing
Head of Strategic Marketing
Head of Quality and Research & Development

Auditors

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

Registrar

Noble Computer Services (Pvt.) Limited
2nd Floor, Sohni Centre, BS 5 & 6 Karimabad,
Block-4, Federal B. Area, Karachi-75950
Phone: 6801880 - 82 (3 Lines)
Fax: 6801129 E-mail: ncsl@noble-computers.com

Bankers

Bank Al-Habib Limited
I.I. Chundrigar Road Branch, Karachi
S.I.T.E Branch, Karachi
New Garden Town Branch, Lahore

ABN AMRO Bank
Abdullah Haroon Road, Karachi

Muslim Commercial Bank
Clifton Corporate Branch, Karachi
Shaheen Complex Branch, Karachi

Habib Bank Limited
Hub River Road Branch, Karachi

Citi Bank Limited
I.I. Chundrigar Road Branch, Karachi

Registered Office

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

our vision

- 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

our mission

- To deliver consistent quality to our customers using pure ingredients, authentic recipes and the best available technology
- Dedicated to continuous improvement through active alliance 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

chief executive's outlook



TO ALL OUR CUSTOMERS, SHAREHOLDERS, PARTNERS & EMPLOYEES:

National Foods has been consistent in its growth since its inception in 1970. In the last three decades, it has grown from a small spice company to an organization, which is now considered to be a major Food company in Pakistan. Today, we take pride in communicating that our company touched the landmark figure of Rs 2.0 billion sales in financial year 2004 – 05. This great achievement became possible only because of the consumer trust we earned over the last three decades by offering high quality products that meet consumer needs.

Today, we expect that our competition in future would be greater in scope and intensity due to implementation of free trade agreements, which would allow global brands to cater to Pakistani consumers without trade barriers. At our end, we see this challenge as a great opportunity to go global by offering best quality products to people around the world.

Steering the company through this time will perhaps be the biggest challenge that we will face. The expected changing business scenario demands us to prepare ourselves to compete with global brands in the local market and the same brands in their respective territories. To meet this challenge, we have initiated a turnaround program at National Foods titled “Winning for the Future”. This will enable us to benchmark the best industry practices and will put to test our entire past experience and strategic initiative to realize the global potential to its fullest. Through this turnaround initiative, greater emphasis will be placed on meticulous planning, improving the operational efficiencies, enhancing controls, and utilizing the best technological options to make our brands cost competitive.

Please join me in making National Foods a winning company.



social welfare

Good governance and corporate citizenship are not only limited to multinationals through their support to eradicate illiteracy and the other social elements. National Foods Limited is one of the few local, international companies that supports the society uplifting and welfare enhancement and takes such activities as a social corporate responsibility.

National Foods striving hard to eradicate illiteracy

Almost 4 years ago, Chairman National Foods, Mr. Abdul Majeed realized the need to educate the labor force for which Adult Literacy Program was started and was successfully implemented. The result is visible by a 99% internal literacy level. This year the effort was acknowledged by the City Foundation for which they have provided the space and the expense was borne by NFL. This program benefited over 80 students.



Renovation of City Sports Complex Ladies Jogging Track

National Foods Ltd. renovated the Ladies Jogging Track in the City Sports Complex and roller-skating rink at Kashmir Road. The park was infused with a new look with the laying out of jogging track, green rockeries, pole lights, sun shades with benches, filtered water coolers and ladies room where they can freshen up and do ablution before prayers.



Gold Medal & Scholarship programs

National Foods has contributed towards education for the past many years. This year also scholarship and gold medals have been given to the deserving students in different educational institutes.



Construction of Commerce wing at Khatoon-e-Pakistan College

National Foods Ltd. constructed the Commerce Wing at Khatoon-e-Pakistan College. Over 250 girls, opting for commerce education are benefiting from National Foods Ltd.'s generosity.



Donation of Television to Kashana-e-Itfal

This year National Foods not only conducted cooking classes for young girls in Kashana-e-Itfal but also donated a television for the kids.



corporate activities

Women related activities held by National Foods are a part of social endeavors towards creating a potent and more intelligent society, where women as an integral part understand their importance and role in making a well-groomed family and environment.

All About Eve 2005

National Foods hosted the second annual "All About Eve", an exclusive 2-day workshop for women in Karachi, Lahore & Islamabad. The workshop was designed to cover all aspects of a woman's life, be it, home, family, work place, friends, relatives or her personal health and appearance. It was attended by hundreds of women who appreciated National Foods efforts. Ronaq was also introduced at this event.



Women's Day Celebration

National Foods Limited celebrated the International Women's Day at its renovated City Sports Complex-Ladies Jogging Track on Kashmir Road. The objective of the event was to acknowledge the contributions of women as they play their part in the socio-economic development of their families and ultimately the country. Prominent women from various walks of life were invited to share their views and achievements.



Cooking classes

National Foods regularly conducts cooking classes at technical training centers, hotels, clubs and educational institutes throughout the year, where hundreds of females learn the art of cooking. Celebrities also attended these classes.



Cooking Fiesta

Cooking competitions have been arranged all year round where loyal customers make new dishes with National Foods products and share their expertise.



College Programs

This year also National Foods has conducted many cooking shows in colleges and schools.



Funkids Carnival

National Foods organized an evening full of color, excitement, fun, games and music at the National Sailing Centre Karachi for their FUNKIDS club members. The highlight of the event was an electrifying performance by Ali Zafar. He enthralled the crowd with his heart stopping beats, groovy tunes and smooth moves. His two-hour performance was the most anticipated part of the evening and was greatly enjoyed by children and their parents.



Khail Kood Maza-Funkids Club launched in Lahore

National Foods brought the most fun filled and exciting event Khail Kood Maza to Lahore at the Joyland Park of the Fortress Stadium Lahore. This event was full of fun, food and games. All of the rides for the Funkids Club members were free and they also participated in competitions to win prizes.



NFL receives FPCCI Award for Excellence in Exports

The Federation of Pakistan Chamber of Commerce and Industry (FPCCI) awarded National Foods Ltd. with a merit trophy at the 28th Exports Awards 2003-2004 in the Spice/Curry Preparation Mix Category.



Raj on Canadian Shores - en route to success

National Foods participated in EATING VANCOUVER FOOD SHOW held in May 2005 where Raj Butter Chicken, Raj Pickles and Raj Mango Chilli Sauce was offered to people. People who tried them could not resist the temptation of buying these products.



Golden Recipe Draw

National Foods conducted a Golden Recipe Coupons Lucky Draw for the retailers. Hundreds of retailers participated in the draw and won valuable prizes.



at the factory/ internal events

National Foods strongly believes in investing in people through training and development. This effort benchmarks good Human Resource practices and creates equal opportunities for employees.

Visit of Mr. Mian Mansha

Pakistan's leading businessman, industrialist and president of MCB, Mr. Mian Mohammad Mansha paid a friendly visit to National Foods Ltd. factory and corporate office. At the factory he praised the hygienic conditions and said that the cleanliness and high standards of the factory confirms that National Foods actually deserves the ISO 9001 certificates.



Direct Marketing Training Workshop

Professional Training has always been a tradition and concern for National Foods. A 5-day training session was arranged for the direct marketing team in which employees from the entire nation were trained for the techniques and the importance of direct marketing and research.



Reflection Night

National foods family celebrated the success of their in-house publication, Reflection as well as Eid festivity. Famous Ghazal singer Asif Mehndi was invited for an entertaining Ghazal Night.



Development Course for the Supervisors

An In-house 2-day training session titled Development Course for Supervisors was arranged by National Foods Ltd. Mr. Mumtaz Ali Shah, a well-known name in the training circle was especially invited from Mansehra to conduct the program. 24 participants from various departments throughout National Foods attended the program that aimed at harnessing the leadership and communication skills of supervisors.



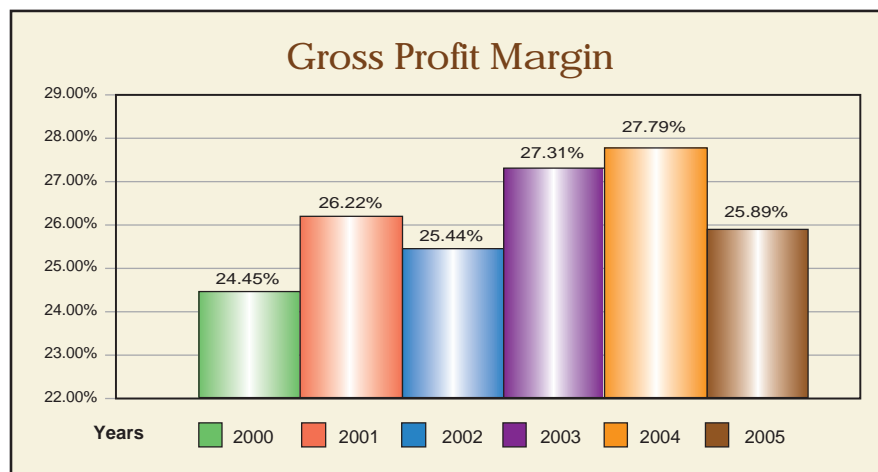
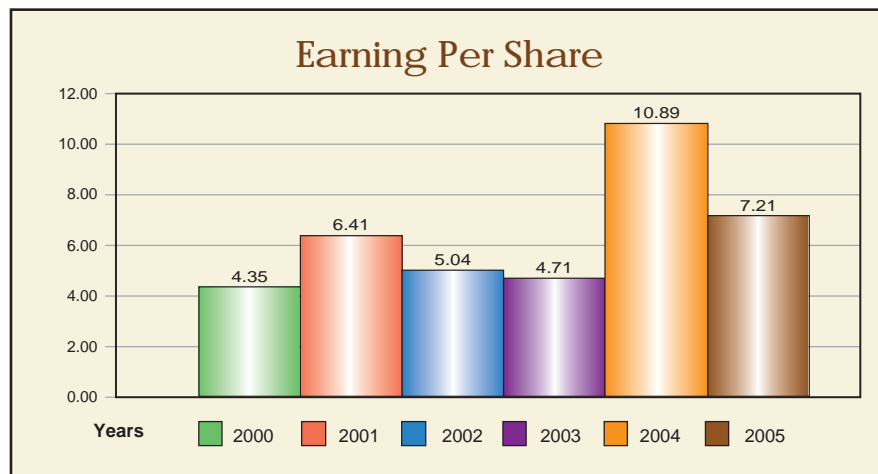
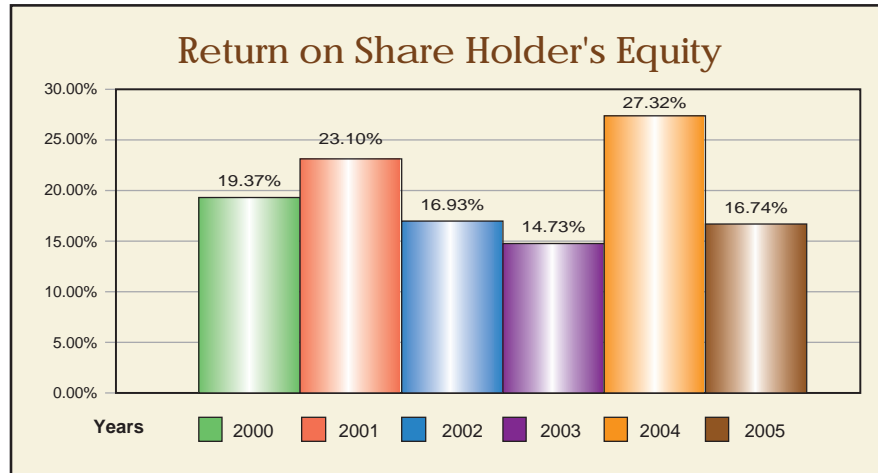
six years at a glance

