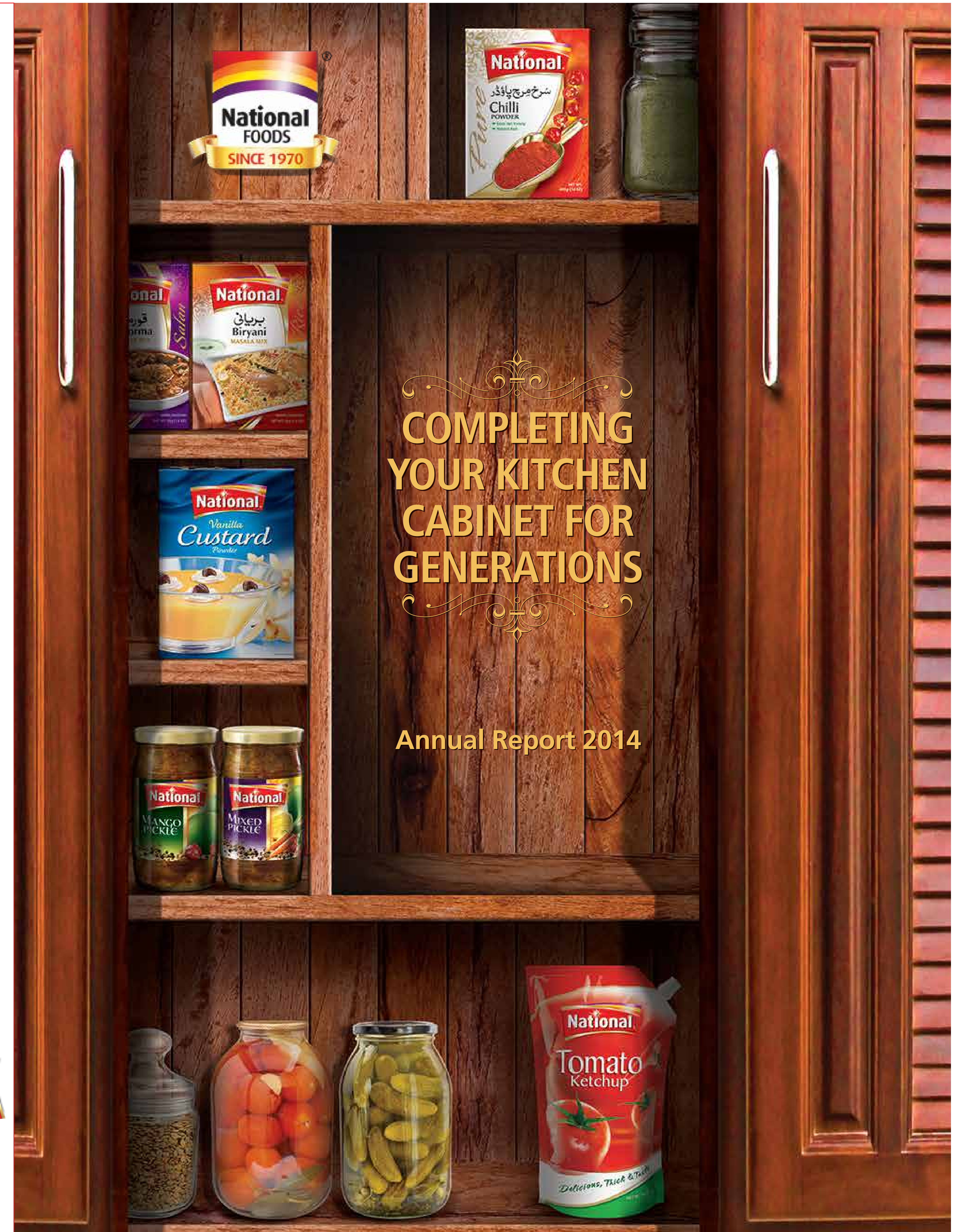
National Foods Limited
Website: nfoods.com

Completing Your Kitchen Cabinet For Generations

Designed by: IAL Saatchi & Saatchi



COMPLETING YOUR KITCHEN CABINET FOR GENERATIONS

Annual Report 2014

Completing Your Kitchen Cabinet For Generations

Contents

Our Story

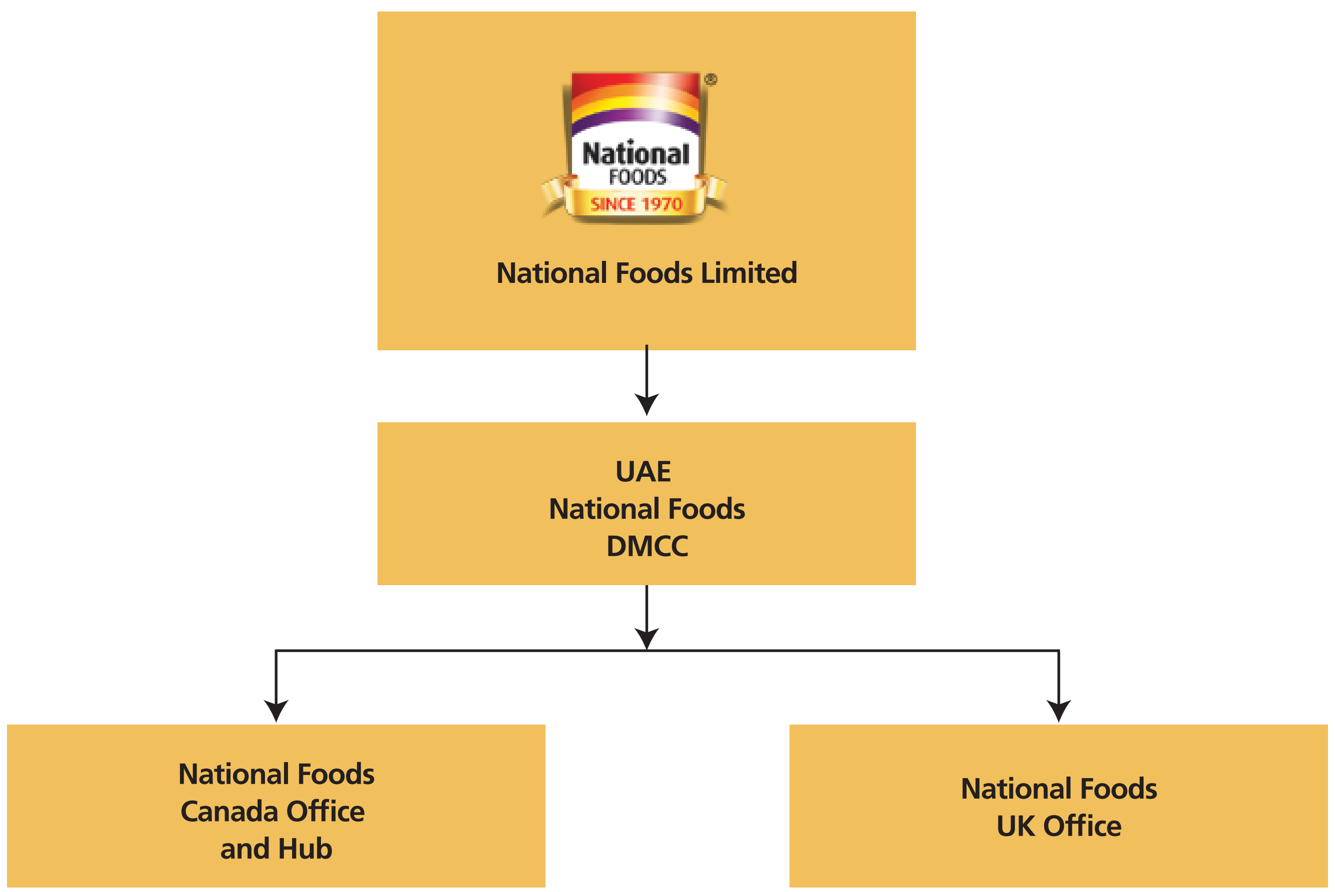
National Foods Limited (NFL), founded in 1970, is Pakistan's leading Multi Category Food Company with over 250 different products in 12 categories. NFL holds ISO 9001, ISO 22000 and HACCP certifications along with SAP business technology to drive its strong commitment to quality and management excellence.

NFL is an international brand sold in over 45 countries and aims to become a Rs. 50 billion company under its 20/20 vision.

NFL is dedicated to improving the well-being of society not only through the continuous development of innovative food products but also by means of its wide ranging corporate social responsibility programs.

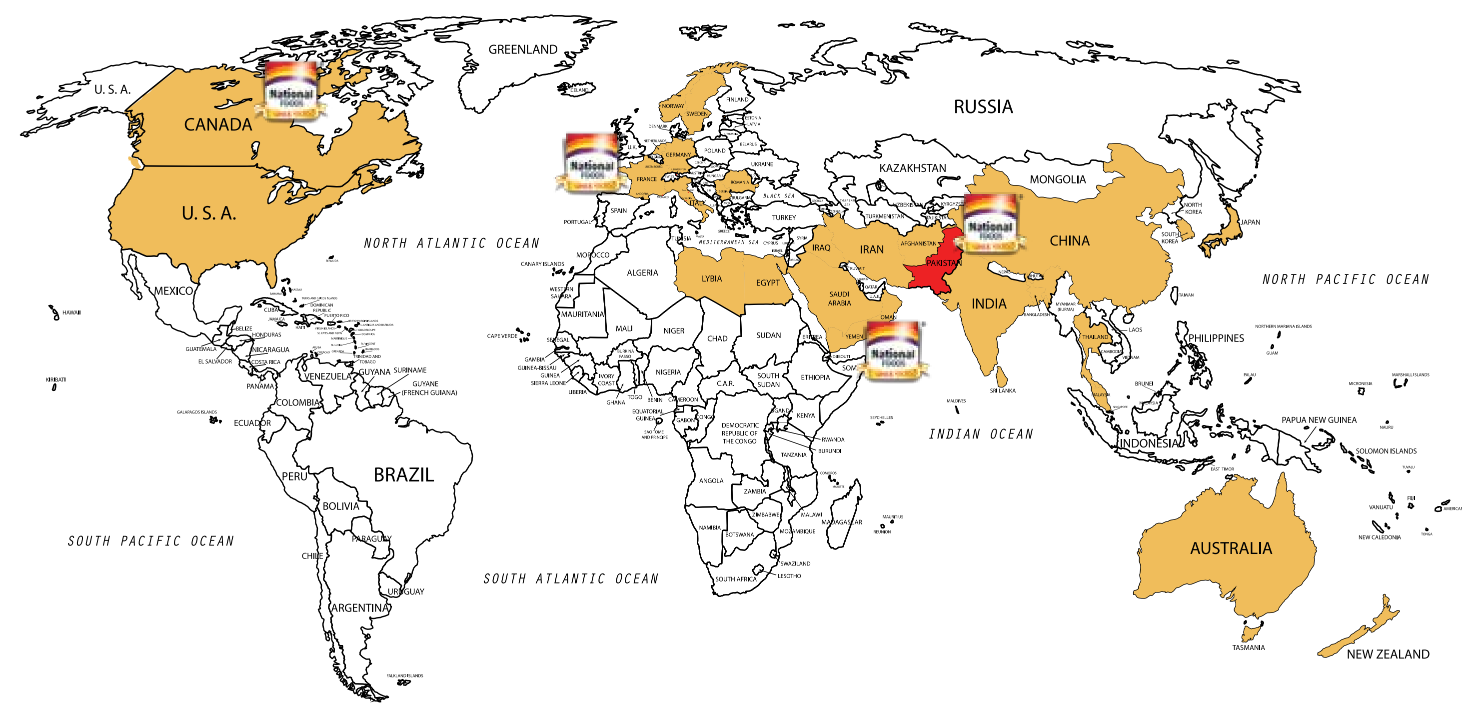
Business Profile

NFL had successfully established itself as a multinational company with an independent subsidiary, National Foods DMCC, in Dubai last year, catering to the Middle Eastern market. We have now further expanded this structure with subsidiaries in Canada, (National Epicure Limited) and United Kingdom, (National Foods Pakistan UK Limited) catering to the North American and European markets respectively. We have also appointed a Regional Representative at each of these offices, ensuring that the focus remains on these specific high potential regions.



Geographical Presence

With already existent exports to over 45 countries, NFL has recently expanded its global footprint by tapping into newer markets including Bangladesh, Nigeria, Iraq, Netherlands and Japan. Our products have been sent in these regions for the first time.

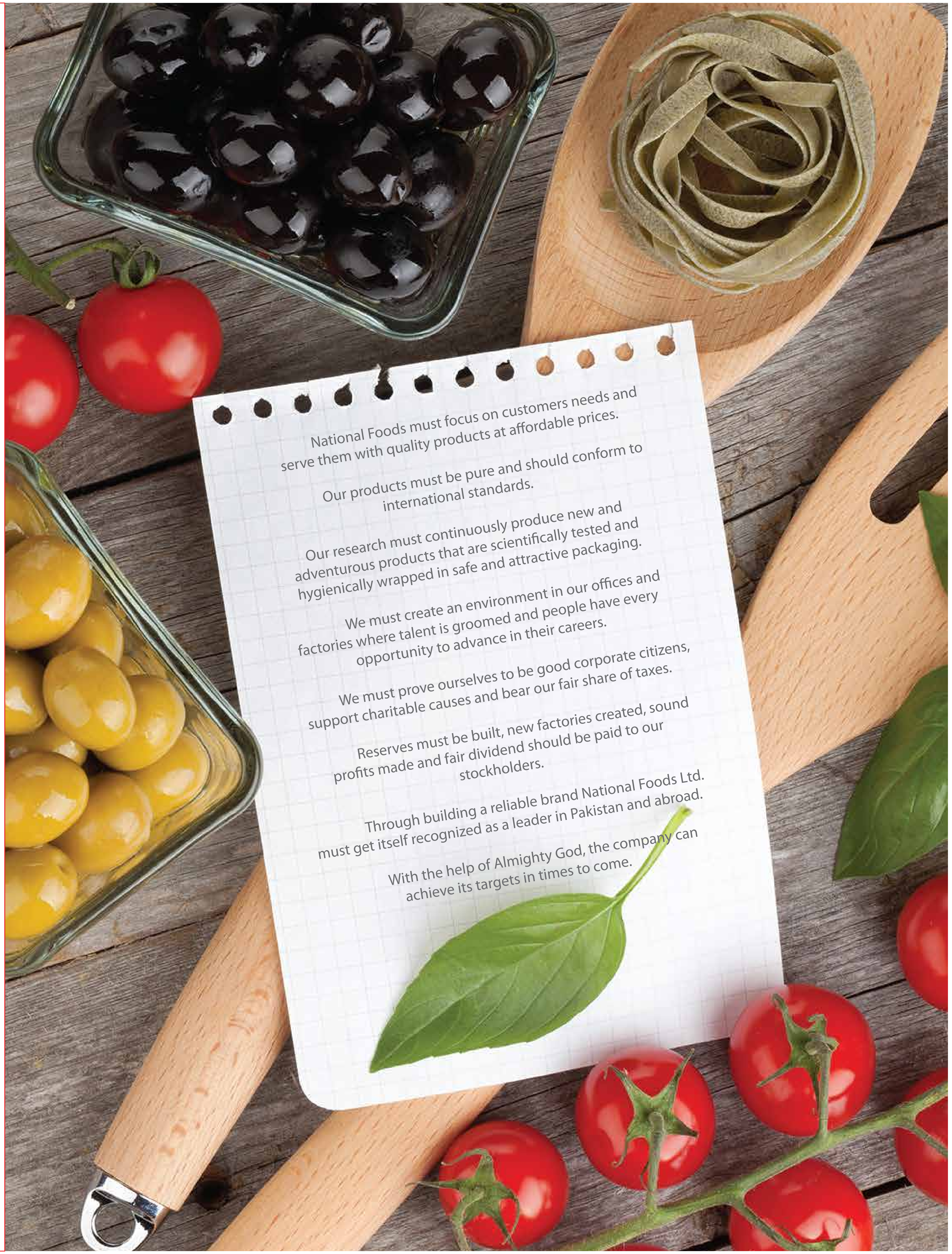


NFL worked towards the optimization of its distribution network, rationalizing underperforming distributors, appointment of additional distributors and addition of new markets. Similarly, in order to provide better coverage and availability in the UK region, an additional distributor has been appointed. All these efforts were aimed at further expanding our presence around the world.

Available Countries

Head Office

Founders' Philosophy



Vision & Mission Statement

"Our vision is to be a Rs. 50 billion food company by the year 2020 in the convenience food segment by launching products and services in the domestic and international markets that enhance lifestyle and value for our customers through management excellence at all levels."

Core Values

Passion	We act with intense positive energy and are not afraid to take risks. We challenge ourselves continuously, we're good at what we do, and we take pride in who we are.
People-Centric	We put our people first. We treat them with respect and actively contribute towards their development.
Customer Focus	We see the world through the eyes of our customers. We do everything possible to make them happy.
Leadership	We are part of the solution, never the problem. We act like owners and have a positive influence on others.
Teamwork	Our roles are defined, not our responsibilities. We believe in going the extra mile to accomplish our goals. We coach and support each other to ensure everyone wins. We have a "WE versus I" mindset.
Ethics	We don't run our business at the cost of human or ethical values.
Excellence in Execution	We say. We do. We deliver. We talk with our actions. We strive for nothing but the best. Execution is the key to winning!
Accountability	We see. We act. We take full responsibility of our actions and results. We don't blame others for our mistakes; we analyze them and correct them.

Code of Ethics & Business Practices

NFL believes in conducting its operations with strong ethical and moral standards. NFL's statement of code of ethics & business practices aims to provide guidance on carrying out its business-related decisions and activities. We wish to achieve excellence in all spheres of our operations for which business ethics form the basis. Any party entering any form of contract with NFL is bound to comply with the given guidelines. NFL's statement of code of ethics & business practices has the following seven guidelines:

1. Unfair Means: Any use of bribery, kickbacks or any form of payment in cash/kind to obtain business related or otherwise gainful benefit for the company is strictly prohibited. Excessive business gifts and entertainment also hold the same meaning and NFL does not approve of such payments.

2. Respect and Integrity: NFL believes in giving respect to individuals. We aim to operate in a manner that discourages discrimination, harassment and/or influence. Discrimination refers to favoritism based on a particular aspect of an individual's personality. Harassment includes gender harassment creating an intimidation, hostile or offensive work environment causing interference with work performance. Influence could be an abuse of authority or the wish to alter personal beliefs.

3. Conflict of Interest: NFL prohibits actions that are in conflict with the company's business interests. This may include but is not limited to:

   • Providing assistance to the competition or holding ownership interests in a customer, supplier, distributor or competitor.

   • Making personal gains at the company's expense.

4. Confidentiality: NFL believes in confidentiality of information related to company's business activities. The company expects employees not to disclose or divulge by any means the confidential and commercially sensitive information except to the authoritative personnel requiring it. Furthermore, they should use their best endeavors to prevent the disclosure of such information by other people. The obligation of confidentiality shall survive the expiration or the cessation of contacts with NFL and is equally applicable to intellectual property.

5. Statutory Compliance: NFL believes in providing total support and cooperation to all the governmental and regulatory bodies irrespective of the extent of prevalent enforcement.

6. Financial Integrity: NFL believes in complete compliance with the accepted accounting rules and procedures. This includes but is not limited to:

- Transparency: NFL discourages any illegal activity for the purpose of any benefit to the company or others. All information supplied to the stakeholders and/or auditors must be authentic & transparent.

- Disclosure: All transactions must be fully disclosed and must be for the purpose stated for.

7. Health, Safety and Community Responsibility: NFL is fully committed to health, safety and responsibility towards environment and community. All activities of NFL must portray responsibility towards the community and nation as a whole. NFL seeks to employ procedures that are safe, healthy and environment-friendly.

Company Information

Board of Directors

Mr. Abdul Majeed	Chairman
Mr. Abrar Hasan	Chief Executive Officer
Mr. Waqar Hasan	Director
Mr. Khawaja Munir Mashooqullah	Director
Mr. Zahid Majeed	Director
Mr. Ebrahim Qassim	Director
Mr. Iqbal Alimohamed	Director

Audit Committee

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

Human Resource and Remuneration Committee

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

Chief Financial Officer

Mr. Rafiq ul Islam

Company Secretary

Mr. Farhan Latif

Head of Internal Audit and Secretary Audit Committee

Mr. Shahid Hussain

Internal Auditors

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

Company Management

Mr. Abrar Hasan	Chief Executive Officer
Mr. Shakaib Arif	Chief Operating Officer
Mr. Rafiq ul Islam	Chief Financial Officer
Mr. Kamal Baig	Chief Operating Officer-International Division
Mr. Adnan Malik	Chief Commercial Officer-Local Division
Ms. Saira A. Khan	General Manager-HR, Admin & IR

Auditors

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

Share Registration Office

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block 'B', S.M.C.H.S., Main
Shahra-e-Faisal, Karachi-74400
Tel: (92-21) 111-111-500
Fax: (92-21) 34326031

Principal Bankers

Bank Al-Habib Limited	Main Branch, Karachi. S.I.T.E. Branch, Karachi New Garden Town Branch, Lahore
Bank Al Falah Limited (Islamic Banking Group)	Port Qasim Authority Branch, Karachi
BankIslami Pakistan Limited	S.I.T.E. Branch, Karachi
Dubai Islamic Bank Pakistan Limited	Clifton Branch, Karachi
Faysal Bank Limited	16, Abdullah Haroon Road, Karachi
National Bank of Pakistan	PNSC Building Branch, Karachi
Habib Bank Limited	S.I.T.E. Branch, Karachi
Habib Metropolitan Bank Limited	Main Branch, Karachi
MCB Bank Limited	Shaheen Complex Branch, Karachi
Meezan Bank Limited	M.T. Khan Road Branch, Karachi
Standard Chartered Bank (Pakistan) Limited	Main Branch, Karachi
United Bank Limited	Main Branch, Karachi

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

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

Calendar of Major Events

Events & Launches

July 2013
- Launch of National Ketchup Zaroori – TVC;
- Allergen Battle Program Kick off;

August 2013
- Inauguration of NFL's 3rd in-house clinic, Muridke;
- NFL Premier League;

September 2013
- Launch of the Rural Marketing Drive – Asli Te Khalis;
- Allergen Management Training for Stakeholders;

October 2013
- Victory at Brand Elections 2013;
- Launch of Humaray Khanay Humara Pyaar (Wedding Campaign) - TVC;
- Allergen Control - Virtual War Kickoff;

November 2013
- Installation of Rotoplex, Universal Pin Mill and Zig Zag Classification System - Port Qasim;
- Initiation of SPICE competency trainings - CSI;
- NFL participates in IIFT- India International Trade Fair;
- NFL participates in ANUGA Germany;

December 2013
- Implementation of Online Salary Transfer System;
- Initiation of Extrusion Plant - Port Qasim;
- SPICE Training - Strategic Thinker;

January 2014
- Annual Hajj Ballot & Annual Lunch;
- Launch of Made Easy Season 2;
- SPICE Training - Partner in Success;

February 2014
- Ground Breaking Ceremony at the NFL Corporate Office;
- NFL participates in Gulf Foods;
- Official Inauguration Ceremony of NF DMCC in Dubai;
- Soft launch of Human Resources Manual of Policies and Procedures;
- SPICE Training - Innovation;

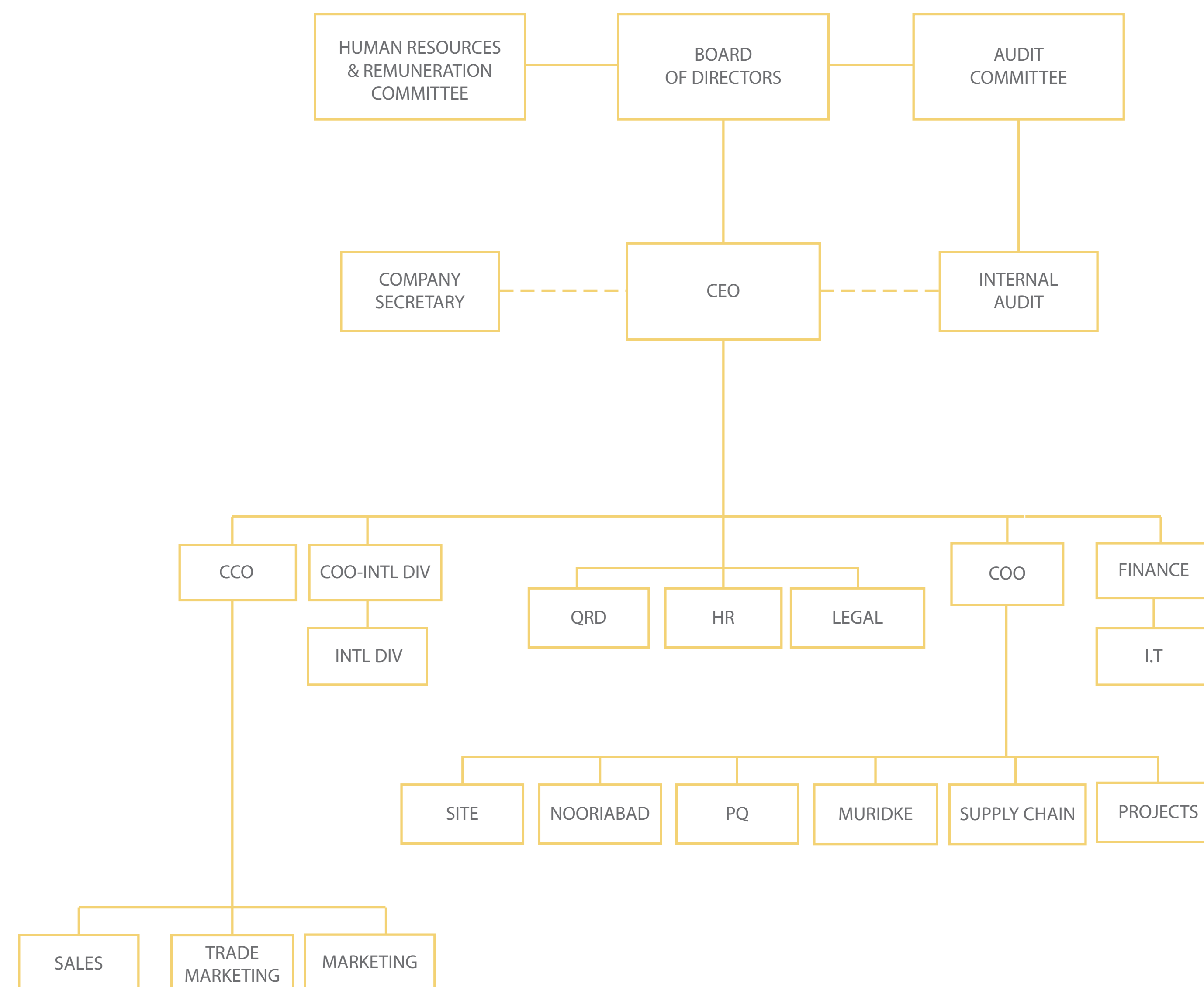
March 2014
- NFL becomes an ACA authorized Training Employer by ICAEW;
- Launch of the 1st phase of NFL's strategic restructuring;
- SPICE Training - Customer Orientation;

April 2014
- Launch of NFL's 1st ever 3D advertisement 'Humaray Khanay Humara Pyaar';
- Allergen Management Program - Final Washout;
- SPICE Training - Entrepreneurial Spirit;

May 2014
- Revamped the Purchase to Payment (P2P) system
- Launch of Saaf Paani Sehatmand Zindagi CSR initiative
- Launch of Masala Snax
- Launch of National Authentics
- Victory at the PAS 2014 Awards for 3 categories
- OD team represents NFL at the Annual Learning Conference;

June 2014
- Performance Appraisal System revamped;

Organizational Chart



Directors' Profile

Mr. Abdul Majeed
Chairman

Mr. Abdul Majeed is Founder, Director and Chairman of National Foods Limited and Associated Textile Consultants (Pvt.) Ltd. He is also the Chairman of Nazaria-e-Pakistan Trust, Sindh – a chapter of its counterpart in Lahore.

