

The logo for National, featuring the word "National" in white, bold, sans-serif font on a red, curved banner with a gold border. The banner is set against a background of various Indian dishes including a plate of grilled chicken, a bowl of red soup, and several small bowls of spices and herbs.

National

Share Food
Share Love

The text "ANNUAL REPORT 2017" is written in white, bold, sans-serif font at the bottom of the page. The background of the entire page is a collage of various Indian dishes, including a large bowl of red soup, a plate of grilled chicken, a bowl of red soup, a bowl of green chutney, a bowl of brown spices, a bowl of red powder, a bowl of mixed nuts, and a large plate of biryani.

ANNUAL REPORT 2017

About the Report

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

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

Our Annual Report 2017 is a clear indication that we are on the right track. The hard work, determination and unity displayed by our employees, is reaping national and global benefits in driving, and achieving various goal and milestones that lead us on a prosperous and fulfilling route.

The theme of the report is in perfect harmony with the Vision 2020 and signifies the impact our food can and is having on people’s lifestyle and happiness.

Table of Contents

About The Company

- 04 Our Story
- 05 Business Profile
- 06 Geographical Presence
- 09 Founders' Philosophy
- 10 Vision and Mission
- 11 Core Values
- 12 Code of Ethics and Business Practices
- 14 History in Making
- 16 Awards and Certificates
- 18 Our People
- 24 Our Manufacturing Excellence
- 26 Brands and Campaigns
- 32 Our Supply Chain
- 33 Technological Developments
- 36 Innovation, Research and Development
- 42 Health, Safety & Environment
- 44 International Division
- 50 Synergies Through Acquisition

Stakeholders Information

- 52 Organizational Chart
- 54 Company Information
- 56 Calendar of Events
- 59 CEO's Message

Corporate Governance

- 62 Directors' Profile
- 66 Board Committees
- 67 Corporate Governance

Sustainability

- 71 Corporate Social Responsibility
- 72 Environment Protection & Energy Conservation
- 73 Community Investment & Welfare Schemes
- 74 Consumer Protection Measures
- 75 Rural Development Programmes

Business Review

- 76 Chairman's Review
- 78 Directors' Report
- 87 Board Meetings

Financial Review

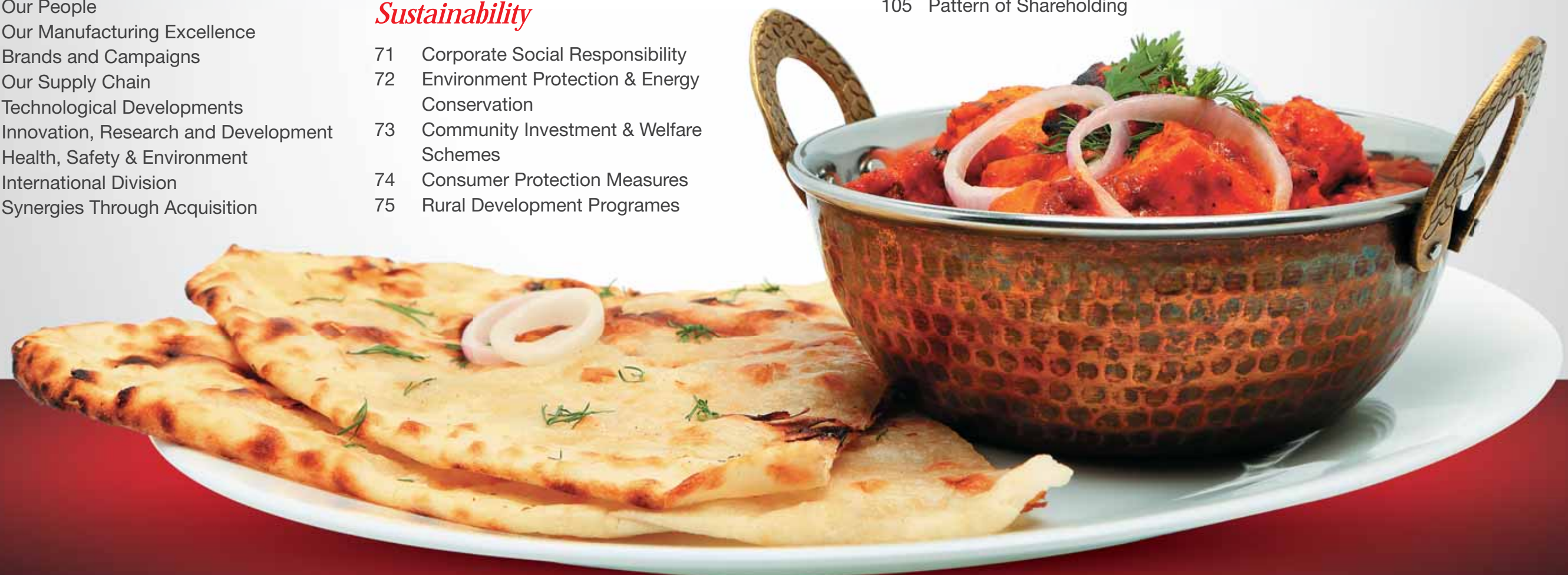
- 90 DuPont Analysis
- 91 Financial Ratios
- 92 Financial Statements at a Glance
- 94 Financial Highlights
- 100 Horizontal Analysis
- 101 Vertical Analysis
- 102 Summary of Cash Flow Statement
- 103 Six Year Cash Flows Using Direct Method
- 104 Statement of Value Added and its Distribution
- 105 Pattern of Shareholding

Financial Report

- 107 Statement of Compliance
- 109 Review Report to the Members
- 110 Standalone Financial Statements
- 146 Consolidated Financial Statements

Others

- 194 Notice of Annual General Meeting
- 199 Comparative Statement of Alterations in the Articles of Association (Annexure-A)
- 216 Dividend Mandate
- 218 Glossary
- 219 Jama Punji Information



Our Story

National Foods Limited (NFL), founded in 1970, is Pakistan's leading multi category food company with over 250 different products in 13 categories. NFL holds ISO 9001, ISO 18001, ISO 22000 and HACCP certifications along with SAP Business Technology to drive its strong commitment to quality and management excellence.

In line with NFL's Vision 2020 of becoming a Rs. 50 billion company, we are already on our way of being recognized as an internationally renowned brand in over 37 countries across 5 continents worldwide.

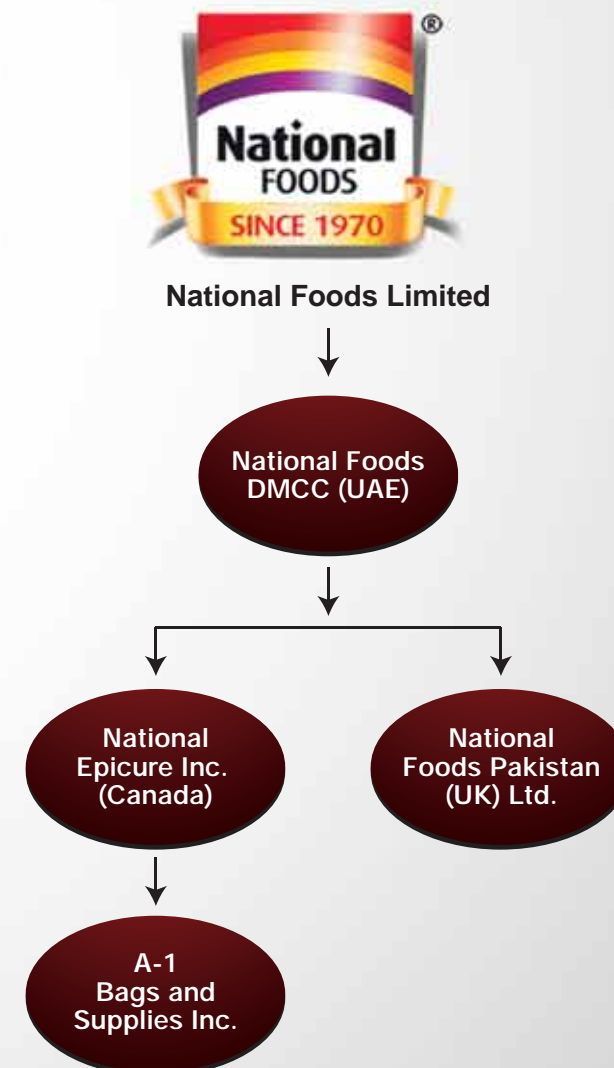
NFL is dedicated to improving the well-being of our society through continuous development of innovative food products and a wide range of Corporate Social Responsibility programs.



Business Profile

NFL has successfully established itself as a multinational food company with an independent subsidiary, National Foods DMCC in Dubai, in 2013, catering to the Middle Eastern market. This structure was further expanded with 2 more subsidiaries in Canada, (National Epicure Inc.) and United Kingdom, (National Foods Pakistan UK Limited) catering to the North American and European markets respectively.

During 2017, National Epicure Inc. acquired 60% interest in A-1 Bags and Supplies Inc., a company based in Ontario, Canada, engaged in distribution of restaurant, industrial, & retail supplies.

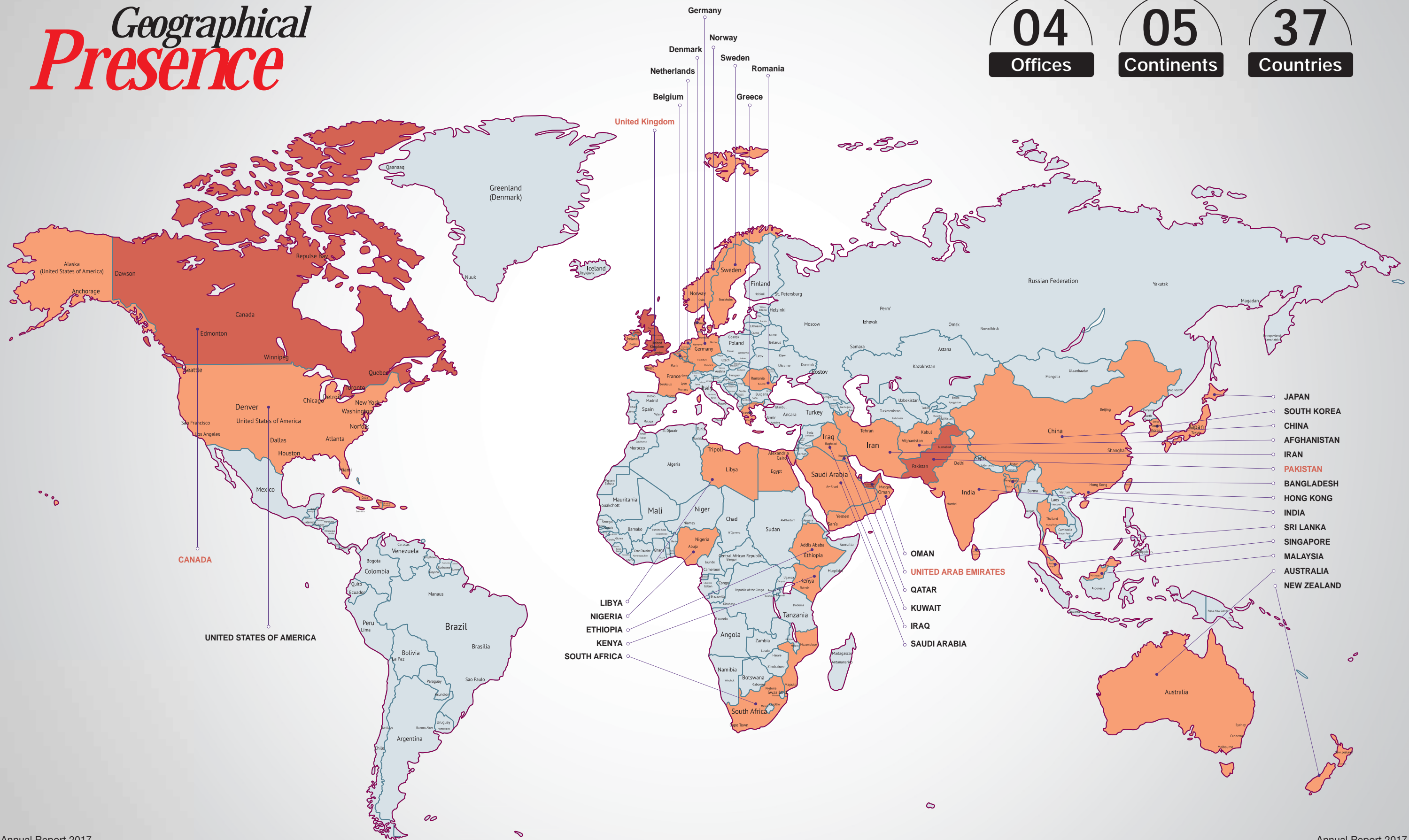


Geographical Presence

04
Offices

05
Continents

37
Countries



Founders' *Philosophy*

National Foods must focus on customer needs and serve them with quality products at affordable prices.

Our products must be pure and should conform to international standards.

Our research must continuously produce new and adventurous products that are scientifically tested and hygienically wrapped in safe and attractive packaging.

We must create an environment in our offices and factories where talent is groomed and people have every opportunity to advance in their careers.

We must provide ourselves to be good corporate citizens, support charitable causes and bear our fair share of taxes.

Reserves must be built, new factories created, sound profits made and fair dividend should be paid to our stockholders.

Through building a reliable brand, NFL must get itself recognized as a leader in Pakistan and abroad.

With the help of Almighty God, the company can achieve its targets in times to come.



Vision & Mission

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



Core Values

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

Code of ethics & Business Practices

NFL believes in conducting its operations with strong ethical and moral standards. NFL's Statement of Code of Ethics & Business Practices aims to provide guidance on carrying out its business related decisions and activities. We wish to achieve excellence in all spheres of our operations for which business ethics form the basis. Any party entering any form of contract with NFL is bound to comply with the given guidelines.

NFL's Statement of Code of Ethics & Business Practices, has the following 7 guidelines:

- 1 **Unfair Means:** Any use of bribery, kickbacks or any form of payment in cash/kind to obtain business related or otherwise gainful benefit for the company is strictly prohibited. Excessive business gifts and entertainment also hold the same meaning and NFL does not approve of such payments.
- 2 **Respect and Integrity:** NFL believes in giving respect to individuals. We aim to operate in a manner that discourages discrimination, harassment and/or undue influence. Discrimination refers to favoritism based on a particular aspect of an individual's personality. Harassment includes gender harassment creating an intimidating, hostile or offensive work environment causing interference with work performance. Undue 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. These may include but are 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 the company's business activities. The company expects employees not to disclose or divulge, by any means, confidential and commercially sensitive information except to the authorised 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 contracts with NFL and is equally applicable to intellectual property.
- 5 **Statutory Compliance:** NFL believes in providing total support and cooperation to all governmental and regulatory bodies irrespective of the extent of prevalent enforcement.
- 6 **Financial Integrity:** NFL believes in complete compliance with the accepted accounting rules and procedures. This includes but is not limited to:
 - Transparency: NFL discourages any illegal activity for the purpose of any benefit to the company or others. All information supplied to the stakeholders and/or auditors must be authentic and transparent.
 - Disclosure: All transactions must be fully disclosed and must be for the purpose stated for.
- 7 **Health, Safety and Community Responsibility:** NFL is fully committed to health, safety and responsibility towards environment and community. All activities of NFL must portray responsibility towards the community and nation as a whole. NFL seeks to employ procedures that are safe, healthy and environment-friendly.

History in *Making*

1970

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

1971

National Foods moves its operations to Dinar Chambers West Wharf.



1978

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



1986

A new factory complex is inaugurated at Site for the manufacturing facilities to be based. National Foods launches its range of recipe mixes.



1988

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

1991

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



1992

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

1993

National Foods goes into Salt Plant Modernization.

1996

National Foods introduces its first Human Resources Department.

1997

National Foods adds ketchup to its product portfolio.

1998

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

2000

National Foods launches its mainstream products in Australia to offer a taste of ethnic food to the Non-Asian consumers. The following year, National Foods crosses 1 Billion Rupees on its sales.

2001

National Foods launches its line of instant desserts.

2006

National Foods celebrates the opening of its brand new production facility at Port Qasim. This new factory is equipped with state-of-the-art machinery and is spread over more than 10 acres.

2009

National Foods revitalizes passion with revamping of its logo and packaging of all products.

2010

National Foods celebrates its 40 years of success and introduces the instant drink category with the launch of "Fruitily".

2013

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

2014

Aflatoxin free Red Chilli Crop project conducted successfully with progressive farmers enabling NFL to export Red Chilli powder to European countries complying with all regional legal requirements. "Building Excellence in People" program was initiated by HR.

National Foods establishes its subsidiary, National Epicure Inc., in Canada for trading of food products in North America.

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

2015

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

2017

National Foods acquires 60% interest in A - 1 Bags and Supplies Inc., through its subsidiary in Canada.

National Foods adds Mayonnaise to its product range.

Launch of the 1st 360 degree campaign for International Markets.



Awards and Certificates

WOMEN ON BOARD AWARD

National Foods was considered amongst Pakistan's 21 Companies out of a total of 559 listed on the Pakistan Stock Exchange (PSX), to have a woman director on their Boards.

Women on Boards is an initiative of South Asian Federation of Exchanges, with the aim to influence a higher gender balance on corporate boards, increase women's readiness for top management and board positions and develop economic empowerment capabilities of women professionals.

FOOD SAFETY SYSTEM

We received certification of **Food Safety System (FSSC) 22000** this year which is fully recognized by the Global Food Safety Initiative (GFSI) and is based on existing ISO Standards. It demonstrates that NFL has a robust Food Safety Management System in place that meets the requirements of its customers and consumers.

This was implemented at Port Qasim to address control measures for all types of food hazards associated with raw materials and their packaging, handling & storage, manufacturing & processing, until the final dispatch of products including food security and safety. The existing scope of FSSC 22000 includes NFL's Spices & Recipe Mixes, Pickles and Dessert mix.

AWARD FOR EXCELLENCE IN WOMEN'S EMPOWERMENT - EMPLOYER'S FEDERATION OF PAKISTAN:

We participated in the Employer's Federation of Pakistan event on International Women's Day and presented our engagement in various programs to promote women's rights and economic conditions.



Our *People*

For us at National Foods, our people define our company. Their energy, vision, devotion and trust are the primary ingredients of our success and we value them immeasurably.