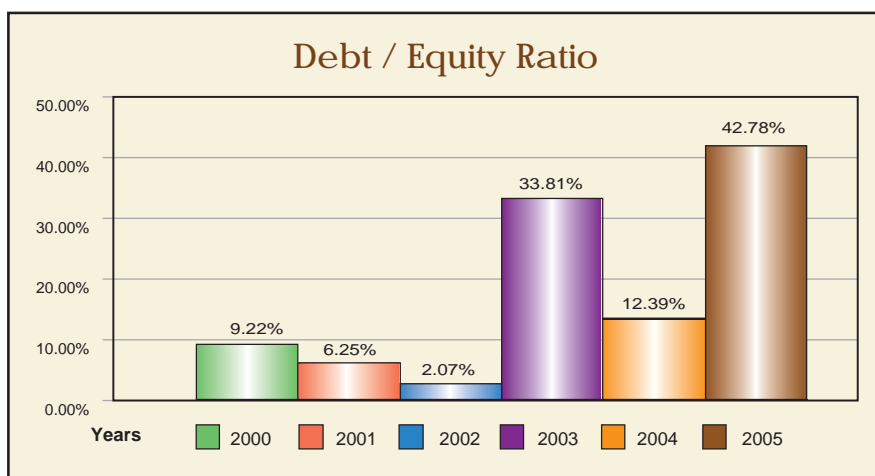
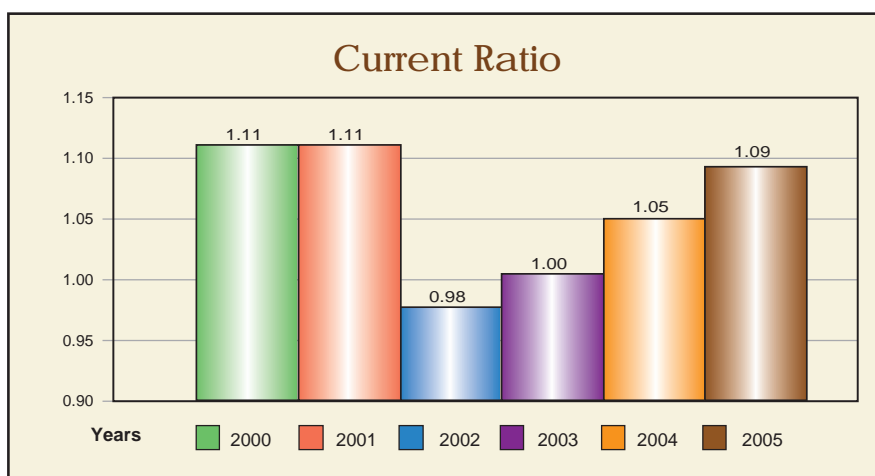
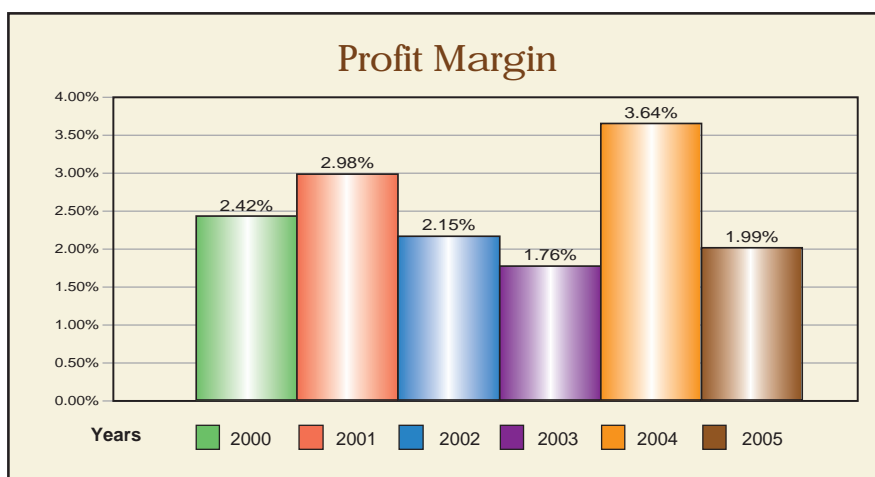
	2000	2001	2002	2003	2004	2005
PROFIT AND LOSS STATEMENT						
Sales	765,675	915,136	994,637	1,135,642	1,273,032	1,533,879
Cost of Sales	578,472	675,226	741,555	825,454	919,282	1,136,727
Gross Profit	187,203	239,910	253,082	310,188	353,750	397,152
Administration, Selling & Other Operating Exp.	150,005	192,232	213,491	266,168	275,714	344,941
Financial Charges	12,614	14,149	16,518	18,843	11,640	14,438
Other Income	994	2,157	1,854	4,850	1,958	4,498
Profit before Tax	25,578	35,686	24,927	30,027	68,354	42,271
Taxation	7,075	8,459	3,514	10,014	22,055	11,618
Profit after taxation	18,503	27,227	21,413	20,013	46,299	30,653
BALANCE SHEET						
Share Capital	42,505	42,505	42,505	42,505	42,505	42,505
Reserves	53,009	75,349	84,011	93,398	126,945	140,596
Shareholders' Equity	95,514	117,854	126,516	135,903	169,450	183,101
Long Term Obligations	14,209	13,811	8,697	54,713	33,500	90,139
Current Liabilities & Provisions	194,826	188,488	231,223	286,275	361,817	435,491
TOTAL	304,549	320,153	366,436	476,891	564,767	708,731
Fixed Assets & CWIP	84,938	109,210	138,996	187,564	182,936	230,865
Long Term Security Deposits	3,511	1,592	1,693	1,959	1,941	2,139
Current Assets	216,100	209,351	225,747	287,368	379,890	475,727
TOTAL	304,549	320,153	366,436	476,891	564,767	708,731

financial ratios

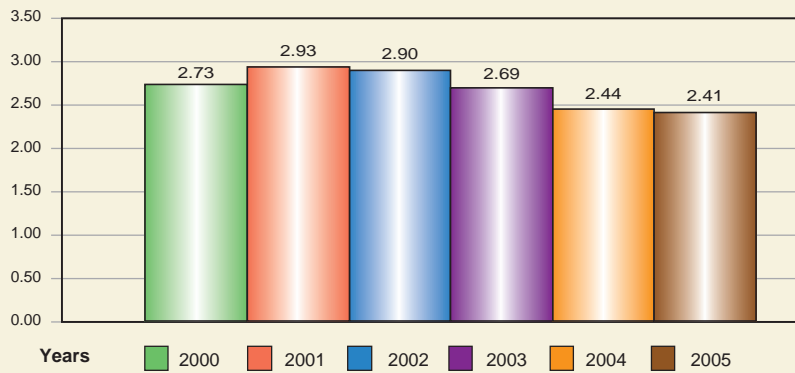
	2000	2001	2002	2003	2004	2005
PERFORMANCE MEASURES						
Return on Shareholders' Equity	19.37%	23.10%	16.93%	14.73%	27.32%	16.74%
Operating Return	8.40%	11.15%	6.80%	6.30%	12.10%	5.96%
PROFITABILITY MEASURES						
Gross Profit Margin	24.45%	26.22%	25.44%	27.31%	27.79%	25.89%
Profit Margin	2.42%	2.98%	2.15%	1.76%	3.64%	1.99%
Earnings per share (Rs)	4.35	6.41	5.04	4.71	10.89	7.21
TESTS OF INVESTMENT UTILISATION						
Asset turnover (Times)	2.73	2.93	2.90	2.69	2.44	2.41
Receivables (Days)	10.34	11.31	14.34	14.81	14.49	15.47
Days' Inventory	100.10	88.98	76.84	81.29	95.53	101.23
Receivable turnover (Times)	35.30	32.26	25.45	24.64	25.19	23.59
Inventory turnover (Times)	3.65	4.10	4.75	4.49	3.82	3.61
TESTS OF FINANCIAL CONDITION						
	2000	2001	2002	2003	2004	2005
Current Ratio	1.11	1.11	0.98	1.00	1.05	1.09
Acid-test Ratio	0.13	0.20	0.20	0.17	0.16	0.19
Debt/Equity Ratio	9.22%	6.25%	2.07%	33.81%	12.39%	42.78%
Interest cover	3.03	3.52	2.51	2.59	6.87	3.93
Book value per share	22.47	27.73	29.76	31.97	39.87	43.08
Return on assets	6.60%	8.72%	6.24%	4.75%	8.89%	4.81%