Today, in addition to playing a vital role in the establishment of National Foods Limited as a leading food company in Pakistan, he is also the Chancellor of Textile Institute of Pakistan and Member of the Board of Governors of National Textile University, Faisalabad.

Mr. Abdul Majeed has served as a member of the Federal Textile Board and the Engineering Development Board, Government of Pakistan.

His experiences have been diverse from the very beginning, adding to the depth of what he offers as a key leader at National Foods Limited. After graduating from the F.C. College, (a Chartered University) Lahore with a B.Sc. in Physics and Mathematics, he was selected by the British Council for Higher Studies in Textile Engineering and completed a B.Sc. (Hons.) in Technology from Manchester University in 1959.

He is keenly interested in innovation and is pivotal in leading the R&D team at NFL. His other interests and affiliations range from serving in the Rotary District 3270 in different capacities as well as being active on social forums. He is the Vice President Alumni Association of F.C. College, Lahore, (A Chartered University). Mr. Abdul Majeed is a Former Board Member of Pakistan Institute of Management, Karachi and the Society for the promotion of Arabic, Karachi.

He is a life member of the Arts Council, Karachi and a professional member of World Future Society, Bathesda, USA, along with being a Member of the International Geosynthetic Society, based in USA. Mr. Abdul Majeed is a believer in cultural progression and community development.

Mr. Abrar Hasan
CEO

Mr. Abrar Hasan has been with National Foods since 1993. During his association with the company he has successfully spearheaded the organization to its present position. Mr. Hasan has used his proficiency in Operations Management, Marketing and Finance with diligence to make National Foods what it is today - one of the largest and most successfully innovative food businesses in Pakistan.

Mr. Abrar Hasan graduated with a BS in Industrial Management and a minor in Industrial Engineering from Purdue University, Indiana, USA. In 1990 he returned to Pakistan and joined Precision Rubber Products (Pvt.) Ltd. as Plant Director. He remained with this company for almost 3 years and was responsible for Production and Manufacturing Management. With his well-developed skill set, Abrar Hasan joined National Foods in 1993 as Plant Director and was appointed by the Board of Directors as Chief Executive of the company in 2000.

His dedicated approach and inspirational leadership has taken National Foods from a simple recipe producer to a full-fledged food company today. He is the driving force behind his team of skilled professionals and has introduced innovative technology, human resource development & management and new marketing trends that have made the Company a respectable name in the industry. Mr. Abrar Hasan was invited to join the Board of Cherat Packaging Limited as an Independent Director in September 2010.

Mr. Waqar Hasan
Director

Mr. Waqar Hasan is the Corporate Director of National Foods Limited. He enjoys a high profile stature in the Textile and Food Industries and is a well renowned cricket administrator in Pakistan.

Mr. Hasan established National Foods in 1970 in partnership with Mr. Abdul Majeed. During his tenure as the Managing Director at NFL, Mr. Hasan embedded a strong set of fundamentals and ethics into the NFL culture that continues to guide the activities of the firm even today. Mr. Hasan's ambition and dedication resonates in the expansion of NFL from a small-time operation to an organization that now envisions becoming a Rs. 50 billion company in 2020. He was also very successful in building the National Brand, which has now become an Internationally recognized and a common household name in Pakistan.

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

Directors' Profile

Mr. Zahid Majeed
Director

Mr. Zahid Majeed is the CEO of Associated Textile Consultants Private Limited, a leading textile technology provider in Pakistan. He also heads the trading and investment arms of the Group.

Mr. Zahid Majeed joined National Foods Limited in 1987 and has worked in various positions in the company. Most recently, he has been spearheading the transformation of the International Business into National Foods DMCC as a fully operational SBU. Moreover, the active CSR culture at NFL is also a valuable contribution of Mr. Zahid Majeed.

Mr. Zahid Majeed is a graduate in philosophy, politics and economics from Magdalen College Oxford. He recently acquired the International Certificate in Company Direction from the Institute of Directors (IoD) London.

Mr. Iqbal Alimohamed
Director

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

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

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

Mr. Khawaja Munir Mashooqullah
Director

Mr. Khawaja Munir Mashooqullah is the Founder and President of Synergies Worldwide - a global supply chain management company operating in over 15 countries. An MBA from the Olin School of Business of the Washington University in St. Louis, USA, he was awarded with the Outstanding 50 Asian Americans in Business Award by the Asian American Business Development Center. Mr. Mashooqullah joined the Board of Directors of National Foods in 2007.

His experience spans over multiple industries; prior to founding Synergies Worldwide in 1987, Mr. Mashooqullah had been working in the Food and Textile manufacturing sectors in Pakistan. At present, he is Chairman of Hertzman Media and also serves on the Board of Quizsense Inc., and various other textile, design and food companies in Bangladesh, China, USA and Pakistan.

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

Mr. Ebrahim Qassim
Director

Mr. Ebrahim Qassim a Chartered Accountant by qualification has been on the Board of National Foods since 2000. He worked as a professional manager in a British pharmaceutical company for three years in different positions before finally becoming its Country Manager. Mr. Qassim setup his own distribution business by the name of Premier Distributors in 1971; the company now houses a well-established network all over Pakistan.

He has been on the National Council of the Institute of Chartered Accountants of Pakistan (ICAP) and Marketing Association of Pakistan. He served as a member on the Board of Directors of the Karachi Stock Exchange in the year 2000. Currently he is on the Board of Directors of English Biscuits (Pvt.) Ltd., and Coronet Foods (Pvt.) Ltd., and is Chairman of Shield Corporation Ltd.

Head of Departments

Head of Departments

CEO's Message

During the last five years the turnover of our business has doubled, standing testament to our transformation into a sustainable growth business, underpinned by an energizing 20/20 vision. During the year under review, National Foods Ltd. grew by 15%, which given our challenging and competitive operating environment is deeply gratifying.

NFL is unflinchingly committed to delighting our consumers & customers with a view of creating shareholder value. Keeping this objective in mind, our priority during the year remained on strengthening our brands, focusing on people and making our operations simple, agile and more responsive to market needs.

Our portfolio contains many brands which a typical Pakistani consumer feels strongly connected to as we have strived to build on our cultural heritage. Our new National recipe campaign, "Humaray Khanay, Humara Pyaar" is one such example where we have attempted to strengthen the bond between consumers and our company.

We are convinced that the delivery of our 20/20 vision will be determined by the quality of our talent and a dynamic organizational structure. During the year, we have embarked on making structural changes in the organization and have made significant progress. We have also strengthened our talent pipeline. The work initiated on agile and flexible organization & talent management will continue during 2015.

We are making serious attempts to reach more consumers in both local and international markets. This will only be possible if we deliver outstanding operational performance throughout the supply chain - from the harvesting of spices up and until it becomes the favored choice of consumer. We embarked upon exploring the rural market in an attempt to tap into the potential of the largest segment of the Pakistani Economy - it pleases me to see that the early signs are encouraging. We are expanding our operations in overseas market as these white spaces offer huge business potential for NFL. We have also started the contract manufacturing of Ready-to-Consume meals in Canada in order to help make our supply chain even more nimble to market needs.

The dedication and hard work of our people is a major contributor to NFL's success. We will continue to invest in our human capital and work to help unleash their full potential by providing an ideal work environment.

The Year Ahead

As the external environment brings various challenges our way, we need to convert these into opportunities and develop crucial internal strengths to surpass them. We believe that expansion in the international market operations will be beneficial not only for our company but the economy at large as well. We will pursue all growth options in the international market aggressively to deliver our vision and delight our stakeholders in future. We are resolute on strengthening our hold on the international markets in the coming year.

The company is strongly committed to growth and will be investing in new food categories in international and domestic markets. Our focus will be on aggressive investments, hence post consolidation profits will be deployed in new projects to secure additional growth for the future helping us achieve our vision.

Abrar Hasan
Chief Executive

Karachi: September 04, 2014

Management Review

Our Brands


National
Finest Aromatic
BASMATI
RICE
National
Tomato
Ketchup
National
IODIZED
National
Kheer
MIX
National
Chilli
POWDER
Pure
National
SOY
National
Strawberry
Jam
National
MIXED
PICKLE
National
Fruitily
VITAMIN C BOOST
ORANGE
National
بریانی
Biryani
MASALA MIX
Rice
National
Strawberry
Custard
Powder
National
چاٹ مصالحہ
Chat Masala

Marketing

The Marketing team embarked upon yet another remarkable journey this year exploring new ventures and enriching existing initiatives. Significant effort was undertaken to sustain the strong brand resonance NFL has had with its consumers over the past four decades.

Converter Activity

National's Converter Activity was conducted in all major cities of Pakistan including Karachi, Lahore, Islamabad, Faisalabad, Gujranwala, Hyderabad, Sialkot and Multan. This initiative was taken to increase consumer interaction at the trade level. The activity not only resulted in increased sales but also served to delight consumers, as they were encouraged to purchase NFL products by receiving instant gifts.

Recipe Wedding Campaign

NFL's recipe wedding campaign, "Humaray Khanay Humara Pyaar" infused the bright colors of Pakistan's festive culture with our love for food, creating the perfect recipe for a glorious union. Based on the traditional Pakistani wedding theme, the 1 minute TVC, captivated the hearts of millions, young and old alike with its entrancing storyline, enticing food shots, sublime aesthetic sense and catchy tune. This TVC, along with its teasers, was aired on all major channels and the campaign was further boosted through radio, hoardings and social media. Furthermore, this year NFL pioneered 3D advertising in cinemas nationwide. The campaign was further amplified by our "Buggy Baraat" activation, which went all across Karachi and Lahore, enhancing the Eid-ul-Azha festivities.

Rural Activation

With over 60% of the population residing in rural areas, NFL aimed to create a stronghold over its competition and counterfeit brands present in the rural markets. In order to establish the superiority of National's products amongst the masses, the theme of the activation was called "Asli te Khalis". The purpose of this campaign revolved around National's high quality products targeting trial generation by the rural consumers. It covered more than 140 rural towns through BTL activation and cable airing in Punjab and Khyber Pakhtunkhwa.

National Ketchup Zaroori Campaign

National Ketchup being one of the most loved condiments of consumers was promoted with a new campaign called "National Ketchup Zaroori". This campaign displayed different occasions and moments where National Ketchup is a must-have with all kinds of food. With its catchy jingle and ingenious depiction of the various moments of consumption, the campaign was very well received by both the consumers and industry professionals. It was also able to successfully bag the PAS Award 2014 for the Best Culinary TVC. National Ketchup's Top of Mind recall was further bolstered by innovative BTL activation programs, which targeted schools and stores along with interactive social media engagement.

Recipe Princess

Recipe Princess kicked off with its 3rd season this year across seventy Government Colleges for women present in five different cities, with the aim of searching talented young girls who have a flair for cooking to compete for the title of Recipe Princess. These girls were encouraged to showcase their culinary talent by preparing scrumptious meals using National Recipe mixes. A strong bond developed between National and the young girls, as this activation created waves of excitement amongst the latter, which was visible by their appreciation of the activity on National's social media page. High consumer engagement along with impeccable execution was the reason behind the success of Recipe Princess over its competitors on the PAS Awards 2014 for the category of "Best BTL Activation".

National Made Easy

NFL has revolutionized the food industry in Pakistan by devising a creative and innovative solution for its diverse consumers, where they can learn how to cook various scrumptious meals through 1 minute videos using various NFL products! The 2nd season of Made Easy, brought 10 new scintillating recipes ranging from Fry Kabab, Pizza, Tawa Chicken to Spaghetti Arrabiata. These videos were featured on our Microsite, **nflmadeeasy.com**, Facebook Page and Android Application. This campaign was further amplified through a special TVC and other digital media avenues.

National Kitchen Cabinet Campaign

NFL has a wide array of products, ranging from Spices, Desserts and Ketchups to Pickles, increasing the convenience of the modern homemakers and are therefore, readily available in their kitchen cabinets. A captivating TVC featuring National's diverse categories, their significance in preparing meals with love and sensational food shots garnered positive reviews and reinforced NFL's stature as a leading food company in Pakistan.

National ka Pakistan

After the tremendous success of the 1st season of "National ka Pakistan", Pakistan's first ever branded episodic content, the 2nd season of "National ka Pakistan" continued the legacy of adventure, fun and most importantly, true depiction of Pakistani food culture. With Chef Mehboob on board, the 13 episodes of "National ka Pakistan" touched upon several undiscovered and exotic destinations in Pakistan, where delicious food with the help of National's products was prepared without the facilities of a basic kitchen. This campaign ran on all major channels and was the recipient of the prestigious PAS Awards 2014 in the "Passion for Pakistan" category.

National ka Pakistan Song

To display National's patriotism for Pakistan, a special three and a half minutes anthem titled "National ka Pakistan" was developed. The song was sung by our renowned singer, Shafqat Amanat Ali and the video exhibited the diverse and beautiful landscape and culture of Pakistan.

Fruitily in-store activation

Fruitily had special in-store activations this summer across seven different cities, where refreshing drinks were an essential to energize. The consumers were encouraged to purchase a special deal in selected outlets, which further boosted sales in the summer season.

PAS Awards

This year National Foods was able to bag the PAS Awards 2014 for each category it was nominated for Ketchup Zaroori for Culinary, National ka Pakistan in Passion for Pakistan as well as Recipe Princess for BTL. Out of the 62 companies that participated, National Foods was the only company that was nominated for completely diverse categories, highlighting our versatility and cutting edge 360 degree approach.

Trade Marketing

In spite of being a relatively new department, the Trade Marketing function has played a significant role in providing a boost to the efforts of our Sales and the Marketing teams. With new products coming into the market alongwith rising shoppers expectations, the traders are becoming more demanding and commercialized. This has made gaining optional in-store visibility a grave challenge.

Channel-Wise Strategies, Perfect Store Deployment, increased Store Recruitment and Visibility Enhancement are few of the factors that will help retain the focus, for making the shoppers' experience more pleasant and less time consuming. In terms of market execution, dedicated and trained merchandising teams have proved to create the most impact and therefore, throughout the year, exclusive visibility drives were conducted for Channel Volume Support, covering both the International Modern Trade and Wholesale areas.

Another milestone achieved by our team this year was the successful execution of the Rural Trade Engagement Plans through scratch card schemes and gift redemptions for bulk deals. Furthermore, Customer Management Model was also implemented in Local Modern Trade through JBP.

Trade Marketing will continue to play a vital role in remaining competitive at the Trade level by constantly translating our brand into a message that attracts the shopper towards our products.

Sales

By employing the latest technology and maintaining stable relations with our longstanding distributors, our Sales Department flourished this year.

Fiscal year 2014 completed with double digit growth as compared to the last year. Exhibition of resilience and persistance of efforts by our sales team helped our core categories shine in our double seasoned fiscal year.

NFL is well on its way of capitalizing different market segments by utilizing the best of what the Information Technology and Management Information System has to offer. Introduction of Computerized Reporting Yield for Sales and Trade Automation Landscape (CRYSTAL), a Secondary Sales Software, played an integral part in the decision making process of Sales by providing effective coverage, availability, actual demand of the brands and centralized access to information and data. This system which has also been provided to the distributors, enabling them to experience order booking through their mobile phones.

Partnering with structured distributors has helped enrich the experience of NFL sales team in product distribution and market servicing.

Focus on the channel-based approach yielded results this year by achieving performance targets through General Trade, Wholesale, Retail Markets and also International Modern Trade.

Moreover, rural sales have also experienced incremental growth by almost doubling in volume. This is the outcome of market penetration and development in villages and rural areas of Sindh and Punjab. Our rural specific products have received an overwhelming response in the market, which further motivated the rural sales teams to explore more opportunities and avenues in this segment.

Finally, the Public Accounts channel was revived this year on the basis of higher business volumes from the Utility Stores Corporation showing respectable growth in sales. The Public Accounts team worked with great zeal and dedication in generating business and dealing with recoveries nation-wide.

The department will continue to work relentlessly in order to spread its reach to our valued customers by adopting innovative channels. We aim to establish a network that caters to every rural and urban area of the country.

Human Resources

The Human Resources team has been constantly on the move with its endeavors, bringing in industry's best practices whilst implementing initiatives that strategically contribute towards organization's growth. From its business partnering model to its organizational development activities, the HR team at NFL has been accelerating in its role, both internally and externally.

One of this year's biggest achievements included moving forward with our Building Excellence in People project, which led to finalization our five core competencies termed as SPICE. An acronym along with the tagline 'Ingredients for Success' was devised by the entire OD team. Each competency in SPICE has been given an individual identity and logo, originated from various spices and ingredients.

A five months comprehensive roll-out plan was designed, where the end of 2013 witnessed the launch of SPICE and its competencies by various subject matter specialists.

Another key project for this year has been the alignment of business partnership models with the aim of strengthening the structures within the organization. Moreover, the HR team went through a comprehensive exercise to review, develop and update the existing policies, based on the industry's best practices and benchmarks. These efforts could be seen in the form of the soft launch of the revised Human Resources Manual, half-way through the year.

Furthermore, the HR's OD team was invited to the Annual Learning Conference held by the Pakistan Society of Training and Development on the 20th of May 2014, where NFL was highlighted as the main event of the day for being the first local company to introduce, implement and practice the concept of Blended Learning by presenting its project Building Excellence in People and SPICE. NFL was also an Associate Sponsor for one of the top leadership trainers in the world, Marshall Goldsmith. This program held by Terrabiz, addressed the change and leadership Impact, titled "What Got You Here, Won't Get You There!".

Revamping the Performance Appraisal System, was one of our other major initiatives taken this year. The first step of this revamping focused on one to one discussions between the appraiser and appraisee. Rating on values was removed in order to make way for the competency based appraisals next year. Alongside this, appraisals and training needs were made into separate roll-outs, through which individual training needs will be based on individual performance. The streamlined Performance Appraisal system will pave way for career progression through individual development and feedback sessions.

Lastly, the HR Team kept its spirits high by conducting various engagement activities throughout the year, such as our Annual Hajj Ballot and Prize Distribution Ceremony for employees, Annual Lunch, an intra-departmental cook-off at the beach fostering cross functional interaction, a day out at Arena which was full of team building exercises and fun.

building excellence in people

Finance

Finance at NFL, under the recently rolled out Finance Vision has fully aligned its structure and resources for increasing its contribution towards achieving NFL's strategic priorities whilst at the same time ensuring that the basic controls embedded in the business remain best in class.

Our key priority remained sustainable growth, delivering margin accretive projects and driving a profitable portfolio mix. For this purpose, the Finance function continued to support the growth momentum by partnering with other functions at NFL. Several cross-functional project teams remained engaged for identifying different opportunities for improving business profitability during the year. The cost rationalization drive, initiated a few years back still continues, helping us in identifying and eliminating wastes from the system.

Accurate and timely provision of financial and numeric information, enabling day to day decision-making is the life blood of any organization; in this context, Finance played a pivotal role in enriching the data exchange and decision-making process. A comprehensive framework was developed to track, monitor and consolidate information regarding the marketing activities, which was previously reported through multiple avenues. This provided a holistic one-stop solution. Trainings were also conducted by our dedicated project teams to ensure that such mediums are utilized regularly and seamlessly.

Furthermore, the Finance team played a crucial role in the delivery of process simplification programs, by removing complexities which has helped us in becoming more agile and quick in decision-making. Similarly, other projects are also underway to make us more responsive to the needs of our stakeholders.

NFL has recently become a certified employer for training by becoming a member of the Institute of Chartered Accountants in England and Wales (ICAEW). This affiliation presented an opportunity of attracting and retaining new talent in the future.

In line with our aim of being recognized as the best Finance function in the country, we continue to restructure and develop our resources and business processes.

International Division

The International Division collaborates with our subsidiaries to ensures that the needs of our foreign consumers are met. For NFL, this year was all about 'Celebrating the Flavours of Pakistan' across the world. We positioned ourselves as a brand, offering the authentic flavours of Pakistan. The message 'National ka Pakistan' was communicated through media, outdoor and other promotional campaigns and was also aired on the International beams of Pakistani channels to further strengthen the brand's association with Pakistani cuisine.

International Marketing Campaigns

This year, the company made its presence prominent in major International markets such as North America, Europe and Middle East by launching effective marketing campaigns for its core categories including Recipes and Pickles. NFL advertisements flooded print, indoor, outdoor and media, where Recipe and Pickle TVCs were aired on highest rated Pakistani and Indian channels. Furthermore, Trade and consumer offers were also given around the peak buying seasons to drive sales.

International Below-The-Line and Display Drive Activities

Throughout the year, the International Division held extensive BTL and display drive activities through different posters, point-of-sale material, product sampling and consumer offers. These activities were mainly conducted in the North American, Australia, United Kingdom and Middle East. The excellent customer feedback and response received, further endorsed the success of our activities.

NEW LAUNCHES:

Frozen Foods: National Authentics

NFL launched its first range of Halal frozen meals, 'National Authentics' in May 2014, catering to the demand of authentic curry meals in the Canadian market. This is a milestone for the company, as it is moving towards the convenience foods segment using its expertise of traditional spices and delicious recipe masalas. These authentic mouthwatering meals are prepared from National Recipes and are Halal certified by Islamic Food & Nutrition Council of Canada (IFANCC). National Authentics meals are available in four tantalizing variants namely, Chicken Biryani, Vegetable Biryani, Butter Chicken and Chicken Quorma with rice. The frozen meals are ready to consume through a quick five minutes heat in the microwave.

Masala Snax

This year also saw the launch of NFL's first range of traditional nimco snacks. National Masala Snax is a

range of exotic, explosive and exciting snacks, offering 5 tantalizing flavors which are Chatpatta Mix, Chilli Chips, Karachi Mix, Bareek Sev and Moong Dal, packed in attractive vibrant colors.

Masala Snax has been launched successfully in North American, Asian and Middle Eastern markets as a step towards 'ready to consume' products portfolio of the company.

Golden Fried Onions

NFL is also expanding its product portfolio in terms of ingredients by launching fried onions for making the cooking experience more convenient for its international consumers. The product has been launched successfully along with the tagline "Extra Crispy, Fried to Perfection" campaign to communicate to the consumers that it is a premium quality product.

National Rice Re-positioning

Pure, premium and aromatic basmati rice has been the specialty of NFL. With the rice category growing by 50% over the last year, National Basmati Rice has been re-launched in new and improved packaging, offering the same great taste. The product is of superior quality with its elongated grain length, pure fragrance and fine texture. NFL has expanded its rice range with new SKUs, a new variant, National Long Grain Sella Rice and a new rice brand, WAH.

NEW CAMPAIGNS:

Ginger Garlic Pastes Campaign

A new campaign was launched to highlight the range of its Ginger Garlic Pastes with the tagline 'Adds a delicious touch of pure flavour to your food'. The packaging of the paste bottles has also been modified for making it more user friendly.

The pastes not only make the cooking experience more delightful but also adds a touch of savory Pakistani flavor and essence to the food.

Exhibitions

NFL exhibited itself in major trade and consumer fairs including India International Trade Fair, Anuga and Gulfoods in India, Germany and United Arab Emirates respectively. New categories including National Authentics and Masala Snax were launched at Gulfoods 2014. Gulfoods also served to be an excellent opportunity for strengthening the International business as well as for meeting potential customers.

Distributor Conference

The first distributor conference was held on 25th February, 2014 at the Novotel World Trade Center Hotel, Dubai. The event was a huge success, as it was attended by distributors from across 30 countries. The event was held to announce the launch of National foods DMCC office and the new structure of the International Division along with the achievements of the year and appreciation of the top performing distributors. It was a great opportunity through which the distributors shared the experiences of their markets and discussed new ideas.

The International Division will strive to penetrate new high potential markets in order to take the organization forward. The ID team is dedicated to making NFL a truly Global Brand.

Information Technology

As a growing and dynamic business function of NFL, the Information Technology team continued to collaborate with other entities at NFL to develop systems and processes that meet the needs of our business. Most of our projects completed during the 2013-2014 aimed at improving efficiency, process standardization, easy access to information, effective decision-making, increased security and accessibility of data and capacity enhancement.

Cost Optimization
The implementation of Server Visualization served to optimize costs and deliver better results, providing a secure and reliable platform that enables IT to meet SLAs for the most resource intensive and business critical applications at the lowest Total Cost of Ownership (TCO).