We strongly believe that for an organization to realize its finest potential, we must create an environment where it can nurture values, talent and a high-performance culture for our people.

LEARNING AND DEVELOPMENT

Organizational and People Development is the core of our Company's existence. We aim to strive to work towards developing our people and enhancing the use of our systems. We have embarked on developing a Sustained Learning Mindset, which will ultimately result in a more agile organization. To achieve this purpose, we decided on a "three-fold strategy" this year.

Development of Effective & Inspirational Leaders is essential for the success of any business and to help build our internal leadership pipeline, we focused solely on our Senior Management through "Leadership 360 Degree Feedback" development plans. In addition to this, we worked with our Sales Teams focusing on Capability Building, nation-wide. Eleven sessions were held in our regional offices, giving our sales teams the boost they deserved.

To achieve this Learning Mindset, our third pillar comprised of strengthening our existing Performance Management System. We did so by encouraging feedback through a formalized process of conducting a Mid-Year Review on Success Factors along with ensuring our people receive cross-functional business exposure for learning and growth.

In line with our values, National Foods also focuses on promoting diversity in people. This is an agenda we hold close to our heart. We participated in the 9th Women in Business & Leadership Conference – WIBCON 2017, hosted by Pakistan Society of Training & Development (PSTD). It was a full day agenda to bring together a diverse set of views from across the globe. This was complemented by our participation in the Engage Survey – Women at Work 2016. It was an extensive study conducted to understand the issues that working women face. It gave National Foods an insight into how we as a company are supportive of the women in our workforce and how we can improve our systems and environment in making them more gender balanced.



Furthermore, we became a part of the CIRCLE group which works towards women's economic empowerment through innovative entrepreneurship and leadership labs, advocacy campaigns and research. Accordingly, we will be initiating the "Elevate" program internally which will involve conducting cross industry programs for our female employees allowing them greater exposure and learning from the industry.



TOWN HALL - WHERE WE CONNECT WITH OUR PEOPLE

In the corporate sense of the word, town hall meetings provide a platform for employees to interact with the CEO or the Top Management in order to get exposure to the business direction and its progress.

We at NFL have been using this platform since the last 10 years and have ensured that our employees have a medium to interact with our top management. This has not only instilled a sense of motivation for our employees, but has also given them a sense of ownership, direction and belonging.



This time around, the Town Hall was conducted at Port Qasim with all other locations of NFL, including Regional offices, Warehouses, and International offices connected through video conferencing. The objective of the Town Hall was to update employees on business progress, remind them about the Vision 2020, its pillars and how it is to be achieved with focus on HSE, accountability, capacity building and our value system. The key takeaways from the CEO's speech were then shared time and again with the employees on email to reinforce the importance of the message.

Post Town Hall feedback was also conducted to allow us to assess the effectiveness and the outcome of the Town Hall and we found that employees felt inspired, motivated and even more aware of their Company. The results also revealed how employees appreciated the interactive session which allowed them to ask questions from the CEO directly, terming the entire event as "open, honest and two-way".





Our Manufacturing Excellence

SITE

Continuing its legacy, our SITE facility strived to increase efficiencies and enhance capacities this year as well. We reduced the brine tank cleaning activity time at our salt plant from **24 hours/activity to 10 hours/activity**. This ultimately resulted in increasing the monthly production capacity by **8000 cartons**. Adopting information technology in the maintenance techniques, we successfully implemented SAP Plant Maintenance Module at our plant which provides us with periodic maintenance orders on all our machines, further strengthening our proactive maintenance approach. Partnering with the consulting firm MNBEC to attain operational excellence, we successfully implemented productivity improvement Kaizens identified in the workshops and improved labor productivity in each of our Salt and Paste Sections. We also launched **Mayonnaise** and played a vital role in maintaining quality of the product to enable a successful product launch. In warehousing, we were proactive in utilizing slow moving stocks on other plants, and reducing the fixed storage requirement at Connect Logistics Warehouse. Effective utilization of energy has been our focus this year with our energy utilization KPI showing significant improvement.

PORT QASIM & NOORIABAD

A storage facility was developed in Port Qasim unit to cater to the increasing demand in the form of a vertical extension project covering an area of **32,000 sq ft**. Prefab facility was equipped with FM rated insulation panels which are best suited in fire rating.

Staying abreast with the rapidly changing technological transformation, a state of the art automated mango cutting line, called the **"Titan Cut"**, was developed at Nooriabad Plant.

The salient features of the automated line are:

DOUBLED
PRODUCTION RATE

REDUCED POWER
CONSUMPTION

REDUCED
COVERAGE SPACE

IMPROVED
AESTHETICS



Nooriabad Project Phase II was a remarkable achievement for us as it assisted Operations team in storage of mangoes for the mango cutting season. The Project Phase II scope included the complete construction of Prefab facility comprising of 132 brine tanks and an extension of the path to the mango cutting area.

GUJRANWALA & MURIDKE

In order to expand the capacity of the existing Recipe section, we developed a new packing hall at the Gujranwala plant to accommodate more recipe packing (Langen) machines. The new section's construction is strictly in line with OHSAS and food safety standards including the following features:

- ▶ Buffer rooms for material movement to avoid direct exposure of packing hall to external environment.
- ▶ Worker's hygiene room
- ▶ Completely enclosed hall
- ▶ Comfortable work environment equipped with HVAC (heating, ventilation and air conditioning) unit.
- ▶ Emergency exit door – with 90 mins fire rating as per NFPA (National Fire Protection Association) standards.
- ▶ Insect controlling devices- electrical fly killer, air curtains and plastic strips.
- ▶ Shatterproof LED lights



Recipe line at the Gujranwala plant was also extended with the installation of a 25 gm biryani recipe sachet machine. Total capacity per month of this line will now be around 2.6M units. This would increase the production/growth of Gujranwala recipe plant by 60% in coming months.

A new Ketchup Sachet packing machine was installed at Gujranwala plant that is capable of packing 40gm/100gm sachets and the machine operates at a speed of 50 sachet per min and can be operated for longer runs.

In line with our commitment to produce quality products for our valuable customers and also to cater to increasing production needs, a new upgraded Quality Control Laboratory was set up at Gujranwala plant. The laboratory is equipped with the latest testing equipment and tools along with the addition of a separate Micro lab.

Considering the increasing export demand, a separate grinding line set-up was installed at Muridke Salt plant to cater to export orders for the Himalayan Pink Salt. This plant was fabricated and installed by in-house maintenance team.

Brands & Campaigns

KETCHUP RANGE ENHANCEMENT

To enhance Ketchup's consumption, a new TV Commercial was launched around the time of Eid-ul-Azha, to remind our customers about their favourite condiments to go with their BBQ. A 40 seconds TVC was on-aired from August to September, highlighting different moments of Consumption. To promote off-season consumption, an off-season airing was executed from January to February.

To capture Ramadan Season, Ketchup Zaroori campaign was again on-aired from March to April. In addition, a Pre-Ramadan CP adapt of Ketchup 1 kg with free Chat masala was on-aired. Furthermore, Converter activity to support the Consumer promotions on Ketchup 1 kg was also executed from January to March and from April to March.

Multiple Consumer Promotions were also provided on Ketchup 1 kg with Recipe mix Single pack in August and January. To capture the incremental consumption of Ketchup during Ramadan, a Consumer Promotion on Ketchup 1 kg with Chat masala was also provided.

A School activation was executed in 245 schools Nationwide targeting category influencers: Kids. The activity was conducted to further highlight multiple moments of Consumption and occasions.



NATIONAL PICKLES

National Pickles campaign was promoted from March to May, to highlight its tangy and delectable variety. In order to have a regional focus, Pushto and Sindhi adapts were also on-air. Also, a Consumer Promotion on Pickle 1 kg with free Garam masala was also provided. Moreover, an Outdoor campaign was executed in 8 cities for Gujranwala, Sialkot, Rawalpindi, Islamabad, Haripur, Mansehra, Abbottabad and Peshawar.



NATIONAL JAMS

Consumer Promotion was provided on Apple, Mango and Mixed 440g Jams with free Custard 50g was executed from February to March. Furthermore, a lunch box activity was conducted at 67 stores spread through 8 cities in the country.

NATIONAL DESSERTS

Consumer Promotion on Custard 300g with free Jelly 80g was executed from February to May. A Converter Activity ran along side, capturing the buying cycle of March-April in 81 stores across 6 cities. For the first time around, a Consumer Promotion on Traditional Desserts, Kheer Mix and Sheer Khurma, was offered in April and May.



NATIONAL SALT

Salt plays an essential but largely unrecognized role in binding the flavors of a dish together and giving it a delicious taste of its own. Building on this key factor, we picked up ordinary moments from our lives that go by unrecognized but in retrospect lend an endearing familiarity to our day to day routine. A new TVC campaign was launched around three such insightful moments; a lazy Sunday when the women of the house are enjoying the blissful afternoon by reminiscing over old albums; an evening when a couple enjoys rain together, and taking one back to their childhood, when every kid is indulged in treats by their dotting grandmother. This all came together to highlight the role of National Salt in adding taste to food and moments that would otherwise be tasteless without Salt.

NATIONAL RECIPE MIX

To create an emotional connect of the brand with the consumers and to increase the consumption National Recipe mix was on-aired throughout the year with our Thematic and Functional TVCs. To help gain market share at Top end retail, Instore Promoter drives were launched across Pakistan with a special promotion on Recipe Mixes and Plain Spices. Also in season, cluster market activation was conducted in Karachi with a special promotion of 2+1 on recipes. Furthermore, to generate sales we launched our Twin Fun campaign in which consumer is getting our rice and curry recipes together in a single pack with the discount. Another delicious consumer promotion was conducted in which we gave Rs. 25 discount on the purchase of our recipe packs to drive off-season consumption. This allowed us to generate significant growth in traditionally off-season months, propelling Recipe Mixes to double digit growth.



Our Supply Chain

LTP - Long Term Planning tool was developed to convert complex data into simplified version of capacity calculation and investments in the business to achieve measurable outcomes that add value to the company and bring efficiencies in factories in terms of machinery and facilities to execute future requirements. With new talent, available resources and support from top management, our supply planning showed commitment towards bringing in change and improvement in the existing system by implementing LTP tool in SAP.

Our Procurement team was an avid contributor to the strategic objective of “leveraging knowledge through research and experience to achieve sustainable growth”. We successfully launched the E-PO which bags several benefits; transparency, ensuring tracking and flow of responsibility; improved efficiency, reduced man hours, time and cost.

In line with the objective of the company and to provide better services to our customers, we successfully outsourced Port Qasim’s finished goods warehousing to world renowned service provider, DHL. We also introduced the Double Decker (Multi-floor) transportation concept for movement of our critical products to overcome the challenge of order fulfillment.



Technological Developments

Our main objective this year was to continue rigorous process improvements develop, collect, store and secure data and to help improve inter and intra company communication networks.

Office 365 Implementation

Under the name of **Project IGNITE**, our IT team seamlessly migrated NFL’s core communication and collaboration system from Google Apps to Microsoft O365.

O365 is a combination of communication / collaboration system and productivity apps such as Microsoft Office Apps (MS Word, Excel, PowerPoint), One Drive, Delve, Yammer, Skype for Business, and SharePoint.

Online Portal for Local & International Distributors

A web based Ordering Portal was developed to cater to the local distributors. This allowed convenience to distributors via automation, transparency, order placement, confirmation and financial information through a single window internet platform.

Similar to the local distributor’s portal, a portal for international distributors was also developed which includes complex workflow and approval system. This portal system has successfully completed its User Acceptance Testing phase (UAT) and will be rolled-out to international distributors in August 2017.



Technological *Developments*

Staff Sales - Self-service portal | Cash handling elimination with SAP integration

Our staff sales service was made even more convenient with the implementation of electronic billing. IT with support from Finance, Supply Chain and HR team, introduced “Automated Staff Sales”. This automated staff sales portal can be accessed by all employees for placing orders and paying simply online. This self-service portal comes with the following advantages:

- ▶ Saves precious time: order online with the help of just one click.
- ▶ Increased Convenience: payments to be deducted directly from salary.

Quality Assurance/Quality Control Lab Test Workflow Process

To assist our Quality Assurance and Control Department, a Lab Test Request Form was launched that includes a standard platform for internal Supply Chain users to submit sample requests via workflow. The objective was to introduce an efficient and standard process to track and monitor all requests in an organized, timely and systematic manner.

Purchase Order Automation

In order to streamline processes and policies, we developed an automated Purchase Requisition system in Phase-1 and then moved towards automation of the Purchase Order in Phase 2. This has significantly reduced the use of paper and improved the efficiency of the procurement process.

Total PR raised after Go-Live of this project = 8400+



Innovations, Research & Development

2017 has been a dynamic year of change and numerous product launch initiatives for our Research & Development team.

R&D was formerly a functional part of the Quality, Research and Development team at National Foods but in order to give greater focus and visibility, we restructured the functions and split the former department of Quality Research & Development into Innovations, Research and Development, (IRD).

The purpose of the IRD team is to align itself with its four major customers within the business; **Innovation for the Strategic Group, Local Markets, International Markets and Supply Chain** such that it can serve these customers in a much more focused way. The journey of change has begun and the evidence of the launches from the department over the last year is a positive manifestation of the changes made but there is still room for improvement in our overall R&D processes, building capacity and capability to meet the demands of the company's future strategic growth.

Keeping in view the market trends, we launched the following quality products in this fiscal year:



New Products

CLASSIC MAYO

Thick and creamy Classic Mayo was launched in 200 ml and 500 ml SKUs, attractive packaging to enhance the taste of meals and snacks from ordinary to extra ordinary with additional benefit of Vitamin A & naturally existing Omega 3 & 6 which makes the great tasting product healthy as well.

The product is deliciously thick and creamy with real eggs and multiple nutritional benefits. We ran different taste trial sessions at small and large scales and product was widely accepted. The product has been extensively tested in the laboratories for Food Safety and Hygiene and we look forward to its success in the market.



REGULAR JAMS: BLACKCURRANT & PINEAPPLE JAM

Two new delicious jams were developed and launched to enhance the portfolio of our existing jams range. Successful launch events were also held by marketing team to introduce the category as a superior product produced from the finest fruit pulp and juice.



New Products

DIET JAMS: APPLE JAM & ORANGE MARMALADE

With the trend of healthy eating emerging and more customers looking for lower calorie products, we captured this as an opportunity, and introduced two new variants in the new Diet Jams range to satisfy consumer needs and to increase market share in the Jams category.



CHATPATTI BOMBAY BIRYANI

The market for recipe mixes continue to grow exponentially and to give further variety to our customers and increase market share, a new addition in Biryani range with a different profile was introduced in Karachi.



LAUNCH OF 3 NEW PICKLES

New product development is a core function of IRD department and to enhance our business, three new exciting variants namely: Kasundi Pickle, Karela Pickle and Spicy Mixed Pickle were introduced in the local market. Keeping "Customer First" in mind, these new variants were launched in two different SKUs giving more variety to consumers to choose from.



Along with a superior taste, aroma and quality, Karela pickle also offers nutritional and health benefits for the diabetic patients.

Line Extensions

PLAIN SPICES & RECIPES LUPS:

To increase penetration of plain spices and recipe mixes in rural and semi-urban areas, low unit price SKUs were launched leading to incremental sales and enhanced customer acquisition. Variants are as follows:

Plain Spices

- ▶ Red Chilli Powder
- ▶ Coriander Powder
- ▶ Turmeric Powder



Recipe Mixes

- ▶ Biryani Masala
- ▶ Bombay Biryani
- ▶ Quorma Masala
- ▶ Achar Gosht Masala
- ▶ Murghi Masala
- ▶ Karahi Gosht Masala
- ▶ Curry Masala



TWIN FUN PACKS AND DOUBLE PACKS

Twin fun was a new SKU format introduced, consisting of two different variants of single pack in one double pack so consumers could prepare their desired recipes with consistent taste, aroma, convenience and with an added economic benefit.

Four twin fun SKUs and four double pack SKUs of recipe mixes were launched this year.



Line Extensions

KETCHUP RANGE ENHANCEMENT

New SKUs of Ketchup were launched to increase shelf share and market penetration of Ketchup range.

Variants are as follow:

- ▶ Hot and Spicy Ketchup – 10 grams
- ▶ Tomato Ketchup – 40 grams
- ▶ Chilli Garlic Sauce – 40 grams
- ▶ Tomato Ketchup – 725 grams
- ▶ Chilli Garlic Sauce – 725 grams



CHINESE SAUCES were introduced in the PET format rather than in glass bottles this year from our new PET filling line from Italy. These popular Sauces were combined into a Trio Pack to serve value and convenience to our consumers who loved our new bottle designs.

Gross Profit Improvement / Value Engineering

INITIATIVE IN CATEGORY

To improve product margins, we took the self-initiative to improve GP%'s of the category which includes Custard range.

This was achieved after conducting lengthy and extensive taste trials activities without compromising on the overall quality, taste and other product attributes. This also proved to be an additional source of revenue.



Product Improvements

OPTIMISATION OF MANGO CHILLI SAUCE

Texture and consistency of one of our products - Mango Chilli Sauce was improved by exploring and introducing more stable thickening agents. With this modification, not only was the taste and texture of the product improved but the shelf life also increased from 12 to 16 months.

Process Improvements

PICKLE PLANT MODERNISATION

This year we carried out detailed investigation to identify gaps present in current pickle plant and identified and implemented various innovations, process changes, simplifications and techniques along with modernized equipment, which when incorporated, would give potential benefits in terms of:

- ▶ Productivity and product margin improvements
- ▶ Better product quality
- ▶ Reduced manpower requirements
- ▶ Improved food safety
- ▶ Less product waste



Health Safety & *Environment*

HSE SAFETY FIRST APPLICATION | AUTOMATED INCIDENT REPORTING

To enhance the organization's safety culture and to ensure identification and reporting of incidents, we implemented our first online **Incident Reporting System** by the name of "Safety First". This system has not only formalized the process of identifying and reporting near misses but also documents and helps generate safety records for better risk analysis.

From a health and safety perspective, reporting hazards, incidents and injuries is a matter of prevention. The idea is to prevent accidents from happening in the first place. If one has already occurred, then the goal is to prevent it from occurring again. If a health and safety program has missed the identification of a hazard, then it could be "caught" by analyzing "near miss" reports. If "near miss" reports are not made, the only other indication that a hazard exists in the workplace is that a worker has suffered an injury or illness.