performance at a glance

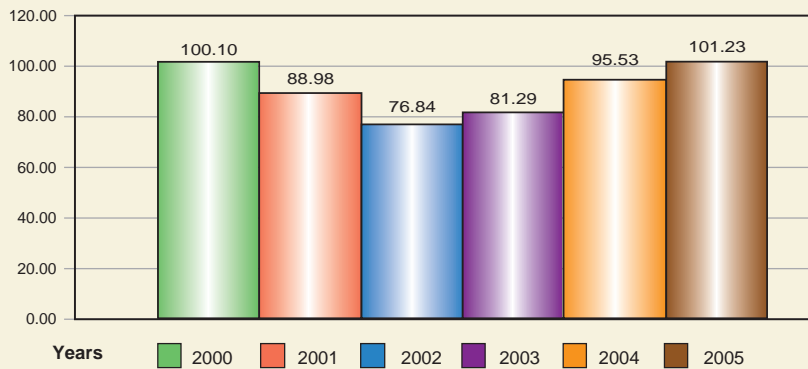




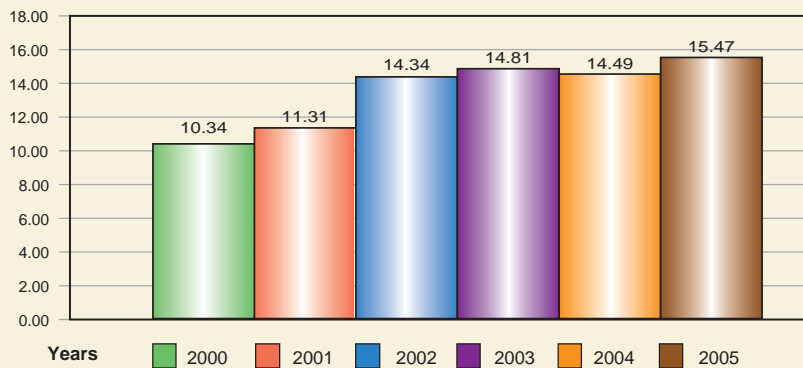
Assets Turnover



Inventory Days



Receivable Days



notice of meeting

Notice is hereby given that the 34th 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 Thursday, October 27, 2005 at 10:00 a.m., to transact the following business:

Ordinary Business:

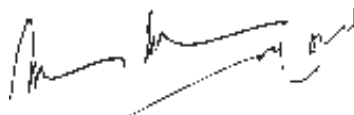
1. To confirm the minutes of the 33rd annual general meeting held on October 30, 2004.
2. To receive, consider and approve the audited accounts for the year ended June 30, 2005.
3. To approve final dividend on the ordinary shares of the company.

The directors have recommended a final cash dividend of Rs.1.50 per share of Rs.10.

4. To appoint auditors for the year 2005-2006 and to fix their remuneration.

Messrs. A. F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment. The directors on the recommendation of the Audit Committee, proposes the appointment of Messrs. A.F. Ferguson & Co., Chartered Accountants as the auditor until the next Annual General Meeting.

By order of the Chairman



Muhammad Kashif Iqbal
Company Secretary

Karachi
Dated: October 5, 2005

Notes:

1. The share transfer books of the Company will remain closed from October 18, 2005 to October 27, 2005 (both days inclusive).
2. All members are entitled to attend and vote at the meeting. A member may appoint a proxy to attend, speak and vote for him/her. A proxy must be a member of the Company.
3. In order to be valid, an instrument 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.
4. Any change of address of Members should be notified immediately to the Company's Share Registrar, Noble Computer Services (Pvt.) Ltd., 2nd Floor, Sohni Center, BS 5 & 6, Karimabad, Block 4, Federal B. Area, Karachi.
5. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited,
 - a. in case of individuals, must bring his/her participant's ID number and account/sub-account number alongwith original Computerised National Identity Card or original Passport at the time of attending the meeting.
 - b. in case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
6. In pursuance of SRO 641(I)/2005 dated June 27, 2005 issued by the Central Board of Revenue, Government of Pakistan, the Income Tax Register for filing with Income Tax Authorities, has been re-designed. In the new format the Central Board of Revenue has provided additional columns for inserting the new Computerized National Identity Card (CNIC) number [in case of an individual] and National Tax Number (NTN) [in case of a Company] of each shareholder.

To comply with the above requirement, Members are requested to send photocopy of their new CNIC (both sides) [in case of an individual] or NTN [in case of company] alongwith Folio Number to be notified immediately to the Company's Share Registrar.

report of directors to the shareholders

On behalf of the executive Board of Directors of National Foods Limited, the audited accounts of the company for the year 2004-05 are presented as follows:

Financial performance

The Board of Directors of National Foods Limited are pleased to announce an appropriation of profits of Rs. 6,375,807/- to be paid in the form of cash dividend

Year	Rs in thousands	
	2004-05	2003-04
Operating profit	52,211	78,036
Add: Other income	4,498	1,958
	<u>56,709</u>	<u>79,994</u>
Less: Financial and other charges	(14,438)	(11,640)
Profit before taxation	<u>42,271</u>	<u>68,354</u>
Less: Taxation	(11,618)	(22,055)
Profit after taxation	<u>30,653</u>	<u>46,299</u>
Add: Un-appropriated profit brought Forward	103,841	74,544
Profit available for appropriation	<u><u>134,494</u></u>	<u><u>120,843</u></u>

Management Summary

Gross Sales have crossed Rs. 2 billion in turnover.

The company has finished the financial year with positive top line growths, but bottom line growth has been negative.

As per the forecast and very much in line with the comments in the previous three quarterly reports, inflation has played a major role in reducing the earnings in relation to previous year as a benchmark.

Continued rise in oil prices and interest rate adjustments has put a negative pressure on all Material costs and freight which has resulted in lower profits for the financial year. The trend is expected to continue as oil prices have gone up even further in the international market.

Development at the Bin Qasim expansion is being carried out at a rapid pace and is ahead of schedule. It is expected that the project will be completed as per project plan.

Detailed analysis of company's performance is presented henceforth:

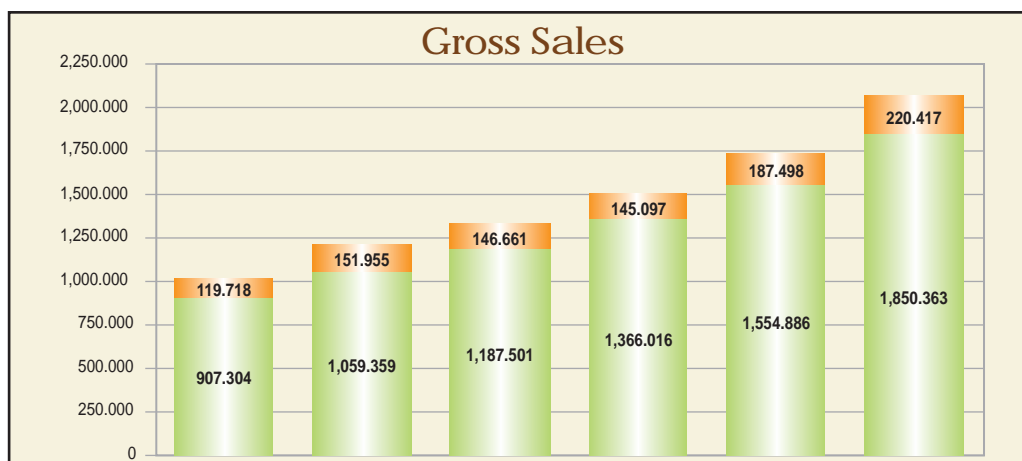
Operational Analysis

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

Sales Analysis

Rs in thousands

	2004-05	2003-04	Growth
Gross Sales			
Total Sales	2,070,780	1,742,384	18.85%
Local Sales	1,850,363	1,554,886	19.00%
Export Sales	220,417	187,498	17.56%



	2004-05	2003-04	Growth
Net Sales			
Total Sales	1,533,879	1,273,032	20.49%
Local Sales	1,316,345	1,086,834	21.12%
Export Sales	217,534	186,198	16.83%

As expected the Company has achieved a satisfactory growth in the top line by more than 18.8%. This growth rate would have been higher if the Middle East region had performed as per target, however as reported in the third quarter of last year, the distribution in Saudi Arabia is being changed to realize the full potential of the market. This will enhance the efficiency levels in the distribution channel which will strengthen the market for the Company's products in the coming year.