Business Continuity Planning
To ensure business continuity in the event of a disaster, an off-site DR Client Site has been setup that can be used if the primary or main site becomes inaccessible. The identified business users can be relocated to the DR client site to perform essential business operations until the main site becomes accessible. The DR Client Site has been equipped with necessary IT infrastructure and facilities to provide the required essential support to the business users. Furthermore, IT has successfully deployed cloud-based services to introduce multiple benefits for the business at an optimum cost. The key benefits include improved manageability, less reliance on local resources and moving from CAPEX to OPEX model with zero capital costs and usage-based pricing model.

Business Partnering
In our pursuit to support the business in customer-centric initiatives, an Allergen Tracker was created to identify and control Allergen presence in the entire range of NFL food products. The Allergen Tracker system creates a fully dynamic and comprehensive business intelligence system, bringing significant improvements in the business process. To improve efficiency of the marketing and sales process, E-Trade Marketing System was developed which tracks all the sales related activities taking place nation-wide. This system enables NFL to receive both high level and in-depth information regarding sales at the shop level.

Moreover, Mobile Based Applications were also introduced for the sales team at NFL. This has significantly reduced the lead-time of the delivery cycles to the shops, resulting in making order booking a real-time function.

IT Governance at NFL
At NFL, IT Governance plays an important role, focusing on ensuring adherence to the policies and governance rules by the operational teams and business users. IT Governance assures that the risks associated with the IT projects and operations are well covered and mitigated. This is achieved through a well-defined system and guidelines for task initiation and execution. In addition to this, IT Governance also assures that the projects related to information, business processes, applications and infrastructure are in compliance with its respective policies.

The future of Information Technology, at NFL will continue to focus on integrated business processes with the aim of satisfying the needs of its external as well as internal customers.

Supply Chain Management

The management of the flow of goods at different stages of production and dispatch is the responsibility of the Supply Chain department. This year numerous strategic initiatives were taken by the Supply Chain team in order to improve functionality.

The most important initiative taken this year was of revamping the Material Requirement Planning (MRP) module in SAP, which encompassed the entire Supply Chain function. This project automated the production planning process to a greater degree, learning the planner more time for analysis and control, ensuring smooth sharing of information with lean inventories.

Effective planning of MRP however is dependent upon the quality of its inputs. One key input is the demand forecast, which is driven through our Building Blocks tool. This tool provides a basis on which volume from marketing and trade activities over and above the baseline is agreed, for each cluster, a group of SKU(s) with similar marketing dynamics. Cluster is then broken down into regions and SKU(s) based on their historical contribution by this tool. To incorporate judgment calls of all key stakeholders when determining cluster and ensuring greater accuracy of the forecast, two new forums were initiated, namely Corporate Demand Review (CDR) and Regional Demand Review (RDR). These forums provide a basis, where the cluster numbers are agreed upon at a national and regional levels based on past trends, current market opportunities and budgeted target. The incorporation of these forums is in line with the best practices of our industry.

A reliable forecast leads to efficient resource planning and procurement of raw materials and packaging material. The Procurement team has successfully implemented the Kraljic model, linking it with SAP. A global sourcing program was also initiated to cater to strategic and bottleneck materials identified by the Kraljic model. New global vendors were developed for these items through food fairs and country visits, reducing supply risks and optimizing costs.

Furthermore, Supply Chain and in particular Procurement, has been very responsive in dealing with the ever changing food laws of both the local and global markets. With the help of the R&D team, issues regarding various ingredients were resolved effectively, substitutes were swiftly identified and procured where needed.

FY 2014 has been a fruitful year for the Logistics function as well; capacity enhancement, productivity increment, human capital development and cost optimization, were areas of our key focus. The Sukkur warehouse was renovated, leading to a 15% increase in the Goods Warehousing Practices audit score. Storage capacities were also enhanced at the warehouses in Port Qasim and SITE. Increased capacity will aid us in dealing with the seasonal inventory loads more efficiently. In addition, all stock is now transported through containerized vehicles.

Moreover, the procurement of powered pallet trucks has reduced manual handling and improved labor productivity. Tools such as Distribution Requirement Planning (DRP) were developed to reduce repetitive tasks in daily distribution planning, ultimately increasing the time devoted to reporting and controlling outcomes. To allow for better information disbursement to all our stakeholders, various new reports were developed throughout the year providing in-depth details regarding space position, pending orders at warehouse level and close to expiry stock in real time.

Lastly, collaborative partnerships were developed with our transporters, further simplifying the process of container awarding along with substantial savings.

Corporate Social Responsibility

NFL as a responsible corporate citizen continues to take great pride in actively contributing to the well-being of the society and playing its part towards the social development of Pakistan. This year the CSR Team has been successful in initiating and scaling up multiple projects nation-wide under its umbrella, by exploring projects in different avenues and with varying impacts.

We continue to support Aagahi Adult Literacy Program and Aasmoon Lootfun Primary Girls School as our primary focus amongst all the other Education and Literacy programs including the School of Britannica and Karachi School of Business Leadership scholarships.

Aagahi Adult Literacy Program:
Through Aagahi Adult Literacy Program, the CSR team celebrates almost a decade of collaboration with its partners, The Citizens Foundation (TCF), Literate Pakistan Foundation (LPF) and Shield Corporation (SC). NFL together with its strategic alliances has positively impacted the lives of more than 23,300 women across 40 cities nation-wide and continues to set the bar high by establishing more centers and liberating women through education.

These women who belong to different age brackets and backgrounds, cannot overstate the joy of overcoming the routine obstacles such as, doing 'hisaab' of their monthly grocery bills or being able to read and understand different signboards. This basic learning of Urdu and Maths has changed their lives dramatically.

Ceremony:
Every year NFL along with its collaborators, TCF, LPF and SC organizes a Certificate Distribution Ceremony to appreciate the commendable efforts of TCF's dedicated principals, teachers, area managers and coordinators for making this program a success year after year. This year also, on the successful completion of Aagahi Adult Literacy Program's 14th phase, NFL hosted a grand Certificate Distribution Ceremony, where Mr. and Mrs. Abdul Majeed, Mrs. Waqar Hasan and Mr. Abrar Hasan graced the occasion as chief guests from NFL.

Aasmoon Lootfun Primary Girls School:
Aasmoon Lootfun Primary Girls School (ALPGS) is a collaborative effort of NFL and its International Distributor. One of the main reasons why the strength of students in ALPGS is more in number than the other schools located in Islamia Colony, Kati Pahari Area, Karachi is because even though their primary focus is on providing quality education, they also try to develop their children intellectually through organizing different interactive extracurricular activities and programs. Promoting such a culture amongst their students, encourages them to progress fearlessly in the society, in both of their personal and professional capacities.

Ceremony:
ALPGS is held once every year, where children prepare different tableaus and speeches for the day. The top performers of the school are recognized and awarded medals and certificates by the chief guests in order to appreciate the efforts of the children.

Moreover, NFL also commits to support the health, safety and well-being of the consumers who enjoy our food, the individuals who work for us and the communities where our offices and manufacturing facilities are located. As a part of our Health & Nutrition segment, besides partnering with Aman Ghar, we recently launched an initiative called Saaf Paani Sehatmand Zindagi, which focuses on providing clean drinking water to our workers.

Aman Ghar:
The CSR team works hand in hand with Aman Ghar, contributing in the preparation of 3500 school meals every day by donating in kind, on a quarterly basis. We not only contribute through provision of nutritious and hygienic meals to the children at school, but also make sure that we accompany them to their homes in times of vacations and Ramadan through NFL Goody Bags. NFL Goody Bags is a recent initiative, whereby we distribute a delightful mix of different NFL products to the children, such as Fruitily, Vermicelli, Custard and Jelly. These children belong to different schools in the vicinity of Khuda Ki Basti, Karachi not only enjoy their summer vacations with National's products but also look forward to rejoining school.

Saaf Paani Sehatmand Zindagi - Clean Water Is Fundamental To Healthy Life:
A recent initiative called Saaf Paani Sehatmand Zindagi, focuses on improving the 'quality of life' of our workforce and their families, by spreading awareness regarding the benefits of consuming clean drinking water to our factory labor, janitorial, catering and security staff at SITE, Port Qasim and Muridke.

Saaf Paani Sehatmand Zindagi not only highlighted on the importance of drinking clean water to our workers but also helps them understand why it is essential to spread the message to their loved ones back home, as changing this mundane habit, can prove to have a very long lasting impact on their lives.

Along with conducting interactive awareness and health screening sessions in collaboration with Aman Health Services, informative leaflets and standees were also distributed and placed at prominent places in all of our factories.

In order to ensure the sustainability of this initiative, the CSR Team through the platform of Saaf Paani Sehatmand Zindagi provided the workers the opportunity of taking clean drinking water to their homes, free of cost.

Lastly, in Community Development, apart from managing a water plant in Kunri, we have added 2 more water filtration plants that are currently under construction near Umer Kot. Our new water filtration plants will be fully operational from June providing abundant water for the plantations and people of community, fostering a positive environmental impact on the community in nearby areas.

The sustainability strategy of CSR will continue to serve as an essential cornerstone for all the initiatives NFL plans to take onboard in the future. Under the Triple Bottom-Line Value Creation approach, our focus will remain on creating value added impact on the Economy, Environment and Society of our country.

Quality, Research & Development

The Quality, Research and Development team worked diligently to serve its function of enhancing the quality of our new and existing products. QRD tirelessly worked to resolve compliance issues of the health and safety certifications in food production. It actively executed different initiatives this year, including both small and large scale projects, focusing on excellence and quality in terms of cost savings, process re-engineering, legal compliances, product developments, revitalization of quality specifications and food safety initiatives.

The successful implementation of the Allergen Management System throughout NFL has been the biggest achievement of the year. Keeping in mind the breadth and depth of this change management program, it was divided into different phases based on internationally proven industry practices. The journey began with the Virtual War Phase, wherein system based controls were established to monitor, track and control Allergens.

The Allergen Management system was derived from an army theme, which kept all of the departments working together for achievement of their respective targets. The next phase was Operation Clean-up, followed by the Testing Mission Phase, which focused on bringing Allergen related awareness to the workers on the Production floor, helping them implement controls through devising dedicated machines, schedules and cleaning processes. These practices were tested and validated to conform to the international guidelines and were also supported with a supplier control program that controlled and reduced the occurrence of Allergens from the supply side. Strict auditing practices finished up the validation in the Final Wash Out Phase bringing us compliant products in terms of Allergens.

The Allergen War saw its victory through huge cost savings, improved Goods Manufacturing Processes and new pathways for customer oriented products. Alongside pioneering the local food industry with its Allergen Management System, NFL has also successfully developed various advanced testing mechanisms in-house. In line with the new product developments, Masala Snax and Authentics are the latest additions to the product range and variety that NFL offers. Masala Snax is composed of five different Snack variants developed through third party contractors, whereas Authentics offers a range of four different frozen meals that have been developed and launched in Canada. Both these products not only deliver superior taste and quality to our export consumers but also meet its international compliances.

Some Line Extensions were also introduced to increase our market share, such as Behari Kabab, Vegetable Biryani, Mutton Biryani, Butter Chicken in the local recipe range and Lahori Fish and Pakora Mix for the export recipe range, Pickle variants were also made available in pouch and bucket SKUs. The QRD teams worked actively with Government officials and the peer industries to resolve the issue related to Punjab food laws on priority and took immediate counter-measures for product and packaging to recover the loss. Emphasis on the regulatory changes in product definitions has also been increased to meet compliance gaps.

For the last 10 years, in the era of strict inspections and thorough border controls for product exports, our products were returned from the US Port, in the absence of substantial evidence. However, now these exports follow a smooth and hurdle-free process to US, as NFL overcame all the import restrictions on Recipes, Spices, Jams and Jellies and successfully found its way out of the Import Alert List of US-FDA.

The revival of Quality Specifications continued this year to complete the thorough review of the entire NFL range in compliance with the international standards along with compiling, reviewing and updating the detailed specifications in the QM module of SAP ERP system. Approximately 1600 quality parameters were created to lock the standards and inspection plans of 1200 items, becoming one of the biggest achievement in the history of NFL QRD Department.

Supplier Evaluation Program continues to benefit us. This Program helps us in selecting the best partners to work with through a rating scheme along with development of the under-rated ones to meet business requirements, guiding us to improve our future supplies of raw and packaging materials. The Quality team played a vital role in re-commissioning of the Water Plant at SITE, by setting up its in-house extrusion machines. The in-house processes and products were tested, verified, adjusted and then re-validated till the required specification was met. These testing practices were also validated through an external proficiency testing scheme.

Moreover, efforts were made to re-align our Food Safety schemes in Pickle, Paste and Muridke plants by a thorough gap analysis and recommendation, to achieve FSMS requirements and FSSC 22000 schemes for NFL next year. Trainings were provided to cross-functional teams so that they are well-equipped with the quality requirements to follow. Since food safety hazards can occur at any stage, the QRD team ensured that essential and adequate controls are in place. ISO 9001 is a series of standards that define, establish and maintain a quality assurance system for manufacturing and service industries.

In short, this year was packed with different shining projects undertaken by the QRD department, these were dedicated to fulfilling the growing ambitions of NFL. A promising future of this department, along with the others, is testament to the future expected growth of our organization. Increasing competition requires that we continue innovating and improving the quality of our products in order to gain and maintain a competitive edge.

Operations

The NFL Operations team plays a versatile role, striking a perfect balance between increased production, timely supply and improved quality at all its major production facilities in SITE, Port Qasim and Muridke. Keeping in mind the nature and magnitude of all the production facilities, various cost cutting and efficiency enhance projects were undertaken throughout the year.

SITE

The Paste Plant team was successful in implementing several projects for process improvements and production enhancement, ensuring its contribution towards strategic business growth. The process of the 3.25 kg and 100 gm sachet machine was converted to a semi-mechanized system from a purely manual one leading to increased productivity and efficiency of the machines.

The induction of high speed shearing mixing pump, high pressure washing device and two sided carton taping machine has helped in streamlining the processes, making it more efficient with improved quality of production.

Muridke

Muridke plant has successfully augmented the capacity of its Salt Plant by installing a new grinding and sieving line. The production cycle now completes in two shifts, with the plant capacity enhanced to 90 MT per day. Previously the production of 57.6 MT was carried out in three different shifts. This project will help in curtailing additional freight cost and save approximately 9 million rupees annually.

Moreover, the Muridke team has successfully carried out 70% of the fabrication, civil and electrical tasks in-house, leading to significant savings during the implementation of the project.

Furthermore, the productivity of the Salt Plant increased significantly by 29%, leading to wastage reduction of 6%. These efforts were also supported by organizing informative awareness sessions for the factory staff. In line with making our working environment better and more conducive to improved production, an In-house dust collection system has also been installed.

In August, NFL acquired an external warehouse to meet its demand for material warehousing. This warehouse has been converted into a world class storage unit, receiving 99% score in Goods Manufacturing Processes audit.

In line with the Plant's OHSAS certification, we are also planning to obtain Food Safety Management System ISO 22000, 2005, certification. In order to pursue this aim, we have further invested 2.5 million rupees to strengthen the infrastructure of the plant.

Lastly, the payroll system and attendance of the employees including the third party workers is now recorded through swipe card, which is further linked to the HR payroll system, making both the payroll processing and attendance recording process more efficient and transparent.

Port Qasim

During 2013-2014, the Port Qasim team successfully implemented several process enhancement projects that contributed to the growth of business. These projects ranged from efficient processing and cutting of Mangoes, recycling of brine wax and sugar bags to elimination of unnecessary raw materials and significant cost savings in our system.

Sustainability Initiatives

Corporate Social Responsibility
Our efforts have been directed to facilitate the provision of education in under privileged towns across Pakistan. We have taken some women empowerment initiatives so that the Pakistani women are saved from oppression and realize that they are equally capable of establishing their own identity.

Community Investment and Welfare Schemes
Pakistan's resources have not been exploited to the benefit of its economy in the past. Exports of red chili from Pakistan were not possible due to the methods of drying chili used by unaware farmers. NFL's research team identified the fault and devised a plan to help carry out this process in a manner which ensured that the chili produced no longer posed a health hazard. In this process, National Foods equipped the farmers not only through trainings but with supplies as well.

Employment of Special Persons
At NFL we follow a strictly merit based recruitment process. It is ensured that no discrimination takes place on the basis of gender, age or physical disability. The induction criteria are based on the job description and selection on the capability displayed by the candidate.

Occupation Safety and Health
We take full responsibilty of the health and safety of our workers on our premises. We follow the guidelines of OHSAS to provide a safe working environment. Due to the nature of operations on our production sites a fire fighting team has been professionally trained from amongst the workers to deal with any emergencies. Furthermore, we have recently started producing mineral water for consumption at our plant sites. This is done to ensure that our workforce remains healthy and productive.

Consumer Protection Measures
The NFL team works hard to ensure that the best quality products and services are offered to all its consumers. A recent awareness campaign was launched to ensure that consumers could differentiate counterfeit products from our original ones, to ensure that our consumers are not misled into using substandard goods.

Rural Development Program
Urban areas accommodate a considerably smaller proportion of the overall population of Pakistan. Therefore, we have turned our attention towards development of rural markets. In the process of creating value for the company we hope that the areas will be exposed to the modern way of life which will help make their lifestyles more comfortable.

Energy Conservation
Energy shortages are a frequent deterrent to the efficient functioning of plants at production sites. Our motors and pumps are being re-examined to ensure they are not over/under rated. Moreover, installment of economizers and dual fuel systems are under consideration. The successful implementation of these projects will optimize our energy utilization.

Environment Protection Measures
We have taken humble steps to try and reduce the harmful impact of our operations on the environment. Wet scrubber has been installed at the salt plant, which filters out the salt dust from air before venting it out in to the environment. All the old asbestos overhead sheets have been removed in phases by following the proper disposal protocol for safe handling and disposal of the poisonous and hazardous asbestos. Furthermore, a study for waste water treatment and disposal is being conducted by a third party vendor to bring forth all the alternatives available for our use to ensure environmental and human safety.

Industrial Relations
Our production processes are labor intensive hence the output depends on our workers. A committed and satisfied workforce is essential for timely and accurate production. The industrial relations department is in place to make sure that our labor force has a platform to raise and resolve their issues.




Directors' Report


Directors' Report

The economic and political landscape of Pakistan tested the resilience of our organization at various levels. A deteriorating operating environment characterized by political instability, regulatory pressures and rising energy shortages posed grave challenges. However, despite these obstacles, our business recorded sales growth of 15%, majorly attributed to our star categories including Recipe, Pickles and Ketchup. For the first time in our history we surpassed the symbolic threshold of Rs. 1 billion profit before tax for which we would like to place on record our appreciation for our consumers, customers, employees, shareholders and the society in which we operate at large.

Our business strategy is simple and is deeply rooted in the Founders' philosophy – we remain committed to improving the lifestyles of our stakeholders in as many capacities as can be influenced by us. The 2014 results are an outcome of this strategy and demonstrate that we are making progress towards the delivery of our Vision. Sales were up by 15% (Local & Export) to Rs. 13 billion with volume contributing 9% to growth. Gross Margin showed improvement of 50 basis points, rising to 35.1%. Despite sharp increases in energy costs, essential investment in human capital and cost incurred to broaden export operation base, we were able to deliver PBT of 11%; given our operational constraints this is fairly commendable.

Our consumer base overseas is expanding as we further penetrated into the international market through appointment of new distributors and entering newer markets. We remain committed to growing our business in the overseas market and will continue to explore all possible options. Our strategic investments in cost management and production enhancement projects have reaped encouraging results. Our talent pipeline is strong and we have made significant strides in 2014 to ensure that we have a purpose driven organization powered by the passion of our employees to help deliver our vision. Meticulous management and resilient foundations promise a larger and more prosperous company in the future.

Our commitment to innovation surpassed any restrictions to products alone. NFL ran a 3-D commercial, targeting the cinema going audience. Moreover, the Pakistan Advertising Society honored us with an award for the National Recipe Princess activation. Our marketing campaigns such as "Humaray Khanay Humara Pyaar" and "National ka Pakistan" Anthem reflect our patriotism and passion for Pakistan. These campaigns and promotions when conducted beyond our borders the country borders serve to pacify the otherwise volatile and terrorizing image of Pakistan while helping to improve our brand recognition and recall.

Notwithstanding socio political and economic challenges, favourable demographic and consumption patterns in the near future are expected to fuel the growth of the food industry in Pakistan at a respectable pace. NFL is strategically well placed in the overall sector as its resources and products are diverse and have the potential to appeal to all social classes. The Board is pleased with the performance of the business so far, as we are making good progress towards the realization of our 20/20 Vision.

KEY CATEGORY REVIEW:

Recipe Mix

Our strongest category grows stronger every year. A 17% growth in sales was recorded, accompanied by an increment of 1% in the gross profit margin. In order to sustain the performance of this category we continued our well received campaigns of 'National ka Pakistan' and 'National Recipe Princess'. The newest campaign 'Humaray Khanay Humara Pyaar' was a superb success and vastly improved the brand recognition of NFL recipes among all age groups.

Ketchup

The target market of this category is ever growing; overall a 20% growth in sales was recorded. We strive to improve our market share in this category year after year. In order to ensure that the sales grow consistently, advertisements and trade marketing activities were carried out at major sales outlets.

Salt

National Salt holds a special position in the product portfolio of NFL. The performance of this essential ingredient never falls short of our expectations. A 17% growth in sales was recorded this year. Keeping in mind its crucial contribution we continue to improve its production process and try to optimize its costs.

Pickle

Sales of pickle were observed to improve. The lengthy and accurate procedure required for production, rising raw material costs and competitive market conditions pose grave challenges that need to be surpassed in order to meet targets. Streamlining of several stages of production have made the process more efficient but there is still room for improvement which we wish to exploit.

Exports

For the timely achievement of our 20/20 Vision it is crucial that we maintain our focus on the international market alongside the local market. NFL strives to enhance its global presence through the launch of new products catering to the requirements of the international markets. A hallmark event this year was the launch of our Halal frozen meals in Canada. 'National Authentics' are 5 minutes microwaveable curry meals which deliver the true taste of Pakistani food beyond borders with extreme ease. Other value additions to our international portfolio include Masala Snax and Golden Fried Onions. Moreover, basmati rice was re-launched with improved packaging which ensures optimal quality preservation in the product.

Various marketing activities were conducted to boost the sales of our existing products as well. Overall the international division made a sizeable contribution of 12% to the profit which originated from sales of over 1,178 million. This is an improvement from the previous years. It is this present and potential growth in demand and hence revenue which adds credibility to our claims that NFL is capable of becoming a successful multinational company.

Our distributors are integral to our success therefore we held our flagship Distributor Conference in Dubai. Distributors from over 30 countries attended the Conference. The event was a success where the achievements of our top distributors were celebrated and they received a platform for discussion of future opportunities.

Our People

The growth of NFL can be attributed largely to the tireless effort of its people. An important element of success is that the people own their organization. We ensure this by aligning the goals of our organization with those of our workforce. Interactive sessions are held to maintain their motivational level and eliminate alienation. The importance of smooth communication is recognized and therefore a casual environment is fostered to facilitate the smooth flow of information. The management leads as well as mentors its juniors whereby securing the future of the organization in capable hands.

Corporate Sustainability

We believe it is important to give back to the society in which we thrive. Corporate Social Responsibility at NFL is not an obligation rather we feel privileged to be of service to our society.

i) Community Investment

NFL's dedication to its social cause can be seen through the continuity of its long standing educational programs. New initiatives were also launched to extend the reach of our philanthropic services. Female empowerment and healthy lifestyle can be identified as the highlights of our program.

Aagahi Adult Literacy Program

The Aagahi Adult Literacy Program is an initiative that was launched in 2005 by The Citizens Foundation (TCF). This was launched in order to provide educational opportunities to mothers and older sisters of TCF students as well as other women in the community.

Year after year we strive to improve the lives of women nation-wide. 40 cities have been covered until now and we hope to keep adding to the number. National Foods & Shield Corporation collaborate with the Literate Pakistan Foundation to carry out ALP.

Collaboration with Aman Foundation

Amanghar - a program launched by the Aman Foundation provided a great platform to National Foods to contribute in eliminating hunger and providing nourishment to children. Under this initiative hygienically prepared meals are provided to less privileged school children in Khuda ki Basti, Karachi. We hope that through our humble contributions the children will grow up as physically and mentally healthy individuals.

ii) Philanthropic Initiatives

Saaf Paani Sehatmand Zindagi

Our workers dedicate their life to our purpose and we make it our responsibility to take care of their health and well-being. To ensure that our labor and their families understood the importance of clean drinking water, we not only equipped them with the essential information but also made it possible for them to take water home free of cost. Then training and information sessions were conducted in order to make them spread the information.

Business Ethics and Anti-Corruption Measures

National Foods follows a strict and unwavering code of ethics and conduct. We have recently adopted a new practice of testing the basic moral and ethical standards of our employees in the recruitment process. These standards are reinforced time and again in our employees through the clearly rolled out guidelines provided by the Board.

Contribution to National Exchequer

During the year, the contribution to national exchequer has further increased and the company paid over Rs. 2,027.13 million (2013: Rs. 1,851.20 million) to the government and its various agencies on account of different government levies, including custom duty, sales tax and income tax. Moreover, foreign exchange of Rs. 1,136 million (2013: Rs. 966 million) was also generated through export of products, further reflecting our participation in the national economy.

Compliance with Code of Corporate Governance

The managerial objective of National Foods is good corporate governance and compliance with best practices. As required under the listing rules the Code of Corporate Governance (Code) issued by Securities & Exchange Commission of Pakistan, the company has adopted the Code in letter and spirit as follows.

- The financial statements, present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The Board has constituted an Audit Committee consisting of five members, including Chairman of the Committee. The Chairman of Audit Committee is an independent director and the Committee regularly meets as per requirements of the Code.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no significant doubts upon the company's ability to continue as a going concern.
- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.
- A statement regarding key financial data for the last six years is annexed to this report.
- The value of investments of Provident Fund based on unaudited accounts was Rs. 203 million.
- During the last business year five meetings of the Board of Directors were held. Attendance by each Director was as follows:

Name of Director	No. of meetings attended	Leaves granted
Mr. Abdul Majeed	5	-
Mr. Abrar Hasan	5	-
Mr. Waqar Hasan	2	3
Mr. Zahid Majeed	5	-
Mr. Ebrahim Qassim	4	1
Mr. Khawaja Munir Mashooqullah	5	-
Mr. Iqbal Alimohamed	1	2

PATTERN OF SHAREHOLDING

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

Sale and purchase of shares by Directors during the year:

Name	Number of shares	Date of sale
Mr. Khawaja Munir Mashooqullah	17,412	15 January 2014
Mr. Iqbal Alimohamed	3,485,000	5 December 2013

INTERNAL AUDITORS

On the recommendation of the Audit Committee, the Board of Directors in its meeting held on 4th September has reappointed Messrs. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants; as internal auditors of the Company.