TRAININGS

Pursuant to NFL's ambition of ensuring Work Place Safety and embedding Health Safety & Environment (HSE) as an essential part of its existence and operations, we collaborated with MNBEC (Management & Business Excellence Consultancy) to conduct a comprehensive HSE training for a group of cross-functional participants representing different cadres and domains. Each participant was also identified as a System Owner for a dedicated area with respect to HSE Implementation through performing thorough Risk Assessment Procedures and Activity Tracking Plans and establishing clear targets, deliverables and Standard Operating Procedures (SOP) for their identified areas, where necessary.

The interactive HSE training that took place over a span of 5 days at our SITE Plant covered a list of significant topics including: **Occupational Environment, Contingency Planning, Machinery, Electrical Safety, Hazardous Work and Substances, Waste Management, Documentation and Trainings.**

Quality *Assurance*

HALAL CERTIFICATION AT GUJRANWALA PLANT

All our raw, packaging materials & finished products are HALAL and are audited & certified by an independent certification body called, "Islamic Food and Nutrition Council of America", IFANCA. This year we extended the HALAL certification scope & covered Gujranwala Plant as well.

RE-CERTIFICATION OF ISO 22000 FSMS AT PASTE PLANT

Our Paste Plant at SITE unit is ISO 22000 Food Safety Management System certified & this year re-certification of ISO 22000 of Paste Plant was successfully conducted without any non-conformance raised by the external auditor.



International Division

The central focus for FY 17 revolved around demand generation in pre-defined focus markets i.e. USA, UK, UAE and Saudi Arabia. These markets were selected based on the opportunities and market potential evident in these countries. Multiple initiatives were taken to achieve sustainable growth through **brand fortification, product availability drives and innovations.**

Similarly, the focused approach was also applied to certain categories like Recipes, Pickles and Sauces which were promoted throughout the year on various mediums including TV, Digital, on ground activities, Trade Visibility drives and more.

During the year, the business faced many challenges including global economy slowdown due to decline in oil prices adversely impacting GCC countries, economical uncertainties due to BREXIT impacting exchange rates, hence resulting in stock movement and off-take issues. However, despite these challenges, National Foods responded with counter measures to keep the business in a growth mode and minimize impact of these external factors on the performance.

International researches were conducted to gain a better understanding of the consumer in focus countries i.e. USA and Saudi Arabia. Home usage research studies were also carried out to test certain products against competition in selective markets. The company applied the research results, along with other market insights, to counter off-take challenges by targeting the customer with the right product and strategy.



International Business Expansion

FY 17 continued to be a fruitful and an insightful year for the international business, where distribution gaps were identified and necessary re-alignments were made to streamline the business model.

Certain gaps were identified in Vancouver, as the distributor was not performing to the optimal level, and various potential opportunities remained untapped in the market. As a counter measure, a new distributor was appointed, and the market was re-activated after the transition phase. With the corrections in place, the business is expected to grow at an accelerated rate.

In addition, certain realignments were made in Australia and other regions to handle availability and off take issues. Indian market was activated, after resolving certain regulatory barriers and expanding distribution coverage in Mumbai and surrounding areas. New distributors were appointed in Somalia, Iraq and Jordan, thereby further penetrating the global market.

Process Improvements

This year, we took various initiatives to streamline international shipments, so that orders could be timely and precisely delivered.

To meet the growing capacity requirements for the international business manufacturing operations at National Foods are being re-aligned. Previously, a dedicated packaging unit was set up for exports only. This year, finished goods warehousing, logistics and mixing processes have also been separated to specifically cater to the international business.

Other initiatives include development of alternate suppliers for third party projects to further meet growing global market needs.



National for all Nationals

We launched our first ever 360-degree campaign, solely focused and developed for the international markets. A new direction was deployed for positioning the brand internationally i.e. "National for all Nationals" to target multiple ethnicities (Pakistani, Indian, Bengali and other nationalities interested in South Asian cuisine) who unite together to celebrate food, family and festivity.

In the new TV commercial, we portrayed our consumers from different nationalities and ethnicities, rejoicing over our food and their collective love for poetry.

The TV commercial was aired in USA and UK on highest rated Pakistani and Indian channels, including Hum TV, ARY, Geo, Star Plus, Zee TV, A Plus, Islam TV and many more. It was launched at peak Ramadan season, and was strategically placed to gain maximum coverage and visibility.



Digital Launch

With the growing pace of digital and social media viewership trends internationally, we decided to make its first move towards global digital advertising.

For the very first time, we launched a dedicated Facebook page for the international audiences, "National Foods Global". In the first phase, the page is targeting the South Asian population living in the USA market, while other regions will be targeted in the second phase. The campaign went live in USA in the fourth quarter, and consumers from different nationalities were targeted to join the National Foods international community. With a growing fan base, this page will be aggressively used to promote the brand in subsequent years.

Trial Generation

Banking on this year's central theme, trial generation was the main highlight of FY 17. Sampling activities were executed across most regions, including USA, UK, Saudi Arabia, Australia, India and other key markets.

SAMPLING

Biryani was prepared using National spices and sampled across leading outlets in UK, Saudi Arabia, India and Australia. Consumer feedback was phenomenal, and sales have been showing a promising upward trend.

RECIPE SACHET LAUNCH

National Bombay Biryani Sachet was launched in a smaller size as a free sample for trial generation purposes. The objective was to generate demand by getting competitor loyalist consumers to try our product resulting in purchase intention. The free sachet was shrink wrapped and cross promoted with Pickles, and was also distributed in loose form by promoters in various activations. Similarly, the sachet was also launched in KSA, and distributed in in-store promotional activities.

CONSUMER OFFERS

Aggressive consumer promotions, including participation in mainstream stores flyers, and other attractive offers were implemented, and instore activities were executed to promote these offers and increase awareness of the National brand.



Exhibitions

We successfully engaged visitors at the Gulfood exhibition in Dubai by offering a new exciting surprise this year. In line with this year's objective of trial generation, the theme for Gulfood 2017 was to aggressively sample star products in the National portfolio, including Bombay Biryani, Sindhi Biryani, Pulao, Haleem Masala, Pickles, Sauces and many more. A new exciting menu was revealed every day, and the visitors were invited to enjoy our delicious flavours. The sampling activity managed to pull a huge crowd towards our stand.

In addition, the exhibition served as an opportunity to meet existing customers from different regions and explore potential new business opportunities.



Synergies through Acquisition

We at National Foods have always believed in exploring new markets, expanding customer base, and employing the latest technology with respect to products, processes and people.

In line with this zest and belief, our Canadian subsidiary, National Epicure Inc. (NEI) acquired controlling interests in, "A-1 Bags & Supplies Inc.", a leading restaurant supplier based in Canada. NEI acquired 60% controlling stake in the Company and nominated 2 out of 3 directors on the Board of Directors of the Acquiree.

The acquired business contributed revenues of **Rs. 1,727.6 million** and net profit of **Rs. 48.2 million** to the Group in FY 17.

Leveraging the growth potential of this synergy, we have already made headway by expanding the current store of A-1 Cash and Carry by adding another **50,000 sq. ft.** to the existing covered area. Moreover, we will be opening another store in London, Ontario, to enhance our outreach and presence. Another new location is currently undergoing feasibility and will be announced soon to all stakeholders.

Having a mutual customer base, this partnership offers tremendous opportunities of business synergy as together with A-1, we will leverage the current distribution and cash & carry channels to expand into the North American markets. We believe in the same power of unity and are optimistic that together with the team of A-1 Bags and Supplies, we will be able achieve our **Vision 2020** of becoming a **Rs. 50 billion** Company. We are positively certain that these synergies of talent, processes and technology will drive us towards a brighter and more promising future.



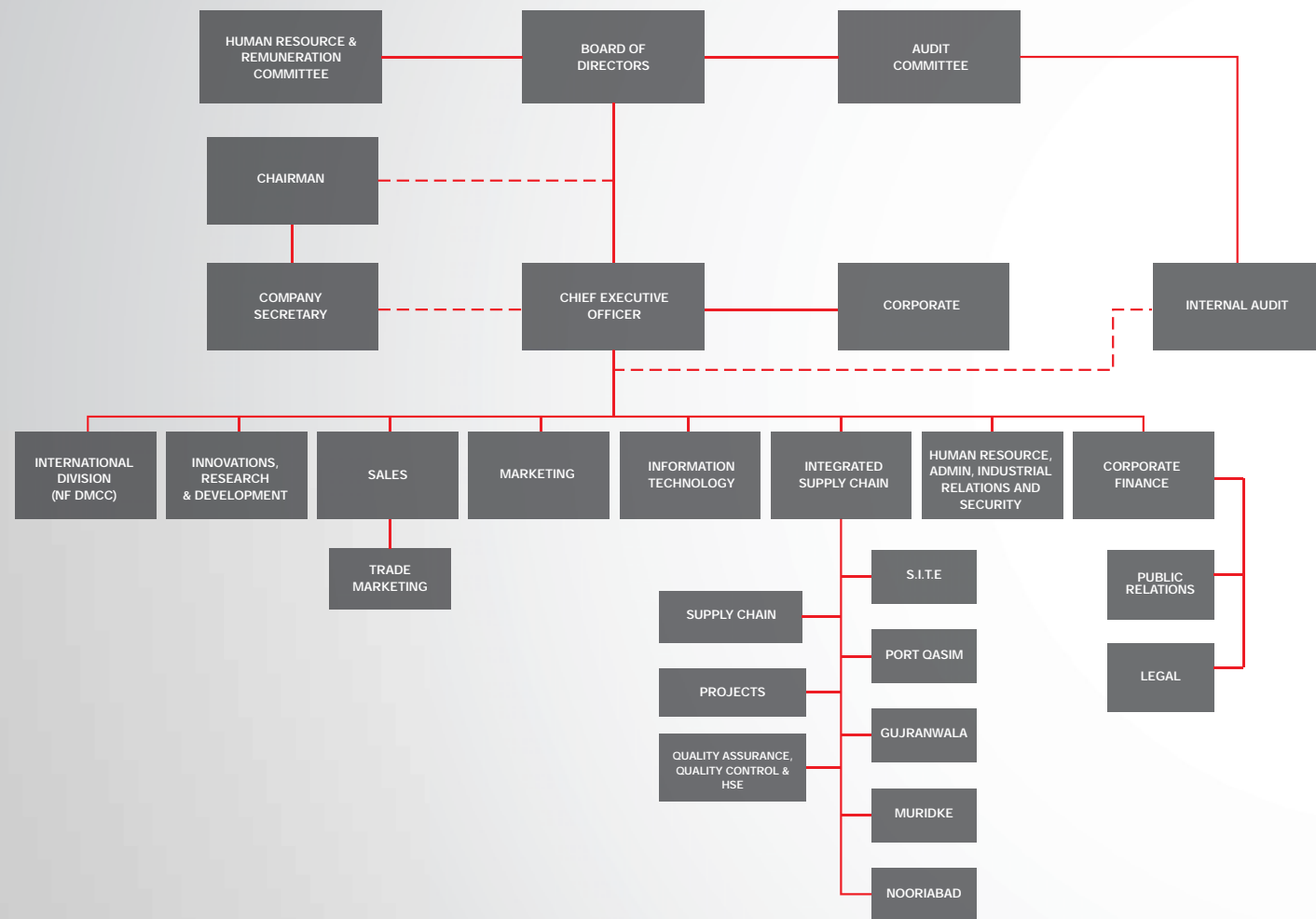
(From the left: Mr. Amjad Pervaiz, President A-1 Bags & Supplies Inc., shaking hands with Mr. Zahid Majeed, Director National Foods Limited.)

A-1 Bags and Supplies Inc., is a company with a top line exceeding CAD 40 million, operating a 100,000 square feet cash & carry facility since 1998 and is led by Mr. Amjad Pervaiz, President and Chief Executive Officer. They also have an extensive range of over 6000 products that caters to the needs of restaurants, retailers and industrial customers within the Greater Toronto Area (the most populous metropolitan area of Canada).

Synergies through Acquisition



Organizational Structure



Company *Information*

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

DIRECTOR CORPORATE FINANCE

Mr. Syed Farhan Ali Rizvi

COMPANY SECRETARY

Mr. Fazal ur Rehman Hajano

HEAD OF INTERNAL AUDIT AND SECRETARY AUDIT COMMITTEE

Mr. Shahid Hussain

INTERNAL AUDITORS

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

COMPANY MANAGEMENT

Mr. Abrar Hasan	Chief Executive Officer
Mr. Kamal Baig	Chief Executive NF DMCC
Mr. Syed Farhan Ali Rizvi	Director Corporate Finance
Ms. Saira A. Khan	Director - HR, Admin, IR & Security
Mr. Shakaib Arif	Director Integrated Supply Chain
Mr. Hasan Sarwat	Director Sales
Mr. Abrar Ahmad Khan	Director Marketing
Mr. Syed Zeeshan Ali	Head of Information Technology

AUDITORS

Messrs. KPMG Taseer Hadi & Co. Chartered Accountants	Shaikh Sultan Trust Building No. 2 Beaumont Road, Karachi
---	--

SHARE REGISTRATION OFFICE

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

COMPANY MANAGEMENT

Bank Al Habib Limited Bank Alfalah Limited (Islamic Banking Group) National Bank of Pakistan Habib Bank Limited Habib Metropolitan Bank Limited MCB Bank Limited	Meezan Bank Limited United Bank Limited Habib Bank AG Zurich MCB Dubai Toronto Dominion Canada Trust Bank Bank of Montreal Business Development Bank of Canada
--	--

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.
Phone: 021-3257-7707 – 10, Fax: 021-3257-2217
Email Address: info@nfoods.com

PORT QASIM PLANT

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

MURIDKE PLANT

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

GUJRANWALA PLANT

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

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

Calendar of *Events*



NFL launches its new Ketchup TVC
NFL launches
National Ka Pakistan, Season 4



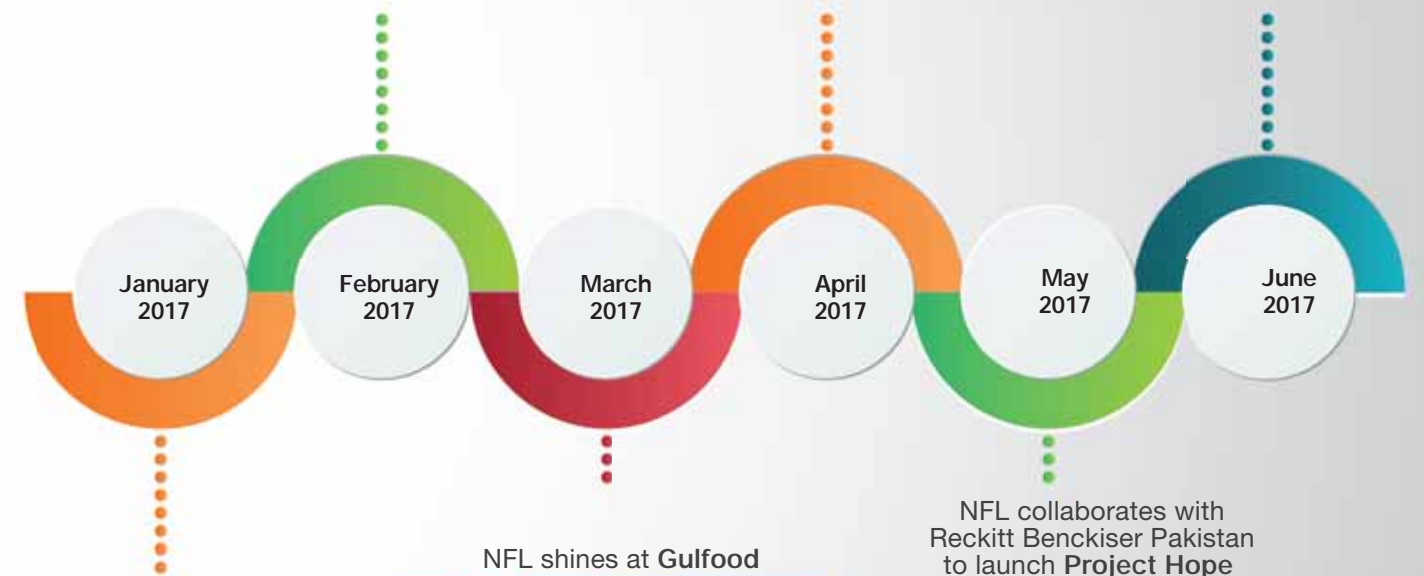
NFL acquires 60%
controlling interest in
A-1 Bags and
Supplies Inc., Canada



Launch of automated staff sales
NFL celebrates Earth Day



Titan Cut, automated
mango cutting line



Launch of new Salt Campaign
Joray Rakhe Sab Hee Zaiqay



NFL participates at
Karachi Eat Festival



NFL shines at Gulfood



NFL collaborates with
Reckitt Benckiser Pakistan
to launch Project Hope

Introducing the paperless system
by launching the e-PO
NFL introduces its 1st e-newsletter

NFL collaborates with
Karachi Chefs at Home

NFL launches its
1st 360 degree campaign for
International Markets



CEO's *Message*

Dear All,

Reflecting on the year 2017, National Foods, despite a challenging year, made positive strides towards strengthening itself both in terms of growth and commitment. The report retains the theme of “Share Food, Share Love”, as this emphatically manifests our intentions, ethics, strategy and future.

We are very proud to share that the journey in 2017 was about soaring to new growth trajectories. Our topline for the year stood at PKR 23 billion versus PKR 19 billion for last year. We grew organically as we sharpened our focus on enhancing the food division by successfully launching Mayonnaise in the market. We also continued to meet changing taste preferences by offering new products like diet jams that appeal to health-conscious consumers, hence unlocking new opportunities for our topline growth. Our very popular recipe mixes were also enhanced, with the addition of Chatpatti Bombay Biryani, which became a hit instantly. Besides enhancing our organic topline, we realized the strategic importance of investing in businesses which not only offer a larger customer base, but also greater distribution channels which creates synergy and enhances the entire supply value chain. With this realization, our major milestone of the year was the acquisition of 60% interest in A-1 Bags and Supplies Inc., through our Canadian subsidiary, National Epicure Inc. Leveraging the growth potential of this synergy, we have already made headway by expanding the current store of A-1 Cash and Carry to add another 50,000 sq. ft. to the existing covered area.