Profitability Analysis

	2004-05	2003-04	Growth
Operating profit	52,211	78,036	(33.09%)
Other Income	4,498	1,958	129.73%
Pre-Tax Profit	42,271	68,354	(38.16%)
Net Profit	30,653	46,299	(33.79%)

Profitability and Performance Measures

	2004-05	2003-04	Variance
Gross Profit Margin	25.89%	27.79%	(1.9%)
Net Profit Margin	1.99%	3.64%	(1.65%)
Earnings per Share	7.21	10.89	(3.68)
Operating Return	5.96%	12.10 %	(6.14 %)

This year the Company has faced unprecedented increases in material costs in general due to inflationary pressures. The main items of concern have been key materials like Sugar, Wheat, Aaloo Bukhara, Mustard Oil and Glass Bottles in particular. This has resulted in an overall decrease of the gross margin by 1.9% in relation to Net Sales compared to last year. This accounts to almost Rs. 29 million. The analysis of this value is further presented as follows:

	Rs. in thousands
Net Sales for the Year	1,533,879
GP Margin Deficit	1.9%
Net impact on Profit	29,144
Factors contributed in Proportion to Net Sales	Percentages
Material increase due to poor crop yields	132.6%
Material increase due to oil price increase	11.58%
Net Savings through overheads cost control in proportion to Net Sales	(44.18%)

Continued rise in bank interest rates has also put pressure on financial costs due to introduction of KIBOR based system and upwardly mobile interest rates. Also affected are rise in freight rates for export and local markets and rental charges due to increased petroleum and oil prices and general price index.

Investments Analysis

	2004-05	2003-04
Asset Turnover(Times)	2.41	2.44
Receivables (Days')	15.47	14.49
Days' Inventory	101.23	95.53
Receivable Turnover	23.59	25.19
Inventory Turnover (Times)	3.61	3.82
Return on Shareholders Equity	16.74%	27.32 %

Further expansion at Bin Qasim, to address the capacity limitations and modernizing of existing processes to meet future demand, has been in the construction process and is expected to be completed by the second quarter of 2006-07.

Due to seasonality, investment in inventory has increased to plan for the Ramadan season and will be offset against seasonal sales in the present year.

Financial Analysis

	2004-05	2003-04
Current Ratio	1.09	1.05
Acid-test Ratio	0.19	0.16
Debt/Equity Ratio	42.78%	12.39%
Book value per share	43.08	39.87
Return on Assets	4.81%	8.89%

The Company has signed a term finance facility of Rs.200 million with Muslim Commercial Bank for the Bin Qasim Project.

Management and Achievements

Following significant achievements were made during the financial year:

- Crossed Rs. 2 billion in Gross Sales Turnover
- Term Finance of Rs. 200 million secured through MCB for Bin Qasim expansion
- Credit rating of A+ received through JCR-VIS
- Launch of new Recipe brand Ronaq in the local market
- Market gain in National Recipe by 15% through consumer focused strategic marketing actions

Future Outlook

General consumption in the market remains on the higher level despite inflation. However continued rise in rates has put tremendous pressure on social resources. The minimum wage has also been revised to combat the inflationary aspect.

The financial interest rates continue their upward trend and no abatement is in sight. Despite all these negative pressures, outlook on growth remains positive due to strong economy measures.

The company is working to separate its management structure in divisions to improve focus and clear its objectives of growth in high growth and high volume segments. Capacities will be enhanced once the Bin Qasim project is complete to maximize its growth opportunities against potential.

Social Commitment

Bhittai Abad Literacy Project in Collaboration with NFL

i) Background:

National Foods Limited is one of the few local companies that realizes its social responsibility to charge ahead against the menace of illiteracy. Materializing its thought process National Foods in collaboration with the Citizen Foundation has commenced a project called "Adult Literacy programme". Under this programme people are provided education according to the latest curriculum, free of cost. The Citizen Foundation is providing space while National Foods is sponsoring the books expenses and Teacher's salary in coordination with New Century Education.

ii) Methodology:

The Adult Literacy Programme started in March 2005 in five centers at Bhattaiabad. The City Foundation gave five rooms for the educational purpose to NFL. NCE provided five teachers who would get trained by NCE before starting teaching in the centers.

In the first phase Urdu and Maths curriculum was covered. After completing this course students are now able to read and write Urdu without difficulty. Students are also able to multiply, subtract, add and divide four digit easily.

Serial No.	Teacher Name	Location	Gender	Starting Date	Learners
1	Gulshan	School	Female	3 rd April, 2005	25
2	Memona Shah	School	Female	28 th March, 2005	25
3	Sadia	School	Female	1 st April, 2005	25
4	Asma	School	Female	11 th April, 2005	20
5	Tanzeen	Home	Female	25 th April, 2005	20

iii) Current Status:

Up till now the four centers have reached to the first phase, in which three books of Urdu and one book of Maths has been covered. While one center is left with the third book of Urdu. Following numbers of students have completed their course in the centers.

Serial No.	Teacher Name	Students Enrolled	Students Completed the First Phase
1	Gulshan	25	23
2	Memona Shah	25	21
3	Sadia	25	19
4	Asma	20	18
5	Tanzeen	20	Still in process

iv) Conclusion:

The public's response towards this programme has been very encouraging and NFL is high in hopes that would contribute a bit in eliminating such relics like poverty and illiteracy very soon, inshaAllah.

Corporate Governance

Compliance of Corporate Governance is annexed.

Pattern of Shareholding

The pattern of shareholding of the company is annexed. Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children have made no transactions in the Company's shares during the year except as disclosed in annexed statement.

Auditors

The present Auditors Messrs. A. F. Ferguson & Co. Chartered Accountants, retire and have offered themselves for re-appointment.

Board of Directors Meetings

The number of Board meetings and attendance thereto is annexed.

Statement of Directors' Responsibility

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 any departure has been adequately disclosed;
- Accounting estimates are based on reasonable prudent judgment;
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- 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 principal value of investments based on last audited accounts of provident fund Rs.24,950,000/-;
- An effective internal audit function has been in place which is duly approved by the Board of directors;
- The outstanding taxes and levies, if any, are duly disclosed in the respective notes to the annexed audited accounts;
- The Board has constituted an Audit Committee consisting of three member 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.

Karachi
Dated: September 1, 2005



Abrar Hasan
Chief Executive

Annexure

ANNEXURE-I

Statement showing shares bought and sold by directors, CEO, CFO, Company Secretary and the minor family members from July 1, 2004 to June 30, 2005

S.NO.	NAME	DESIGNATION	SHARES GIFTED
1	MR. ABDUL MAJEED	CHAIRMAN	-
2	MR. ABRAR HASAN	CHIEF EXECUTIVE	-
3	MR. WAQAR HASAN	DIRECTOR	500
4	MR. KHAWAR M. BUTT	DIRECTOR	-
5	MR. ZAHID MAJEED	DIRECTOR	-
6	MR. EBRAHIM QASSIM	DIRECTOR	-
7	MR. JAWAID IQBAL	DIRECTOR	-
8	MR. SHAKAIB ARIF	CHIEF FINANCIAL OFFICER	-
9	MR. MUHAMMAD KASHIF IQBAL	COMPANY SECRETARY	-
10	MINOR FAMILY MEMBERS		-

ANNEXURE-II

Statement showing attendance of Board meetings from July 1, 2004 to June 30, 2005

S.NO.	NAME	DESIGNATION	ATTENDED	LEAVE GRANTED
1	MR. ABDUL MAJEED	CHAIRMAN	4	1
2	MR. ABRAR HASAN	CHIEF EXECUTIVE	5	-
3	MR. WAQAR HASAN	DIRECTOR	4	1
4	MR. KHAWAR M. BUTT	DIRECTOR	4	1
5	MR. ZAHID MAJEED	DIRECTOR	4	1
6	MR. EBRAHIM QASSIM	DIRECTOR	4	1
7	MR. JAWAID IQBAL	DIRECTOR	4	1

ANNEXURE-III a

Combined Pattern of CDC & normal share holdings as at June 30, 2005

Number of Share Holders	Share Holding		Total Share Held
	From	To	
791	1	100	21,802
259	101	500	60,683
49	501	1,000	37,416
82	1,001	9,000	177,760
3	5,001	10,000	26,864
3	10,001	15,000	39,158
2	15,001	20,000	33,087
2	20,001	25,000	50,000
6	25,001	30,000	166,928
1	40,001	45,000	41,053
1	60,001	65,000	63,500
3	70,001	75,000	216,985
1	85,001	90,000	85,379
1	120,001	125,000	122,322
1	135,001	140,000	139,210
1	200,001	205,000	204,010
1	320,001	325,000	324,872
1	390,001	395,000	394,222
1	635,001	640,000	635,739
1	1,405,001	1,410,000	1,409,548
1,210			4,250,538

ANNEXURE-III b

Combined pattern of CDC & physical share holdings as at June 30, 2005

Category No.	Category of shareholders	Number of shares held	Category-Wise No. of Folios/CDC Accounts	Category-wise shares held	Percentage %
1	Individuals		1,179	733,707	17.26%
2	Investment Companies		-	-	0.00%
3	Joint Stock Companies		7	3,505	0.08%
4	Directors, Chief Executive Officer and their spouses and minor children Mr. Abdul Majeed Mr. Abrar Hasan Mr. Waqar Hasan Mr. Zahid Majeed Mr. Khawar M. Butt Mr. Ebrahim Qassim Mr. Jawaid Iqbal Mrs. Jamila Waqar Mrs. M.E.Majeed Mrs. Kulsum Banoo	324,872 139,210 204,010 85,379 465,983 72,352 635,739 122,322 16,787 30,647	15	2,097,301	49.34%
5	Executives		3	596	0.01%
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		-	-	0.00%
9	Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds		1	238	0.01%
10	Foreign Investors		-	-	0.00%
11	Co-operative Societies		-	-	0.00%
12	Charitable Trusts		1	3,861	0.09%
13	Others		2	1,200	0.03%
	Totals		1,210	4,250,538	100.00%

Share-holders 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 425,054 Shares


Name(s) of share-holder(s)	Description	No. of shares held	Percentage
Mr. Khawar M. Butt	Falls in Category # 4	465,983	10.96%
Mr. Jawaid Iqbal	Falls in Category # 4	635,739	14.96%
Associated Textile Consultants (Pvt.) Limited	Falls in Category # 7	1,409,548	33.16%
	Totals	2,511,270	59.08%

statement of compliance with the code of corporate governance for the year ended June 30, 2005

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes three (03) independent non-executive directors.
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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Code of Business Ethics', 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 decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors to apprise them of their duties and responsibilities.
10. During the year the appointment of Company Secretary was approved by the Board. There were no new appointments of Chief Financial Officer and Head of Internal Audit during the year.
11. The directors' report for this year 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 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 three (03) members, of whom two (02) 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. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an effective internal audit function.
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 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 guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Karachi
Dated: September 1, 2005



Abrar Hasan
Chief Executive



review report to the members on statement of compliance with best practices 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 Regulations No. 37 of the Karachi Stock Exchange, Chapter XIII of Lahore Stock Exchange and chapter XI of Islamabad Stock Exchange where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practice contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2005.