EXTERNAL AUDITORS

The present auditors Messrs. A. F. Ferguson & Co., Chartered Accountants are retiring and being eligible, offer themselves for re-appointment. The Board of 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.

Directors' Report

BUSINESS RISKS & FUTURE OUTLOOK

The company is strongly committed to growth and will be investing in new food categories both in international and domestic markets. Our focus will be on finding aggressive investments, milking such captivating opportunities and using the post consolidation profits in new projects to secure additional growth for the future.

The external environment will continue to throw challenges in our way, however, we will be devoted towards converting these into opportunities and developing crucial internal strengths to surpass them. We believe that expansion in the international market operations will be beneficial not only for our company but the economy at large as well. We will pursue all growth options in the international market aggressively to deliver our vision and delight our stakeholders in future. We are resolute on strengthening our hold on the international markets in the coming year.

CREDIT RATING

Due to competitive working capital management we achieved another milestone of improvement in the long term credit rating from A + to AA- by JCR-VIS Credit Rating Company Limited. The improvement shows that the company is moving in the right direction and confidence of financial institution has also increased. This will help in reducing financial charges whereby curtailing overall costs.

ACKNOWLEDGEMENT

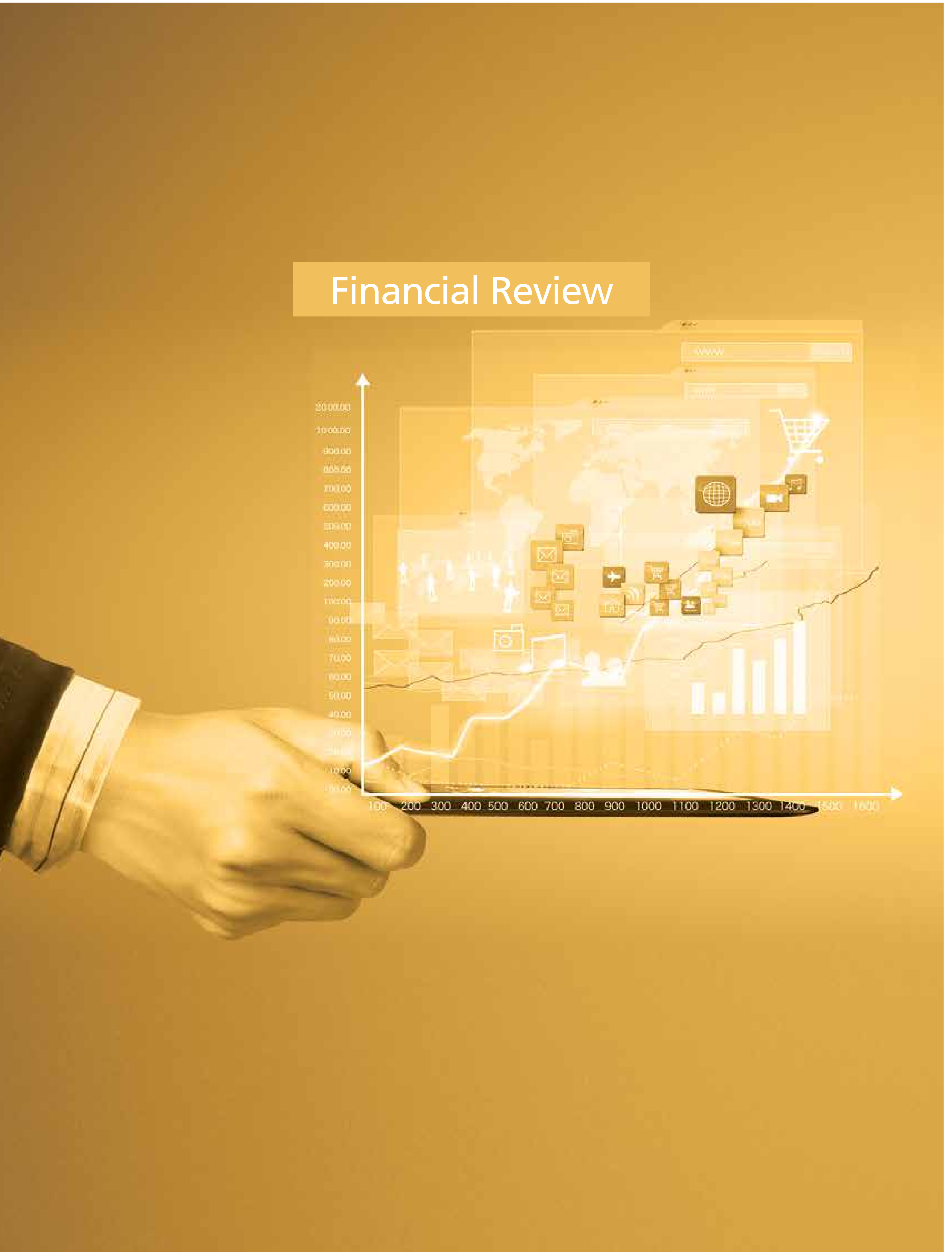
The Board would like to convey its heartfelt gratitude to all the people involved with National Foods for enabling NFL to flourish and deliver a stellar performance over the last five years. Our people are committed to the well-being of the company and have proved their potential by surmounting the numerous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

On behalf of the Board of Directors

A. Majeed

A. Majeed
Chairman

Karachi

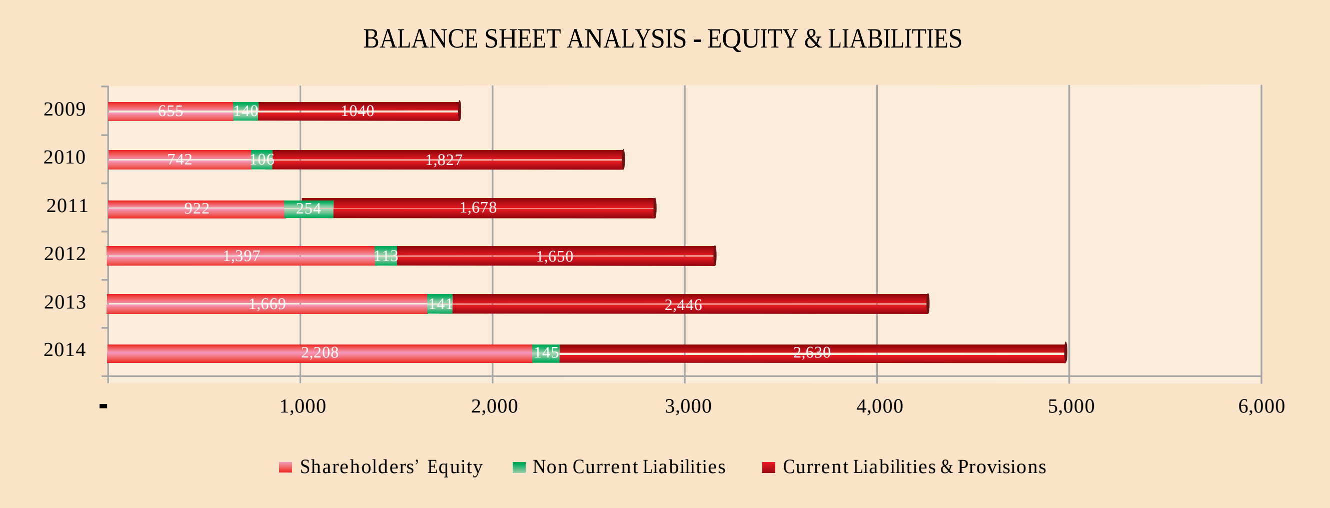


Financial Ratios

	Unit	2014	2013	2012	2011	2010	2009
Profitibility Ratios							
Gross Profit Ratio	%	**35.05**	34.61	32.52	28.51	29.55	29.97
Operating Profit to Sale	%	**11.51**	12.33	12.66	8.83	5.76	8.18
Net Profit to Sales	%	**7.29**	7.88	8.14	4.18	1.93	3.71
EBITDA Margin to Sales	%	**13.09**	13.68	14.02	10.62	7.85	10.40
Operating Leverage Ratio	%	**45.35**	84.10	288.57	385.63	(81.89)	26.28
Return on Equity	%	**36.55**	43.96	50.28	27.70	12.39	23.81
Return on Capital Employed	%	**34.05**	40.61	43.43	22.79	10.53	18.49
Return on Assets	%	**14.22**	15.84	18.46	8.08	3.24	7.60
Liquidity Ratios							
Current Ratio	Times	**1.39**	1.28	1.33	1.23	1.01	1.14
Quick / Acid Test Ratio	Times	**0.54**	0.50	0.39	0.20	0.19	0.32
Cash to Current Liabilities	Times	**(0.33)**	(0.33)	(0.28)	(0.43)	(0.64)	(0.45)
Cash Flow from Operations to Sales	%	**5.63**	4.21	14.91	7.65	(8.71)	5.38
Working Capital Turnover	Times	**9.51**	12.32	12.97	14.20	198.98	26.65
Activity / Operating Performance Ratios							
No. of Days in Inventory	Days	**119.59**	113.32	124.12	149.57	135.54	111.09
No. of Days in Receivables	Days	**27.19**	20.10	14.68	17.88	21.45	25.91
No. of Days in Payables	Days	**15.33**	16.94	24.74	28.89	20.49	22.86
Operating Cycle	Days	**131.45**	116.48	114.07	138.56	136.49	114.13
Asset Turnover	Times	**2.11**	2.31	2.38	2.00	1.99	2.10
Inverntory Turnover	Times	**3.05**	3.22	2.94	2.44	2.69	3.29
Receivables Turnover	Times	**13.43**	18.16	24.86	20.42	17.02	14.09
Payables Turnover	Times	**23.82**	21.55	14.75	12.63	17.81	15.96
Investment / Market Ratios							
Earnings Per Share	Rs.	**13.68**	13.01	11.26	4.45	1.67	2.69
Price Earning Ratio	Times	**58.60**	27.72	17.06	16.85	26.29	27.19
Dividend Yield Ratio	%	**1.00**	2.77	3.12	3.33	8.42	68.30
Dividend Payout Ratio	%	**58.49**	76.88	53.29	56.16	221.44	1,857.27
Dividend Cover Ratio	Times	**1.71**	1.30	1.88	1.78	0.45	0.05
Cash Dividend Per Share	Rs.	**8.00**	7.50	6.00	2.50	1.20	-
Cash Dividend	%	**80.00**	75.00	60.00	25.00	12.00	-
Stock Dividend Per Share	Rs.	**-**	2.50	-	-	2.50	50.00
Stock Dividend	%	**-**	25.00	-	-	25.00	500.00
Market Value Per Share at the end of the year	Rs.	**801.43**	360.65	192.14	75.00	43.92	73.21
Low during the year	Rs.	**302.25**	187.80	57.21	39.01	42.00	47.10
High during the year	Rs.	**801.43**	391.40	220.99	88.00	114.99	435.00
Breakup Value Per Share without Surplus on Revaluation of Fixed Assets	Rs.	**42.62**	40.27	33.71	22.27	17.90	19.77
Market Capitalisation (in millions)	Rs.	**41,516.80**	14,946.31	7,962.80	3,108.80	1,820.16	2,427.22
Capital Structure Ratios							
Financial Leverage Ratio	%	**43.20**	56.99	36.38	102.33	170.13	93.34
Weighted Average Cost of Debt	%	**9.02**	10.01	9.53	11.12	10.35	12.73
Debt to Equity Ratio	%	**-**	-	-	18.39	3.00	11.25
Interest Coverage Ratio	Times	**12.80**	14.08	12.77	3.88	2.60	3.54
No. of Ordinary Shares (in millions)		**51.80**	41.44	41.44	41.44	41.44	33.15

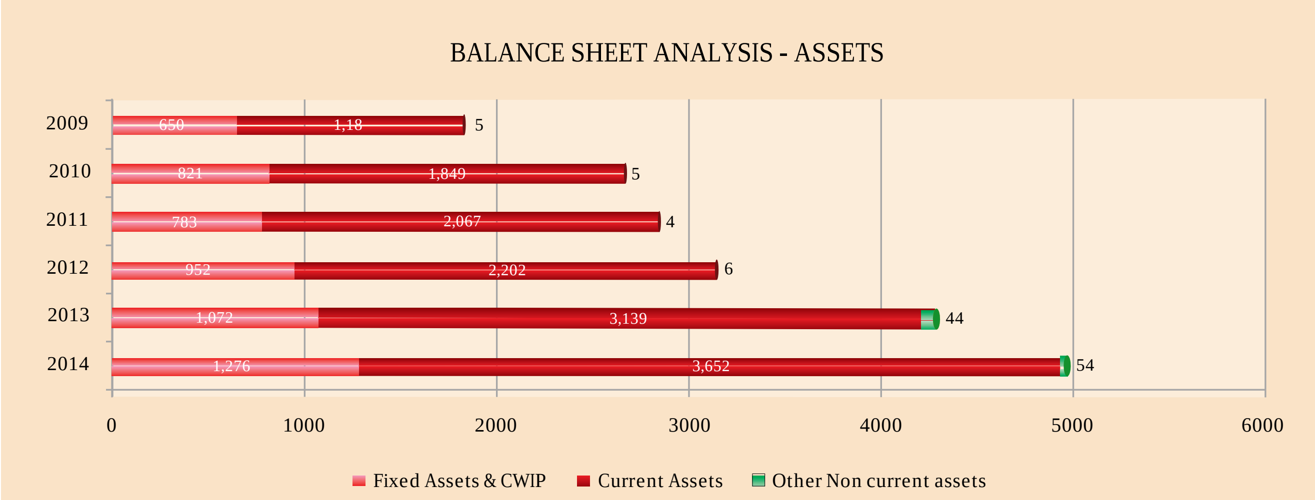
Horizontal Analysis

	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	**13.80%**	19.21%	29.85%	22.96%	19.45%	22.76%
Cost of Sales	**13.01%**	15.55%	22.55%	24.79%	20.17%	26.78%
Gross Profit	**15.29%**	26.80%	48.16%	18.61%	17.75%	14.30%
Administration Cost	**35.24%**	28.92%	13.33%	9.76%	9.33%	15.38%
Distribution cost	**18.33%**	36.82%	33.97%	(2.64%)	36.64%	16.84%
Other Operating Expense	**0.04%**	9.21%	130.30%	94.12%	(15.00%)	11.11%
Financial Charges	**16.68%**	5.63%	(43.65%)	27.27%	13.79%	55.36%
Other Income	**6.19%**	55.81%	258.33%	(47.83%)	35.29%	(22.73%)
Profit before Tax	**5.45%**	16.97%	131.86%	125.63%	(27.60%)	(5.56%)
Taxation	**6.18%**	20.55%	93.13%	79.45%	(9.88%)	5.19%
Profit after taxation	**5.12%**	15.41%	153.91%	164.37%	(37.86%)	(10.83%)
BALANCE SHEET						
Issued, subscribed and paid up capital	**25.01%**	0.00%	0.00%	0.00%	25.08%	501.82%
Unappropriated Profit	**34.73%**	27.60%	93.50%	54.88%	1.23%	(29.72%)
Share Capital and Reserves	**32.31%**	19.40%	51.52%	24.26%	13.28%	26.94%
Long Term Obligations	**3.11%**	24.78%	(55.51%)	139.62%	(24.29%)	(28.93%)
Total Long-term Liabilities and shareholder equities	**30.05%**	19.80%	28.40%	38.68%	6.67%	11.50%
Fixed Assets, CWIP & Intangibles	**19.03%**	12.61%	21.58%	(4.63%)	26.31%	1.88%
Other Non current assets	**22.73%**	633.33%	45.00%	(20.00%)	0.00%	25.00%
Current Assets	**16.36%**	42.55%	6.53%	11.79%	56.69%	6.79%
Total Assets	**17.10%**	34.65%	10.72%	6.69%	45.78%	5.04%
Less: Current Liabilites & Provisions	**7.52%**	48.24%	(1.67%)	(8.16%)	75.67%	0.58%
Net Assets	**30.05%**	19.80%	28.40%	38.68%	6.67%	11.50%



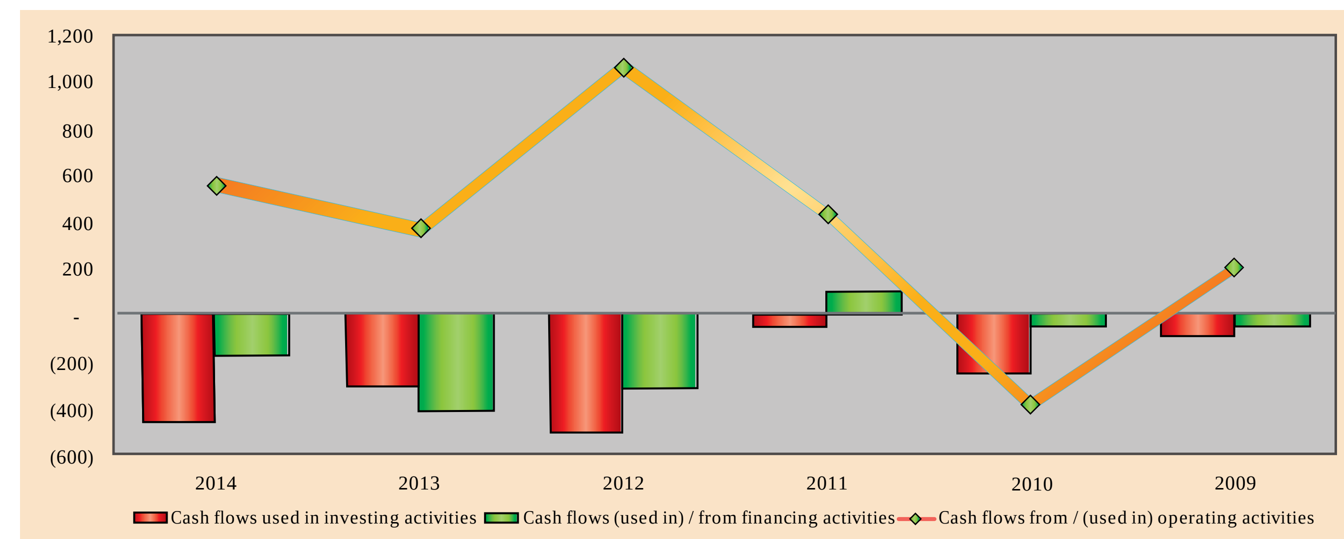
Vertical Analysis

	2014	2013	2012	2011	2010	2009
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	**64.95%**	65.40%	67.47%	71.49%	70.45%	70.02%
Gross Profit	**35.05%**	34.60%	32.53%	28.51%	29.55%	29.98%
Administration	**3.66%**	3.08%	2.85%	3.26%	3.65%	3.99%
Distribution cost	**19.76%**	19.00%	16.56%	16.05%	20.27%	15.16%
Other operating cost	**0.85%**	0.97%	1.06%	0.60%	0.38%	0.53%
Financial Charges	**0.90%**	0.88%	0.99%	2.28%	2.20%	2.31%
Other Income	**0.73%**	0.78%	0.60%	0.22%	0.51%	0.45%
Profit before Tax	**10.61%**	11.46%	11.68%	6.54%	3.56%	5.88%
Taxation	**3.33%**	3.57%	3.53%	2.37%	1.63%	2.15%
Profit after taxation	**7.29%**	7.89%	8.15%	1.57%	3.12%	3.72%
BALANCE SHEET						
Issued, subscribed and paid up capital	**22.02%**	22.89%	27.42%	35.20%	48.82%	41.64%
Unappropriated Profit	**71.83%**	69.34%	65.10%	43.20%	38.68%	40.75%
Share Capital and Reserves	**93.85%**	92.25%	92.52%	78.40%	87.50%	82.39%
Long Term Obligations	**6.15%**	7.75%	7.46%	21.60%	12.50%	17.61%
Total Long-term Liabilities and shareholder equities	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%
Fixed Assets, CWIP & Intangibles	**54.24%**	59.26%	63.05%	66.58%	96.82%	81.76%
Other Non current assets	**2.30%**	2.43%	0.40%	0.34%	0.59%	0.63%
Current Assets	**155.25%**	173.52%	145.83%	175.77%	218.04%	148.43%
Total Assets	**211.79%**	235.21%	209.27%	242.69%	315.45%	230.82%
Less: Current Liabilites & Provisions	**111.79%**	135.21%	109.27%	142.69%	215.45%	130.82%
Net Assets	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%



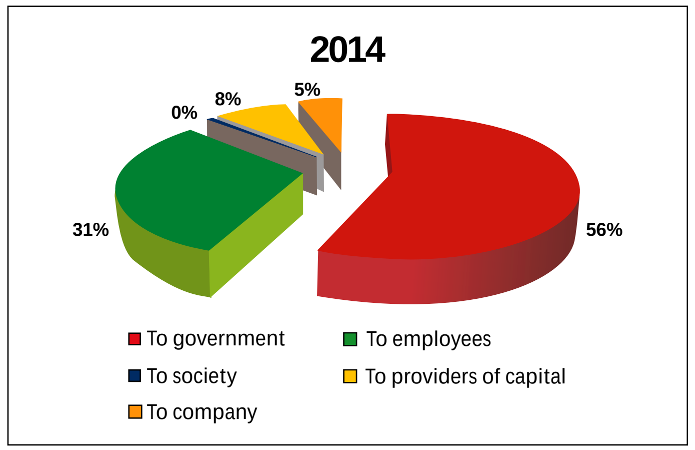
Summary of Six Year Cash Flow Statement

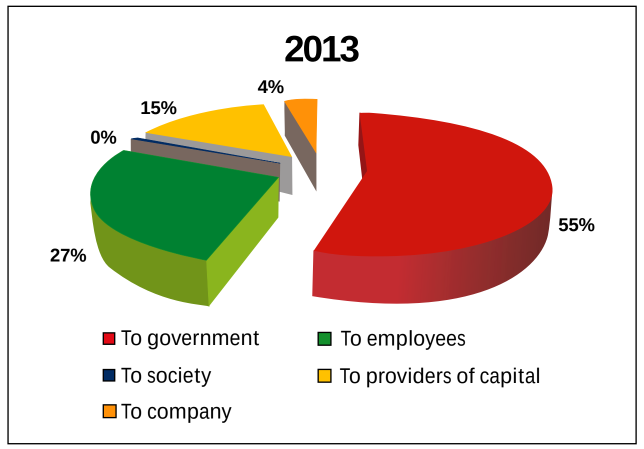
(Rupees in Millions)	2014	2013	2012	2011	2010	2009
Cash flows from/ (used in) operating activities	**548**	360	1,069	423	(391)	202
Cash flows used in investing activities	**(460)**	(302)	(500)	(55)	(259)	(94)
Cash flows (used in)/ from financing activities	**(167)**	(390)	(320)	94	(55)	(56)
Net increase / (decrease) in cash and cash equivalents	**(79)**	(332)	249	462	(705)	52
Cash and cash equivalents at the beginning of the year	**(796)**	(464)	(714)	(1,176)	(471)	(523)
Cash and cash equivalents at the end of the year	**(875)**	(796)	(465)	(714)	(1,176)	(471)



Statement of Value Added and its Distribution

	2014		2013	
	(Rupees in thousand)	%	(Rupees in thousand)	%
WEALTH GENERATED				
Total revenue inclusive of Sales Tax and other income	**11,373,783**		9,920,570	
Brought in materials and services	**8,165,686**		6,757,611	
	3,208,097	**100%**	3,162,959	100%
WEALTH DISTRIBUTION				
To government				
Income tax, sales tax, excise duty and WWF & WPPF	**1,806,282**	**56%**	1,725,743	55%
To employees				
Salaries, benefits and other costs	**994,577**	**31%**	850,303	27%
To society				
Donations towards educations and welfare	**465**	**0%**	3,317	0%
To providers of capital				
Interest/ mark up on borrowed funds	**87,513**	**3%**	74,832	2%
Dividend to shareholders	**165,771**	**5%**	393,706	13%
To Company				
Depreciation, amortisation & retained profits	**153,489**	**5%**	115,058	4%
	3,208,097	**100%**	3,162,959	100%





Pattern of Shareholding

Combined Pattern of CDC & Physical Shareholdings as at June 30, 2014

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
KHAWAJA MUNIR MASHOOQ ULLAH	1	69,650	0.13
ABDUL MAJEED	1	1,979,987	3.82
EBRAHIM QASSIM	1	881,783	1.70
KULSUM BANOO	1	373,508	0.72
ABRAR HASAN	1	5,109,131	9.86
WAQAR HASAN	1	6,093	0.01
ZAHID MAJEED	1	3,050,831	5.89
IQBAL ALI MOHAMMED	1	5,063	0.01
DR. ZEELAF MUNIR	1	77,282	0.15
M.E.MAJEED	1	204,590	0.39
ZEELAF MUNIR	1	267,520	0.52
JAMILA WAQAR	1	6,093	0.01
NOREEN HASAN	1	8,750	0.02
Associated Companies, undertakings and related parties			
ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD	1	17,178,862	33.16
Executives	-	-	-
Public Sector Companies and Corporations	2	2,329,562	4.50
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	9,337	0.02
Mutual Funds			
CDC - TRUSTEE PICIC INVESTMENT FUND	1	73,899	0.14
CDC - TRUSTEE PICIC GROWTH FUND	1	88,100	0.17
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	5,450	0.01
CDC - TRUSTEE HBL - STOCK FUND	1	485,000	0.94
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	65,000	0.13
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	75,055	0.14
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	16,375	0.03
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	1	9,000	0.02
General Public			
a. Local	1566	13,901,434	26.83
b. Foreign	-	-	-
Foreign Companies	6	5,495,375	10.61
Others	17	30,698	0.06
Totals	**1616**	**51,803,428**	**100.00**

Share holders holding 5% or more	Shares Held	Percentage
ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD	17,178,862	33.16
KHAWAR M. BUTT	6,364,727	12.29
ABRAR HASAN	5,109,131	9.86
THS KINGSWAY FUND-FRONTIER CONSUMER	4,967,800	9.59
ZAHID MAJEED	3,050,831	5.89

Pattern of Shareholding

Number of Share Holders	Shareholdings' Slab			TOTAL SHARES HELD
671	1	to	100	24,941
487	101	to	500	111,364
105	501	to	1000	78,942
222	1001	to	5000	491,240
54	5001	to	10000	362,447
16	10001	to	15000	194,340
8	15001	to	20000	139,605
6	20001	to	25000	136,504
10	25001	to	30000	262,455
1	40001	to	45000	40,921
1	60001	to	65000	65,000
1	65001	to	70000	69,650
1	70001	to	75000	73,899
2	75001	to	80000	152,337
1	85001	to	90000	88,100
1	110001	to	115000	115,000
1	145001	to	150000	149,900
1	155001	to	160000	157,100
1	160001	to	165000	160,865
1	195001	to	200000	196,125
1	200001	to	205000	204,590
2	210001	to	215000	429,326
1	220001	to	225000	225,000
1	265001	to	270000	267,520
1	310001	to	315000	312,000
3	335001	to	340000	1,010,025
1	370001	to	375000	373,508
1	410001	to	415000	413,370
1	420001	to	425000	423,000
1	480001	to	485000	485,000
2	605001	to	610000	1,214,430
1	625001	to	630000	626,257
1	880001	to	885000	881,783
1	885001	to	890000	886,321
1	1975001	to	1980000	1,979,987
1	2325001	to	2330000	2,329,225
1	3050001	to	3055000	3,050,831
1	4965001	to	4970000	4,967,800
1	5105001	to	5110000	5,109,131
1	6360001	to	6365000	6,364,727
1	17175001	to	17180000	17,178,862
1616				**51,803,428**

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange and Islamabad Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

   Independent Directors
   Mr. Iqbal Alimohamed
   Mr. Khawaja Munir Mashooqullah

   Executive Directors
   Mr. Abrar Hasan

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

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

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company prepared by management. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. All directors of the Board are fully conversant with their duties and responsibilities as directors of corporate bodies.