The year witnessed robust technological improvements in systems, processes and machinery, as our teams continued to reap the benefits of automation. Our system switch to Office 365 was a big win as our IT team impeccably migrated our core communication and collaboration system from Google Apps to Microsoft Office 365. While our online systems switched to the latest and the most efficient, our plant machineries also witnessed great improvements. The introduction of the “Titan Cut”, an automated mango cutting line assembled in-house by our team, was a tremendous addition, as it doubles the production rate and reduces power consumption significantly.

CEO's *Message*

Keeping up with the challenges of a growing business and an extremely competitive market, we are growing our core operations as well. Our focus throughout the year was emphasized on building competencies, skills set, and in ensuring a constant learning environment. Focus on performance was accentuated through an interactive Town Hall session with the entire Company. The Town Hall session also provided a great opportunity to connect with the employees on a one on one basis, allowing improved communication, motivation and transparency. From holding ourselves accountable to the highest standards of excellence, to speaking with truth, and owning responsibility, our people displayed great commitment and moral values. With our consistent endeavor to streamline our processes to global best practices, we also ensured utmost importance and attention towards our people's health and safety. Our HSE teams enhanced the Company's safety culture by implementing an online Incident Reporting System by the name of "Safety First". This system not only formalizes the process of identifying and reporting near misses but also helps document and generate safety records for better risk analysis.

National Foods has always maintained a strong focus on its impact beyond sales and numbers. As a socially responsible Company, we continue to engage with and serve our communities, aiming to add value to lives and livelihoods with initiatives in health, education, and community development. We are proud to share that this year, our oldest initiative, "Aagahi Adult Literacy", was featured as part of UNESCO's Litbase, which is a collection of global literacy partners, who are recognized for their best practices and innovation. Till date 53,735 learners across 43 cities of Pakistan have benefitted from this literacy program. We also collaborated with Reckitt Benckiser Pakistan on a joint effort to lead a sustainable community initiative which will advocate healthy living and eating in villages by offering inhabitants cost effective solutions with the help of trained rural women. We also successfully completed our three years long support to Aga Khan University Hospital for setting up a new Pediatric Intensive Care Unit (PICU) for children, which was inaugurated during the year. The 5,500 square foot, eight-bed facility is specially designed to treat children fighting life-threatening diseases.

We're facing a challenging landscape that is continually being disrupted, as old players are dislodged and new entrants emerge. And the only way we will continue succeeding is by forging even stronger relationships, collaborating even more closely with our partners.

As we continue to build upon the legacy of what is one of Pakistan's leading companies today, I, along with my colleagues, look forward to another year of exciting opportunities at National Foods as we strive to create greater value, in every sense of the word.

Looking forward to another remarkable year!

Abrar Hasan
CEO



Directors' Profile



MR. ABDUL MAJEED
Chairman

Mr. Abdul Majeed is Co-Founder, Director and Chairman of National Foods Limited (NFL) and Associated Textile Consultants (Pvt.) Limited (ATC).

As a key leader in NFL, Mr. Abdul Majeed's experiences have been diverse from the very beginning, adding depth and insight to the culture of the company. After graduating from the F.C. College (a Chartered University), Lahore with a B.Sc. in Physics and Mathematics, he was selected by the British Council for Higher Studies in Textile Engineering. Later on, Mr. Abdul Majeed also completed B.Sc. (Honors) in Technology from Manchester University in 1959.

Today, in addition to playing a vital role in the establishment of NFL as a leading multi-category food company in Pakistan, Mr. Abdul Majeed is also heading Nazaria-e-Pakistan Trust, Sindh and Textile Institute of Pakistan as the Chairman and Chancellor respectively. He is also a Member of the Board of Governors of National Textile University, Faisalabad and has also previously served as a Member of the Federal Textile Board and the Engineering Development Board of the Government of Pakistan.

With a keen interest in continuous innovation, Mr. Abdul Majeed's contribution has been pivotal in leading the Research & Development team at NFL. He has also been an active member of the Rotary District 3270 in different capacities besides his engagement in other social forums. Moreover, he is also the Vice President Alumni Association of F.C. College, Lahore, former Board Member of Pakistan Institute of Management and the Society for the Promotion of Arabic, Karachi.

He is a life member of the Arts Council, Karachi and a professional member of World Future Society, Bethesda, USA, along with being a member of the International Geosynthetic Society, USA. Recently, Mr. Abdul Majeed was also appointed Chancellor of Textile Institute of Pakistan for the second time.



MR. ABRAR HASAN
Chief Executive Officer

Mr. Abrar Hasan has been with National Foods Limited since 1993, where he was later appointed as Chief Executive by the Board of Directors in the year 2000. Under his inspirational leadership and proficient operations management skills, NFL has transformed from a simple recipe producer to a multi-category food company. Prior to his joining NFL, Mr. Abrar Hasan was Plant Director at Precision Rubber Products Limited, where he was responsible for overseeing production and manufacturing management.

Mr. Abrar Hasan with his extensive experience and in-depth knowledge has set examples and inspired the NFL team to embrace new technology, discover upcoming marketing trends and invest in human resource development company wide. He is truly the driving force behind his team of skilled professionals at NFL.

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



MR. ZAHID MAJEED
Director

Mr. Zahid Majeed joined National Foods Limited in 1987 and pioneered its transformation from a small food enterprise into a leading food brand in Pakistan. Since then he has served in various capacities at NFL from heading the Corporate Marketing function to most recently establishing the International Business subsidiary, National Foods DMCC. He also introduced the concept of sustainability by establishing a Corporate Social Responsibility (CSR) platform at NFL. Mr. Zahid Majeed played a significant role in initiating a Public-Private Partnership with UNICEF to launch the first Iodized Salt in the mid 1990's under the CSR umbrella along with various other education, health and nutrition initiatives with focused efforts to address women's empowerment.

Mr. Zahid Majeed also heads the Textile, Energy, Environment Business and Investment Divisions within the Associated Textile Consultants (Pvt.) Limited (ATC).

Mr. Zahid Majeed studied Philosophy, Politics and Economics at Magdalen College, Oxford University and later acquired a Master's Degree in Textile Technology at University of New South Wales, Australia. Mr. Zahid Majeed also qualified for the Certificate in Company Direction from the Institute of Directors (IoD), London, an International Certification that proves his commitment to the highest standards of Corporate Governance.



MRS. NOREEN HASAN
Director

Mrs. Noreen Hasan graduated in 1991 after completing her Bachelor's Degree with HONS in "Medieval and Modern World History" from the University of Birmingham, UK during which she was awarded for her dissertation on "The Guatemalan Crisis of 1956 and Anglo American Relations."

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

Directors' Profile



MR. EBRAHIM QASSIM
Director

Mr. Ebrahim Qassim joined the Board of Directors of National Foods Limited in 2000. He served at a British Pharmaceutical Company in Pakistan for 3 years in different capacities and eventually was assigned as a Country Manager. Later Mr. Ebrahim Qassim set up his own distribution business by the name of Premier Distributors in 1971, which has become a well-established network throughout Pakistan.

He has also served as a member of the Board of Directors of the Karachi Stock Exchange in the year 2000. Presently, he is on the Board of Directors of English Biscuit Manufacturers (Pvt.) Ltd, Coronet Foods (Pvt.) Limited and is also the Chairman of Shield Corporation Limited.

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



MRS. SAADIA NAVEED
Director

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

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

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

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

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



MR. EHSAN ALI MALIK
Director

Ehsan Malik is the Chief Executive Officer of Pakistan Business Council (PBC), a research based business advocacy body representing the leading businesses in Pakistan, including 24 multinational companies from 12 countries. PBC's objective is to lobby for the transformation of policies and operating environment to achieve sustainable growth, employment and exports.

Prior to joining PBC in January 2016, Ehsan was the Chief Executive Officer of Unilever Pakistan for nine years, a period in which the business quadrupled in size. In a 24 years career with Unilever, Ehsan served as CEO of Unilever Sri Lanka, led the consolidation of Unilever's regional businesses in Egypt, Lebanon, Jordan and Syria and spent several years in the head office in the UK. Before joining Unilever in 1991, Ehsan worked for a Pakistani conglomerate with interests in media, pharmaceuticals, hotels, tractor assembly and oil lubricants in partnership with Wyeth Laboratories, Intercontinental Hotel Corporation, Ford and Gulf Oil.

Ehsan is Member of the Board of Directors of Abbott Laboratories Pakistan Limited, IGI Life Insurance Limited, Gul Ahmed Textiles Limited and International Industries Limited.

A Fellow of the Institute of Chartered Accountants of England and Wales, Ehsan is an alumni of the Wharton and Harvard Business Schools.



Board *Committees*

AUDIT COMMITTEE

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

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

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

Corporate *Governance*

PERFORMANCE EVALUATION OF THE BOARD

The Board of Directors' performance was evaluated by providing all members of the Board with an Evaluation Questionnaire to assess the performance of Board. The members of the Board were required to fill an online questionnaire. The evaluation was done on the basis of the effectiveness of the Board's performance.

CEO PERFORMANCE REVIEW

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

ROLE OF CHAIRMAN

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

ROLE OF CHIEF EXECUTIVE OFFICER

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



From left to right

Mr. Hasan Sarwat
Director Sales

Ms. Saira A. Khan
Director - HR, Admin,
IR & Security

Mr. Abrar Ahmad Khan
Director Marketing

Mr. Kamal Baig
Chief Executive NF DMCC

Mr. Syed Zeeshan Ali
Head of Information
Technology

Mr. Abrar Hasan
Chief Executive Officer

Mr. Shakaib Arif
Director Integrated
Supply Chain

Mr. Syed Farhan Ali Rizvi
Director Corporate Finance

Sustainability

The concept and efforts of improving well-being and serving the communities for National Foods goes back to the 1970's and have been consistent ever since. Our Founders' Philosophy also succinctly manifests our belief in sharing prosperity with all our stakeholders, be it consumers, suppliers, our employees and society at large. Sustainability at NFL covers our extensive initiatives where we empower the marginalized, create awareness on healthy lifestyles and establish networks that help in enhancing social and economic wellbeing.

Corporate Social Responsibility

ELEVATING THE LIVES OF WOMEN THROUGH AAGAHİ ADULT LITERACY PROGRAM

Aagahi Literacy Program was launched in 2005 in collaboration with The Citizens Foundation as a community development initiative. This program aims to provide basic numeracy and literacy skills to illiterate women from rural areas and urban slums around TCF Schools. To date, this program has trained 53,735 learners across 43 cities of Pakistan. A health and hygiene booklet was also made part of the curriculum and received a lot of positive feedback from the learners. This was added to help communities adopt better practices related to cleanliness, disease prevention and maintain a healthier environment.



This year Aagahi was also recognized and featured in UNESCO's Litbase, which is a collection of global literacy partners, who are recognized for their best practices and innovation. The UNESCO team also appreciated the use of ICT to capture daily learner attendance through mobile SMS.

SERVING SCHOOL-GOING CHILDREN HEALTHY MEALS THROUGH AMAN GHAR

Our collaboration with Aman Ghar goes back to 2008, when we started the program with a few 100 children. We are pleased to share that by 2017 we had supported a number of 516285 meals in 7 schools located in Khuda Ki Basti. As per assessments, these free meals have increased attendance by 15%, ensuring that children not only receive the required nutrition but also feel motivated to attend school.



Environment Protection and Energy Conservation

EARTH DAY CELEBRATION - BECAUSE WE CARE FOR MOTHER EARTH

In continuation of our pursuit to protect natural resources, especially non-renewable resources, we at NFL took various initiatives to not only conserve energy but also create awareness on why it is important and how to implement similar procedures at home. Earth day was celebrated across all locations and the focus was to use natural sunlight during the day optimally and avoid use of electricity as much as possible. The major realization after a day's activity proved that a lot of times electricity is not required when the natural light can suffice the need. All the offices enjoyed sending in pictures throughout the day showing how they were using natural daylight.

GOING PAPERLESS

We all consume paper sometimes rather thoughtlessly. Unless we have systems, which don't require us to print, it becomes difficult to restrict its use. This year we revamped our systems in a way that promoted a "paperless environment". We automated most of our procurement paper dependent systems like raising Purchase orders, and ordering staff sales. Since we introduced the "electronic Purchase Order (e-Po) system, we managed to save:



Total paper saved = 8400+ (Total reams saved = 16+)

We are excited to continue with this system and implement more such environment friendly processes, which are efficient, less costly, and sustainable.

Community Investment & Welfare Schemes

For us at National Foods, community engagement is all about collaborating with groups which help identify and improve the social and economic well-being of the people. This year we supported **Pakistan Special Olympics** by sponsoring their 2nd Unified Marathon. The Marathon took place for the first time in 2017 and there was an overwhelming response with over 1800 participants which included approximately 800 persons with disabilities.

As a staunch advocate of education, we supported the **Professional Education Foundation**, an institute which aims to alleviate poverty through professional education. This project will help sponsor students through interest free loans and zakat schemes to assist them in completing their higher education.

Patients Aid Foundation is another institute which is a platform for raising funds for medical equipment and hospitals. We supported their cause by donating generously for their annual fund raising event this year. We look forward to supporting them in the years to come to promote their cause.



SETTING UP AGA KHAN'S NEW PEDIATRIC WARD

Serving the community involves setting up platforms or creating channels through which more and more people can gain access to basic health facilities. We completed our three years donation to Aga Khan University Hospital for setting up a new Pediatric Intensive Care Unit (PICU) which was inaugurated at the Aga Khan University Hospital this year. The 5,500 sq. ft. eight-bed facility is specially designed to treat children fighting life-threatening diseases. Over the past five years, the Hospital has noticed a three-fold increase in children requiring intensive care. The new PICU enables the Hospital to meet this increase in demand of intensive care facilities for children.



SUPPORTING 3 BAHADUR – THE REVENGE OF BABA BALAM

In support of Sharmeen Chinoy's latest movie, 3 Bahadur - The Revenge of Baba Balam, National Foods sponsored a show to support the local thriving film industry. The initiative was more than welcomed when we invited over 300 students from the Justuju School, a private school situated in Azam Basti catering to underprivileged children. These children were overwhelmed with excitement as for most of them, it was their first time watching a movie in a cinema.

Consumer *Protection Measures*

SCALING UP OUR CHILLI CENTER

Under the umbrella of sustainability, our initiatives to support quality improvement and enhanced production of red chillies in Kunri continues rigorously. We are the first company to increase the quality of our crop through a focused Nursery System, which helps ensure that only the healthiest and strongest seeds are hand-picked and planted in our chilli farms. This year we also invested in seed purification, which will ensure a sustainable and a better quality of the chilli.

CREATING AWARENESS OF AFLATOXINS IN COLLABORATION WITH PAKISTAN MEDICAL ASSOCIATION

The 32nd Pakistan Medical Association's Biennial Medical Conference was held in Karachi on the 17th of November 2016. The conference is held every two years and provides a knowledge sharing platform for all doctors, medical students, and all those passionate enough to make a positive difference in the health sector. This time around this conference was held with the same objective and a number of people along with health industry, pharmacies, hospitals and laboratories participated, endorsing their products and health awareness messages.

As a food company, health and hygiene is of utmost importance for us and with years of concerted effort on promoting healthy, hygienic food, we decided to create awareness for the public on the existence of Aflatoxins and the harmful effects it can have on human health.

We invited Dr. Shakeel Ahmed from Pakistan Medical Association to present our story of Aflatoxins and its detrimental impact on human body. Dr. Shakeel's presentation highlighted the following key points:

- ▶ What are Aflatoxins?
- ▶ The effects of Aflatoxins on the human body
- ▶ NFL's CSR mission to tackle the presence of Aflatoxins

The conference was a huge success for us, both in creating awareness about the topic of Aflatoxins and in highlighting NFL's CSR efforts in this regard. Participants were also handed over brief pamphlets to educate them on the existence of Aflatoxins. This conference is the first of many platforms and channels which National Foods is geared to use to go public with its Aflatoxins awareness message.

Rural *Development Programmes*

PROJECT HOPE – EMPOWERING WOMEN AND COMMUNITIES

We recently signed a Memorandum of Understanding (MoU) with Reckitt Benckiser Pakistan at our Corporate Office. The MoU was signed by Mr. Abrar Hasan, CEO National Foods Limited and Mr. Shahzeb Mahmood, CEO Reckitt Benckiser Pakistan in the presence of Chairman National Foods Limited Mr. Abdul Majeed.

As part of our Corporate Social Responsibility (CSR) agenda, this collaboration reaffirms the importance placed on the role of women as change agents in improving the life of communities. The MoU commits National Foods to launch "Project Hope" (an acronym for Giving Healthier Options through Product Innovation and Education) in the villages of Narowal and Sargodha with an intention of not only empowering rural women (termed as Sehat Apas by the Project) but also in raising awareness and practice of healthy and hygienic habits by offering the villagers, cost effective solutions. This sustainable community initiative will ensure a livelihood for these Sehat Apas and will also reinforce a healthier way of living for the communities they are working with.

This achievement has been covered by major newspapers and TV channels including: **The News, Daily Business Recorder, Daily Jehan, Daily Dunya & Daily Khabrain.**



Chairman's *Review*



As 2017 draws to a close, I am extremely pleased with the Company's performance. Despite challenging market conditions and continued depressed margins, we have been able to increase profitability through persistent and diligent efforts.

From strong performances by our businesses to value-adding innovations and initiatives undertaken by our corporate functions, I am confident that the information presented in this report will convey to you our determination to succeed in our aspiration of creating enduring value. Our customers and our stakeholders remain our top priority. In

line with our Company values, providing you with the best products and services and safeguarding your interests are some of the key drivers that propel us on our journey.

The Board performs three major roles in a company – it provides strategic direction, supervises the management and provides support & advice. Accordingly, the Board's evaluation for the year 2015-16 was conducted and overall satisfaction received was positive. As per the evaluation, most of the board members attended board meetings scheduled during the year and contributed significantly. Another point worth highlighting is the key role played by the Audit Committee in underscoring and pointing areas of improvements and suggesting practical solutions to improve controls. Keeping in mind the challenges of bringing in new talent and retaining them, our Human Resources and Remuneration Committee ('HRRC') also performed a commendable job during the year. I am hopeful that the new talent will bring greater value addition to the Company's performance and skill set.