Karachi
Dated: September 1, 2005


A. F. Ferguson & Co.
Chartered Accountants

auditor's report to the members

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied; except for the change as stated in note 2.21 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended ; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



A. F. Ferguson & Co.
Chartered Accountants

Dated: September 1, 2005
Karachi

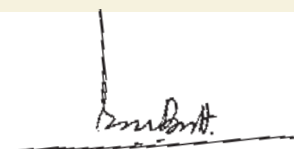
balance sheet

as at June 30, 2005

	Note	June 30, 2005 (Rupees in thousand)	June 30, 2004 (Restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	226,575	177,867
Intangibles	4	4,290	5,069
Long term deposits		2,139	1,941
		<u>233,004</u>	<u>184,877</u>
Current Assets			
Stores, spare parts and loose tools		3,299	1,921
Stock in trade	5	356,655	273,930
Trade debts	6	75,877	54,169
Advances	7	14,029	18,065
Trade deposits and prepayments	8	1,822	2,126
Other receivables	9	913	1,331
Tax refunds due from / adjustable with the government	10	17,553	25,477
Cash and bank balances	11	5,579	2,871
		<u>475,727</u>	<u>379,890</u>
		<u>708,731</u>	<u>564,767</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	12	42,505	42,505
Capital Reserve - Share premium		6,102	6,102
Unappropriated profit		134,494	120,843
		<u>183,101</u>	<u>169,450</u>
NON-CURRENT LIABILITIES			
Long term financing	13	76,000	21,000
Liabilities against assets subject to finance leases	14	2,331	-
Deferred tax	15	11,808	12,500
		<u>90,139</u>	<u>33,500</u>
CURRENT LIABILITIES			
Trade and other payables	16	140,458	127,072
Accrued interest / mark up	17	4,688	1,715
Short term borrowings	18	270,718	207,894
Current maturity of:			
Long term financing	13	6,000	6,000
Liabilities against assets subject to finance leases	14	1,627	636
Provision for income tax		12,000	18,500
		<u>435,491</u>	<u>361,817</u>
COMMITMENTS			
	19	<u>708,731</u>	<u>564,767</u>

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


Abrar Hasan
Chief Executive


Khawar M. Butt
Director

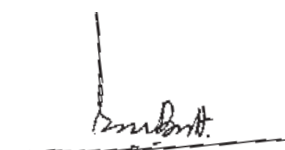
profit and loss account for the year ended June 30, 2005

	Note	2005 (Rupees in thousand)	2004
Sales	20	1,533,879	1,273,032
Cost of sales	21	(1,136,727)	(919,282)
Gross profit		397,152	353,750
Distribution cost	21	(289,857)	(229,323)
Administrative expenses	21	(51,842)	(41,467)
Other operating expenses	22	(3,242)	(4,924)
Other operating income	23	4,498	1,958
Profit from operations		56,709	79,994
Finance costs	24	(14,438)	(11,640)
Profit before taxation		42,271	68,354
Taxation	25	(11,618)	(22,055)
Profit after taxation		30,653	46,299
Earnings per share - basic and diluted - Rupees	26	7.21	10.89

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



Abrar Hasan
Chief Executive



Khawar M. Butt
Director

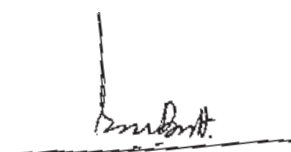
cash flow statement

for the year ended june 30, 2005

	Note	2005 (Rupees in thousand)	2004 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	(8,008)	46,523
Finance cost paid		(10,907)	(10,153)
Income tax paid		(10,886)	(10,976)
Net increase in long term deposits		(198)	18
Net cash (used in) / from operating activities		(29,999)	25,412
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(69,943)	(24,273)
Sale proceeds of property, plant and equipment on disposal		4,126	4,991
Net cash used in investing activities		(65,817)	(19,282)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - net		55,000	(23,000)
Liabilities against assets subject to finance leases - net		(2,450)	(1,885)
Dividend paid		(16,850)	(12,692)
Net cash from / (used in) financing activities		35,700	(37,577)
Net decrease in cash and cash equivalents		(60,116)	(31,447)
Cash and cash equivalents at the beginning of the year		(205,023)	(173,576)
Cash and cash equivalents at the end of the year	32	(265,139)	(205,023)

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


 Abrar Hasan
 Chief Executive


 Khawar M. Butt
 Director

statement of changes in equity

for the year ended June 30, 2005

	Issued subscribed and paid up capital	Capital reserve Share premium	Unappropriated profit (Restated)	Total
	(Rupees in thousand)			
Balance as at June 30, 2003 as previously reported	42,505	6,102	74,544	123,151
Change in accounting policy for recognition of declared dividend - Note 2.21	-	-	12,752	12,752
Balance as at June 30, 2003 as restated	42,505	6,102	87,296	135,903
Final dividend for the year ended June 30, 2003 (Rs 3 per share)	-	-	(12,752)	(12,752)
Profit for the year ended June 30, 2004	-	-	46,299	46,299
Balance as at June 30, 2004 as restated - Note 2.21	42,505	6,102	120,843	169,450
Final dividend for the year ended June 30, 2004 (Rs 4 per share)	-	-	(17,002)	(17,002)
Profit for the year ended June 30, 2005	-	-	30,653	30,653
Balance as at June 30, 2005	42,505	6,102	134,494	183,101

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



Abrar Hasan
Chief Executive



Khawar M. Butt
Director

notes to the financial statements for the year ended june 30, 2005

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the Companies Ordinance, 1984 by special resolution passed in the extra ordinary general meeting held on March 30, 1988. The company is principally engaged in the manufacture and sale of spices, pickles, ketchup, jams, jellies, sauces, cooking pastes and 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

The significant accounting policies adopted in the preparation of these financial statements are set out below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives have been followed.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any, except capital work in progress, which is stated at cost.

Depreciation is charged to income applying the reducing balance method over the estimated useful lives of related assets, at the rates specified in note 3.1 to the financial statements.

During the year, the Company, in view of the recommendation of Institute of Chartered Accountants of Pakistan, reviewed the pattern in which the assets' economic benefits are consumed. Until last year, full year's depreciation/amortisation was charged in the year of acquisition, whereas no depreciation/amortisation was charged in the year of disposal. Effective from current year, depreciation/amortisation on additions is charged from the month in which the assets is put to use and on disposals upto the month of disposal. This has resulted in reduced depreciation/amortisation charge for the year by Rs. 2,692,492.

Maintenance and normal repairs are charged to income as and when incurred; also individual assets costing upto Rs. 5,000 are charged to income. Major renewals and improvements are capitalised and assets so replaced, if any, are retired.

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

2.4 Intangibles

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

Amortisation charge is based on the reducing balance method whereby the cost of an asset is written-off over its estimated useful life using rate specified in note 4.1.

2.5 Taxation

i) Current

The provision for current taxation is based on taxable income at the current rates of taxation.

ii) Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Employee benefits

Retirement benefits - defined contribution plan

The Company operates an approved provident fund for all permanent employees. The Company and the employees make equal contributions to the fund.

Others - compensated absences

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

2.7 Stores,spares and loose tools

These are valued at weighted average cost less provision for slow moving and obsolete stores, spares and loose tools, if any. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

2.8 Stock in trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by average method except for those in transit where it represents invoice value and other charges paid thereon. Cost of work in process and finished goods includes direct cost of materials, direct cost of labour and production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessarily to be incurred in order to make the sale.

2.9 Trade and other debts

Trade and other debts are stated at original invoice amount. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, with banks on current accounts and short term borrowings.

2.11 Impairment losses

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exist, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

2.12 Leases

Finance leases are capitalised at the inception of the lease at the 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 are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.13 Trade and other payables

Trade and other payables are carried at the fair value of the consideration to be paid for goods and services.

2.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, if any, are capitalised as part of the cost of that asset.

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.16 Financial instruments

Financial instruments include trade and other debts, cash and bank balances, long term finance, liabilities against assets subject to finance leases, trade and other payables, accrued interest / mark up and short term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.17 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates approximating those prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gain / loss on translation are included in income currently.

2.18 Revenue recognition

Sales are recognised on despatch of goods to customers.

2.19 Research and development

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

2.20 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.