10. The board has approved the appointment of Company Secretary, Head of Internal Audit and CFO including their remuneration and terms and conditions of employment.

Statement of Compliance with the Code of Corporate Governance

11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The Board has formed an Audit Committee. It comprises five (05) directors, of whom all are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formulated and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises five (05) directors of whom all are non-executive directors and the chairman of the committee is an independent director.

18 The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder & Company Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the company's securities, was determined and intimated to directors, employees and stock exchanges.

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

23. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

Abrar Hasan
Chief Executive

Karachi
Dated: September 4, 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Foods Limited for the year ended June 30, 2014 to comply with the Code contained in regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange and Islamabad Stock Exchange.

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

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code required the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 11, 2014

Name of the Engagement Partner: Syed Fahim ul Hasan

Financial Statements 2014

Auditors' Report to the Members

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2014 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 3 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, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

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

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 11, 2014

Name of the Engagement Partner: Syed Fahim ul Hasan

Balance Sheet

AS AT JUNE 30, 2014

	Note	2014	2013 (Re-stated)	2012 (Re-stated)
		(Rupees in thousand)		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	**1,239,996**	1,048,957	947,057
Intangibles	5	**36,128**	23,086	4,473
Long term investment	6	**31,719**	31,719	-
Long term deposits		**22,125**	11,696	5,812
		1,329,968	1,115,458	957,342
CURRENT ASSETS				
Stores, spare parts and loose tools		**5,534**	5,185	3,936
Stock in trade	7	**2,226,562**	1,912,425	1,557,538
Trade debts	8	**796,624**	652,142	288,994
Advances	9	**52,307**	49,076	25,060
Trade deposits and prepayments	10	**18,076**	17,055	19,217
Other receivables	11	**13,375**	16,700	3,493
Investments	12	**461,585**	327,908	260,132
Taxation - Provision less payments		**-**	4,160	-
Cash and bank balances	13	**78,418**	154,583	44,057
		3,652,481	3,139,234	2,202,427
		4,982,449	4,254,692	3,159,769
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	14	**518,034**	414,427	414,427
Unappropriated profit		**1,689,884**	1,254,320	982,762
		2,207,918	1,668,747	1,397,189
NON-CURRENT LIABILITIES				
Deferred tax	15	**114,920**	116,358	100,522
Retirement benefits obligations	16	**29,735**	23,929	12,130
		144,655	140,287	112,652
CURRENT LIABILITIES				
Trade and other payables	17	**1,372,410**	1,331,561	1,012,656
Accrued interest / mark up		**11,341**	23,536	11,991
Short term borrowings	18	**953,789**	950,968	508,301
Taxation - Provision less payments		**168,004**	-	55,306
Due to the government - sales tax payable		**124,332**	139,593	61,674
		2,629,876	2,445,658	1,649,928
COMMITMENTS	19			
		4,982,449	4,254,692	3,159,769

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Re-stated)
		(Rupees in thousand)	
Sales	20	**9,725,258**	8,545,966
Cost of sales	21	**(6,316,132)**	(5,588,508)
Gross profit		**3,409,126**	2,957,458
Distribution costs	22	**(1,921,722)**	(1,624,168)
Administrative expenses	23	**(355,675)**	(263,410)
Other operating expenses	24	**(83,033)**	(82,940)
Other income	25	**71,148**	66,955
Operating profit		**1,119,844**	1,053,895
Finance costs	26	**(87,513)**	(74,832)
Profit before taxation		**1,032,331**	979,063
Taxation	27	**(323,839)**	(305,243)
Profit after taxation		**708,492**	673,820
Other comprehensive income:			
Items that will not be reclassified to Profit or Loss			
Loss on remeasurements of retirement benefit obligations		**(5,461)**	(12,963)
Impact of deferred tax		**1,911**	4,407
		(3,550)	(8,556)
Items that may be subsequently reclassified to Profit or Loss		**-**	-
Total comprehensive income		**704,942**	665,264
Earnings per share (Rupees)	28	**13.68**	13.01

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	**812,846**	777,412
Finance cost paid		**(99,708)**	(63,287)
Income tax paid		**(151,202)**	(344,466)
Retirement benefits obligations paid		**(3,811)**	(4,113)
Net increase in long term deposits		**(10,429)**	(5,884)
Net cash from operating activities		**547,696**	359,662
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(346,450)**	(216,616)
Sale proceeds from disposal of property, plant and equipment		**7,761**	4,590
Purchase of intangible assets		**(21,212)**	(21,848)
Investment in National Foods DMCC, Dubai, UAE		**-**	(31,719)
Purchase of open ended mutual fund units		**(150,000)**	(460,000)
Sale of open ended mutual fund units		**50,000**	423,992
Net cash used in investing activities		**(459,901)**	(301,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(166,781)**	(390,202)
Net decrease in cash and cash equivalents		**(78,986)**	(332,141)
Cash and cash equivalents at beginning of the year		**(796,385)**	(464,244)
Cash and cash equivalents at end of the year	30	**(875,371)**	(796,385)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Reserve for issuance of bonus shares	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2012 - as previously reported	414,427	-	988,053	1,402,480
Effect of change in accounting policy with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	-	(5,291)	(5,291)
Balance as at June 30, 2012 (Re-stated)	414,427	-	982,762	1,397,189
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	-	(248,656)	(248,656)
Interim dividend for the year ended June 30, 2013 @ Rs 3.50 per share	-	-	(145,050)	(145,050)
Total comprehensive income for the year ended June 30, 2013				
- Profit for the year ended June 30, 2013	-	-	673,820	673,820
- Other comprehensive income for the year ended June 30, 2013	-	-	(8,556)	(8,556)
	-	-	665,264	665,264
Balance as at June 30, 2013	414,427	-	1,254,320	1,668,747
Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share	-	-	(165,771)	(165,771)
Transferred to reserve for issuance of bonus shares	-	103,607	(103,607)	-
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-	-
Total comprehensive income for the year ended June 30, 2014				
- Profit for the year ended June 30, 2014	-	-	708,492	708,492
- Other comprehensive income for the year ended June 30, 2014	-	-	(3,550)	(3,550)
	-	-	704,942	704,942
Balance as at June 30, 2014	518,034	-	1,689,884	2,207,918

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Taxation - notes 15.1 and 27

(ii) Retirement benefits obligations - note 16

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

There have been no critical judgements made by the company's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.3 Changes in accounting standards, interpretations and pronouncements

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

The amendments to following standard have been adopted by the company for the first time for the financial year beginning on July 1, 2013:

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the company's accounting policies are to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Refer note 3 for the impact on the financial statements.

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

New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 are considered not to be relevant for company's financial statements and hence have not been detailed here.

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

There are no new standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the company.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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

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

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

2.4 Intangibles - computer software

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

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

2.5 Long term investment

Investment in subsidiary is stated at cost.

2.6 Taxation

i) Current

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

ii) Deferred

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

2.7 Employee retirement benefits

Defined benefit plans

The company operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The latest actuarial valuation of the defined benefit plans was conducted at June 30, 2014.

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

Defined contribution plan

The company operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% per annum of the basic salary.

2.8 Stores, spare parts and loose tools

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

2.9 Stock in trade

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

2.10 Trade and other debts

Trade and other debts are recognised at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.11 Investments - at fair value through profit and loss account

Investments held for trading are classified at fair value through profit and loss account. These are measured at fair value which is reassessed at each reporting date. In case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

2.12 Cash and cash equivalents

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

2.13 Impairment losses

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

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.14 Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of assets are classified as finance leases. Finance leases are capitalised at the inception of the lease term at the lower of fair value of the leased assets and the present value of minimum lease payments. The outstanding obligation under the lease less finance charges allocated to future periods is shown as a liability. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.15 Ijarah

In ijarah transactions significant portion of the risks and rewards of ownership are retained by the lessor. Islamic Financial Accounting Standard 2 – 'Ijarah' requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight-line basis over the ijarah term.

2.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.17 Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using effective interest method.

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

2.18 Provisions

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

2.19 Financial instruments

Financial instruments include deposits, trade and other debts, cash and bank balances, investments, long term finance, liabilities against assets subject to finance lease, trade and other payables, accrued interest / mark up and short term borrowings. The particular recognition methods adopted are disclosed in the respective policy notes.

2.20 Foreign currency transactions and translation

These financial statements are presented in Pak Rupee which is the functional and presentation currency of the company and figures are rounded off to the nearest thousand of rupees.

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

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's activities as described below:

i) Sale of goods

- Sales are recognised on despatch of goods to customers.

ii) Interest / Mark up income

- Income on bank deposits is recognised on accrual basis.

2.22 Research and development

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

2.23 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.24 Dividends

Dividend distribution to the company's shareholders is recognised as liability at the time of their approval.

3. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

Further, a new term 'remeasurements' has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires 'remeasurements' to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the company's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

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

- The change in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Effects of this change in accounting policy have been summarised below:

	2013	2012
	(Rupees in thousand)	
Impact on Balance Sheet		
Increase in retirement benefits - obligations	**20,118**	8,017
Decrease in deferred tax liability	**6,840**	2,726
Decrease in unappropriated profit	**13,278**	5,291
Impact on Statement of Changes in Equity		
Decrease / (increase) in unappropriated profit		
Cumulative effect from prior years	**-**	5,529
Impact for the year ended	**7,987**	(238)
Impact on Profit and Loss		
Decrease in administrative expenses	**862**	-
Increase in taxation expenses	**293**	-
Impact on other comprehensive income		
Items that will not be reclassified to Profit or Loss	**(8,556)**	

The effect of change in accounting policy, due to adoption of IAS 19 (revised), on 'earnings per share' for the year ended June 30, 2013 is Re. 0.01. There is no cash flow impact as a result of the retrospective application of change in accounting policy, due to adoption of IAS 19 (revised).

	2014	2013
	(Rupees in thousand)	
4. Property, Plant And Equipment		
Operating assets - note 4.1	**1,141,449**	1,020,094
Capital work in progress - at cost - note 4.2	**98,547**	28,863
	1,239,996	1,048,957

4.1 Operating Assets

	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers owned	Computers subject to finance lease	Laboratory equipments	Vehicles owned	Vehicles subject to finance lease	Total
	(Rupees in thousand)										
Net carrying value basis Year ended June 30, 2014											
Opening net book value (NBV)	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Additions (at cost)	35,395	23,276	167,740	10,250	6,583	19,733	-	3,474	10,315	-	276,766
Disposals (at NBV)	-	-	(14)	-	-	(332)	-	-	(4,698)	-	(5,044)
write offs (at NBV)	-	(1,979)	(3,061)	(8)	-	-	-	-	-	-	(5,048)
Depreciation charge	(3,600)	(27,604)	(75,573)	(4,548)	(3,499)	(21,116)	-	(2,400)	(6,966)	(13)	(145,319)
Closing net book value	192,721	355,022	489,952	21,560	14,885	39,975	-	8,208	19,051	75	1,141,449
Gross carrying value basis At June 30, 2014											
Cost	208,990	505,915	851,966	53,365	46,017	88,414	12,815	16,789	47,967	11,197	1,843,435
Accumulated depreciation	(16,269)	(150,893)	(362,014)	(31,805)	(31,132)	(48,439)	(12,815)	(8,581)	(28,916)	(11,122)	(701,986)
Net book value	192,721	355,022	489,952	21,560	14,885	39,975	-	8,208	19,051	75	1,141,449
Net carrying value basis Year ended June 30, 2013											
Opening net book value (NBV)	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
Additions (at cost)	-	54,984	128,901	14,397	4,328	38,820	-	2,270	2,394	-	246,094
Disposals (at NBV)	-	-	-	-	(46)	(819)	-	-	(1,095)	(933)	(2,893)
Depreciation charge	(3,361)	(21,067)	(57,410)	(5,274)	(3,120)	(12,946)	-	(1,385)	(6,364)	(896)	(111,823)
Closing net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Gross carrying value basis At June 30, 2013											
Cost	173,594	485,381	688,830	43,193	39,434	72,907	12,815	13,315	47,821	11,197	1,588,487
Accumulated depreciation	(12,668)	(124,052)	(287,970)	(27,327)	(27,633)	(31,217)	(12,815)	(6,181)	(27,421)	(11,109)	(568,393)
Net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	5	10	5	5	

4.2 Capital work in progress

	2014	2013
	(Rupees in thousand)	
These comprise of:		
Civil work in progress	**31,575**	6,937
Plant and machinery	**31,139**	3,722
Building	**-**	3,084
Advance against acquisition of land	**35,833**	15,120
	98,547	28,863

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Vehicles						
Toyota Altis	1,331	67	1,264	1,685	Auction	Ms. Saira Khan Executive
Toyota Corolla	1,309	65	1,244	1,306	"	Mr. Zahid Qadri R-536, Sector 15-A/4 Bufferzone, Karachi
Suzuki Swift	775	39	736	905	"	Mr. Faisal Abdul Aziz C - 30 Block 9 Gulshan-e-Iqbal, Karachi
Suzuki Liana	891	297	594	629	"	Mr. Faheem Modi D - 89 Beverly Homes Block 7, Clifton, Karachi
Suzki Alto	396	20	376	688	"	Mr. Faisal Abdul Aziz C - 30 Block 9 Gulshan-e-Iqbal, Karachi
Suzuki GD-110	103	7	96	108	Insurance claim	EFU General Insurance Limited
Computers						
Laptop	78	11	67	48	Insurance claim	EFU General Insurance Limited
Laptop	77	13	64	49	"	"
Laptop	77	19	58	44	"	"
Laptop	77	19	58	43	"	"

	2014	2013
	(Rupees in thousand)	
5. INTANGIBLES - computer software		
Computer softwares and ERP System - note 5.1	**34,962**	12,925
Systems under development	**1,166**	10,161
	36,128	23,086
5.1 Computer softwares and ERP System		
Net carrying value basis		
Opening net book value	**12,925**	4,473
Additions (at cost)	**30,207**	11,687
Amortisation for the year	**(8,170)**	(3,235)
Closing net book value	**34,962**	12,925
Gross carrying value basis		
Cost	**105,066**	74,859
Accumulated amortisation	**(70,104)**	(61,934)
Net book value	**34,962**	12,925

	2014	2013
	(Rupees in thousand)	
6. LONG TERM INVESTMENT		
Investment in subsidiary - at cost		
National Foods DMCC, Dubai, UAE 1,188 shares of AED 1,000 each	**31,719**	31,719

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

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

	2014	2013
	(Rupees in thousand)	
7. STOCK IN TRADE		
Raw materials (including in transit Rs. 73.89 million; 2013: Rs. 64.66 million)	**1,107,949**	804,082
Provision for obsolescence	**(14,310)**	(21,878)
	1,093,639	782,204
Packing materials (including in transit Rs. Nil; 2013: Rs. 7.93 million)	**218,067**	197,912
Provision for obsolescence	**(22,847)**	(17,317)
	195,220	180,595
Work in process	**594,133**	599,196
Provision for obsolescence	**(1,546)**	(3,142)
	592,587	596,054
Finished goods	**355,541**	355,207
Provision for obsolescence	**(10,425)**	(1,635)
	345,116	353,572
	2,226,562	1,912,425

7.1 Stock in trade includes Rs. 878.13 million (2013: Rs. 622.28 million) held with third parties.

7.2 The above balances include items costing Rs. 16.23 million (2013: Rs. 26.54 million) valued at net realisable value of Rs. 12.77 million (2013: Rs. 22.39 million).

7.3 The company has made a provision of Rs. 10.06 million for obsolescence (2013: Rs. 6.26 million) and has written off stocks against the provision amounting to Rs. 4.91 million (2013: Rs. 2.70 million) during the year.

	2014	2013
	(Rupees in thousand)	
8. TRADE DEBTS		
Considered good - unsecured		
Related parties - note 8.2 and 8.3	**15,132**	36,743
Others		
- local	**372,413**	247,102
- foreign	**409,079**	368,297
	796,624	652,142
Considered doubtful	**3,109**	2,542
	799,733	654,684
Less: Provision for doubtful trade debts	**(3,109)**	(2,542)
	796,624	652,142

8.1 As at June 30, 2014, trade debts of Rs. 188.5 million (2013: Rs. 171.81 million) were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2014	2013
	(Rupees in thousand)	
Up to 3 months	**152,312**	160,040
3 to 6 months	**17,521**	4,387
More than 6 months	**18,664**	7,379
	188,497	171,806
8.2 Receivable from related parties		
Premier Distributor	**14,711**	36,322
Premier Agency	**421**	421
	15,132	36,743

8.3 As at June 30, 2014, trade debt from Premier Distributor is not yet due while trade debt from Premier Agency has been outstanding for more than 6 months.

	2014	2013
	(Rupees in thousand)	
9 ADVANCES		
Considered good		
Employees - against expenses	**847**	349
Suppliers	**51,460**	48,727
	52,307	49,076
Considered doubtful		
Suppliers	**3,413**	3,413
	55,720	52,489
Less: Provision for doubtful advances to suppliers	**(3,413)**	(3,413)
	52,307	49,076

	2014	2013
	(Rupees in thousand)	
10. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	5,073	3,709
Prepayments	13,003	13,346
	18,076	17,055
Considered doubtful		
Deposits	1,553	1,553
	19,629	18,608
Less: Provision for doubtful deposits	(1,553)	(1,553)
	18,076	17,055
11. OTHER RECEIVABLES		
Workers' Profits Participation Fund - note 11.1	1,236	-
Due from related parties		
- National Foods DMCC	2,285	1,235
- Associated Textile Consultants (Private) Limited	285	-
- Director	28	-
Others	9,541	15,465
	13,375	16,700
11.1 Workers' Profits Participation Fund		
Payable as at July 1	(52,591)	(44,960)
Allocation for the year	(55,502)	(52,591)
	(108,093)	(97,551)
Amount paid during the year	109,329	44,960
Receivable / (payable) as at June 30	1,236	(52,591)
12 INVESTMENTS		
Investments - at fair value through profit and loss account - note 12.1	461,585	327,908

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

2014	2013		2014	2013
Units			(Rupees in thousand)	
1,314,159	1,205,447	HBL Money Market Fund	131,928	122,045
6,284,629	10,592,157	NAFA Money Market Fund	62,929	106,081
548,129	482,567	MCB Dynamic Cash Fund	55,417	50,000
526,699	-	MCB Cash Management Optimizer	52,671	-
5,250,164	-	ABL Cash Fund	52,619	-
539,323	-	Askari High Yield Scheme	54,045	-
518,825	-	Primus Daily Reserve Fund	51,976	-
-	496,786	Askari Sovereign Yield Enhancer	-	49,782
			461,585	327,908

12.1.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2014 as quoted by the respective Asset Management Companies.

	2014	2013
	(Rupees in thousand)	
13. CASH AND BANK BALANCES		
Cash in hand	1,410	1,276
Cash at bank		
current accounts		
- local currency	69,704	86,990
- foreign currency	7,304	66,317
	77,008	153,307
	78,418	154,583

14. SHARE CAPITAL

Authorised share capital

2014	2013		2014	2013
Number of Shares			(Rupees in thousand)	
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	750,000	750,000

Issued, subscribed and paid-up capital
Ordinary shares of Rs. 10 each

2014	2013		2014	2013
Number of Shares			(Rupees in thousand)	
1,255,990	1,255,990	Shares allotted: for consideration paid in cash	12,560	12,560
50,547,439	40,186,753	as bonus shares	505,474	401,867
51,803,429	41,442,743		518,034	414,427

14.1 **Movement in issued, subscribed and paid-up capital**
Ordinary shares of Rs. 10 each

2014	2013		2014	2013
Number of Shares			(Rupees in thousand)	
41,442,743	41,442,743	Opening shares outstanding	414,427	414,427
10,360,686	-	Bonus shares allotted	103,607	-
51,803,429	41,442,743		518,034	414,427

14.2 During the year, the company issued bonus shares in the ratio of 2.5 shares for every 10 shares held.

	2014	2013 (Re-stated)
	(Rupees in thousand)	
15. DEFERRED TAX		
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	**139,062**	137,178
Provision for stock obsolescence	**(15,241)**	(13,215)
Provision for doubtful trade debts	**(965)**	(764)
Provision for retirement benefits obligations	**(7,936)**	(6,841)
	114,920	116,358

15.1 Deferred tax liability is restricted to 88.64% (2013: 88.39%) of the total deferred tax liability based on the following assumptions:

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

	2014	2013 (Re-stated)
	(Rupees in thousand)	
16. RETIREMENT BENEFITS OBLIGATIONS		
Pension Plan	**27,334**	23,661
Pensioners' Medical Plan	**2,401**	268
	29,735	23,929

16.1 As stated in note 2.7, the company operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at June 30, 2014.

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

16.3 The latest actuarial valuation of the Fund as at June 30, 2014 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	Pension Plan		Pensioners' Medical Plan	
	2014	2013 (Re-stated)	2014	2013 (Re-stated)
	(Rupees in thousand)		(Rupees in thousand)	
16.4 Balance Sheet Reconciliation				
Present value of defined benefit obligations	**53,202**	45,486	**4,672**	1,795
Fair value of plan assets	**(25,868)**	(21,825)	**(2,271)**	(1,527)
Recognised liability	**27,334**	23,661	**2,401**	268
16.5 Movement in the net liability recognised in the balance sheet				
Opening balance	**23,661**	11,966	**268**	164
Remeasurements recognised in Other Cmpprehensive Income	**3,320**	12,812	**2,141**	151
Charge for the year	**4,090**	2,896	**66**	53
Contribution made	**(3,737)**	(4,013)	**(74)**	(100)
Closing balance	**27,334**	23,661	**2,401**	268
16.6 Reasurements recognised in Other Comprehensive Income				
Actuarial loss on defined benefit obligation	**2,280**	13,305	**2,640**	165
Actuarial loss / (gain) on plan assets	**1,040**	(493)	**(499)**	(14)
	3,320	12,812	**2,141**	151
16.7 Expense recognised in Profit and loss account				
Current service cost	**1,620**	1,220	**37**	34
Net Interest cost	**2,470**	1,676	**29**	19
	4,090	2,896	**66**	53
16.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	**45,486**	27,861	**1,795**	1.404
Current service cost	**1,620**	1,220	**37**	34
Interest cost	**5,024**	3,843	**200**	192
Benefits paid	**(1,208)**	(743)	**-**	-
Actuarial loss	**2,280**	13,305	**2,640**	165
Obligation as at June 30	**53,202**	45,486	**4,672**	1,795
16.9 Movement in the fair value of plan assets				
Plan Assets as at July 1	**21,825**	15,895	**1,527**	1,240
Expected return on plan assets	**2,554**	2,167	**171**	173
Contribution made	**3,737**	4,013	**74**	100
Benefits paid	**(1,208)**	(743)	**-**	-
Actuarial (loss) / gain	**(1,040)**	493	**499**	14
Plan Assets as at June 30	**25,868**	21,825	**2,271**	1,527

	2014	2013
	(Rupees in thousand)	
16.10 Plan assets comprise of the following:		
Defence Savings Certificates	**23,777**	19,514
Cash at bank	**4,362**	3,838
	28,139	23,352
	(Percent per annum)	
16.11 Principal actuarial assumptions		
Expected rate of increase in salaries	**13.50%**	11.00%
Expected rate of increase in pension	**8.50%**	5.00%
Expected rate of increase in medical benefits	**13.50%**	6.00%
Discount factor used	**13.50%**	11.00%

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

16.13 In case of the funded plans, the company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the Retirement benefit plan. Within this framework, the company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the Retirement benefit plan obligations. The company has not changed the processes used to manage its risks from previous periods. The company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of government bonds and term deposits. The company believes that government bonds offer the best returns over the long term with an acceptable level of risk.

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

Expected charge for the year ending June 30, 2015 works out to be Rs. 5.53 million and Rs. 467,646 for Pension Plan and Pensioners' Medical Plan respectively.

The actuary conducts separate valuations for calculating contribution rates and the company contributes to the Pension Plan and Pensioners' Medical Plan according to the actuary's advice. The expense of the defined benefit plans is calculated by the actuary.

Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2014.