I would like to assure that the Board is focused on enriching the returns of our shareholders and that the Company shall continue contributing towards the development of the economy particularly the food sector through sustained innovation, diversification and improvement using both organic and inorganic modes to further its growth objectives.

Finally, I acknowledge the commitment and diligence of my fellow directors during the year under review and thank our CEO and his executive team for their continued work.

A handwritten signature in black ink that reads "A. Majeed".

A. Majeed
Chairman



Directors' *Report*



Directors' Report

Fellow shareholders

The Directors of National Foods Limited are pleased to present the Annual Report along with the financial results of the Company, which include both standalone and consolidated audited financial statements, for the year ended June 30, 2017.

BUSINESS PERFORMANCE OVERVIEW

Acquisition in Canada

FY17 turned out to be a landmark year for the Company during which its subsidiary, NF DMCC, through its subsidiary in Canada, National Epicure Inc., successfully concluded the acquisition of A-1 Bags & Supplies Inc. in Canada on February 1, 2017. The acquisition is expected to provide stimulus to the growth of the Company towards the achievement of its vision. These financial results include five months performance of the acquired company.

Operating and financial performance

The financial results of the Group for the financial year are summarized below:

Amounts in PKR Million

	GROUP			CORE BUSINESS			A-1 BAGS & SUPPLIES INC.
	FY 17	FY 16	Change	FY 17	FY 16	Change	FY 17*
Net sales	16,816	13,569	24%	15,165	13,569	12%	1,651
Gross profit	5,433	4,496	21%	5,145	4,496	14%	288
as % of net sales	32.3%	33.1%	-0.8%	33.9%	33.1%	0.8%	17.4%
Operating profit	1,424	1,217	17%	1,339	1,217	10%	85
as % of net sales	8.5%	9.0%	-0.5%	8.8%	9.5%	-0.7%	5.1%
Net profit after tax	973	797	22%	925	797	16%	48
as % of net sales	5.8%	5.9%	-0.1%	6.1%	5.9%	0.2%	2.9%
Earnings per share (Rupees)	9.2	7.7		8.9	7.7		

* Results for five months period from February 1 to June 30, 2017

Net sales of the Group (including the results of recent acquisition) posted YoY growth of 24%, with volume driven increase in the Core business of 10.8%. Subdued market conditions prevailed in the local market with all major revenue driving categories showing a declining market growth trend over the last year. Despite the same, through its brand building and consumer engagement activities, the Company was able to post double-digit growth.

Gross margins of the Group have posted a decline of 80bps owing to consolidation of the new acquisition. Core business posted an improvement of 80bps on the back of favorable input prices and efficiencies in production overheads.

Net profit for the Group posted a growth of 22% YoY with core business driving growth of 16% due mainly to higher investment in brand building, outsourcing of warehouses for better quality and efficiency, stable financing costs and one off reversal of old liabilities.

Key category review

FY 17 proved to be a challenging year where volumes were driven and sustained through aggressive marketing and trade marketing activities. Activities were well planned and executed to gain volumes in general trade and LMTs.

Following activities helped sustain volumes and gain market share:

- ▶ Taking the “Ketchup Zaroori” platform forward, a new TVC for National Ketchup was developed and aired earlier this year. The key highlight of the communication was different moments of consumption. The campaign was also supported by the outdoor and digital media. Ketchup Zaroori Day celebration was carried out in eight cities, including Karachi, Lahore, Islamabad, Hyderabad, Gujranwala, Faisalabad, Multan and Sialkot.
- ▶ Recipe functional campaigns were aired throughout the year, together with a special sachet airing, to support sales during the year while also increasing brand awareness. Consumer promotions were also aired to generate incremental sales off-season.
- ▶ Special focus on LMTs was envisaged and executed keeping in mind the growing consumer flow in the LMTs. Across Pakistan, LMT activations in buying cycle resulted in gaining incremental sales through interceptions.
- ▶ The 4th Season of National Ka Pakistan was aired that generated immense popularity with our target audience, with special focus on digital for the first time.
- ▶ National Recipe Queen’s two spells were executed in Karachi that helped in increase brand awareness and generate trials in important markets in Karachi.
- ▶ National Salt ran its first TVC campaign under the tagline ‘Joray Rakhe Sab Hi Zaiqe’ after many years that had helped in enhancing the brand image and its relationship with the consumers. The feedback of the new communication was encouraging.

Directors' Report

- ▶ Converter activities were carried out for Ketchup, Pickles, Desserts and Jams to help provide support during and off season.
- ▶ This Ramadan, National Foods collaborated with a renowned Facebook group, Karachi Chefs at Home (KCH), bringing "National Flavors of Ramadan". This digital campaign helped to build brand equity of almost 60,000 women across Pakistan.
- ▶ "Chatkharon ki Chakachak" campaign for pickles was aired in the 3rd and 4th quarter. Simultaneously, a Region (Pindi) focused Outdoor campaign ran across six different cities in Pakistan.

OUR PEOPLE

As a responsible employer, NFL respects the employee's right to have a safe and healthy workplace, fair policies and procedures, freedom of opinion and expression and open dialogue with all employees. In 2017, the Company continued to work towards enhancing employee satisfaction, offering attractive and fair compensation and benefits, increasing gender diversity, enabling personal and professional development and providing opportunities for growth and to nurture future corporate leaders.

We create and appreciate sense of ownership that our employees have by ensuring to align the goals of our organization with those of our workforce. Interactive sessions are held frequently to maintain their motivational level. Smooth communication is recognized as an integral element and is therefore encouraged to facilitate smooth flow of information across the organization. This year we had departmental interactions with the CEO, to allow for improved communication and increased motivation. A Town Hall was also organized which provided the entire Company to interact with the CEO. To improve the learning mindset of the Company, efforts were made to strengthen the existing Performance Management System by encouraging feedback through a formalized process of conducting a Mid-Year Review on Success Factors along with ensuring our people receive cross-functional business exposure for learning and growth. Furthermore, 11 sessions were executed to build capacity of our sales teams on "Territory Management". We are confident that NFL will continue to live its purpose-inspired growth strategy to serve its valued customers for years to come.

CORPORATE SUSTAINABILITY

We at NFL have an unwavering commitment towards improving the life of our stakeholders, and above all, our host communities. Through the year, we contributed around Rs. 6.5 million under our Corporate Social Responsibility (CSR) program broadly under the categories of: women's empowerment, health & nutrition and education, which are our primary concerns.

Aagahi Adult Literacy Program, since a decade, is one of our pioneer CSR initiatives, which has recently been recognized by UNESCO and is featured in their global Litbase. The program has positively affected the lives 53,735 learners across 43 cities of Pakistan. As a Food Company, we believe that healthy food ensures healthy lives, hence we have been supporting Aman Ghar since 2008. This school meal program till date has given 516,285 meals in 7 schools. We also successfully completed our three-year long support to Aga Khan University Hospital for setting up a new Pediatric Intensive Care Unit (PICU) for children, which was inaugurated during the year. The 5,500-square ft. eight-bed facility is specially designed to treat children fighting life-threatening diseases.

BUSINESS ETHICS

Along with good corporate governance, ethical behavior is a fundamental part of everything that NFL does. Treating stakeholders fairly is considered as an essential part of our success and accordingly we follow a strict and unwavering code of ethics and conduct. This code is reinforced time and again in our employees through the clearly rolled out guidelines provided by the board.

PRINCIPAL RISKS AND UNCERTAINTIES

Primary business of the Company is dependent on the political and economic uncertainties prevailing in the home country and beyond, which manifests itself in favorable and unfavorable ways. Foreign debt driven development of the country poses currency fluctuation risks and threaten the competitiveness of the Company in the international market.

Being a convenience food company with agricultural produce forming major part of the inputs, uncertainties relating to supply and pricing of key raw materials for its major categories are among the major risks that the company manages through supplier development locally and through identification of alternative suppliers from the international market.

Business continuity and disaster recovery plans are in place to ensure that the Company's production and sales operations are not disrupted. The DRPs cover all business aspects with special focus on information technology and the ERP environment which spans multiple functions. Detailed responsibilities of DRP lead, steering committee and key team members are defined to ensure rapid response in the event of a business disruption.

The company's financing incorporates an appropriate mix of debt and equity to ensure optimum financial leverage and reduced cost. Further, with a fine balance of exports and imports, the company gets a natural hedging of the foreign currency fluctuation.

The company has an in-house legal and reporting team, to ensure simultaneous compliance with the corporate legal framework and the financial reporting framework applicable to the company. External legal and tax counsels are on board and consulted wherever expert advice is required.

Directors' Report

IMPACT ON ENVIRONMENT

The company is committed to environmental protection and energy conservation. There is increasing focus on improving the production technology and identifying recycling opportunities to reduce the environmental waste. Efforts were made to ensure that there was a paperless environment in the company following the launch of the electronic PO. Furthermore, with the installation of the mango cutting machine, there is observed to be less material effluent involved as compared to the earlier labor intensive mango cutting process. Plants also ensure that water is not wasted and treated water is re-used once harmful chemicals, if any, have been filtered off.

CONTRIBUTION TO THE NATIONAL EXCHEQUER

During the year, the contribution to the National Exchequer has further increased and the Company contributed over Rs. 3,686 million (2016: Rs. 3,124 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. 1,128 million (2016: Rs. 1,072 million) was also generated through export of products which further reflects our participation in the national economy.

DIVIDEND

The Board of Directors has recommended final cash dividend of Rs. 4.25 per share. Total profit distributed by way of dividend is 45% (2016: 36%)

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The managerial objective of NFL is good corporate governance and compliance with best practices. The company has adopted the Code of Corporate Governance which is part of the PSX Listing Regulations 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 therefrom has been adequately disclosed.

- ▶ The system of internal control is sound in design and has been effectively implemented and monitored. The Board has constituted an Audit Committee consisting of four members, including Chairman of the Committee. The chairman of Audit Committee is a non-executive director and the Committee regularly meets as per requirements of the Code.
- ▶ There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.
- ▶ There are no significant doubts upon the Company's ability to continue as a going concern.
- ▶ The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements.
- ▶ A statement regarding key financial data for the last six years is annexed to this report.
- ▶ The value of investments of Provident Fund based on Unaudited accounts was Rs. 268 million as at June 30, 2017.
- ▶ Attendance of meetings of the Board of Directors, Human Resource & Remuneration Committee and Audit Committee is annexed to the report.

Pattern of Shareholding

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

INTERNAL AUDITORS FUNCTION

Company's Internal Audit function is being looked after by the Head of Internal Audit, who is assisted by the Internal Auditors M/s. Ernst & Young Ford Rhodes & Co. The Head of Internal Audit reports directly to the Chairman of the Board Audit Committee.

EXTERNAL AUDITORS

The present auditors, Messrs. KPMG Taseer Hadi & Co., Chartered Accountants are retiring which makes them eligible for reappointment. On the recommendation of the Audit Committee, the Board of Directors propose the appointment of Messrs. KPMG Taseer Hadi & Co., Chartered Accountants as the auditors until the next Annual General Meeting.

FUTURE OUTLOOK

New launches

Post the year end, the Company has launched products in two new categories – Mayonnaise under its umbrella brand of National and Snacks with the brand name of "Scene On". The Company has maintained its standard of quality while capitalizing its expertise of flavors to bring to consumers high quality products.

Directors' Report

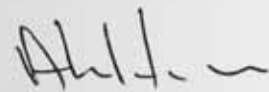
Going forward

National Foods continues to follow a focused approach to aggressively grow the business by driving volumes and reaping the benefits of high scale. The recent launches of Mayonnaise and Snacks categories in FY18 on the back drop of the recent acquisition in FY17, clearly shows the intent of the Group to stimulate growth. We are assertive that National Foods will continue to live its purpose to bring affordable and nutritious products that guarantee wholesome goodness to its consumers.

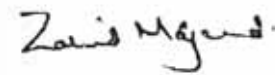
ACKNOWLEDGEMENT

The Board would like to convey its earnest gratitude to all the people involved with NFL for enabling it to flourish and deliver a constant performance over the last five years. Our people are steadfast to the welfare of the Company and have showed their potential by overcoming the numerous difficulties posed by the operating environment. We treasure their dedication and feel highly obliged.

On behalf of The Board of Directors



Chief Executive Officer



Director

Board Meetings

BOARD MEETINGS

In 2017, the Board of Directors held 8 Meetings to complete its cycle of activities. The attendance record of the Directors is as follows:

S.No.	Name	Designation	Meetings Attended
1	Mr. Abdul Majeed	Chairman	8
2	Mr. Abrar Hasan	Chief Executive Officer	8
3	Mrs. Noreen Hasan	Director	8
4	Mr. Zahid Majeed	Director	8
5	Mr. Ebrahim Qassim	Director	6
6	Mrs. Saadia Naveed	Director	3
7	Mr. Ehsan A. Malik	Director	7

AUDIT COMMITTEE MEETINGS

In 2017, the Audit Committee held 4 Meetings to complete its cycle of activities. The attendance of the Members is as follows:

S.No.	Name	Designation	Meetings Attended
1	Mr. Zahid Majeed	Chairman	4
2	Mr. Ebrahim Qassim	Member	4
3	Mrs. Saadia Naveed	Member	2
4	Mr. Ehsan A. Malik	Member	4

HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETINGS

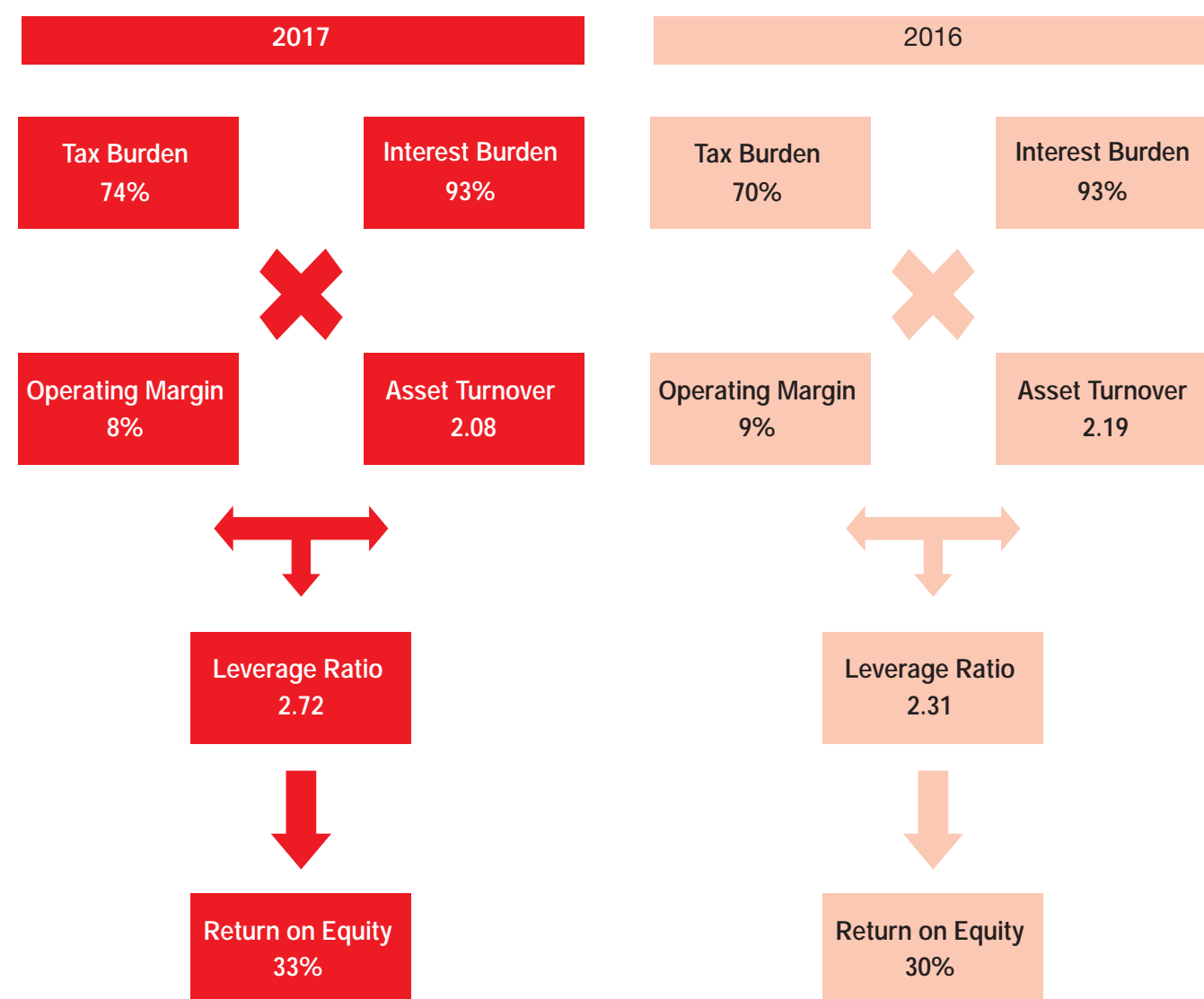
In 2017, the HRRC Committee held 3 Meetings to complete its cycle of activities. The attendance of the Members is as follows:

S.No.	Name	Designation	Meetings Attended
1	Mr. Zahid Majeed	Chairman	3
2	Mr. Ebrahim Qassim	Member	3
3	Mrs. Saadia Naveed	Member	3