2.21 Dividends

During the year, the Company changed its accounting policy with respect to the treatment of recognising dividends declared after the balance sheet date, consequential to amendment in the Fourth Schedule to the Companies Ordinance, 1984. In order to conform with the Fourth Schedule to the Companies Ordinance, 1984 and the treatment in IAS 10, "Events after the balance sheet date", the Company now recognises such dividends as a liability at the time of their declaration rather than at the balance sheet date. This change in accounting policy has been accounted for retrospectively. The comparative statement for 2004 has been restated to conform to the changed policy as reflected in the statement of changes in equity. The effect of change, which is the amount of final dividend proposed for 2003, has been increased in opening unappropriated profit for 2004 as shown below:

Statement of unappropriated profit

	2005 (Rupees in thousand)	2004
Opening unappropriated profit as previously reported	103,841	74,544
Effect of change in accounting policy with respect to dividend - proposed final dividend for 2004 and 2003	17,002	12,752
Opening unappropriated profit, restated	120,843	87,296
Net profit / (loss) for the year	30,653	46,299
Dividend paid	(17,002)	(12,752)
	<u>134,494</u>	<u>120,843</u>

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 3.1
Capital work in progress - at cost - note 3.2

3.1 OPERATING ASSETS

	Cost as at July 1, 2004	Additions/ (disposals)/ transfers*	Cost as at June 30, 2005	Accumulated depreciation as at July 1, 2004	Depreciation charge for the year/ (on disposals)/ transfer*	Accumulated depreciation value as at June 30, 2005	Net Book value as at June 30, 2005	Annual rate of depreciation %
(Rupees in thousand)								
Leasehold Land	13,014	2,000	15,014	--	384	384	14,630	1.16 - 2.70
Building-on leasehold land	56,219	2,412	58,631	26,429	3,056	29,485	29,146	10
Plant and machinery including generators	135,142	12,447 (1,686) 1,418 *	147,321	50,817	9,343 (780) 860	60,240	87,081	10
Furniture and fittings	13,149	1,090	14,239	6,342	737	7,079	7,160	10
Vehicles	43,930	9,964 (7,110)	46,784	20,733	5,819 (4,690)	21,862	24,922	20
Office and other equipments	20,446	844 (1,418)*	19,872	13,481	1,019 (860)*	13,640	6,232	15
Computers	14,307	2,658 (154)	16,811	7,737	2,271 (103)	9,905	6,906	30
Laboratory equipments	3,122	67	3,189	1,327	184	1,511	1,678	10
	299,329	31,482 (8,950)	321,861	126,866	22,813 (5,573)	144,106	177,755	
Assets subject to finance leases:								
-Vehicles	1,648	4,400	6,048	804	311	1,115	4,933	20
2005	300,977	35,882 (8,950)	327,909	127,670	23,124 (5,573)	145,221	182,688	
2004	281,733	26,996 (7,752)	300,977	107,963	23,690 (3,983)	127,670	173,307	

3.2 CAPITAL WORK IN PROGRESS

Civil works
Plant and machinery
Vehicles pending delivery
Borrowing costs - note 3.2.1

2005
(Rupees in thousand)

Civil works	37,842	947
Plant and machinery	4,223	3,613
Vehicles pending delivery	1,372	-
Borrowing costs - note 3.2.1	450	-
	<u>43,887</u>	<u>4,560</u>

3.2.1 Borrowing costs of Rs 450,193 (2004: Rs Nil) arising on financing specifically entered into for the construction of Bin Qasim project were capitalised during the year and are included in the cost. A capitalisation rate of 7.73% (2004: Nil) was used, representing the borrowing cost of the loan used to finance the project.

3.3 Details of property, plant and equipment disposed are given in note 33.

		2005 (Rupees in thousand)		2004 (Rupees in thousand)					
4.	INTANGIBLES								
	Computer software and ERP system - note 4.1	4,290		3,363					
	Computer software under development	-		1,706					
		<u>4,290</u>		<u>5,069</u>					
4.1	COMPUTER SOFTWARE AND ERP SYSTEM								
		Cost as at July 1, 2004	Additions	Cost as at June 30, 2005	Accumulated amortisation as at July 1, 2004	Amortisation for the year	Accumulated amortisation as at June 30, 2005	Net Book value as at June 30, 2005	Annual rate of amortisation %
		(Rupees in thousand)							
	Computer software and ERP system - 2005	5,653	2,212	7,865	2,290	1,285	3,575	4,290	30
	2004	5,653	-	5,653	848	1,442	2,290	3,363	
5.	STOCK IN TRADE						2005 (Rupees in thousand)	2004 (Rupees in thousand)	
	Raw materials at cost (including in transit Rs 8.08 million; 2004: Rs 5.8 million)						32,871	118,134	
	Provision for obsolescence						(10,030)	-	
							<u>22,841</u>	<u>118,134</u>	
	Packing materials						70,921	51,051	
	Provision for obsolescence						(7,971)	(11,896)	
							<u>62,950</u>	<u>39,155</u>	
	Work in process						194,098	55,678	
	Finished goods						76,766	60,963	
							<u>356,655</u>	<u>273,930</u>	
5.1	Carrying amount of stocks carried at net realisable value:								
	Raw materials						4,449	-	
	Packing material						-	-	
6.	TRADE DEBTS								
	Considered good								
	Related parties - note 6.1						4,577	7,024	
	Others						71,300	47,145	
							<u>75,877</u>	<u>54,169</u>	
6.1	Due from related parties								
	Premier Distributor						3,389	6,628	
	Premier Agency						1,188	396	
							<u>4,577</u>	<u>7,024</u>	

	2005 (Rupees in thousand)	2004 (Rupees in thousand)
7. ADVANCES		
Considered good		
Employees - against expenses	81	255
Suppliers	13,502	17,528
Others	446	282
	<u>14,029</u>	<u>18,065</u>
8. TRADE DEPOSITS AND PREPAYMENTS		
Margin deposits	114	114
Other deposits	80	-
Prepayments	1,628	2,012
	<u>1,822</u>	<u>2,126</u>
9. OTHER RECEIVABLES		
Employees' Provident Fund	-	350
Export rebate	775	825
Insurance claim	-	95
Others	138	61
	<u>913</u>	<u>1,331</u>
10. TAX REFUNDS DUE FROM / ADJUSTABLE WITH THE GOVERNMENT		
Taxation - payments	16,553	24,477
Sales tax refundable - paid under protest - note 10.1	1,000	1,000
	<u>17,553</u>	<u>25,477</u>

10.1 This represents sales tax paid under protest against arbitrary levy on table salt and other spices amounting to Rs 87.8 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.

	2005 (Rupees in thousand)	2004 (Rupees in thousand)
11. CASH AND BANK BALANCES		
Cash in hand	482	469
Cash at bank - on current account		
Local currency	3,034	517
Foreign currency	2,063	1,885
	<u>5,097</u>	<u>2,402</u>
	<u>5,579</u>	<u>2,871</u>

		2005 (Rupees in thousand)	2004 (Rupees in thousand)
12. SHARE CAPITAL			
Authorised share capital			
Number of shares			
<u>10,000,000</u>	Ordinary shares of Rs 10 each	<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid up capital			
Ordinary shares of Rs 10 each			
Number of shares			
	Shares allotted:		
1,255,990	for consideration paid in cash	12,560	12,560
2,994,548	as bonus shares	29,945	29,945
<u>4,250,538</u>		<u>42,505</u>	<u>42,505</u>

As at June 30, 2005 and 2004 number of ordinary shares held by associates were 2,511,270.

		2005 (Rupees in thousand)	2004 (Rupees in thousand)
13. LONG TERM FINANCING			
Bank Al-Habib Limited - note 13.1			
Muslim Commercial Bank Limited - note 13.2			
		<u>21,000</u>	<u>27,000</u>
		<u>61,000</u>	<u>-</u>
		<u>82,000</u>	<u>27,000</u>
Less: Current maturity shown under current liabilities		<u>(6,000)</u>	<u>(6,000)</u>
		<u>76,000</u>	<u>21,000</u>

13.1 The facility is secured by way of equitable mortgage over factory building. Mark-up is charged at the rate ranging from 6.5% to 8% per annum (2004: 6.5% to 10% per annum). The last instalment of the facility is payable on December 24, 2008.

13.2 This represents a term finance facility of Rs 200 million of which Rs 139 million was undisbursed at the year end. The facility is secured by way of equitable mortgage over land, buildings, plant and machinery installed or to be installed at factory buildings. Mark-up is charged at the rate of 7.73% per annum.

	2005 (Rupees in thousand)	2004 (Rupees in thousand)
14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES		
Present value of minimum lease payments	3,958	636
Current maturity shown under current liabilities	(1,627)	(636)
	<u>2,331</u>	<u>-</u>
Minimum lease payments		
Not later than 1 year	1,870	700
Later than one year but not later than 5 years	2,547	-
	<u>4,417</u>	<u>700</u>
Future finance charges on finance leases	(459)	(64)
Present value of finance lease liabilities	<u>3,958</u>	<u>636</u>
Present value of finance lease liabilities		
Not later than 1 year	1,627	636
Later than one year but not later than 5 years	2,331	-
	<u>3,958</u>	<u>636</u>

14.1 The above represents finance leases entered into with leasing companies for motor vehicles. The balance of liability is payable by January 2009 in monthly instalments.

Monthly lease payments include finance charge ranging from 6.26% to 11.5% (2004: 14% to 19%) per annum which are used as discounting factor.

	2005 (Rupees in thousand)	2004 (Rupees in thousand)
15. DEFERRED TAX		
(Debit) / credit balance arising in respect of:		
Accelerated tax depreciation	17,040	15,888
Provision for slow moving stock	(5,531)	(3,627)
Liabilities against assets subject to finance lease	299	63
Other adjustments	-	176
	<u>11,808</u>	<u>12,500</u>

	2005 (Rupees in thousand)	2004
16. TRADE AND OTHER PAYABLES		
Creditors	75,588	48,042
Accrued liabilities	29,976	35,781
Workers' profits participation fund - note 16.1	2,263	3,385
Workers' welfare fund	550	1,100
Advances from customers	18,370	22,594
Payable to provident fund	591	-
Security deposits from customers	79	71
Tax deducted at source	956	819
Due to related parties - directors	46	7
- others - note 16.2	221	92
Advances from employees - note 16.3	8,835	8,548
Sales tax payable	1,121	5,204
Unclaimed dividend	953	801
Other liabilities	909	628
	<u>140,458</u>	<u>127,072</u>
16.1 Workers' profits participation fund		
Balance as at July 1	3,655	1,600
Allocation for the year	2,263	3,656
Interest on fund utilised in the company's business	721	270
	<u>6,639</u>	<u>5,526</u>
Amount paid during the year	(4,376)	(1,871)
	<u>2,263</u>	<u>3,655</u>
Interest accrued as at June 30	-	(270)
Balance as at June 30	<u>2,263</u>	<u>3,385</u>
16.2 Due to related parties - others		
Associated Textile Consultants (Private) Limited	128	85
Pakistan Card Clothing (Private) Limited	93	7
	<u>221</u>	<u>92</u>

16.3 This represents advances received from employees under motor vehicle buy-out policy of the Company. Previously, this advance was included in 'Accrued Liabilities'.