16.15 Sensitivity analysis for actuarial assumptions

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousand)	
Discount rate at June 30	1.00%	48,412	69,782
Future salary increases	1.00%	58,085	48,770
Future pension increases	1.00%	58,745	48,395
Medical cost increases	1.00%	5,669	3,882

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

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

16.16 Comparison for five years:

	2014	2013	2012	2011	2010
	(Rupees in thousand)				
Fair value of plan assets	**28,139**	23,352	17,135	11,214	-
Present value of defined benefit obligation	**(57,874)**	(47,281)	(29,265)	(24,218)	(21,127)
Deficit	**(29,735)**	(23,929)	(12,130)	(13,004)	(21,127)
Experience adjustments					
(Loss) / gain on plan assets (as a percentage of plan assets)	**(1.92)**	2.17	(0.97)	4.52	-
Loss / (gain) on obligation (as a percentage of plan obligations)	**8.50**	28.49	1.14	(2.79)	0.73

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

16.18 The weighted average duration of defined benefit obligation is 9.18 years.

16.19 Expected maturity analysis of undiscounted retirement benefit plans.

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	(Rupees in thousand)				
Retirement benefit plans	430	549	2,295	22,199	25,473

16.20 During the year, the company contributed Rs. 22.24 million (2013: Rs.17 million) to the provident fund.

	2014	2013
	(Rupees in thousand)	
17 TRADE AND OTHER PAYABLES		
Creditors	**253,454**	276,969
Accrued liabilities	**889,812**	815,110
Workers' Profits Participation Fund - note 11.1	**-**	52,591
Workers' Welfare Fund	**72,558**	50,357
Advances from customers	**45,822**	40,231
Payable to provident fund	**3,414**	4,541
Security deposits from customers	**-**	1,397
Tax deducted at source	**13,463**	7,583
Due to related parties - directors	**260**	2,850
- others - note 17.1	**39,809**	40,053
Advances from employees against sale of vehicles	**42,454**	30,898
Unclaimed dividend	**3,867**	4,877
Other liabilities	**7,497**	4,104
	1,372,410	1,331,561
17.1 Due to related parties - others		
National Foods DMCC, Dubai, UAE	**39,445**	38,855
Associated Textile Consultants (Private) Limited	**-**	333
Precision Rubber Products (Private) Limited	**364**	865
	39,809	40,053
18. SHORT TERM BORROWINGS		
Running finance under mark up arrangements	**553,763**	120,942
Murabaha loan	**26**	26
Export re-finance	**300,000**	380,000
Short term loans	**100,000**	450,000
	953,789	950,968

18.1 The facilities available from various banks amount to Rs. 2.55 billion (2013: Rs. 2.16 billion). The arrangements are secured by way of pari-passu charge against hypothecation of company's stock in trade, movables and trade debts. The facilities expiring within one year are annual facilities subject to review at various dates during 2014 and 2015.

18.2 The rates of mark up range from one month KIBOR plus 0.1% to three months KIBOR plus 0.5% per annum (2013: one month KIBOR plus 0.15% to three months KIBOR plus 0.5% per annum).

18.3 The facilities for opening letters of credit amount to Rs. 945 million (2013: Rs. 635 million) and for letters of guarantee amount to Rs. 50.74 million (2013: Rs. 50.78 million) as at June 30, 2014 of which the amount remaining unutilised at year end were Rs. 886.56 million (2013: Rs. 489.9 million) and Rs. 1.09 million (2013: Rs. 1.09 million) respectively.

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

19. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2014 amount to Rs. 38.1 million (2013: Rs. 64.8 million).

Aggregate commitments in respect of ujrah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.75% to six months KIBOR + 1.95% (2013: six months KIBOR + 0.75% to six months KIBOR + 1.95%) per annum for rentals payable monthly as at June 30, 2014 amount to:

	2014	2013
	(Rupees in thousand)	
Not later than one year	**39,514**	30,822
Over one year to five years	**58,245**	43,828
	97,759	74,650

	2014	2013
	(Rupees in thousand)	
20. SALES		
Manufactured goods		
Gross sales		
Local sales	**12,095,708**	10,564,743
Export sales - note 20.1	**1,178,354**	1,014,211
	13,274,062	11,578,954
Sales tax	**(1,577,377)**	(1,307,649)
	11,696,685	10,271,305
Less:		
Discount, rebates and allowances	**1,760,031**	1,540,770
Sales return	**211,396**	184,569
	1,971,427	1,725,339
	9,725,258	8,545,966
20.1 Export sales comprise of sales made in the following regions:		
USA / Canada	**475,358**	398,951
Africa	**334,014**	87,614
Middle East / Asia	**75,703**	260,279
Others	**293,279**	267,367
	1,178,354	1,014,211

20.2 During 2013, sales to only one distributor exceeded 10 percent of the net sales amounting to Rs. 879 million.

	2014	2013
	(Rupees in thousand)	
21. COST OF SALES		
Raw material consumed	**3,768,900**	3,631,146
Packing material consumed	**1,548,288**	1,252,769
Salaries, wages and other benefits	**496,233**	434,396
Contribution to provident fund	**8,399**	6,778
Depreciation / amortisation	**113,193**	85,676
Ujrah payments	**7,035**	4,606
Fuel and power	**157,637**	120,337
Insurance	**17,184**	13,011
Laboratory, research and development	**2,157**	2,019
Postage and communications	**1,996**	2,604
Printing and stationery	**784**	3,129
Rent, rates and taxes	**69,970**	36,811
Travelling	**62,515**	56,386
Repairs and maintenance	**37,395**	20,920
Security charges	**9,491**	6,648
Others	**3,032**	1,344
	6,304,209	5,678,580
Opening work in process	**596,054**	421,426
Closing work in process	**(592,587)**	(596,054)
Cost of goods manufactured	**6,307,676**	5,503,952
Opening stock of finished goods	**353,572**	438,128
Closing stock of finished goods	**(345,116)**	(353,572)
	6,316,132	5,588,508

	2014	2013
	(Rupees in thousand)	
22. DISTRIBUTION COSTS		
Salaries, wages and other benefits	**305,235**	267,778
Advertising and sales promotion	**849,969**	750,003
Commission expense	**104,092**	38,855
Outward freight and handling charges	**421,033**	367,965
Contribution to provident fund	**7,938**	6,298
Depreciation / amortisation	**17,908**	14,271
Ujrah payments	**12,231**	9,016
Fuel and power	**2,074**	975
Forwarding charges	**10,183**	8,799
Insurance	**12,969**	9,016
Laboratory, research and development	**443**	8,127
Legal and professional charges	**12,060**	13,778
Postage and communications	**5,274**	3,951
Printing and stationery	**2,546**	581
Rent, rates and taxes	**47,046**	36,052
Travelling	**97,726**	80,875
Repairs and maintenance	**7,834**	4,864
Provision for doubtful debts	**567**	-
Bad debts written off	**1,443**	-
Security charges	**1,771**	1,684
Others	**1,380**	1,280
	1,921,722	1,624,168

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 (Re-stated)
	(Rupees in thousand)	
23. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 23.1	**170,868**	131,127
Contribution to provident fund	**5,904**	3,926
Depreciation / amortisation	**22,388**	15,111
Ujrah payments	**13,687**	14,979
Fuel and power	**3,257**	1,616
Insurance	**4,564**	2,521
Legal and professional charges	**27,675**	33,982
Postage and communications	**9,461**	6,046
Printing and stationery	**2,661**	2,246
Rent, rates and taxes	**12,432**	2,190
Travelling	**26,092**	18,333
Repairs and maintenance	**32,189**	16,890
Security charges	**1,033**	670
Others	**23,464**	13,773
	355,675	263,410

23.1 Salaries, wages and other benefits include Rs. 4.16 million (2013: Rs. 2.95 million) in respect of charge for retirement benefit plans.

	2014	2013
	(Rupees in thousand)	
24. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	**55,502**	52,591
Workers' Welfare Fund	**22,201**	21,037
Auditors' remuneration - note 24.1	**4,865**	5,995
Donations - note 24.2	**465**	3,317
	83,033	82,940
24.1 Auditors' remuneration		
Audit fee	**1,400**	1,300
Limited review, special reports and other certifications	**2,720**	1,975
Taxation services	**566**	2,296
Out of pocket expenses	**179**	424
	4,865	5,995

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

	2014	2013
	(Rupees in thousand)	
25. OTHER INCOME		
Income from financial assets		
Exchange gain - net	**15,005**	11,728
Gain on sale of open ended mutual fund units	**4,357**	15,558
Gain on remeasurement of fair value of open ended mutual fund units	**29,320**	16,210
Return on savings accounts	**6,050**	7,825
Return on late payments by trade debtors	**628**	185
Income from other than financial assets		
Profit on disposal of property, plant and equipment	**2,717**	1,697
Others		
Liabilities no longer required written back	**3,078**	4,800
Provision for doubtful debts written back	**-**	2,930
Others	**9,993**	6,022
	71,148	66,955

	2014	2013
	(Rupees in thousand)	
26. FINANCE COSTS		
Mark up on running finance under mark up arrangements	**7,796**	12,648
Mark up on export re-finance	**30,487**	27,835
Mark up on short term loans	**30,183**	22,190
Interest on Workers' Profits Participation Fund	**-**	346
Bank charges	**19,047**	11,813
	87,513	74,832

	2014	2013 (Re-stated)
	(Rupees in thousand)	
27. TAXATION		
Current	**323,365**	285,000
Deferred	**474**	20,243
	323,839	305,243

	2014	2013 (Re-stated)
	(Rupees in thousand)	
27.1 Reconciliation between tax expense and accounting profit:		
Profit before taxation	**1,032,331**	979,063
Tax at applicable rate of 34% (2013: 35%)	**350,993**	342,672
Tax effect of permanent differences	**998**	2,073
Tax effect of final tax regime	**(833)**	(11,597)
Effect of exempt income	**(11,450)**	(11,119)
Effect of tax credits	**(17,780)**	(13,550)
Others	**1,911**	(3,236)
	323,839	305,243

	2014	2013 (Re-stated)
	(Rupees in thousand)	
28. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	**708,492**	673,820
Weighted average number of shares in issue during the year (in thousand)	**51,803**	51,803
Earnings per share - (Rupees)	**13.68**	13.01

28.1 The weighted average shares at June 30, 2013 have been increased to reflect the bonus shares issued during the year.

28.2 A diluted earnings per share has not been presented as the company did not have any convertible instruments in issue as at June 30, 2014 and 2013 which would have any effect on the earnings per share if the option to convert is exercised.

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013 (Re-stated)
	(Rupees in thousand)	
29. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**1,032,331**	979,063
Adjustments for non-cash charges and other items		
Depreciation	**145,319**	111,823
Amortisation	**8,170**	3,235
Profit on disposal of property, plant and equipment	**(2,717)**	(1,697)
Property, plant and equipment written off	**5,048**	-
Gain on sale of open ended mutual fund units	**(4,357)**	(15,558)
Gain on remeasurement of fair value of open ended mutual fund units	**(29,320)**	(16,210)
Finance costs	**87,513**	74,832
Retirement benefits expense	**4,156**	2,949
	213,812	159,374
Profit before working capital changes	**1,246,143**	1,138,437
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	**(349)**	(1,249)
Stock in trade	**(314,137)**	(354,887)
Trade debts	**(144,482)**	(363,148)
Advances	**(3,231)**	(24,016)
Trade deposits and prepayments	**(1,021)**	2,162
Other receivables	**3,325**	(13,207)
	(459,895)	(754,345)
Increase / (decrease) in current liabilities		
Trade and other payables	**41,859**	315,401
Due to the government	**(15,261)**	77,919
	26,598	393,320
	812,846	777,412

	2014	2013
	(Rupees in thousand)	
30. CASH AND CASH EQUIVALENTS		
Cash and bank balances	78,418	154,583
Short term borrowings	(953,789)	(950,968)
	(875,371)	(796,385)

31. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousand)					
Managerial remuneration and allowances	**10,564**	8,803	**4,516**	4,786	**134,124**	89,733
Technical advisory fee	**-**	-	**13,900**	11,600	**-**	-
Utilities	**1,056**	880	**452**	479	**13,494**	8,973
Bonus / variable pay	**2,761**	7,359	**452**	798	**42,718**	33,847
Housing	**4,754**	3,962	**2,032**	2,154	**60,282**	40,380
Retirement benefits	**4,809**	4,427	**304**	609	**12,179**	7,703
Other expenses	**1,965**	1,847	**505**	1,807	**65,069**	42,523
	25,909	27,278	**22,161**	22,233	**327,866**	223,159
Number of persons	**1**	1	**1**	2	**136**	71

31.2 Fee to non-executive directors paid during the year amounted to Rs. 475,000 (2013: Rs. 525,000).

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

32. RELATED PARTY DISCLOSURES

A. Related parties with whom the company had transactions

i) Subsidiary Company: National Foods DMCC, Dubai, UAE

ii) Associated Companies / Undertakings:
Associated Textile Consultants (Private) Limited
Precision Rubber Products (Private) Limited
Premier Agency
Premier Distributor
English Biscuit Manufacturers (Private) Limited

iii) Staff Retirement Fund:
National Foods Limited Provident Fund
National Foods Limited Executive Directors' Pension Fund

		2014	2013
		(Rupees in thousand)	

B. Disclosure of transactions between the company and related parties

Relationship with the Company	Nature of transaction	2014	2013
Subsidiary Company:	Commission expense	**90,200**	38,855
Associated Companies / Undertakings:	Sale of goods	**812,491**	936,942
	Reciprocal arrangements for sharing of services	**-**	1,042
	Purchase of goods	**59,165**	49,798
	Rent charges paid / payable	**7,814**	7,590
Staff retirement funds:	Expense charged for defined contribution plan	**22,241**	17,002
	Payments to retirement contribution plan	**56,531**	52,780
	Contribution to defined benefit plans	**3,811**	4,113
Directors:	Technical advisory services	**13,900**	11,600
Key management personnel compensation:			
Salaries and other short-term employee benefits		**121,756**	187,198
Retirement benefits		**8,869**	8,887

The related party status of outstanding balances as at June 30, 2014 is included in trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

	2014	2013
	Actual production Metric Tons	
33. PLANT CAPACITY AND PRODUCTION		
Actual production of plants in metric tons	**67,704**	59,482

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

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

	(Un-audited) 2014	(Audited) 2013
	(Rupees in thousand)	
34. PROVIDENT FUND RELATED DISCLOSURES		
Size of the fund - Total assets	**338,490**	288,979
Fair value of investments	**203,187**	187,362
Percentage of investments made	**60%**	65%

34.1 The cost of above investments amounted to Rs. 151.68 million (2013: Rs. 148.37 million).

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

	(Un-audited) 2014	(Audited) 2013	(Un-audited) 2014	(Audited) 2013
	Percentage		(Rupees in thousand)	
National savings scheme	**57%**	55%	**114,984**	103,325
Bank deposits	**38%**	40%	**77,366**	74,983
Unit trust schemes	**5%**	5%	**10,837**	9,054
	100%	100%	**203,187**	187,362

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

	2014	2013
35. NUMBER OF EMPLOYEES		
Number of employees at June 30		
- Permanent	**594**	544
- Contractual	**23**	28
Average number of employees during the year		
- Permanent	**584**	536
- Contractual	**26**	26

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

36.1 Financial risk factors

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

36.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and Receivables							
Trade debts	-	-	-	796,624	-	796,624	796,624
Trade deposits	-	-	-	5,073	22,125	27,198	27,198
Other receivables	-	-	-	13,375	-	13,375	13,375
Cash and bank balances	-	-	-	78,418	-	78,418	78,418
Fair value through profit and loss							
Investments	-	-	-	461,585	-	461,585	461,585
June 30, 2014	-	-	-	1,355,075	22,125	1,377,200	1,377,200
June 30, 2013	-	-	-	1,155,042	11,696	1,166,738	1,166,738
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	1,194,699	-	1,194,699	1,194,699
Accrued interest / mark up	-	-	-	11,341	-	11,341	11,341
Short term borrowings	953,789	-	953,789	-	-	-	953,789
June 30, 2014	953,789	-	953,789	1,206,040	-	1,206,040	2,159,829
June 30, 2013	950,968	-	950,968	1,168,896	-	1,168,896	2,119,864
ON BALANCE SHEET GAP							
June 30, 2014	(953,789)	-	(953,789)	149,035	22,125	171,160	(782,629)
June 30, 2013	(950,968)	-	(950,968)	(13,854)	11,696	(2,158)	(953,126)
OFF BALANCE SHEET ITEMS							
Letters of credit							58,438
June 30, 2013							145,092
Letters of guarantees							49,650
June 30, 2013							49,691

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

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

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

i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.38 billion (2013: Rs. 1.17 billion) the financial assets exposed to the credit risk amounted to Rs. 1.38 billion (2013: Rs. 1.17 billion).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2014 trade debts of Rs. 188.5 million (2013: Rs. 171.81 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

The fair value through profit and loss investments represent investments in open ended mutual funds. These represent low credit risk as these are placed in Asset Management Companies having good credit ratings as assigned by credit rating agencies.

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A1+ or above as assigned by PACRA or JCR-VIS.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk.

The management does not expect any losses from non-performance by these counterparties.

ii) Liquidity risk

Liquidity risk reflects the company's inability in raising funds to meet commitments. The company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the company's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

iii) Market risks

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at June 30, 2014, net financial assets of Rs. 376.09 million (2013: Rs. 446.53 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2014, if the Pak Rupee had weakened / strengthened by 6% (2013: 8%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 22.57 million (2013: Rs. 35.72 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the company only as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentage per annum.

b) Interest rate risk

The company's only interest rate risk arises from borrowings as the company has no interest-bearing assets. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

At June 30, 2014, the company had variable interest bearing financial liabilities of Rs. 953.79 million (2013: Rs. 950.97 million), and had the interest rates varied by 150 basis points (2013: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 14.31 million (2013: Rs. 9.51 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 150 basis points (2013: 100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 150 basis points (2013: 100 basis points) per annum.

36.3 Capital Risk Management

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

During 2014 the company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2014 was as follows:

	2014	(Re-stated) 2013
	(Rupees in thousand)	
Total Borrowings	**965,130**	974,504
Cash and Bank	**(78,418)**	(154,583)
Net Debt	**886,712**	819,921
Total Equity	**2,207,918**	1,668,747
Total Capital	**3,094,630**	2,488,668
Gearing Ratio	**29%**	33%

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

Notes to the Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

36.4 Fair values of financial assets and liabilities

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

37. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on September 4, 2014 proposed a cash dividend for the year ended June 30, 2014 of Rs. 8 per share amounting to Rs. 414.43 million (2013: cash dividend of Rs. 4 per share amounting to Rs. 165.77 million) subject to the approval of the company in the annual general meeting.

These financial statements do not reflect the impact of these events, as these events will be accounted for in the financial statements for the year ending June 30, 2015.

38. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the company on September 4, 2014.

Chief Executive

A. Majeed
Director

Consolidated Financial Statements 2014

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of National Foods Limited (the holding company) and its subsidiary company National Foods DMCC, Dubai, UAE as at June 30, 2014 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of National Foods Limited. Financial statements of the subsidiary company have been audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of National Foods Limited and its subsidiary company as at June 30, 2014 and the results of their operations for the year then ended.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: September 11, 2014

Name of the Engagement Partner: Syed Fahim ul Hasan

Consolidated Balance Sheet

AS AT JUNE 30, 2014

	Note	2014	2013 (Re-stated)	2012 (Re-stated)
		(Rupees in thousand)		
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	**1,240,154**	1,048,957	947,057
Intangibles	5	**36,128**	23,086	4,473
Long term deposits		**22,125**	11,696	5,812
		1,298,407	1,083,739	957,342
CURRENT ASSETS				
Stores, spare parts and loose tools		**5,534**	5,185	3,936
Stock in trade	6	**2,230,385**	1,912,425	1,557,538
Trade debts	7	**800,356**	652,142	288,994
Advances	8	**54,131**	49,110	25,060
Trade deposits and prepayments	9	**18,836**	17,816	19,217
Other receivables	10	**11,090**	15,489	3,493
Investments	11	**461,585**	327,908	260,132
Taxation - Provision less payments		**-**	4,160	-
Cash and bank balances	12	**98,775**	171,369	44,057
		3,680,692	3,155,604	2,202,427
		4,979,099	4,239,343	3,159,769
SHARE CAPITAL AND RESERVES				
Issued, subscribed and paid-up capital	13	**518,034**	414,427	414,427
Unappropriated profit		**1,721,912**	1,260,240	982,762
Exchange revaluation reserve		**(1,129)**	33	-
		2,238,817	1,674,700	1,397,189
NON-CURRENT LIABILITIES				
Deferred tax	14	**114,920**	116,358	100,522
Retirement benefits obligations	15	**29,735**	23,929	12,130
		144,655	140,287	112,652
CURRENT LIABILITIES				
Trade and other payables	16	**1,336,682**	1,310,259	1,012,656
Accrued interest / mark up		**11,341**	23,536	11,991
Short term borrowings	17	**955,268**	950,968	508,301
Taxation - Provision less payments		**168,004**	-	55,306
Due to the government - sales tax payable		**124,332**	139,593	61,674
		2,595,627	2,424,356	1,649,928
COMMITMENTS	18			
		4,979,099	4,239,343	3,159,769

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

Chief Executive

Director

Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013 (Re-stated)
		(Rupees in thousand)	
Sales	19	**9,729,184**	8,545,966
Cost of sales	20	**(6,318,645)**	(5,588,508)
Gross profit		**3,410,539**	2,957,458
Distribution costs	21	**(1,870,960)**	(1,611,547)
Administrative expenses	22	**(377,834)**	(269,091)
Other operating expenses	23	**(84,215)**	(83,872)
Other income	24	**70,397**	66,921
Operating profit		**1,147,927**	1,059,869
Finance costs	25	**(89,488)**	(74,886)
Profit before taxation		**1,058,439**	984,983
Taxation	26	**(323,839)**	(305,243)
Profit after taxation		**734,600**	679,740
Other comprehensive income:			
Items that will not be reclassified to Profit or Loss			
Loss on remeasurements of retirement benefit obligations		**(5,461)**	(12,963)
Impact of deferred tax		**1,911**	4,407
		(3,550)	(8,556)
Items that may be subsequently reclassified to Profit or Loss			
Exchange differences on translation of foreign operations		**(1,162)**	33
Total comprehensive income		**729,888**	671,217
Earnings per share (Rupees)	27	**14.18**	13.12

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

Chief Executive

Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	**817,081**	762,533
Finance cost paid		**(101,683)**	(63,341)
Income tax paid		**(151,202)**	(344,466)
Retirement benefits obligations paid		**(3,811)**	(4,113)
Net increase in long term deposits		**(10,429)**	(5,884)
Net cash from operating activities		**549,956**	344,729
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(346,618)**	(216,616)
Sale proceeds from disposal of property, plant and equipment		**7,761**	4,590
Purchase of intangible assets		**(21,212)**	(21,848)
Purchase of open ended mutual fund units		**(150,000)**	(460,000)
Sale of open ended mutual fund units		**50,000**	423,992
Net cash used in investing activities		**(460,069)**	(269,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(166,781)**	(390,202)
Net decrease in cash and cash equivalents		**(76,894)**	(315,355)
Cash and cash equivalents at beginning of the year		**(779,599)**	(464,244)
Cash and cash equivalents at end of the year	29	**(856,493)**	(779,599)

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

Chief Executive

Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Reserve for issuance of bonus shares	Unappropriated profit	Exchange Revaluation Reserve	Total
	(Rupees in thousand)				
Balance as at June 30, 2012 - as previously reported	414,427	-	988,053	-	1,402,480
Effect of change in accounting policy with respect to accounting for recognition of actuarial losses and past service cost on defined benefit plans - net of tax (note 3)	-	-	(5,291)	-	(5,291)
Balance as at June 30, 2012 (Re-stated)	414,427	-	982,762	-	1,397,189
Final dividend for the year ended June 30, 2012 @ Rs 6.00 per share	-	-	(248,656)	-	(248,656)
Interim dividend for the year ended June 30, 2013 @ Rs 3.50 per share	-	-	(145,050)	-	(145,050)
Total comprehensive income for the year ended June 30, 2013					
- Profit for the year ended June 30, 2013	-	-	679,740	-	679,740
- Other comprehensive loss for the year ended June 30, 2013	-	-	(8,556)	33	(8,523)
	-	-	671,184	33	671,217
Balance as at June 30, 2013	414,427	-	1,260,240	33	1,674,700
Final dividend for the year ended June 30, 2013 @ Rs 4.00 per share	-	-	(165,771)	-	(165,771)
Transferred to reserve for issuance of bonus shares	-	103,607	(103,607)	-	-
Issue of 2.5 bonus shares for every 10 shares held	103,607	(103,607)	-	-	-
Total comprehensive income for the year ended June 30, 2014					
- Profit for the year ended June 30, 2014	-	-	734,600	-	734,600
- Other comprehensive loss for the year ended June 30, 2014	-	-	(3,550)	(1,162)	(4,712)
	-	-	731,050	(1,162)	729,888
Balance as at June 30, 2014	518,034	-	1,721,912	(1,129)	2,238,817

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

Chief Executive

Director

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:
i) Holding Company - National Foods Limited
ii) Subsidiary Company - National Foods DMCC, Dubai

National Foods Limited

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

National Foods DMCC

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

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

National Foods DMCC also has following two wholly owned subsidiaries:

a) National Epicure Inc.

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

b) National Foods Pakistan (UK) Limited

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

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of National Foods Limited and National Foods DMCC. The financial statements of the subsidiary company have been consolidated on a line by line basis.

All inter-company balances and transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Taxation - notes 14.1 and 26

(ii) Retirement benefits obligations - note 15

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

There have been no critical judgements made by the group's management in applying the accounting policies that would have significant effect on the amounts recognised in the financial statements.

2.1.3 Changes in accounting standards, interpretations and pronouncements

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

The amendments to following standard have been adopted by the group for the first time for the financial year beginning on July 1, 2013:

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies are to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Refer note 3 for the impact on the financial statements.

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

New standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2013 are considered not to be relevant for group's financial statements and hence have not been detailed here.

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

There are no new standards, amendments to existing approved accounting standards and new interpretations that are not yet effective that would be expected to have a material impact on the financial statements of the group.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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

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

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

2.4 Intangibles - computer software

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

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

2.5 Taxation

i) Current

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

ii) Deferred

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

2.6 Employee retirement benefits

Defined benefit plans

The group operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The latest actuarial valuation of the defined benefit plans was conducted at June 30, 2014.