Financial Review



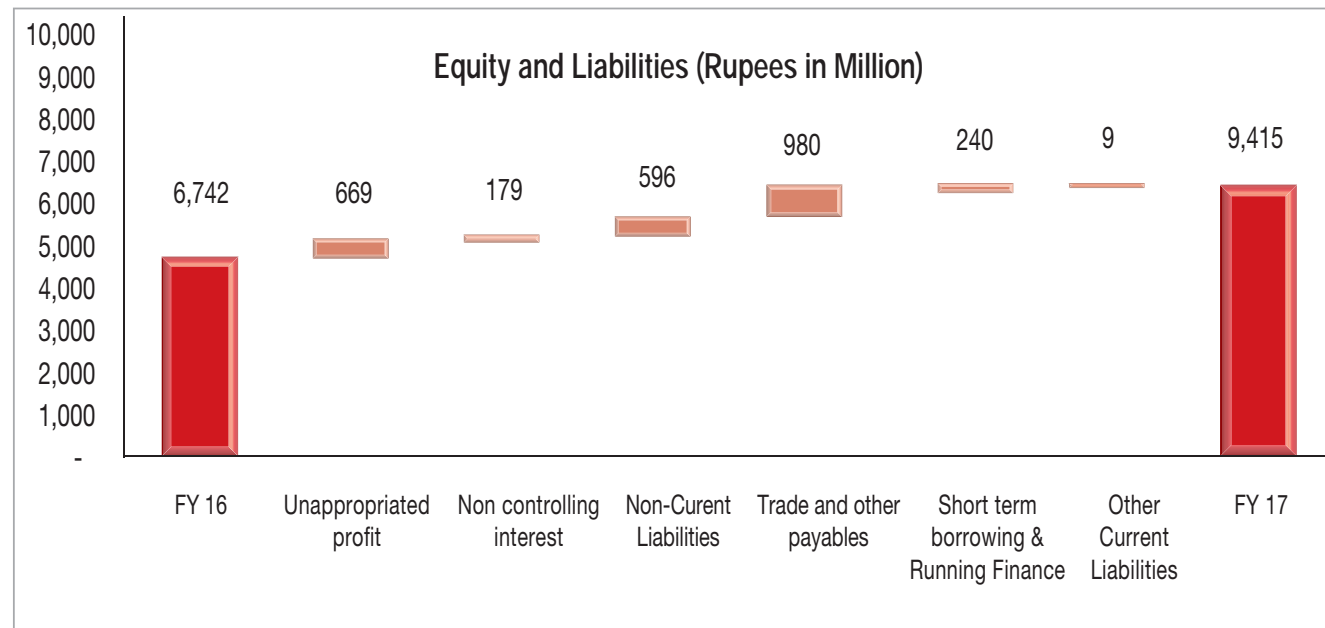
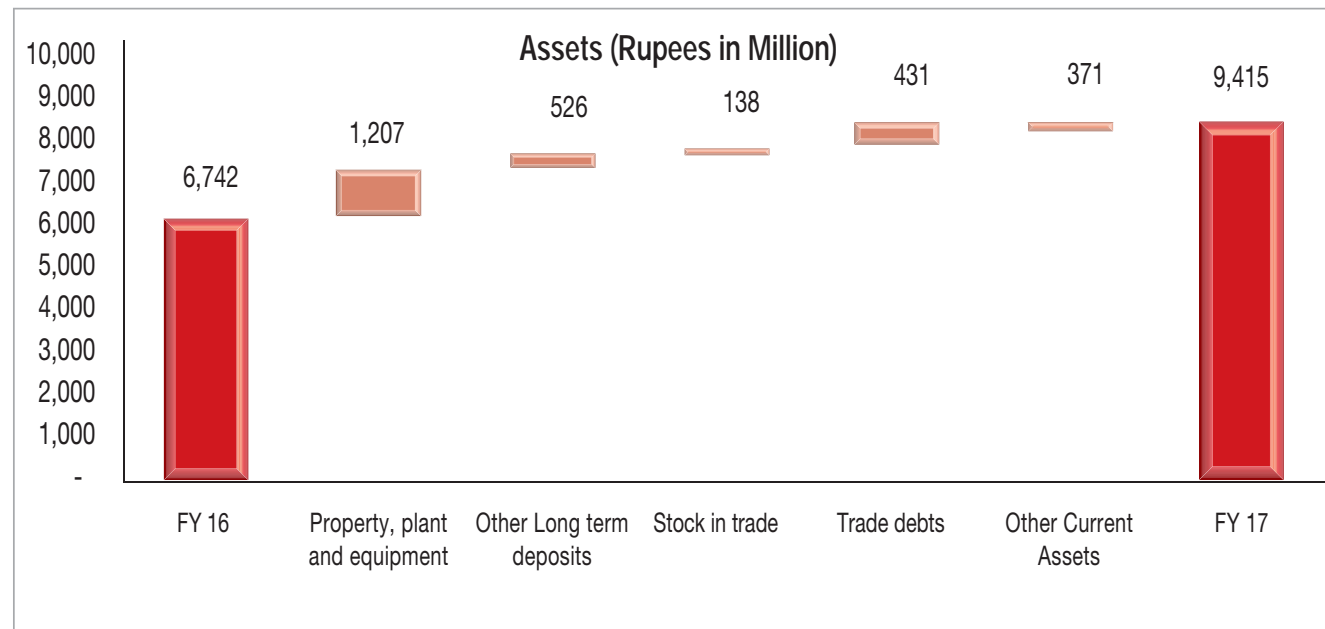
DuPont Analysis



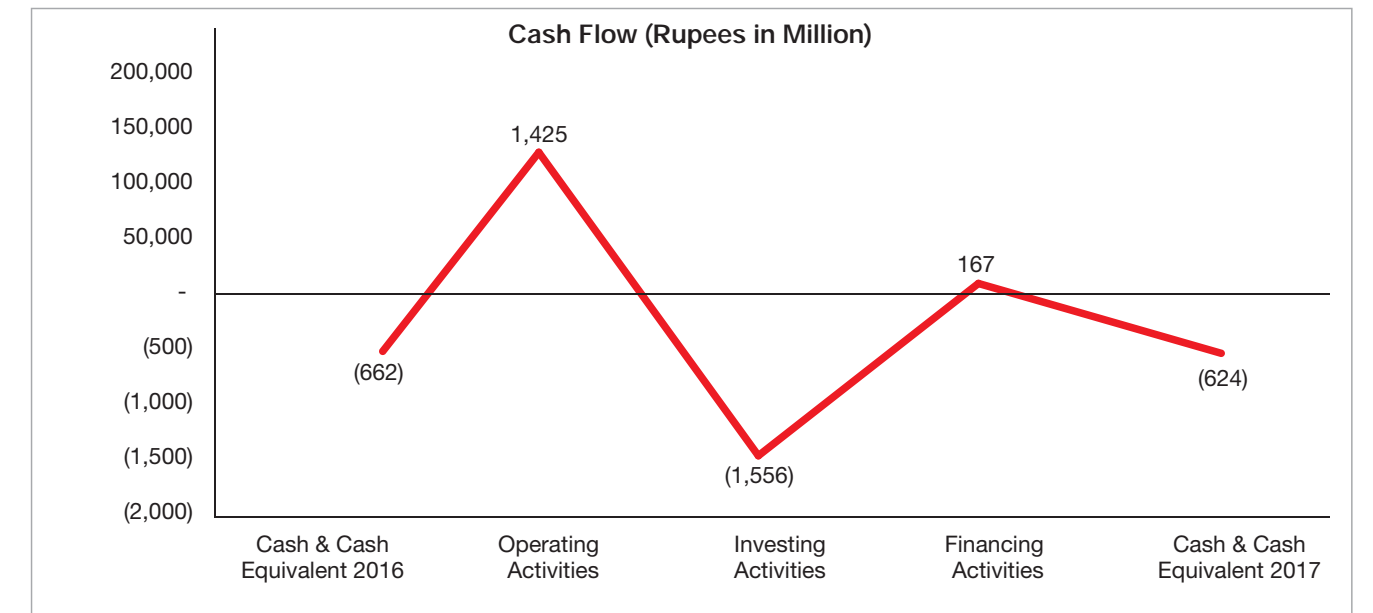
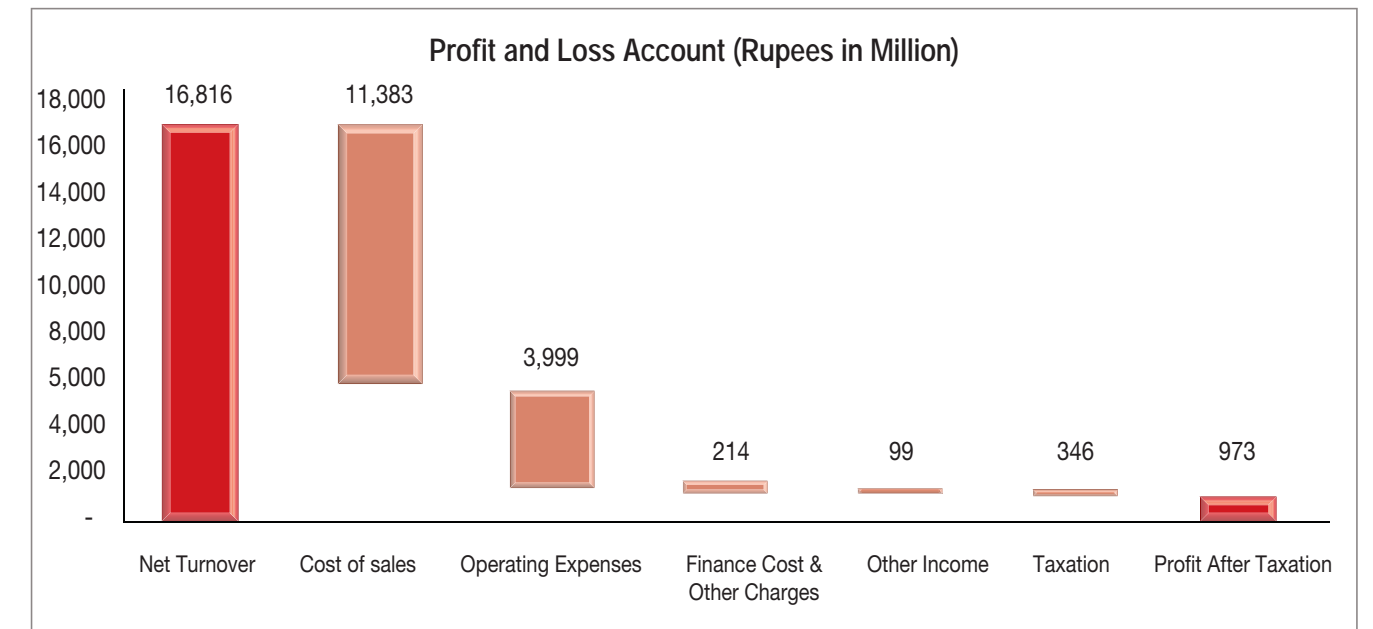
Financial Ratios

	Unit	2017	2016	2015	2014	2013	2012
Profitability Ratios							
Gross Profit Ratio	%	32.31	33.13	35.36	35.05	34.61	32.52
Operating Profit to Sales	%	8.47	8.97	12.64	11.80	12.40	12.66
Net Profit before Tax to Sales	%	7.84	8.37	12.26	10.88	11.53	11.67
Net Profit after Tax to Sales	%	5.79	5.87	8.51	7.55	7.95	8.14
EBITDA Margin to Sales	%	10.08	10.57	14.31	13.38	13.75	14.02
Operating Leverage Ratio	%	71.19	(110.39)	142.69	60.01	87.52	288.57
Return on Equity	%	32.80	29.88	39.57	37.55	44.18	50.17
Return on Capital Employed	%	42.37	43.89	55.92	54.68	63.75	67.55
Return on Assets	%	10.34	11.82	17.78	14.75	16.03	18.46
Liquidity Ratios							
Current Ratio	Times	1.05	1.13	1.49	1.42	1.30	1.33
Quick / Acid Test Ratio	Times	0.41	0.33	0.64	0.56	0.51	0.39
Cash to Current Liabilities	Times	(0.12)	(0.16)	(0.04)	(0.33)	(0.32)	(0.28)
Cash Flow from Operations to Sales	%	8.48	3.63	12.09	5.65	4.03	14.91
Working Capital Turnover	Times	64.91	24.66	8.91	8.97	11.69	12.97
Efficiency Ratios							
No. of Days in Inventory	Days	107.40	111.63	108.65	119.66	113.32	124.12
No. of Days in Receivables	Days	24.94	26.97	29.23	27.25	20.10	14.68
No. of Days in Payables	Days	14.00	13.27	17.14	15.40	16.98	24.74
Operating Cycle	Days	118.34	125.34	120.73	131.51	116.43	114.06
Asset Turnover	Times	2.08	2.20	2.21	2.11	2.31	2.38
Inventory Turnover	Times	3.40	3.27	3.36	3.05	3.22	2.94
Receivables Turnover	Times	14.64	13.53	12.49	13.40	18.16	24.86
Payables Turnover	Times	26.08	27.51	21.29	23.71	21.50	14.75
Revenue / Employee	Rs.'000	34,034	28,668	23,986	21,485	20,208	17,623
Net Income / Employee	Rs.'000	1,442	1,188	1,459	1,189	1,186	1,066
Investment / Market Ratios							
Earnings Per Share	Rs.	9.20	7.69	9.61	7.09	6.56	5.63
Price Earning Ratio (recalc)	Times	29.46	36.52	35.37	113.03	54.97	34.13
Dividend Yield Ratio	%	1.57	0.98	2.94	1.00	1.11	3.12
Dividend Payout Ratio (recalc)	%	45.24	35.74	104.11	56.41	24.39	42.63
Dividend Cover Ratio (recalc)	Times	2.21	2.80	0.96	1.77	4.10	2.35
Cash Dividend Per Share	Rs.	4.25	2.75	10.00	8.00	4.00	6.00
Cash Dividend	%	85.00	55.00	200.00	80.00	40.00	60.00
Stock Dividend Per Share	Rs.	-	-	-	-	2.50	-
Stock Dividend	%	-	-	-	-	25.00	-
Market Value Per Share at the end of the year	Rs.	271.00	281.00	339.73	801.43	360.65	192.14
Low during the year	Rs.	260.00	276.50	318.12	302.25	187.80	57.21
High during the year	Rs.	413.71	366.65	433.73	801.43	391.40	220.99
"Breakup Value Per Share without Surplus on Revaluation of Fixed Assets"	Rs.	32.73	24.55	26.94	43.21	40.41	33.84
Market Capitalisation (in millions)	Rs.	28,077.44	29,113.51	35,198.34	41,514.07	14,945.34	7,962.28
Capital Structure Ratios							
Financial Leverage Ratio	%	56.75	51.55	13.76	42.68	56.78	36.24
Weighted Average Cost of Debt	%	6.44	10.44	6.60	9.22	10.02	9.53
Debt to Equity Ratio	%	20.35	-	-	-	-	-
Interest Coverage Ratio	Times	13.58	15.00	33.10	12.83	14.16	12.77
No. of Ordinary Shares (in millions)	EA	103.61	103.61	103.61	51.80	41.44	41.44

Financial Statements at a Glance



Financial Statements at a Glance

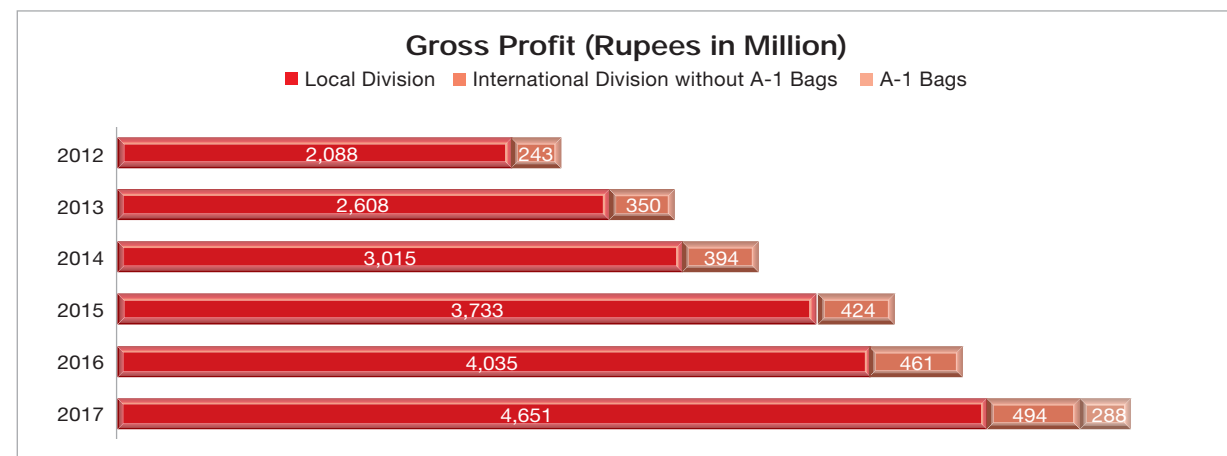
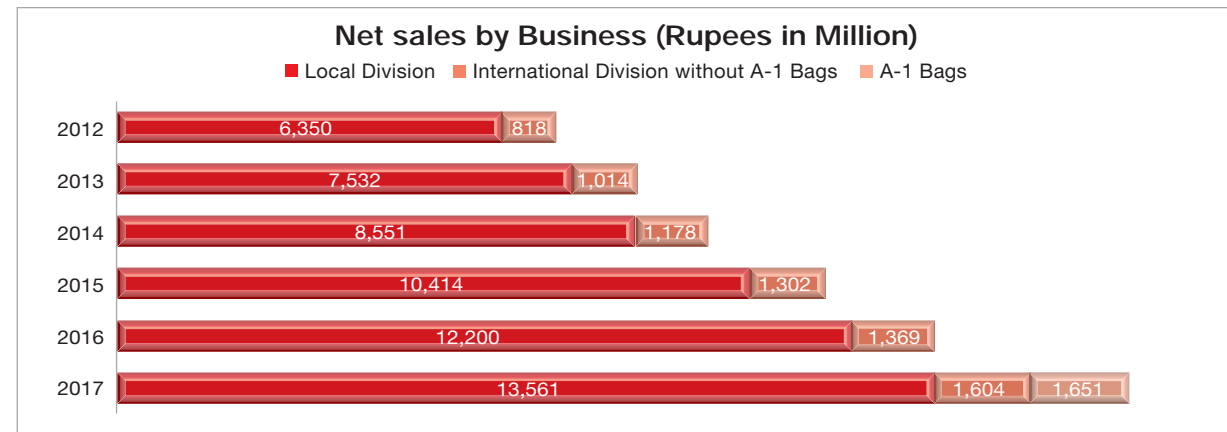
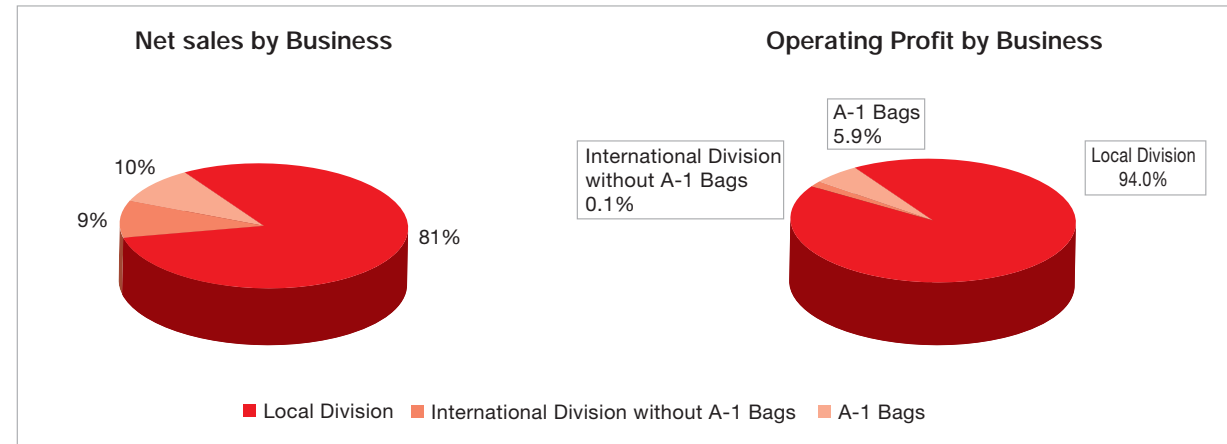