			2005	2004
			(Rupees in thousand)	
17.	ACCRUED INTEREST / MARKUP			
	On			
	- short term borrowings		4,001	1,411
	- balance payable to workers' profit participation fund		-	270
	- long term financing		687	34
			<u>4,688</u>	<u>1,715</u>
18.	SHORT TERM BORROWINGS	2005 Mark-up rates	2004	
	Running finance under mark up arrangements	5% to 6.78%	5% to 7.5%	126,318
	Export re-finance	3.25% to 5.25%	2.25% to 2.75%	79,400
	Short term loans	3.15% to 8.30%	3% to 4%	65,000
			<u>270,718</u>	<u>207,894</u>

18.1 The above facilities available from various banks amounts to Rs 305 million (2004: Rs 240 million). The arrangements are secured by way of pari-passu charge against hypothecation of Company's stock in trade and trade debts. The facilities are payable by January 2006 and are renewable.

18.2 The facilities for opening letters of credit as at June 30, 2005 amounted to Rs 40 million (2004: Rs 40 million) of which the amount remaining unutilised at year end was Rs 16.195 million (2004: Rs 25.986 million).

19. COMMITMENTS

19.1 The Company has commitment against contract for import of goods amounting to Rs Nil (2004: Rs 3.27 million)

19.2 Aggregate commitments for capital expenditure as at June 30, 2005 amounted to Rs 122.98 million (2004: Rs Nil).

			2005	2004
			(Rupees in thousand)	
20.	SALES			
	Local sales		1,850,363	1,554,886
	Less: Sales tax		203,693	183,826
			<u>1,646,670</u>	<u>1,371,060</u>
	Export sales		220,417	187,498
			<u>1,867,087</u>	<u>1,558,558</u>
	Less: Discount / Commission		205,059	174,493
	Rebates and allowances *		92,694	83,455
	Sales returns		35,455	27,578
			<u>333,208</u>	<u>285,526</u>
			<u>1,533,879</u>	<u>1,273,032</u>

* 'Trade offers' for the current and prior year has been classified as rebates and allowances and netted with sales for more appropriate presentation. Previously, the aforesaid allowance was being included in selling and distribution expenses.

21. OPERATING COSTS

	Cost of Sales		Distribution Cost		Administrative Expenses		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	(Rupees in thousand)							
Raw materials consumed	798,216	512,192	-	-	-	-	798,216	512,192
Packing materials consumed	307,208	259,734	-	-	-	-	307,208	259,734
Provision for slow moving stock	6,105	11,896	-	-	-	-	6,105	11,896
Salaries, wages and other benefits	94,614	88,056	51,302	40,677	26,877	24,058	172,793	152,791
Contribution of provident fund	2,227	2,850	1,217	1,193	761	957	4,205	5,000
Advertising and sales promotion	-	-	133,260	108,074	-	-	133,260	108,074
Auditors' remuneration - note 21.2	-	-	-	-	344	201	344	201
Depreciation / Amortisation	16,350	17,428	4,105	4,091	3,954	3,613	24,409	25,132
Fuel and power	24,558	19,846	762	644	496	527	25,816	21,017
Outward freight *	-	-	64,901	47,803	-	-	64,901	47,803
Forwarding charges *	-	-	6,333	5,169	-	-	6,333	5,169
Insurance	2,776	2,428	1,491	1,289	673	775	4,940	4,492
Laboratory, research and development	1,027	1,039	354	662	44	10	1,425	1,711
Legal and professional charges	-	-	-	-	2,883	2,208	2,883	2,208
Postage and communications	437	628	4,586	4,674	2,324	1,831	7,347	7,133
Printing and stationery	2,044	1,303	1,289	751	1,149	1,380	4,482	3,434
Rent, rates and taxes	7,860	4,337	2,985	372	548	569	11,393	5,278
Repairs and maintenance	20,804	17,983	1,760	465	4,866	1,963	27,430	20,411
Travelling	7,871	7,265	15,202	13,193	6,270	2,808	29,343	23,266
Others	394	248	310	266	653	567	1,357	1,081
	<u>1,292,491</u>	<u>947,233</u>	<u>289,857</u>	<u>229,323</u>	<u>51,842</u>	<u>41,467</u>	<u>1,634,190</u>	<u>1,218,023</u>
Opening work in process	55,678	53,188						
Closing work in process	(194,098)	(55,678)						
Cost of goods manufactured	1,154,071	944,743						
Opening stock of finished goods	60,963	36,486						
Closing stock of finished goods	(76,766)	(60,963)						
Export rebate	(1,541)	(984)						
	<u>1,136,727</u>	<u>919,282</u>						

21.1 Number of employees as at June 30, 2005 were 411 (2004: 382).

* 'Freight' and 'Forwarding charges' for the current and prior year have been classified as distribution cost for more appropriate presentation. Previously, the aforesaid expenses were being deducted from gross sales.

	2005 (Rupees in thousand)	2004
21.2 Auditors' remuneration		
Audit fee	150	135
Limited review, audit of staff funds and other certifications	160	25
Out of pocket expenses	34	41
	<u>344</u>	<u>201</u>
22. OTHER OPERATING EXPENSES		
Bad debts	245	-
Donations - note 22.1	184	168
Workers' profits participation fund	2,263	3,656
Workers' welfare fund	550	1,100
	<u>3,242</u>	<u>4,924</u>
22.1 The directors or their spouses do not have any interest in the donee's fund.		
	2005 (Rupees in thousand)	2004
23. OTHER INCOME		
Profit on disposal of property, plant and equipment	749	1,222
Sales tax refunded	580	-
Insurance claim	2,517	545
Miscellaneous	652	191
	<u>4,498</u>	<u>1,958</u>
24. FINANCE COSTS		
Interest on workers' profits participation fund	721	270
Mark up on running finance under mark up arrangements	10,771	6,788
Mark up on finance lease	256	285
Mark up on long term finance	2,132	3,829
Bank charges	558	468
	<u>14,438</u>	<u>11,640</u>
25. TAXATION		
Current - for the year	12,000	18,500
Deferred	(692)	3,741
	<u>11,308</u>	<u>22,241</u>
Prior	310	(186)
	<u>11,618</u>	<u>22,055</u>

	2005 (Rupees in thousand)	2004 (Rupees in thousand)
25.1 Reconciliation between tax expense and accounting profit:		
Profit before taxation	42,271	68,354
Tax at applicable tax rate of 35% (2004: 35%)	14,795	23,924
Expense not deductible for tax purposes	134	-
Effect of lower tax rate on export sales	(3,702)	(7,203)
Others	81	5,520
	<u>11,308</u>	<u>22,241</u>
26. EARNINGS PER SHARE		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit after taxation attributable to ordinary shareholders	30,653	46,299
Weighted average number of shares in issue during the year (in thousand)	4,251	4,251
Earnings per share - basic (Rupees)	<u>7.21</u>	<u>10.89</u>

27. RELATED PARTY DISCLOSURES

A. Related parties with whom the Company had transactions

- i) Associated Companies / Undertakings:
- Associated Textile Consultants (Private) Limited
 - Pakistan Card Clothing Company (Private) Limited
 - Precision Rubber Products (Private) Limited
 - Premier Agency
 - Premier Distributor
 - Raj Masala Pty Limited, Australia
- ii) Employee Benefit Plan: National Foods Limited Provident Fund

B. Disclosure of transactions between the Company and related parties

Relationship with the Company	Nature of transaction	2005 (Rupees in thousand)	2004 (Rupees in thousand)
i) Associated Companies / Undertakings:	Sale of goods	327,039	295,726
	Compensation for use of trademark	626	-
	Reciprocal arrangements for sharing of services	5,433	4,294

Transactions with related parties are carried out on negotiated terms and at market prices.

There are no transactions with key management personnel other than under their terms of employment.

The related party status of outstanding balances as at June 30, 2005 are included in trade debts, other receivables and trade and other payables respectively.

28. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Directors		Chief Executive		Executives	
	2005	2004	2005	2004	2005	2004
	(Rupees in thousand)					
Managerial remuneration and allowances	3,962	4,322	2,330	2,214	7,730	6,579
Utilities	396	432	233	221	773	658
Bonus	660	1,482	388	661	1,242	2,126
Housing	1,783	25	1,049	-	3,479	74
Other expenses	101	-	264	-	2,611	1,431
	<u>6,902</u>	<u>6,261</u>	<u>4,264</u>	<u>3,096</u>	<u>15,835</u>	<u>10,868</u>
Number of persons	<u>3</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>13</u>	<u>10</u>

28.2 Aggregate amount charged in these financial statements for the year for fee to 3 non-executive directors was Rs 11,000 (2004: 16,000).