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

Defined contribution plan

The group operates an approved contributory provident fund for all employees. Equal monthly contributions are made, both by the group and the employees, to the fund at the rate of 10% per annum of the basic salary.

2.7 Stores, spare parts and loose tools

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

2.8 Stock in trade

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

2.9 Trade and other debts

Trade and other debts are recognised at fair value of consideration receivable. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.10 Investments - at fair value through profit and loss account

Investments held for trading are classified at fair value through profit and loss account. These are measured at fair value which is reassessed at each reporting date. In case of investments in open ended mutual funds, fair value is determined on the basis of period end Net Asset Value (NAV) as announced by the Asset Management Company. Changes in fair value are recognised in profit and loss account.

2.11 Cash and cash equivalents

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

2.12 Impairment losses

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

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of assets are classified as finance leases. Finance leases are capitalised at the inception of the lease term at the lower of fair value of the leased assets and the present value of minimum lease payments. The outstanding obligation under the lease less finance charges allocated to future periods is shown as a liability. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.14 Ijarah

In ijarah transactions significant portion of the risks and rewards of ownership are retained by the lessor. Islamic Financial Accounting Standard 2 – 'Ijarah' requires the recognition of 'ujrah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight-line basis over the ijarah term.

2.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.16 Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using effective interest method.

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

2.17 Provisions

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

2.18 Financial instruments

Financial instruments include deposits, trade and other debts, cash and bank balances, investments, long term finance, liabilities against assets subject to finance lease, trade and other payables, accrued interest / mark up and short term borrowings. The particular recognition methods adopted are disclosed in the respective policy notes.

2.19 Foreign currency transactions and translation

These financial statements are presented in Pak Rupee which is the functional and presentation currency of the group and figures are rounded off to the nearest thousand of rupees.

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

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

- assets and liabilities for balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and specific criteria have been met for each of the group's activities as described below:

i) Sale of goods
- Sales are recognised on despatch of goods to customers.

ii) Interest / Mark up income
- Income on bank deposits is recognised on accrual basis.

2.21 Research and development

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

2.22 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognised amounts and the group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.23 Dividends

Dividend distribution to the group's shareholders is recognised as liability at the time of their approval.

3. CHANGE IN ACCOUNTING POLICY

IAS 19 (revised) - 'Employee Benefits' effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term 'remeasurements' has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires 'remeasurements' to be recognised in the Balance Sheet immediately, with a charge or credit to Other Comprehensive Income in the periods in which they occur.

Following the application of IAS 19 (Amendment) - 'Employee Benefits', the group's policies for Staff Retirement Benefits in respect of remeasurements and past service cost stand amended as follows:

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

- The change in accounting policies have been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

Effects of this change in accounting policy have been summarised below:

	2013	2012
	(Rupees in thousand)	
Impact on Balance Sheet		
Increase in retirement benefits - obligations	**20,118**	8,017
Decrease in deferred tax liability	**6,840**	2,726
Decrease in unappropriated profit	**13,278**	5,291
Impact on Statement of Changes in Equity		
Decrease / (increase) in unappropriated profit		
Cumulative effect from prior years	**-**	5,529
Impact for the year ended	**7,987**	(238)
Impact on Profit and Loss		
Decrease in administrative expenses	**862**	-
Increase in taxation expense	**293**	-
Impact on other comprehensive income		
Items that will not be reclassified to Profit or Loss	**8,556**	-

The effect of change in accounting policy, due to adoption of IAS 19 (revised), on 'earnings per share' for the year ended June 30, 2013 is Re. 0.01. There is no cash flow impact as a result of the retrospective application of change in accounting policy, due to adoption of IAS 19 (revised).

4. PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	(Rupees in thousand)	
Operating assets - note 4.1	**1,141,607**	1,020,094
Capital work in progress - at cost - note 4.2	**98,547**	28,863
	1,240,154	1,048,957

4.1 Operating assets

	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers		Laboratory equipments	Vehicles		Total
						owned	subject to finance lease		owned	subject to finance lease	
	(Rupees in thousand)										
Net carrying value basis Year ended June 30, 2014											
Opening net book value (NBV)	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Additions (at cost)	35,395	23,276	167,740	10,250	6,583	19,901	-	3,474	10,315	-	276,934
Disposals (at NBV)	-	-	(14)	-	-	(332)	-	-	(4,698)	-	(5,044)
Write offs (at NBV)	-	(1,979)	(3,061)	(8)	-	-	-	-	-	-	(5,048)
Depreciation charge	(3,600)	(27,604)	(75,573)	(4,548)	(3,499)	(21,126)	-	(2,400)	(6,966)	(13)	(145,329)
Closing net book value	192,721	355,022	489,952	21,560	14,885	40,133	-	8,208	19,051	75	1,141,607
Gross carrying value basis At June 30, 2014											
Cost	208,990	505,915	851,966	53,365	46,017	88,582	12,815	16,789	47,967	11,197	1,843,603
Accumulated depreciation	(16,269)	(150,893)	(362,014)	(31,805)	(31,132)	(48,449)	(12,815)	(8,581)	(28,916)	(11,122)	(701,996)
Net book value	192,721	355,022	489,952	21,560	14,885	40,133	-	8,208	19,051	75	1,141,607
Net carrying value basis Year ended June 30, 2013											
Opening net book value (NBV)	164,287	327,412	329,369	6,743	10,639	16,635	-	6,249	25,465	1,917	888,716
Additions (at cost)	-	54,984	128,901	14,397	4,328	38,820	-	2,270	2,394	-	246,094
Disposals (at NBV)	-	-	-	-	(46)	(819)	-	-	(1,095)	(933)	(2,893)
Depreciation charge	(3,361)	(21,067)	(57,410)	(5,274)	(3,120)	(12,946)	-	(1,385)	(6,364)	(896)	(111,823)
Closing net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Gross carrying value basis At June 30, 2013											
Cost	173,594	485,381	688,830	43,193	39,434	72,907	12,815	13,315	47,821	11,197	1,588,487
Accumulated depreciation	(12,668)	(124,052)	(287,970)	(27,327)	(27,633)	(31,217)	(12,815)	(6,181)	(27,421)	(11,109)	(568,393)
Net book value	160,926	361,329	400,860	15,866	11,801	41,690	-	7,134	20,400	88	1,020,094
Useful life (Years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	5	10	5	5	

4.2 Capital work in progress

	2014	2013
	(Rupees in thousand)	
These comprise of:		
Civil work in progress	**31,575**	6,937
Plant and machinery	**31,139**	3,722
Building	**-**	3,084
Advance against acquisition of land	**35,833**	15,120
	98,547	28,863

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Vehicles						
Toyota Altis	1,331	67	1,264	1,685	Auction	Ms. Saira Khan Executive
Toyota Corolla	1,309	65	1,244	1,306	"	Mr. Zahid Qadri R-536, Sector 15-A/4 Bufferzone, Karachi
Suzuki Swift	775	39	736	905	"	Mr. Faisal Abdul Aziz C - 30 Block 9 Gulshan-e-Iqbal, Karachi
Suzuki Liana	891	297	594	629	"	Mr. Faheem Modi D - 89 Beverly Homes Block 7, Clifton, Karachi
Suzki Alto	396	20	376	688	"	Mr. Faisal Abdul Aziz C - 30 Block 9 Gulshan-e-Iqbal, Karachi
Suzki GD-110	103	7	96	108	Insurance claim	EFU General Insurance Limited
Computers						
Laptop	78	11	67	48	Insurance claim	EFU General Insurance Limited
Laptop	77	13	64	49	"	"
Laptop	77	19	58	44	"	"
Laptop	77	19	58	43	"	"

	2014	2013
	(Rupees in thousand)	
5. INTANGIBLES - computer software		
Computer softwares and ERP System - note 5.1	**34,962**	12,925
Systems under development	**1,166**	10,161
	36,128	23,086
5.1 Computer softwares and ERP System		
Net carrying value basis		
Opening net book value	**12,925**	4,473
Additions (at cost)	**30,207**	11,687
Amortisation for the year	**(8,170)**	(3,235)
Closing net book value	**34,962**	12,925
Gross carrying value basis		
Cost	**105,066**	74,859
Accumulated amortisation	**(70,104)**	(61,934)
Net book value	**34,962**	12,925

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in thousand)	
6. STOCK IN TRADE		
Raw materials (including in transit Rs. 73.89 million; 2013: Rs. 64.66 million)	**1,107,949**	804,082
Provision for obsolescence	**(14,310)**	(21,878)
	1,093,639	782,204
Packing materials (including in transit Rs. Nil; 2013: Rs. 7.93 million)	**218,067**	197,912
Provision for obsolescence	**(22,847)**	(17,317)
	195,220	180,595
Work in process	**594,133**	599,196
Provision for obsolescence	**(1,546)**	(3,142)
	592,587	596,054
Finished goods	**359,364**	355,207
Provision for obsolescence	**(10,425)**	(1,635)
	348,939	353,572
	2,230,385	1,912,425

6.1 Stock in trade includes Rs. 878.13 million (2013: Rs. 622.28 million) held with third parties.

6.2 The above balances include items costing Rs. 16.23 million (2013: Rs. 26.54 million) valued at net realisable value of Rs. 12.77 million (2013: Rs. 22.39 million).

6.3 The group has made a provision of Rs. 10.06 million for obsolescence (2013:Rs. 6.26 million) and has written off stocks against the provision amounting to Rs. 4.91 million (2013: Rs. 2.70 million) during the year.

	2014	2013
	(Rupees in thousand)	
7. TRADE DEBTS		
Considered good - unsecured		
Related parties - note 7.2 and 7.3	**15,132**	36,743
Others		
- local	**372,413**	247,102
- foreign	**412,811**	368,297
	800,356	652,142
Considered doubtful	**3,109**	2,542
	803,465	654,684
Less: Provision for doubtful trade debts	**(3,109)**	(2,542)
	800,356	652,142

7.1 As at June 30, 2014, trade debts of Rs. 191.61 million (2013: Rs. 171.81 million) were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2014	2013
	(Rupees in thousand)	
Up to 3 months	152,312	160,040
3 to 6 months	20,638	4,387
More than 6 months	18,664	7,379
	191,614	171,806
7. 2 Receivable from related parties		
Premier Distributor	14,711	36,322
Premier Agency	421	421
	15,132	36,743

7.3 As at June 30, 2014, trade debt from Premier Distributor is not yet due while trade debt from Premier Agency has been outstanding for more than 6 months.

	2014	2013
	(Rupees in thousand)	
8. ADVANCES		
Considered good		
Employees - against expenses	847	349
Suppliers	53,284	48,761
	54,131	49,110
Considered doubtful		
Suppliers	3,413	3,413
	57,544	52,523
Less: Provision for doubtful advances to suppliers	(3,413)	(3,413)
	54,131	49,110

	2014	2013
	(Rupees in thousand)	
9. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	5,833	3,963
Prepayments	13,003	13,853
	18,836	17,816
Considered doubtful		
Deposits	1,553	1,553
	20,389	19,369
Less: Provision for doubtful deposits	(1,553)	(1,553)
	18,836	17,816

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	(Rupees in thousand)	
10. OTHER RECEIVABLES		
Workers' Profits Participation Fund - note 10.1	1,236	-
Due from related parties		
- Associated Textile Consultants (Private) Limited	285	-
- Director	28	-
Others	9,541	15,489
	11,090	15,489
10.1 Workers' Profits Participation Fund		
Payable as at July 1	(52,591)	(44,960)
Allocation for the year	(55,502)	(52,591)
	(108,093)	(97,551)
Amount paid during the year	109,329	44,960
Receivable / (payable) as at June 30	1,236	(52,591)

	2014	2013
	(Rupees in thousand)	
11. INVESTMENTS		
Investments - at fair value through profit and loss account - note 11.1	461,585	327,908

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

2014	2013		2014	2013
Units			(Rupees in thousand)	
1,314,159	1,205,447	HBL Money Market Fund	131,928	122,045
6,284,629	10,592,157	NAFA Money Market Fund	62,929	106,081
548,129	482,567	MCB Dynamic Cash Fund	55,417	50,000
526,699	-	MCB Cash Management Optimizer	52,671	-
5,250,164	-	ABL Cash Fund	52,619	-
539,323	-	Askari High Yield Scheme	54,045	-
518,825	-	Primus Daily Reserve Fund	51,976	-
-	496,786	Askari Sovereign Yield Enhancer	-	49,782
			461,585	327,908

11.1.1 The fair value of these investments is the Net Asset Value (NAV) as at June 30, 2014 as quoted by the respective Asset Management Companies.

	2014	2013
	(Rupees in thousand)	
12. CASH AND BANK BALANCES		
Cash in hand	**1,410**	1,276
Cash at bank		
current accounts		
- local currency	**69,704**	86,990
- foreign currency	**27,661**	83,103
	97,365	170,093
	98,775	171,369

13. SHARE CAPITAL

Authorised share capital

2014	2013		2014	2013
Number of Shares			(Rupees in thousand)	
75,000,000	75,000,000	Ordinary shares of Rs. 10 each	**750,000**	750,000

Issued, subscribed and paid-up capital
Ordinary shares of Rs. 10 each

2014	2013		2014	2013
Number of Shares			(Rupees in thousand)	
		Shares allotted:		
1,255,990	1,255,990	for consideration paid in cash	**12,560**	12,560
50,547,439	40,186,753	as bonus shares	**505,474**	401,867
51,803,429	41,442,743		**518,034**	414,427

13.1 Movement in issued, subscribed and paid-up capital

Ordinary shares of Rs. 10 each

2014	2013		2014	2013
Number of Shares			(Rupees in thousand)	
41,442,743	41,442,743	Opening shares outstanding	414,427	414,427
10,360,686	-	Bonus shares alloted	103,607	-
51,803,429	41,442,743		**518,034**	414,427

13.2 During the year, the group issued bonus shares in the ratio of 2.5 shares for every 10 shares held.

	2014	2013 (Re-stated)
	(Rupees in thousand)	
14. DEFERRED TAX		
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	**139,062**	137,178
Provision for stock obsolescence	**(15,241)**	(13,215)
Provision for doubtful trade debts	**(965)**	(764)
Provision for retirement benefits obligations	**(7,936)**	(6,841)
	114,920	116,358

14.1 Deferred tax liability is restricted to 88.64% (2013: 88.39%) of the total deferred tax liability based on the following assumptions:

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

	2014	2013 (Re-stated)
	(Rupees in thousand)	
15. RETIREMENT BENEFITS OBLIGATIONS		
Pension Plan	**27,334**	23,661
Pensioners' Medical Plan	**2,401**	268
	29,735	23,929

15.1 As stated in note 2.6, the group operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at June 30, 2014.

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

15.3 The latest actuarial valuation of the Fund as at June 30, 2014 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	Pension Plan 2014	Pension Plan 2013 (Re-stated)	Pensioners' Medical Plan 2014	Pensioners' Medical Plan 2013 (Re-stated)
	(Rupees in thousand)		(Rupees in thousand)	
15.4 Balance Sheet Reconciliation				
Present value of defined benefit obligations	**53,202**	45,486	**4,672**	1,795
Fair value of plan assets	**(25,868)**	(21,825)	**(2,271)**	(1,527)
Recognised liability	**27,334**	23,661	**2,401**	268
15.5 Movement in the net liability recognised in the balance sheet				
Opening balance	**23,661**	11,966	**268**	164
Remeasurements recognised in Other Comprehensive Income	**3,320**	12,812	**2,141**	151
Charge for the year	**4,090**	2,896	**66**	53
Contribution made	**(3,737)**	(4,013)	**(74)**	(100)
Closing balance	**27,334**	23,661	**2,401**	268
15.6 Remeasurements recognised in Other Comprehensive Income				
Acturial loss defined benefit obligation	**2,280**	13,305	**2,640**	165
Acturial loss / (gain) on plan assets	**1,040**	(493)	**(499)**	(14)
	3,320	12,812	**2,141**	151
15.7 Expense recognised in Profit and loss account				
Current service cost	**1,620**	1,220	**37**	34
Net interest cost	**2,470**	1,676	**29**	19
	4,090	2,896	**66**	53
15.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	**45,486**	27,861	**1,795**	1,404
Current service cost	**1,620**	1,220	**37**	34
Interest cost	**5,024**	3,843	**200**	192
Benefit paid	**(1,208)**	(743)	**-**	-
Acturial loss	**2,280**	13,305	**2,640**	165
Obligation as at June 30	**53,202**	45,486	**4,672**	1,795
15.9 Movement in the fair value of plan assets				
Plan Assets as at July 1	**21,825**	15,895	**1,527**	1,240
Expected return on plan assets	**2,554**	2,167	**171**	173
Contribution made	**3,737**	4,013	**74**	100
Benefit paid	**(1,208)**	(743)	**-**	-
Acturial (loss) / gain	**(1,040)**	493	**499**	14
Plane Assets as at June 30	**25,868**	21,825	**2,271**	1,527

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	2014	2013
	(Rupees in thousand)	
15.10 Plan assets comprise of the following:		
Defence Savings Certificates	**23,777**	19,514
Cash at bank	**4,362**	3,838
	28,139	23,352

	2014	2013
	(Percent per annum)	
15.11 Principal actuarial assumptions		
Expected rate of increase in salaries	**13.50%**	11.00%
Expected rate of increase in pension	**8.50%**	5.00%
Expected rate of increase in medical benefits	**13.50%**	6.00%
Discount factor used	**13.50%**	11.00%

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

15.13 In case of the funded plans, the group ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the Retirement benefit plan. Within this framework, the group's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the Retirement benefit plan obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of government bonds and term deposits. The group believes that government bonds offer the best returns over the long term with an acceptable level of risk.

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

Expected charge for the year ending June 30, 2015 works out to be Rs. 5.53 million and Rs. 467,646 for Pension Plan and Pensioners' Medical Plan respectively.

The actuary conducts separate valuations for calculating contribution rates and the group contributes to the Pension Plan and Pensioners' Medical Plan according to the actuary's advice. The expense of the defined benefit plans is calculated by the actuary.

Figures in this note are based on the latest actuarial valuation carried out as at June 30, 2014.

15.15 Sensitivity analysis for actuarial assumptions

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees in thousand)		
Discount rate at June 30	1.00%	48,412	69,782
Future salary increases	1.00%	58,085	48,770
Future pension increases	1.00%	58,745	48,395
Medical cost increases	1.00%	5,669	3,882

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

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

15.16 Comparison for five years:

	2014	2013	2012	2011	2010
	(Rupees in thousand)				
Fair value of plan assets	**28,139**	23,352	17,135	11,214	-
Present value of defined benefit obligation	**(57,874)**	(47,281)	(29,265)	(24,218)	(21,127)
Deficit	**(29,735)**	(23,929)	(12,130)	(13,004)	(21,127)
Experience adjustments					
(Loss) / gain on plan assets (as a percentage of plan assets)	**(1.92)**	2.17	(0.97)	4.52	-
Loss / (gain) on obligation (as a percentage of plan obligations)	**8.50**	28.49	1.14	(2.79)	0.73

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

15.18 The weighted average duration of defined benefit obligation is 9.18 years.

15.19 Expected maturity analysis of undiscounted retirement benefit plans.

	Less than a year	Between 1-2 year	Between 2-5 year	Over 5 years	Total
	(Rupees in thousand)				
Retirement benefit plans	**430**	549	2,295	22,199	25,473

15.20 During the year, the group contributed Rs. 22.24 million (2013: Rs.17 million) to the provident fund.

	2014	2013
	(Rupees in thousand)	
16. TRADE AND OTHER PAYABLES		
Creditors	**254,790**	278,251
Accrued liabilities	**892,193**	831,381
Workers' Profits Participation Fund - note 10.1	**-**	52,591
Workers' Welfare Fund	**72,558**	50,357
Advances from customers	**45,822**	40,231
Payable to provident fund	**3,414**	4,541
Security deposits from customers	**-**	1,397
Tax deducted at source	**13,463**	7,583
Due to related parties - directors	**260**	2,850
- others - note 16.1	**364**	1,198
Advances from employees against sale of vehicles	**42,454**	30,898
Unclaimed dividend	**3,867**	4,877
Other liabilities	**7,497**	4,104
	1,336,682	1,310,259
16.1 Due to related parties - others		
Associated Textile Consultants (Private) Limited	**-**	333
Precision Rubber Products (Private) Limited	**364**	865
	364	1,198

	2014	2013
	(Rupees in thousand)	
17. SHORT TERM BORROWINGS		
Running finance under mark up arrangements	**555,242**	120,942
Murabaha loan	**26**	26
Export re-finance	**300,000**	380,000
Short term loans	**100,000**	450,000
	955,268	950,968

17.1 The facilities available from various banks amount to Rs. 2.55 billion (2013: Rs. 2.16 billion). The arrangements are secured by way of pari-passu charge against hypothecation of group's stock in trade, movables and trade debts. The facilities expiring within one year are annual facilities subject to review at various dates during 2014 and 2015.

17.2 The rates of mark up range from one month KIBOR plus 0.1% to three months KIBOR plus 0.5% per annum (2013: one month KIBOR plus 0.15% to three months KIBOR plus 0.5% per annum).

17.3 In addition to above, the group's facilities also include the financing facilities for the subsidiary amounting to Rs. 98.75 million which is secured by way of a corporate guarantee provided by the holding company in favour of Standard Chartered Bank, Dubai.

17.4 The facilities for opening letters of credit amount to Rs. 945 million (2013: Rs. 635 million) and for letters of guarantee amount to Rs. 50.74 million (2013: Rs. 50.78 million) as at June 30, 2014 of which the amount remaining unutilised at year end were Rs. 886.56 million (2013: Rs. 489.9 million) and Rs. 1.09 million (2013: Rs. 1.09 million) respectively.

18. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2014 amount to Rs. 38.1 million (2013: Rs. 64.8 million).

Aggregate commitments in respect of ujrah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR Plus 0.75% to six months KIBOR Plus 1.95% (2013: six months KIBOR Plus 0.75% to six months KIBOR Plus 1.95%) per annum for rentals payable monthly as at June 30, 2014 amount to:

	2014	2013
	(Rupees in thousand)	
Not later than one year	39,514	30,822
Over one year to five years	58,245	43,828
	97,759	74,650

19. SALES

	2014	2013
	(Rupees in thousand)	
Manufactured goods		
Gross sales		
Local sales	12,099,634	10,564,743
Export sales - note 19.1	1,178,354	1,014,211
	13,277,988	11,578,954
Sales tax	(1,577,377)	(1,307,649)
	11,700,611	10,271,305
Less:		
Discount, rebates and allowances	1,760,031	1,540,770
Sales return	211,396	184,569
	1,971,427	1,725,339
	9,729,184	8,545,966

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

	2014	2013
	(Rupees in thousand)	
USA / Canada	475,358	398,951
Africa	334,014	87,614
Middle East / Asia	75,703	260,279
Others	293,279	267,367
	1,178,354	1,014,211

19.2 During 2013, sales to only one distributor exceeded 10 percent of the net sales amounting to Rs. 879 million.

20. COST OF SALES

	2014	2013
	(Rupees in thousand)	
Raw material consumed	3,775,236	3,631,146
Packing material consumed	1,548,288	1,252,769
Salaries, wages and other benefits	496,233	434,396
Contribution to provident fund	8,399	6,778
Depreciation / amortisation	113,193	85,676
Ujrah payments	7,035	4,606
Fuel and power	157,637	120,337
Insurance	17,184	13,011
Laboratory, research and development	2,157	2,019
Postage and communications	1,996	2,604
Printing and stationery	784	3,129
Rent, rates and taxes	69,970	36,811
Travelling	62,515	56,386
Repairs and maintenance	37,395	20,920
Security charges	9,491	6,648
Others	3,032	1,344
	6,310,545	5,678,580
Opening work in process	596,054	421,426
Closing work in process	(592,587)	(596,054)
Cost of goods manufactured	6,314,012	5,503,952
Opening stock of finished goods	353,572	438,128
Closing stock of finished goods	(348,939)	(353,572)
	6,318,645	5,588,508

21. DISTRIBUTION COSTS

	2014	2013
	(Rupees in thousand)	
Salaries, wages and other benefits	311,702	269,625
Advertising and sales promotion	879,396	774,232
Commission expense	12,781	-
Outward freight and handling charges	421,033	367,965
Contribution to provident fund	7,938	6,298
Depreciation / amortisation	17,918	14,271
Ujrah payments	12,231	9,016
Fuel and power	2,514	975
Forwarding charges	10,183	8,799
Insurance	13,075	9,016
Laboratory, research and development	443	8,127
Legal and professional charges	12,060	13,778
Postage and communications	5,274	3,951
Printing and stationery	2,546	581
Rent, rates and taxes	47,046	36,052
Travelling	101,792	81,033
Repairs and maintenance	7,834	4,864
Provision for doubtful debts	567	-
Bad debts written off	1,443	-
Security charges	1,771	1,684
Others	1,413	1,280
	1,870,960	1,611,547

	2014	2013 (Re-stated)
	(Rupees in thousand)	
22. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits - note 22.1	**170,868**	131,127
Contribution to provident fund	**5,904**	3,926
Depreciation / amortisation	**22,388**	15,111
Ujrah payments	**13,687**	14,979
Fuel and power	**3,307**	1,616
Insurance	**4,564**	2,521
Legal and professional charges	**46,099**	37,327
Postage and communications	**9,970**	6,184
Printing and stationery	**2,661**	2,246
Rent, rates and taxes	**15,608**	4,127
Travelling	**26,092**	18,594
Repairs and maintenance	**32,189**	16,890
Security charges	**1,033**	670
Others	**23,464**	13,773
	377,834	269,091

22.1 Salaries, wages and other benefits include Rs. 4.16 million (2013: Rs. 2.95 million) in respect of charge for retirement benefit plans.