Financial Highlights

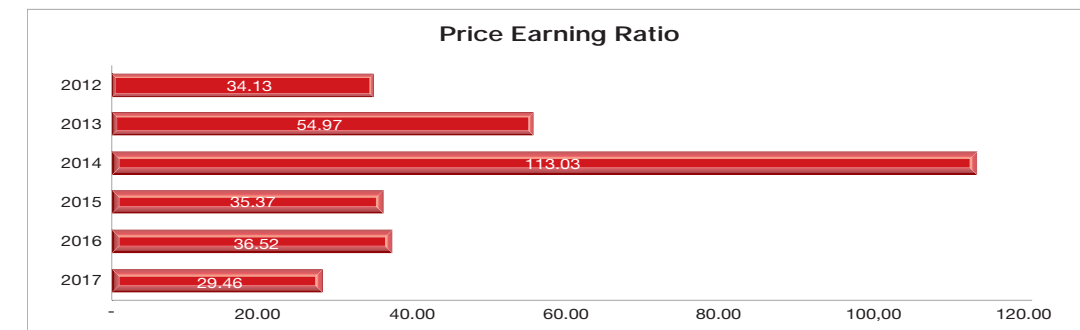
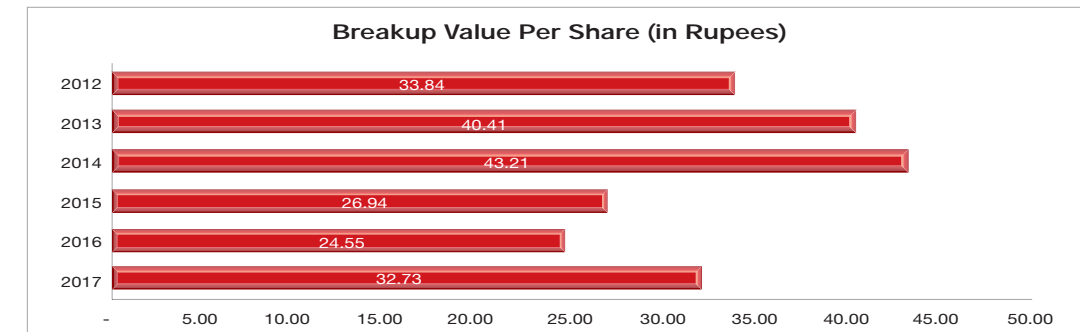
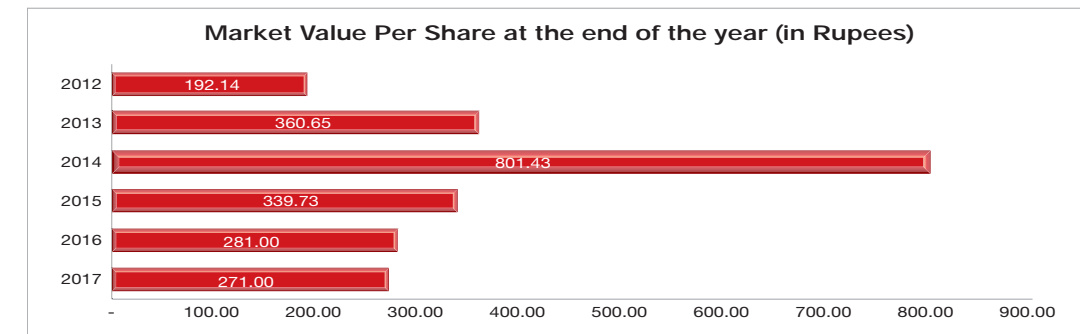
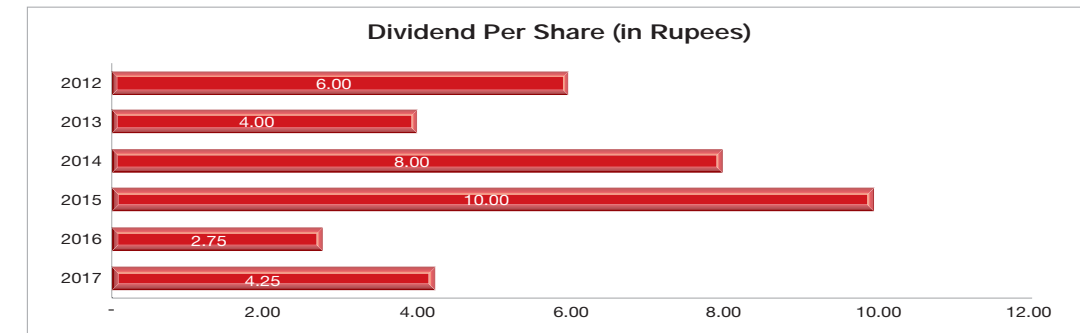
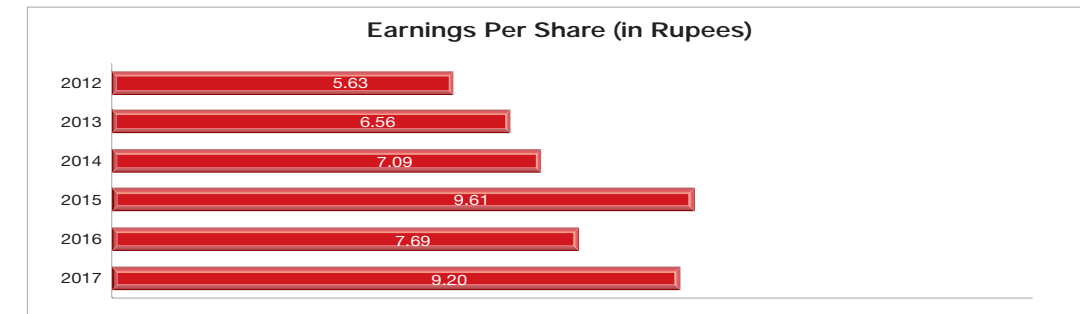
Our results compared to same period last year at a glance

FY-17

- Turnover up by 24 %
- Gross profit up by 21 %
- Profit after Taxation up by 22 %
- Earning per Share PKR 9.20 (FY-16 PKR 7.69)

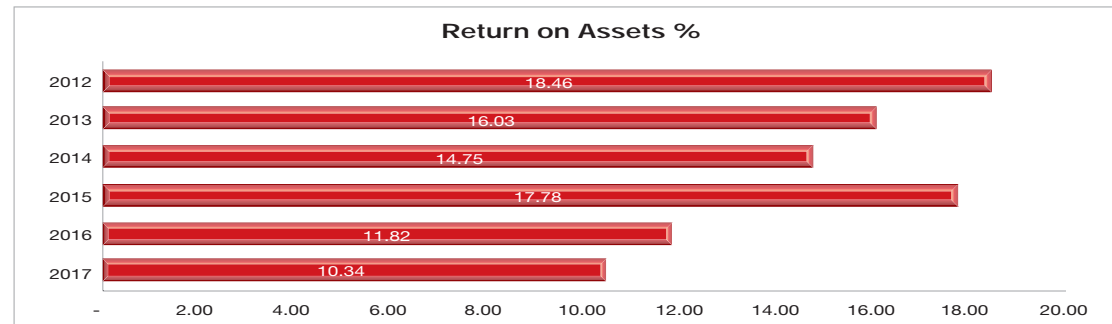
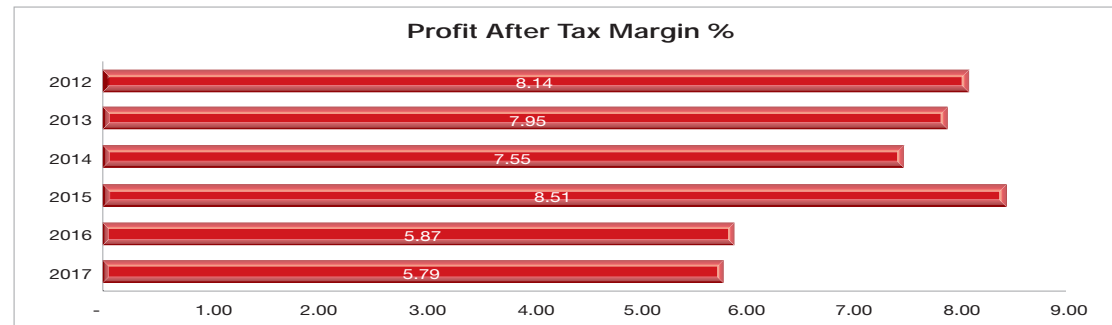
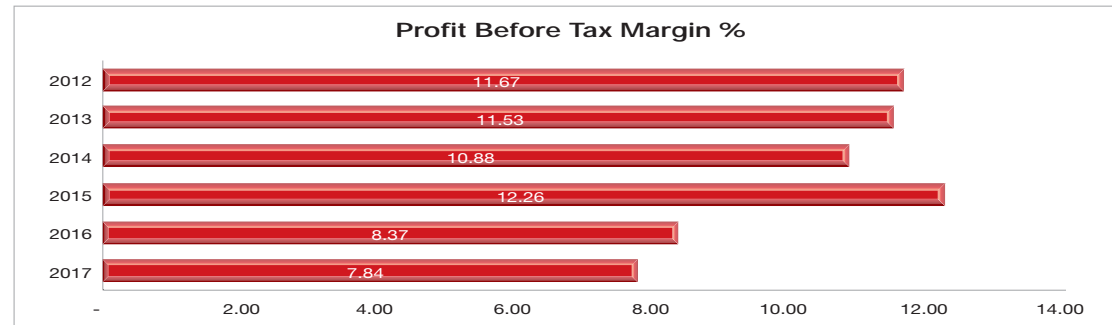
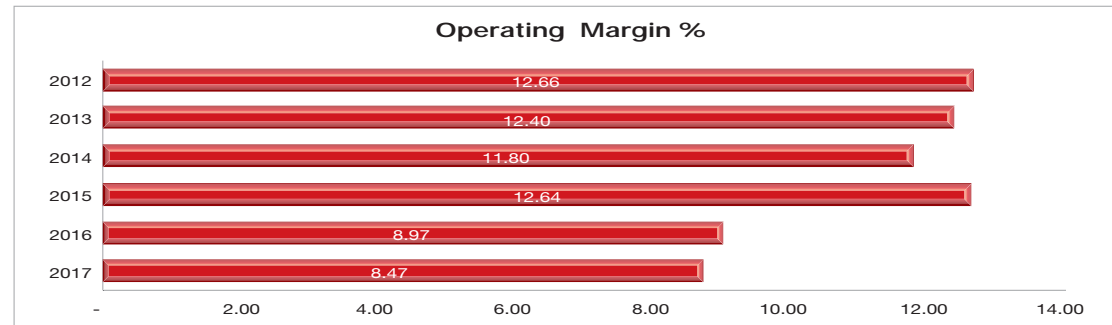
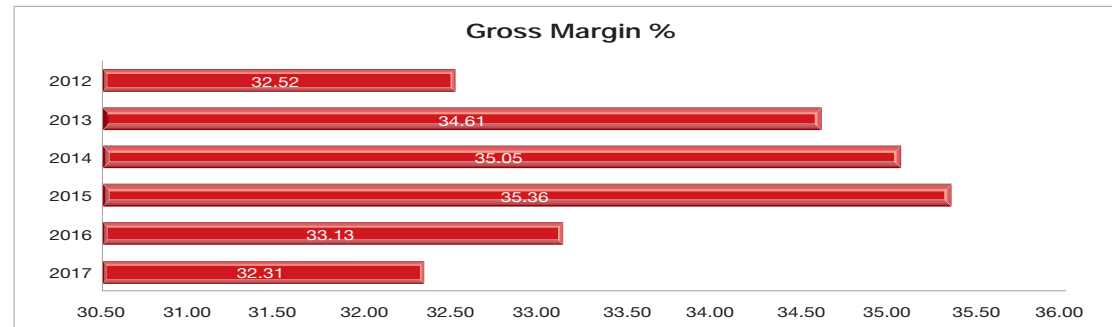


Financial Highlights

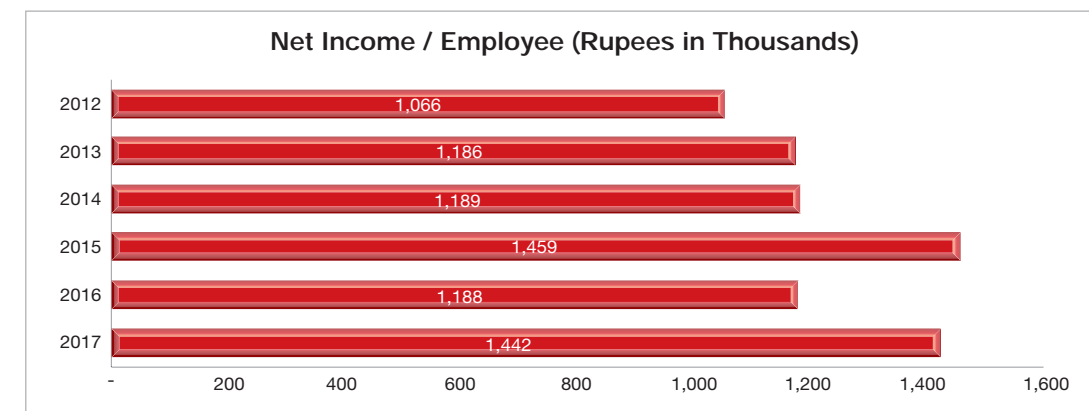
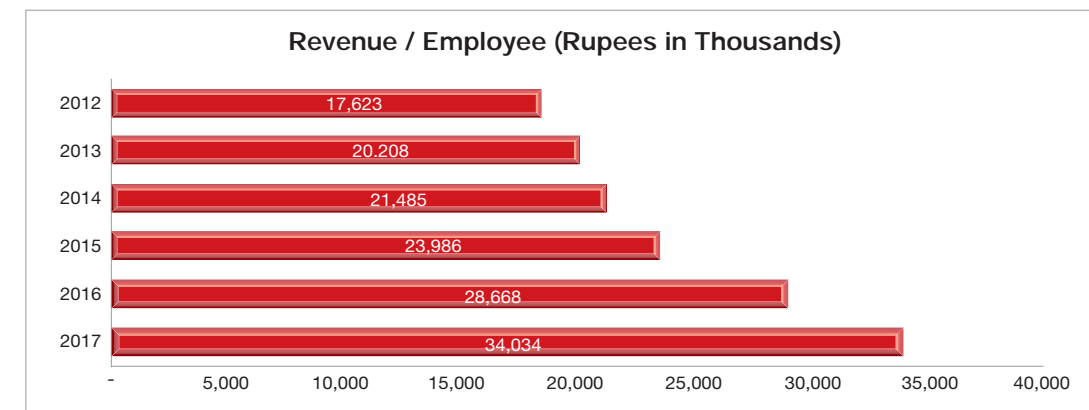
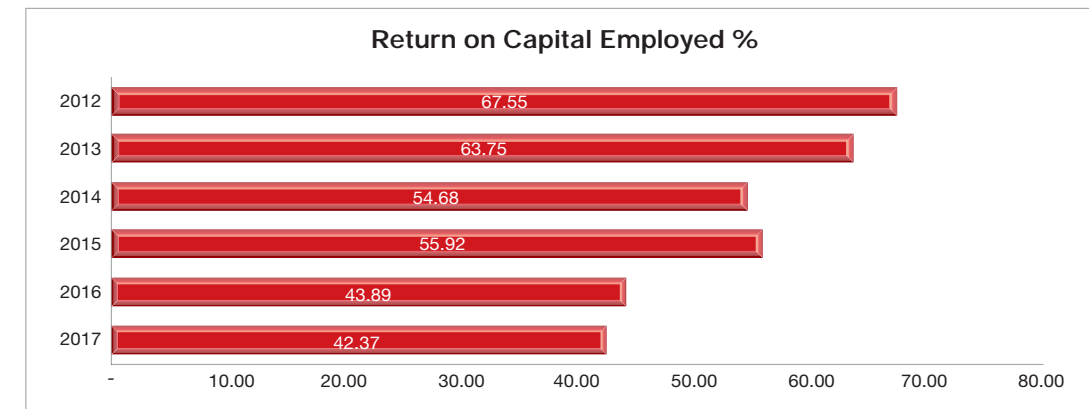
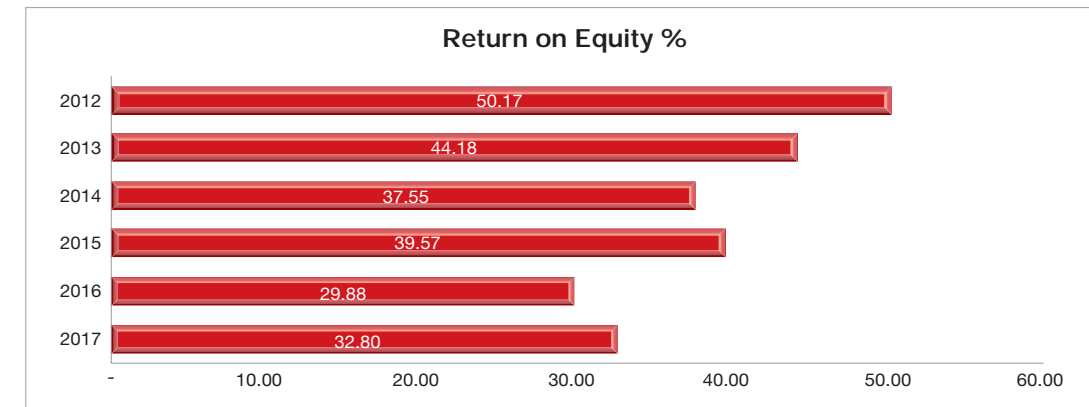