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

29. PLANT CAPACITY AND PRODUCTION

	2005		2004	
	Installed	Utilised	Installed	Utilised
	Metric Tons			
Spices	4,532	3,614	4,532	3,968
Pickles	5,256	5,020	5,256	4,383
Pastes	6,920	4,362	6,920	3,542
Salt	21,078	17,031	21,078	18,620

29.1 The actual production is based on consumer demand.

30. FINANCIAL INSTRUMENTS

30.1 Financial assets and liabilities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
FINANCIAL ASSETS							
Trade debts	-	-	-	75,877	-	75,877	75,877
Deposits	-	-	-	194	2,139	2,333	2,333
Cash and bank balances	-	-	-	5,579	-	5,579	5,579
	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,650</u>	<u>2,139</u>	<u>83,789</u>	<u>83,789</u>
June 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,599</u>	<u>1,941</u>	<u>59,540</u>	<u>59,540</u>
FINANCIAL LIABILITIES							
Long term financing	6,000	76,000	82,000	-	-	-	82,000
Liabilities against assets subject to finance leases	1,627	2,331	3,958	-	-	-	3,958
Trade and other payables	591	-	591	107,720	-	107,720	108,311
Accrued interest / mark up	4,688	-	4,688	-	-	-	4,688
Short term borrowings	270,718	-	270,718	-	-	-	270,718
	<u>283,624</u>	<u>78,331</u>	<u>361,955</u>	<u>107,720</u>	<u>-</u>	<u>107,720</u>	<u>469,675</u>
June 30, 2004	<u>215,975</u>	<u>21,000</u>	<u>236,975</u>	<u>85,351</u>	<u>-</u>	<u>85,351</u>	<u>322,326</u>
OFF BALANCE SHEET ITEMS							
Open letters of credit	-	-	-	23,805	-	23,805	23,805
	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,805</u>	<u>-</u>	<u>23,805</u>	<u>23,805</u>
June 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,014</u>	<u>-</u>	<u>14,014</u>	<u>14,014</u>

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

30.2 Financial risk management objectives and policies

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

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

i) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs 83.79 million (2004: Rs 59.54 million), the financial assets which are subject to credit risk amounted to Rs 75.88 million (2004: Rs 54.17 million). Concentrations of credit risk may arise from exposure to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their obligations is effected similarly by changes in economic or other conditions. Although the Company operates mainly in the consumer industry but the management believes that it is not exposed to significant concentrations of credit risk. The management limits its credit risk by an aggressive policy for approval of credit limits and by ensuring that sales are made to customers with an appropriate credit history.

ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

iii) Foreign exchange risk management

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. Financial assets of equivalent Rs 57.84 million (2004: Rs 36.21 million) were in foreign currency which were exposed to foreign currency risk.

30.3 Fair values of financial assets and liabilities

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

31. CASH GENERATED FROM OPERATIONS

Profit before taxation

2005
2004
(Rupees in thousand)

42,271 68,354

Adjustments for non-cash charges and other items

Depreciation on property, plant and equipment

23,124 23,690

Amortisation of intangibles

1,285 1,442

Gain on disposal of property, plant and equipment

(749) (1,222)

Provision for slow moving stock

6,105 11,896

Finance cost

13,880 11,172

43,645 46,978

Profit before working capital changes

85,916 115,332

EFFECT ON CASH FLOWS DUE TO WORKING
CAPITAL CHANGES

Decrease / (increase) in current assets

Stores, spare parts and loose tools

(1,378) (226)

Stock in trade

(88,830) (78,543)

Trade debts

(21,708) (7,273)

Advances

4,036 (12,805)

Deposits and prepayments

304 (866)

Other receivables

418 294

(107,158) (99,419)

(Decrease) / increase in current liabilities

Trade and other payables

13,234 30,610

(8,008) 46,523

32. CASH AND CASH EQUIVALENTS

Cash and bank balances

5,579 2,871

Short term borrowings

(270,718) (207,894)

(265,139) (205,023)

33. DETAILS OF PROPERTY, PLANT AND EQUIPMENT DISPOSED

The details of property, plant and equipment sold are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Plant and machinery and generators						
Generator Ribbon RGX 2400	65	45	20	6	Company Policy	Mr. Habib A. Khairani Ex-Executive
Pappadum Plant	1,621	735	886	400	Tender	Mr. Muhammad Iqbal Plot No. 3-A-1/11, Adjacent Decent Hospital, Nazimabad No. 3, Karachi.
Motor vehicles Honda Civic VII ABG-102	997	815	182	555	Tender	Mr. Muhammad Ashraf House No. 1726/671, Moallah Kokan Colony, Baldia Town, Karachi.
Honda City Exi AEK-325	822	375	447	245	Company Policy	Mr. Habib A. Khairani Ex-Executive
Honda City Ext-5 ACX-265	735	464	271	380	Company Policy	Mr. Shahid Aziz Khan Employee
Mazda E-2200 JE-9347	650	444	206	400	Tender	Mirza Abdul Naeem Baig D - 55 - A - 1, Estate Avenue, SITE Karachi.
Suzuki Baleno ACK-189	595	420	175	301	Company Policy	Mr. Javaid Iqbal Employee
Suzuki Cultus LR-621	555	299	256	295	Company Policy	Mr. Riazuddin Employee
Suzuki Cultus LXR-6983	499	315	184	292	Company Policy	Mr. Saadat Hussain Employee
Suzuki Mehran ADQ-150	354	200	154	221	Company Policy	Mrs. Zeeba Hafeez Ex-Employee
Suzuki Mehran LXR-7013	337	208	129	197	Company Policy	Mr. M. Safwan Hashmi Employee
Suzuki Mehran LXH-3179	264	213	51	80	Company Policy	Syed Mansoor Ahmed Employee
Honda CD70 LXR-8471	67	41	26	39	Company Policy	Mr. Sameeullah Employee

	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Motor vehicles						
Honda CD-70 IDK-5031	67	43	24	32	Company Policy	Mr. Muhammad Akram Employee
Honda CD-70 LXR-7071	67	43	24	33	Company Policy	Mr. Noman Ali Employee
Honda CD-70 LXR-8470	67	43	24	32	Company Policy	Mr. Muhammad Nadeem Employee
Yamaha Yb-100 KCT-283	66	40	26	30	Insurance Claim	EFU General Insurance Ltd. 2nd floor, KDLB Building, 58 West Wharf Road, Karachi.
Suzuki Shogun KAV-9702	66	26	40	56	Insurance Claim	EFU General Insurance Ltd. 2nd floor, KDLB Building, 58 West Wharf Road, Karachi.
Honda CD-70 LXO-7249	65	47	18	23	Company Policy	Mr. Rehan Afsar Employee
Honda CD 70 LXO-7248	65	45	20	24	Company Policy	Mr. Imran Ali Employee
Honda 70 RIX-5022	63	44	19	24	Company Policy	Mr. Abdul Rafiq Khan Employee
Suzuki Shogun SKG-3738	63	45	18	25	Company Policy	Mr. Abdul Hafeez Employee
Suzuki Shogun KAP-3658	62	44	18	38	Company Policy	Mr. S.G. Yazdani Employee
Suzuki Shougun KAP-7748	62	45	17	42	Company Policy	Syed Tariq Ali Employee
Honda CD 70 KAR-5402	61	47	14	33	Company Policy	Mr. Khawaja Arifuddin Ahmed Employee
Honda CD 70 KCC-2491	61	51	10	39	Company Policy	Mr. Faheem Ahmed Employee

	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Particulars of purchaser
(Rupees in thousand)						
Motor vehicles						
Honda CD-70 KAR-233	59	48	11	31	Company Policy	Mr. Mir Ahmed Employee
Honda CD KAR-234	59	49	10	38	Company Policy	Pir Muhammad Employee
Yamaha 100 STH-3563	58	50	8	27	Company Policy	Mr. Kaleem Gul Employee
Suzuki Shogun NHB-4005	57	47	10	17	Company Policy	Mr. Aijaz Mirza Employee
Suzuki Shogun KAR-1771	57	46	11	21	Company Policy	Mr. Mohammad Saleem Employee
Suzuki Shogun KCC-1010	56	45	11	18	Company Policy	Mr. Majeed Khan Employee
Honda CD 70 KCV-4125	54	48	6	26	Company Policy	Mr. Jamaluddin Employee
Computers						
Laptop	73	43	30	41	Insurance Claim	EFU General Insurance Ltd. 2nd floor, KDLB Building, 58 West Wharf Road, Karachi.
Laptop	81	60	21	65	Insurance Claim	EFU General Insurance Ltd. 2nd floor, KDLB Building 58 West Wharf Road, Karachi.

34. CORRESPONDING FIGURES

Due to revision of the Fourth Schedule to the Companies Ordinance, 1984, there have been certain rearrangements and reclassifications of prior year's figures which apart from change in treatment of proposed dividend, mainly include: change in the definition of executives; break-up of administration and selling expenses between distribution costs, administrative expenses and other operating expenses, etc. The entire reclassifications and rearrangements are impracticable to list and disclose. Other re-classifications are explained in their respective notes.

35. PROPOSED DIVIDEND

At the Board Meeting on September 1, 2005, a final dividend in respect of 2005 of Rs. 1.5 per share amounting to a total dividend of Rs. 6.376 million is proposed (2004: Rs. 17.002 million).

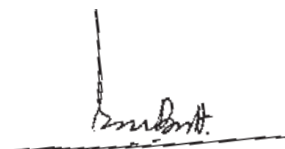
These financial statements do not reflect the proposed final dividend as payable, which will be accounted for in the statement of changes in equity as an appropriation from the unappropriated profit in the year ending June 30, 2006.

36. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 1, 2005 by the Board of Directors of the Company.



Abrar Hasan
Chief Executive



Khawar M. Butt
Director



form of proxy 34th annual general meeting

The Secretary
National Foods Limited
12/CL-6, Claremont Road,
Civil Lines, Karachi-75530
P.O. Box No. 15509

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 34th
Annual General Meeting of the Company to be held on Thursday, October 27, 2005 and / or any adjournment thereof.

As witness my/our hand seal this _____ day of _____ 2005.
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 witness by two persons whose names, address 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.

to be a part of our success, visit us at
www.nfoods.com



and more...

National Foods Limited, 12/CL-6, Claremont Road, Civil Lines Karachi-75530, Pakistan.