	2014	2013
	(Rupees in thousand)	
23. OTHER OPERATING EXPENSES		
Workers' Profits Participation Fund	**55,502**	52,591
Workers' Welfare Fund	**22,201**	21,037
Auditors' remuneration - note 23.1	**6,047**	6,927
Donations - note 23.2	**465**	3,317
	84,215	83,872
23.1 Auditors' remuneration		
Audit fee	**2,582**	2,183
Limited review, special reports and other certifications	**2,720**	1,975
Taxation services	**566**	2,296
Out of pocket expenses	**179**	473
	6,047	6,927

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	2014	2013
	(Rupees in thousand)	
23.2 None of the Directors or their spouses had any interest in the donees.		
24. OTHER INCOME		
Income from financial assets		
Exchange gain - net	**14,254**	11,694
Gain on sale of open ended mutual fund units	**4,357**	15,558
Gain on remeasurement of fair value of open ended mutual fund units	**29,320**	16,210
Return on savings accounts	**6,050**	7,825
Return on late payments by trade debtors	**628**	185
Income from other than financial assets		
Profit on disposal of property, plant and equipment	**2,717**	1,697
Others		
Liabilities no longer required written back	**3,078**	4,800
Provision for doubtful debts written back	**-**	2,930
Others	**9,993**	6,022
	70,397	66,921

	2014	2013
	(Rupees in thousand)	
25. FINANCE COSTS		
Mark up on running finance under mark up arrangements	**7,796**	12,648
Mark up on export re-finance	**30,487**	27,835
Mark up on short term loans	**30,183**	22,190
Interest on Workers' Profits Participation Fund	**-**	346
Bank charges	**21,022**	11,867
	89,488	74,886

		2014	(Re-stated) 2013
		(Rupees in thousand)	
26.	**TAXATION**		
	Current	323,365	285,000
	Deferred	474	20,243
		323,839	305,243
26.1	Reconciliation between tax expense and accounting profit:		
	Profit before taxation	1,058,439	984,983
	Tax at applicable rate of 34% (2013: 35%)	359,869	344,744
	Tax effect of permanent differences	998	2,073
	Tax effect of final tax regime	(833)	(11,597)
	Effect of exempt income	(20,326)	(13,191)
	Effect of tax credits	(17,780)	(13,550)
	Others	1,911	(3,236)
		323,839	305,243

		2014	(Re-stated) 2013
		(Rupees in thousand)	
27.	**EARNINGS PER SHARE**		
	Profit after taxation attributable to ordinary shareholders	734,600	679,740
	Weighted average number of shares in issue during the year (in thousand)	51,803	51,803
	Earnings per share - (Rupees)	14.18	13.12

27.1 The weighted average shares at June 30, 2013 have been increased to reflect the bonus shares issued during the year.

27.2 A diluted earnings per share has not been presented as the group did not have any convertible instruments in issue as at June 30, 2014 and 2013 which would have any effect on the earnings per share if the option to convert is exercised.

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		2014	(Re-stated) 2013
		(Rupees in thousand)	
28.	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	1,058,439	984,983
	Adjustments for non-cash charges and other items		
	Depreciation	145,329	111,823
	Amortisation	8,170	3,235
	Profit on disposal of property, plant and equipment	(2,717)	(1,697)
	Property, plant and equipment written off	5,048	-
	Unrealised foreign exchange (loss) / gain - net	(1,162)	33
	Gain on sale of open ended mutual fund units	(4,357)	(15,558)
	Gain on remeasurement of fair value of open ended mutual fund units	(29,320)	(16,210)
	Finance costs	89,488	74,886
	Retirement benefits expense	4,156	2,949
		214,635	159,461
	Profit before working capital changes	1,273,074	1,144,444
	EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	(349)	(1,249)
	Stock in trade	(317,960)	(354,887)
	Trade debts	(148,214)	(363,148)
	Advances	(5,021)	(24,050)
	Trade deposits and prepayments	(1,020)	1,401
	Other receivables	4,399	(11,996)
		(468,165)	(753,929)
	Increase / (decrease) in current liabilities		
	Trade and other payables	27,433	294,099
	Due to the government	(15,261)	77,919
		12,172	372,018
		817,081	762,533

		2014	2013
		(Rupees in thousand)	
29.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	98,775	171,369
	Short term borrowings	(955,268)	(950,968)
		(856,493)	(779,599)

30. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2014	2013	**2014**	2013	**2014**	2013
	(Rupees in thousand)					
Managerial remuneration and allowances	**10,564**	8,803	**4,516**	4,786	**140,183**	91,795
Technical advisory fee	**-**	-	**13,900**	11,600	**-**	-
Utilities	**1,056**	880	**452**	479	**13,494**	8,973
Bonus / variable pay	**2,761**	7,359	**452**	798	**42,863**	33,847
Housing	**4,754**	3,962	**2,032**	2,154	**60,585**	40,380
Retirement benefits	**4,809**	4,427	**304**	609	**12,614**	7,784
Other expenses	**1,965**	1,847	**505**	1,807	**65,138**	42,523
	25,909	27,278	**22,161**	22,233	**334,877**	225,302
Number of persons	**1**	1	**1**	2	**137**	72

30.2 Fee to non-executive directors paid during the year amounted to Rs. 475,000 (2013: Rs. 525,000).

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

31. RELATED PARTY DISCLOSURES

A. Related parties with whom the group had transactions

i) Associated Companies / Undertakings:
- Associated Textile Consultants (Private) Limited
- Precision Rubber Products (Private) Limited
- Premier Agency
- Premier Distributor
- English Biscuit Manufacturers (Private) Limited

ii) Staff Retirement Fund:
- National Foods Limited Provident Fund
- National Foods Limited Executives
- Directors' Pension Fund

B. Disclosure of transactions between the group and related parties

Relationship with the Group	Nature of transaction	**2014**	2013
		(Rupees in thousand)	
Associated Companies / Undertakings:	Sale of goods	**812,491**	936,942
	Reciprocal arrangements for sharing of services	**-**	1,042
	Purchase of goods	**59,165**	49,798
	Rent charges paid / payable	**7,814**	7,590
Staff retirement fund:	Expense charged for defined contribution plan	**22,241**	17,002
	Payments to retirement contribution plan	**56,531**	52,780
	Contribution to defined benefit plans	**3,811**	4,113
Directors:	Technical advisory services	**13,900**	11,600
Key management personnel compensation:			
Salaries and other short-term employee benefits		**128,698**	187,198
Retirement benefits		**8,938**	8,887

The related party status of outstanding balances as at June 30, 2014 is included in trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

32. PLANT CAPACITY AND PRODUCTION

	2014	2013
	Actual production Metric Tons	
Actual production of plants in metric tons	**67,704**	59,482

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

33. PROVIDENT FUND RELATED DISCLOSURES

	(Un-audited)	(Audited)
	2014	2013
	(Rupees in thousand)	
Size of the fund - Total assets	**338,490**	288,979
Fair value of investments	**203,187**	187,362
Percentage of investments made	**60%**	65%

33.1 The cost of above investments amounted to Rs. 151.68 million (2013: Rs. 148.37 million).

	(Un-audited) 2014	(Audited) 2013	(Un-audited) 2014	(Audited) 2013
	Percentage		(Rupees in thousand)	
33.2 The break-up of fair value of investments is:				
National savings scheme	**57%**	55%	**114,984**	103,325
Bank deposits	**38%**	40%	**77,366**	74,983
Unit trust schemes	**5%**	5%	**10,837**	9,054
	100%	100%	**203,187**	187,362

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

	2014	2013
34. NUMBER OF EMPLOYEES		
Number of employees at June 30		
- Permanent	**595**	545
- Contractual	**23**	28
Average number of employees during the year		
- Permanent	**584**	536
- Contractual	**26**	26

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Financial risk factors

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

35.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
FINANCIAL ASSETS							
Loans and Receivables							
Trade debts	-	-	-	800,356	-	800,356	800,356
Trade deposits	-	-	-	5,833	22,125	27,958	27,958
Other receivables	-	-	-	11,090	-	11,090	11,090
Cash and bank balances	-	-	-	98,775	-	98,775	98,775
Fair value through profit and loss							
Investments	-	-	-	461,585	-	461,585	461,585
June 30, 2014	-	-	-	1,377,639	22,125	1,399,764	1,399,764
June 30, 2013	-	-	-	1,170,871	11,696	1,182,567	1,182,567
FINANCIAL LIABILITIES							
Trade and other payables	-	-	-	1,158,971	-	1,158,971	1,158,971
Accrued interest / mark up	-	-	-	11,341	-	11,341	11,341
Short term borrowings	955,268	-	955,268	-	-	-	955,268
June 30, 2014	955,268	-	955,268	1,170,312	-	1,170,312	2,125,580
June 30, 2013	950,968	-	950,968	1,147,594	-	1,147,594	2,098,562
ON BALANCE SHEET GAP							
June 30, 2014	(955,268)	-	(955,268)	207,327	22,125	229,452	(725,816)
June 30, 2013	(950,968)	-	(950,968)	23,277	11,696	34,973	(915,995)

OFF BALANCE SHEET ITEMS

Letters of credit	58,438
June 30, 2013	145,092
Letters of guarantees	49,650
June 30, 2013	49,691

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

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

i) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.4 billion (2013: Rs. 1.19 billion) the financial assets exposed to the credit risk amounted to Rs. 1.4 billion (2013: Rs. 1.18 billion).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of June 30, 2014 trade debts of Rs. 191.61 million (2013: Rs. 171.81 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

The fair value through profit and loss investments represent investments in open ended mutual funds. These represent low credit risk as these are placed in Asset Management Companies having good credit ratings as assigned by credit rating agencies.

The cash and bank balances represent low credit risk as major balances are placed with banks having credit ratings of A1+ or above as assigned by PACRA or JCR-VIS.

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk.

The management does not expect any losses from non-performance by these counterparties.

ii) Liquidity risk

Liquidity risk reflects the group's inability in raising funds to meet commitments. The group manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the group's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

iii) Market risks

a) Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at June 30, 2014, financial assets of Rs. 436.47 million (2013: Rs. 446.53 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at June 30, 2014, if the Pak Rupee had weakened / strengthened by 6% (2013: 8%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 26.19 million (2013: Rs. 35.72 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

The sensitivity of foreign exchange rate looks at the outstanding foreign exchange balances of the group only as at the balance sheet date and assumes this is the position for a full twelve-month period. The volatility percentages for movement in foreign exchange rates have been used due to the fact that historically (five years) rates have moved on average basis by the mentioned percentage per annum.

b) Interest rate risk

The group's only interest rate risk arises from borrowings as the group has no interest-bearing assets. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

At June 30, 2014, the group had variable interest bearing financial liabilities of Rs. 955.27 million (2013: Rs. 950.97 million), and had the interest rates varied by 150 basis points (2013: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 14.33 million (2013: Rs. 9.51 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

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FOR THE YEAR ENDED JUNE 30, 2014

The sensitivity of 150 basis points (2013: 100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 150 basis points (2013: 100 basis points) per annum.

35.3 Capital Risk Management

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

During 2014 the group's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2014 was as follows:

	2014	2013 (Re-stated)
	(Rupees in thousand)	
Total Borrowings	**966,609**	974,504
Cash and Bank	**(98,775)**	(171,369)
Net Debt	**867,834**	803,135
Total Equity	**2,238,817**	1,674,700
Total Capital	**3,106,651**	2,477,835
Gearing Ratio	**28%**	32%

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

35.4 Fair values of financial assets and liabilities

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

36. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on September 4, 2014 proposed a cash dividend for the year ended June 30, 2014 of Rs. 8 per share amounting to Rs. 414.43 million (2013: cash dividend of Rs. 4 per share amounting to Rs. 165.77 million) subject to the approval of the group in the annual general meeting.

These financial statements do not reflect the impact of these events, as these events will be accounted for in the financial statements for the year ending June 30, 2015.

37. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the group on September 4, 2014.

A. Majeed

Chief Executive | Director

Notice is hereby given that the 43rd annual general meeting of National Foods Limited will be held on Wednesday, October 22, 2014 at 3:00 p.m. at Beach Luxury Hotel, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 42nd annual general meeting held on October 22, 2013.

2. To receive, consider and adopt the Audited Financial Statement of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' Report thereon.

3. To approve and declare the dividend on the Ordinary Share of the Company. The Directors have recommended final dividend of 80% (Rs. 8.00/- per Ordinary share of Rs. 10/- each) on Ordinary Shares, for the year ended June 30, 2014.

4. To appoint External Auditors of the Company for the ensuing year, and to fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed the appointment of M/s A. F. Ferguson & Co. Chartered Accountants as external auditors, for the year ending June 30, 2015.

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

Special Business:

6. **To consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution for subdivision of share capital of the Company.**

   "RESOLVED THAT pursuant to Section 92(1) of the Companies Ordinance, 1984 and Article 28 of the Articles of Association of the Company, the existing capital of company, including authorized, issued and paid up capital, is hereby altered in the manner that each ordinary share of the Company having face value of Rs. 10/- be and is hereby subdivided into 2 ordinary shares of Rs. 5/- each, with no change in rights and privileges of shares.

   RESOLVED FURTHER THAT the Authorized Capital of the Company be and is hereby subdivided from 75,000,000 Ordinary Shares of Rs.10/- each to 150,000,000 Ordinary Share of Rs.5/-.

   RESOLVED FURTHER THAT 51,803,429 ordinary shares issued and paid for Rs.10/- each, are hereby subdivided into 103,606,858 ordinary shares of Rs. 5/- each.

   RESOLVED FURTHER THAT the 51,803,429 ordinary shares issued and paid for Rs.10/- each of shall stand cancelled and 103,606,858 ordinary shares of Rs. 5/- each shall be issued / credited to the shareholders, as per their entitlement, on the effective date.

   RESOLVED FURTHER THAT the Chief Executive and / or Company Secretary be and are hereby authorized to complete any or all necessary corporate and legal compliances and formalities to give effect to the above, including announcement of closure of Members' Registers, determination of effective date, issue/credit of new shares into the Central Depositor System (CDS) of Central Depository Company Limited (CDC) and all other regulatory requirements."

7. **To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution for the amendments in the capital clauses of Memorandum and Articles of Association of the Company.**

   "RESOLVED THAT subject to the approval of resolution as set out under paragraph 6 above and to give effect that resolution the existing Clause V of the Memorandum of Association of the company be and is hereby amended and substituted with the clause as follows;

Notice of Annual General Meeting

   "The Authorized Capital of the company is Rs. **750,000,000 (Rupees Seven Hundred Fifty Millions) divided into 150,000,000 Ordinary Shares** of Rs.5/- each, with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its share or any of them in accordance with the provisions of the Companies Ordinance, 1984."

   "RESOLVED FURTHER THAT the prevailing Article 4 in the Articles of Association of the company be and is hereby amended and substituted to be read as follows;

   "The authorized Capital of the Company is the amount set out in clause V of Memorandum of Association of the Company divided into such number of shares as are set out in the said clause of the Memorandum."

   RESOLVED FURTHER THAT the Chief Executive and / or Company Secretary be and are hereby authorized to complete any or all necessary required corporate and legal formalities in respect of the above."

   RESOLVED FURTHER THAT the resolution shall stand nullified in case, for any reason, the Company is not able to bring into effect the resolution passed for sub-division of shares.

8. To consider, and if thought fit, to pass with or without modification(s), the following as an ordinary resolution for awarding lifetime perks and privileges to the founder members and directors of the National Foods Limited.

   "RESOLVED THAT that Mr. Waqar Hasan and Mr. Abdul Majeed, the founder members and directors of the National Foods Limited, be and are hereby entitled to all the facilities and privileges, listed below, throughout their lives in recognition of their outstanding lifetime services and achievements for NFL.

   i) Company funded and fully maintained vehicles with chauffeur and fuel reimbursement at actual. Their grade at the time of retirement is to be used as the basis for the attributes of the vehicle,
   ii) Medical expense reimbursement for self and spouse, at actual basis.
   iii) Domestic help up to Rs. 75,000 per month, adjusted annually to inflation.
   iv) Travelling for self and spouse. Once every two years for International Travel and Once every year for Domestic Travel - Business Class)
   v) All utility bills at actual, including for Gas, Water and Sewerage, Electricity, Mobile phones, Landline telephone etc.

   RESOLVED FURTHER THAT the Chief Executive be and is hereby authorized to complete any or all necessary formalities in respect of the above."

9. To consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution for the ratification of Tenancy Agreement entered into by the Company with Associate Textile Consultants (Private) Limited (ATC), an associated Company.

   "RESOLVED THAT the Tenancy Agreement dated July 1, 2011 entered into by the Company with Associated Textile Consultants (Private) Limited (ATC), an associated company, subsequently renewed on 22 February 2013 for a period of 2 years with an annual increase in rent of 10%, is hereby ratified and approved.

   RESOLVED THAT the Tenancy Agreement, upon expiry, may be renewed for further period(s) of two years with 10% annual increase in monthly rent and the Chief Executive Officer of the Company is hereby authorized to negotiate the renewal(s) and, along with the Company Secretary, complete all necessary legal and other formalities."

By Order of the Board

Karachi
September 22, 2014

Farhan Abdul Latif
Company Secretary

NOTES:

1. Book Closure
The share transfer books of the Company will remain closed from October 13, 2014 to October 22, 2014 (both days inclusive). Transfers received, in order, at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi - 74400, by the close of business on October 12, 2014, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and to attend and vote at the meeting.

2. Appointment of Proxy and Participation in the AGM
   a) A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote for his/her behalf. A proxy must be a member of the Company. A proxy shall also have the right to demand and join in demanding a poll and vote on a poll.

   b) The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarially certified copy of the power or authority, must be deposited at 409, The Forum, G-20 Block-9, Khayabane-e-Jami, Clifton Karachi, at least 48 hours before the time of the meeting. Form of Proxy is enclosed. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.

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

3. Submission of Copies of Valid CNICs:
SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the companies to issue dividend warrant crossed as "A/c Payee only" which should also bear the Computerized National Identity Card (CNIC) of the registered member. The time for obtaining relaxation in respect of shareholders whose CNIC numbers are not available with the Company has been extended till December 31, 2014. However, availability of valid CNIC of all members is also necessary for filing, with SECP, of the list of members along with Annual Return of the Company.

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

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

4. Dividend Mandate Option / E-Dividend Facility
Dividend Mandate Forms are available at the Registered Office of the Company. Members are encouraged to provide, duly filled in dividend mandate form, to receive the cash dividend declared by the Company, if any, directly into their bank account through e-dividend payment mechanism, as advised by the Securities and Exchange Commission of Pakistan vide its communication reference No. 8(4)SM/CDC2008 dated April 05, 2013. The members who wish to avail e-Dividend payment facility shall not receive the dividend warrant. Members not providing dividend mandate shall continue to be paid through the dividend warrants.

5. Changes in Members Addresses
Members are requested to notify any change in their addresses immediately to the Share Registrar M/s. Central Depository Company of Pakistan Limited so that the dividend warrants could be dispatch to their correct addresses.

6. **Deduction of Income Tax under Section 150 of the Income Tax Ordinance, 2001**
   a) Pursuant to the Finance Act, 2014, effective July 01, 2014, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to a NON-FILER of income tax return is prescribed as 15% and for FILER of Tax Returns as 10%. List of Filers is available at Federal Board of Revenue's (FBR) website: http://www.fbr.gov.pk.

   b) All the members of the Company are therefore advised to update their tax status as below, duly signed, so as to reach latest by October 12, 2014 to the Company's Shares Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi - 74400.

Folio/CDC A/c No.	Name	National Tax Number	CNIC Number for individuals	Income tax return for the tax year 2013 has been filed (Yes/No)

   c) The information received within the above specified time would enable the Company to deduct income tax at the applicable rates from the payment of dividend if announced by the Company on October 22, 2014.

   d) Members seeking exemption from deduction of income tax or deduction at a reduced rate under the relevant provisions of the Income Tax Ordinance, 2001, are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be, latest by October 12, 2014.

7. Availability of Financial Statements and Reports on the Website:
The Annual Report of the Company for the year ended June 30, 2014 has been placed on the Company's website at the given link: **http://nfoods.com/contents/our-company/financials/**

8. Electronic Transmission of Financial Statements and Notice of Meeting
Members who desire to receive annual financial statements and notice of meeting for the financial year ending June 30, 2015 or onward through e-mail, instead of registered post/courier, are requested to submit their consent on the FORM available for the purpose on Company's website.

Statements of material facts under Section 160(1) (b) of the Companies Ordinance, 1984

Agenda Item 6:
The subscribed and paid up capital of National Foods Limited (NFL) consist of 51,803,429 ordinary shares of Rs.10/- each. The market price of NFL's scrip is substantially higher than its face value. Therefore, it is not in the reach of small investors. Accordingly, to increase market liquidity of the scrip and broaden the shareholders base, the directors of the company decided subdivision of company's capital by decreasing the face value of shares from Rs.10/- to Rs.5. The shareholders will get 2 shares of face value Rs.5 each against each Rupee 10 share held in their names as on the effective date to be announced later.

The new shares proposed to be created as result of subdivision shall rank pari passu with no change in the rights and privileges attached to the shares as compared to the existing shares. The existing issued shares having face value of Rs.10 shall be cancelled and new shares with reduced face value i.e. Rs.5 shall be issued or credited to the shareholders' investor accounts maintained with Central Depository Company Limited (CDC), as per the entitlement of respective shareholders on the effective date.

The Board of Directors approved and recommended the proposed resolution to be passed as an ordinary resolution under Section 92(1) of the Companies Ordinance, 1984 and Article 28 of the Articles of Association.

The directors of the Company have no personal interest in this matter except to the extent of their shareholding.

Agenda Item 7:
In view of the subdivision of shares and resultant increase in the number of shares, the existing Clause V of the Memorandum of Association and Clause 4 of the Articles of Association also need amendments. The Board of Directors has recommended the proposed special resolution to the shareholders for their consideration and approval, with or without modification, in terms of Section 92(1) of the Companies Ordinance, 1984 and Article 28 of the Company's Articles.

Notice of Annual General Meeting

Comparison of existing and proposed alteration in the respective capital clauses of Memorandum and Articles of Association, is provided below:

MEMORANDUM OF ASSOCIATION	
Existing Clause V	**Proposed/New Clause V**
"The Authorized Capital of the company is Rs. 750,000,000 (Rupees Seven Hundred Fifty Millions) divided into 75,000,000 Ordinary Shares of Rs.10/- each with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its share or any of them in accordance with the provisions of the Companies Ordinance, 1984."	"The Authorized Capital of the company is Rs. 750,000,000 (Rupees Seven Hundred Fifty Millions) divided into 150,000,000 Ordinary Shares of Rs.5/- each, with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its share or any of them in accordance with the provisions of the Companies Ordinance, 1984."
ARTICLES OF ASSOCIATION	
Existing Clause 4	**Proposed/New Clause 4**
"The authorized Capital of the Company is the amount set out in clause V of Memorandum of Association of the Company divided into such number of share of Rs.10 (Rupees Ten) each as are set out in the said clause of the Memorandum."	"The authorized Capital of the Company is the amount set out in clause V of Memorandum of Association of the Company divided into such number of shares as are set out in the said clause of the Memorandum."

The directors of the Company have no personal interest in this matter except to the extent of their shareholding.

Agenda Item No.8
In the 30th Annual General Meeting held on Saturday November 10, 2001, the shareholders of the Company in recognition of outstanding lifetime services and achievements of the founder members and directors of National Foods Limited (NFL) namely Mr. Abdul Majeed and Mr. Waqar Hasan, desired that after retirement, they may remain entitled for all the facilities and privileges till the last day of their lives. In this regard a resolution was also approved by the members at the aforesaid meeting.

These founder directors have now retired as executives. Accordingly, the Board of Directors, in the light of the proceedings of the aforesaid AGM, hereby proposes to pass an ordinary resolution to obtain formal approval of the members.

The directors of the Company, except Mr. Abdul Majeed and Mr. Waqar Hassan, have no personal interest in this matter except to the extent of their shareholding.

Agenda Item No.9
The Company's registered office, situated at 12/CL-6 Claremont Road, Civil Lines-Karachi, is under construction, and therefore the Company acquired rented premises at 219-221 The Forum, G-20 Block 9, Karachi. For the purpose the Company entered into a Tenancy Agreement on July 1, 2011 with Associated Textile Consultants (Private) Limited (ATC), an associated company, by virtue of common directorship of Mr. Abdul Majeed, Mr. Waqar Hasan, Mr. Zahid Majid and Mr. Abrar Hasan.

The aforesaid agreement was signed for a period of 11 months at a monthly rent of Rs.575.000/- and it was subsequently renewed by the Board on February 22, 2013, for 2 years, with 10% annual increase in monthly rent.

The Directors of the Company propose the resolution to be passed as an ordinary resolution by the shareholders of the Company to ratify and authorize further renewal(s) of the Tenancy Agreement between NFL and ATC.

The directors of the Company have no personal interest in this matter except to the extent of their shareholdings.

Glossary

NFL:	National Foods Limited
HR:	Human Resources
CSR:	Corporate Social Responsibility
ISO:	International Organization for Standardization
OHSAS:	Occupational Health and Safety Advisory Services
QRD:	Quality Research and Development
BCP:	Business Continuity Planning
NF-DMCC:	National Foods- Dubai Multi Commodity Centre
HACCP:	Hazard Analysis and Critical Control Points
SAP:	System, Applications and Products in data processing
GMP:	Good Manufacturing Practice
OEE:	Overall Equipment Effectiveness
FSMS:	Food Security Monitoring System
QMS:	Quality Management System
SKU:	Stock Keeping Units
JBP:	Joint Business Plans
ATL:	Above the Line
BTL:	Below the Line
OD:	Organization Development
PAS:	Pakistan Advertisers Society
CRYSTAL:	Computerized Reporting Yield for Sales and Trade Automation Landscape
TVC:	Television Commercial

Form of Proxy

43rd ANNUAL GENERAL MEETING

I/We____ of

____being a member of

National Foods Limited holding_______________________________________ordinary shares as per Registered

Folio No./CDC A/C No. (for members who have shares in CDS) ____

hereby appoint Mr./Mrs./Miss____of

(full address)____ or failing him/her

Mr./Mrs./Miss____of

(full address)____

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and behalf at the 43rd Annual General Meeting of the Company to be held on October 22, 2014 and/or any adjournment thereof.

As witness my/our hands seal this______________________day of________________2014.

Signed by____in the

1. Witness

Signature ______________________________

Name: ______________________________

Address: ______________________________

____

CNIC No. | | | | | | - | | | | | | | | - | |

2. Witness

Signature ______________________________

Name: ______________________________

Address: ______________________________

____

CNIC No. | | | | | | - | | | | | | | | - | |

Signature on
Rs. 5/-
Revenue Stamp

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

Important:

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

For CDC Account Holders/Corporate Entitles:

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

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

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

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

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