Financial Highlights

A. Profitability Ratios

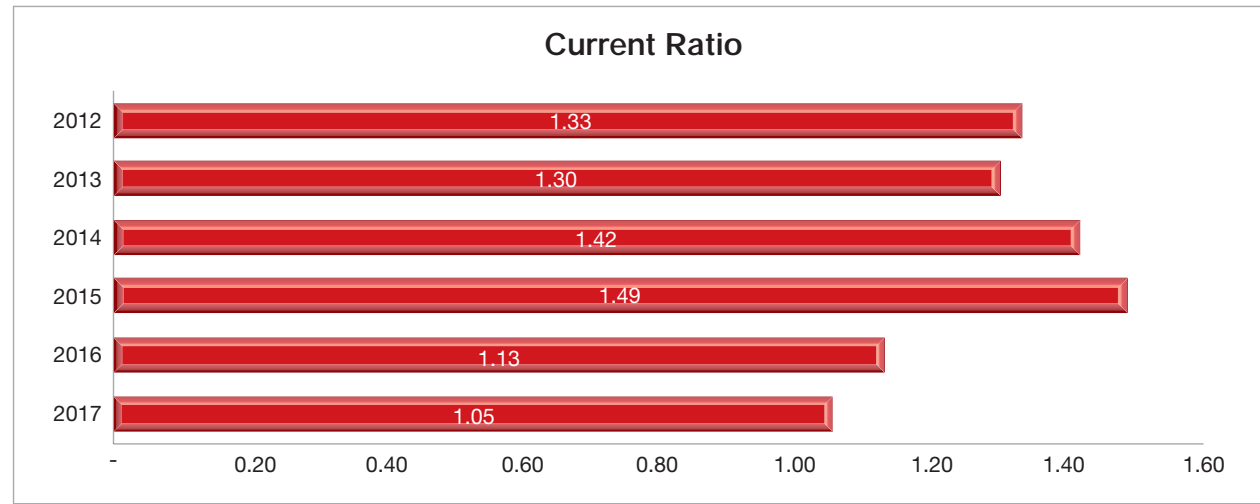


Financial Highlights

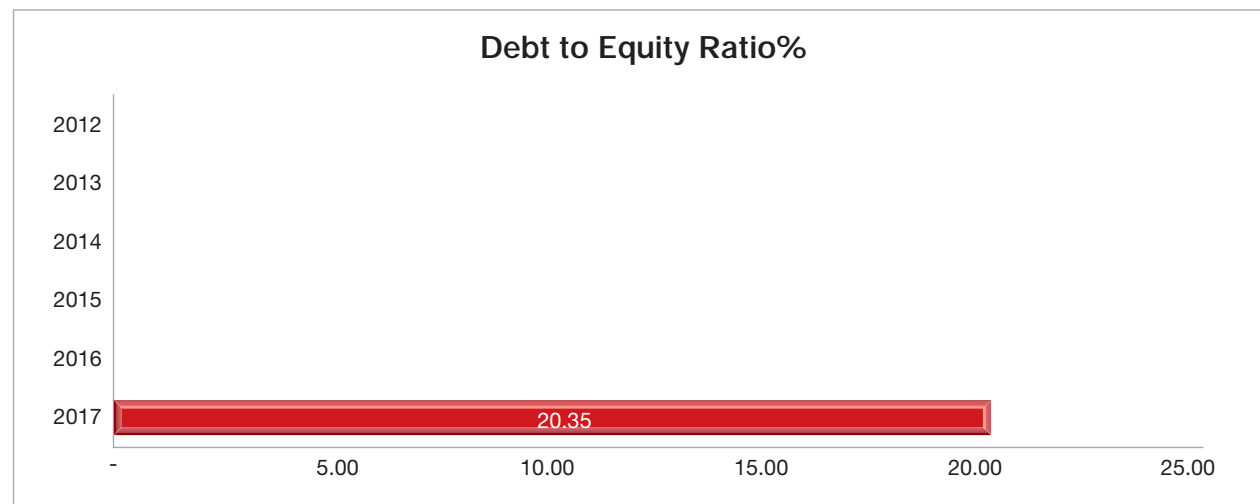


Financial Highlights

B. Liquidity Ratios

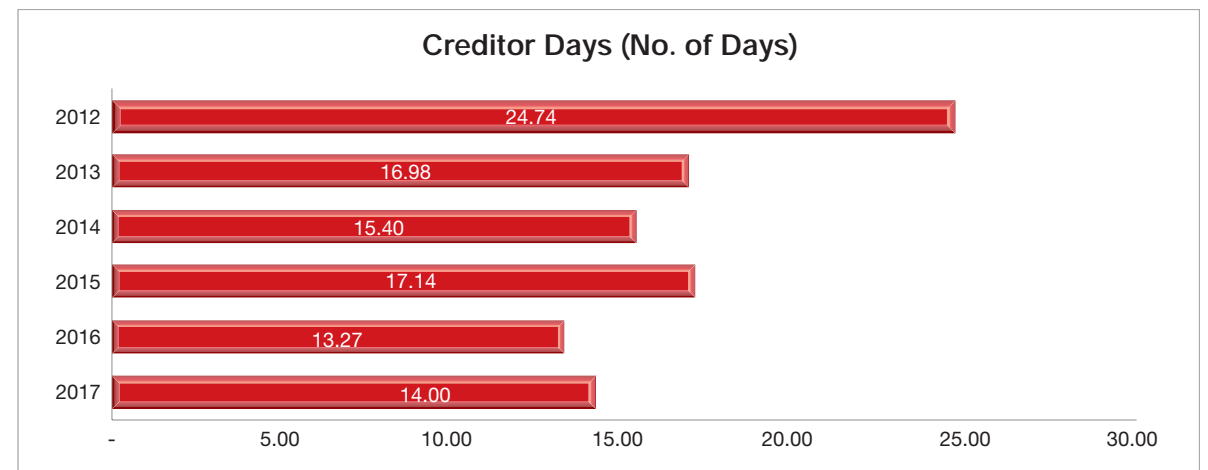
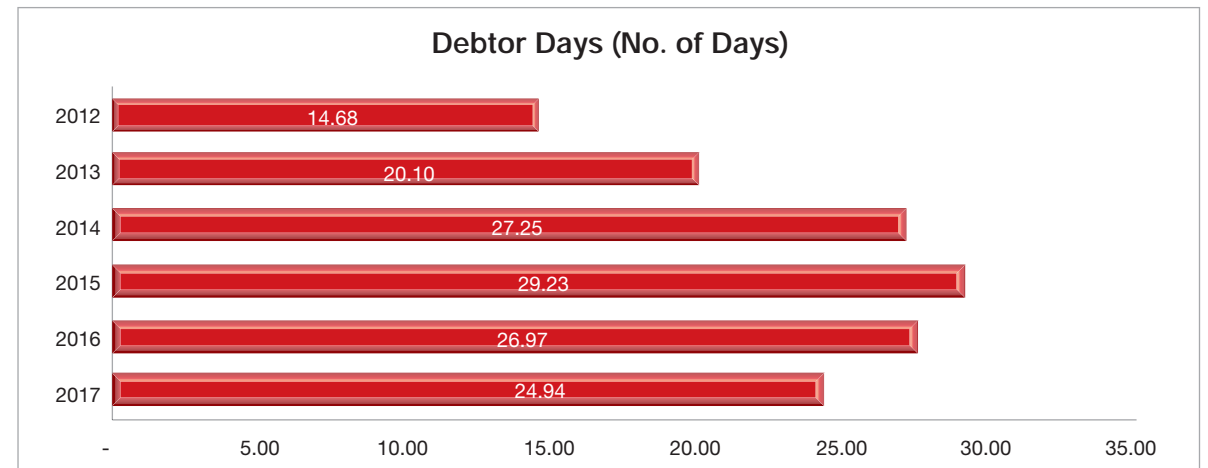
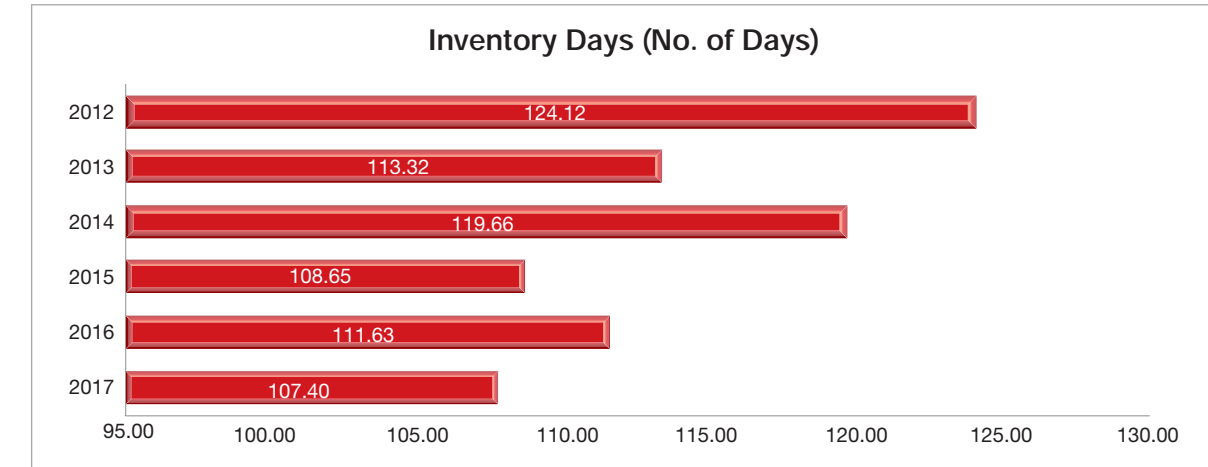


C. Gearing Ratios



Financial Highlights

D. Efficiency Ratios



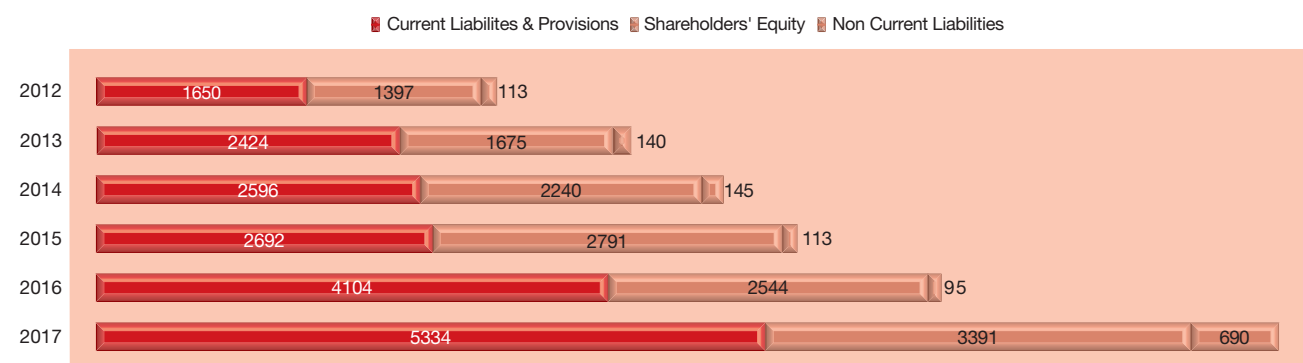
Horizontal Analysis

	2017	2016	2015	2014	2013	2012
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	23.93%	16.05%	20.18%	13.85%	19.21%	9.84%
Cost of Sales	25.45%	20.04%	19.63%	13.06%	15.53%	22.56%
Gross Profit	20.85%	8.75%	21.21%	15.32%	26.86%	48.11%
Administrative Expenses	(0.31%)	10.55%	24.93%	40.41%	32.16%	13.12%
Distribution cost	29.67%	24.16%	15.48%	16.10%	35.75%	33.99%
Other Operating Expenses	10.15%	(18.88%)	45.23%	0.41%	10.31%	130.40%
Financial Charges	17.58%	99.56%	(50.08%)	19.50%	5.41%	(43.62%)
Other Income	202.80%	(67.14%)	41.35%	5.19%	56.39%	256.60%
Profit before Tax	16.16%	(20.81%)	35.47%	7.46%	17.79%	131.65%
Taxation	2.18%	(22.89%)	35.47%	6.09%	20.66%	93.11%
Profit after taxation	22.09%	(19.89%)	35.47%	8.07%	16.54%	153.60%
BALANCE SHEET						
Issued, subscribed and paid up capital	0.00%	0.00%	0.00%	25.00%	0.00%	0.10%
Unappropriated Profit	32.83%	(10.98%)	31.97%	36.63%	28.23%	93.46%
Non controlling interest	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Exchange revaluation reserve	155.63%	203.41%	(183.17%)	0.00%	0.00%	0.00%
Long Term Obligations	629.64%	(16.23%)	(21.96%)	3.11%	24.53%	(55.65%)
Total Long-term Liabilities and shareholder equities	54.70%	(9.16%)	21.85%	31.32%	20.21%	28.39%
Fixed Assets, CWIP & Intangibles	84.03%	32.16%	22.04%	19.05%	12.67%	21.52%
Other Non current assets	10.45%	(10.90%)	57.14%	89.17%	101.24%	40.30%
Current Assets	20.19%	16.22%	8.77%	16.64%	43.28%	6.55%
Total Assets	39.64%	20.49%	12.39%	17.45%	34.17%	10.71%
Current Liabilities & Provisions	29.96%	52.48%	3.70%	7.06%	46.94%	(1.67%)
Net Assets	54.70%	(9.16%)	21.85%	31.32%	20.21%	28.39%

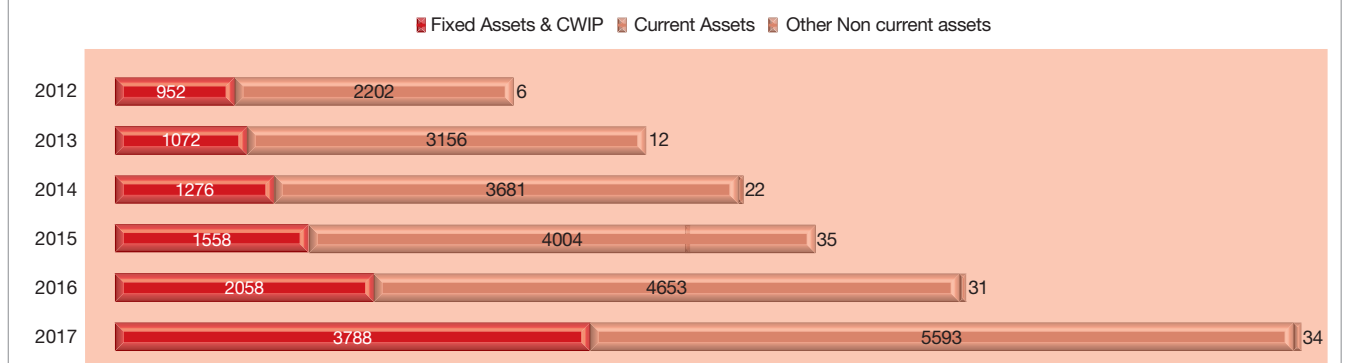
Vertical Analysis

	2017	2016	2015	2014	2013	2012
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	67.69%	66.87%	64.64%	64.95%	65.39%	67.48%
Gross Profit	32.31%	33.13%	35.36%	35.05%	34.61%	32.52%
Administrative Expenses	3.09%	3.85%	4.04%	3.88%	3.15%	2.84%
Distribution cost	20.68%	19.77%	18.48%	19.23%	18.86%	16.56%
Other operating cost	0.65%	0.73%	1.05%	0.87%	0.98%	1.06%
Financial Charges	0.62%	0.66%	0.38%	0.92%	0.88%	0.99%
Other Income	0.59%	0.24%	0.85%	0.72%	0.78%	0.60%
Profit before Tax	7.85%	8.36%	12.26%	10.88%	11.53%	11.67%
Taxation	2.06%	2.49%	3.75%	3.33%	3.57%	3.53%
Profit after taxation	5.79%	5.87%	8.51%	7.55%	7.95%	8.14%
BALANCE SHEET						
Issued, subscribed and paid up capital	12.69%	19.63%	17.84%	21.73%	22.83%	27.45%
Unappropriated Profit	65.83%	76.66%	78.24%	72.24%	69.44%	65.09%
Non controlling interest	4.39%	0.00%	0.00%	0.00%	0.00%	0.00%
Exchange revaluation reserve	0.18%	0.11%	0.03%	(0.05%)	0.00%	0.00%
Long Term Obligations	16.91%	3.58%	3.89%	6.07%	7.73%	7.46%
Total Long-term Liabilities and shareholder equities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Fixed Assets, CWIP & Intangibles	92.81%	78.00%	53.63%	53.55%	59.07%	63.02%
Other Non current assets	0.83%	1.17%	1.20%	0.93%	0.64%	0.38%
Current Assets	137.03%	176.38%	137.85%	154.43%	173.86%	145.87%
Total Assets	230.90%	255.57%	192.67%	208.90%	233.57%	209.28%
Less: Current Liabilities & Provisions	130.90%	155.56%	92.67%	108.90%	133.57%	109.28%
Net Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET ANALYSIS - EQUITY & LIABILITIES



BALANCE SHEET ANALYSIS - ASSETS



Summary of Cash Flow Statement

	2017	2016	2015	2014	2013	2012
(Rupees in Millions)						
Cash flows from/ (used in) operating activities	1,425	490	1,414	550	345	1,069
Cash flows used in investing activities	(1,556)	(312)	(354)	(460)	(270)	(500)
Cash flows (used in) financing activities	167	(732)	(713)	(597)	(390)	(320)
Net increase / (decrease) in cash and cash equivalents	37	(554)	347	(507)	(315)	249
Cash and cash equivalents at the beginning of the year	(662)	(110)	(456)	50	(464)	(714)
Currency translation differences	1	2	-	-	-	-
Cash and cash equivalents at the end of the year	(624)	(662)	(109)	(456)	(780)	(464)

Operating activities

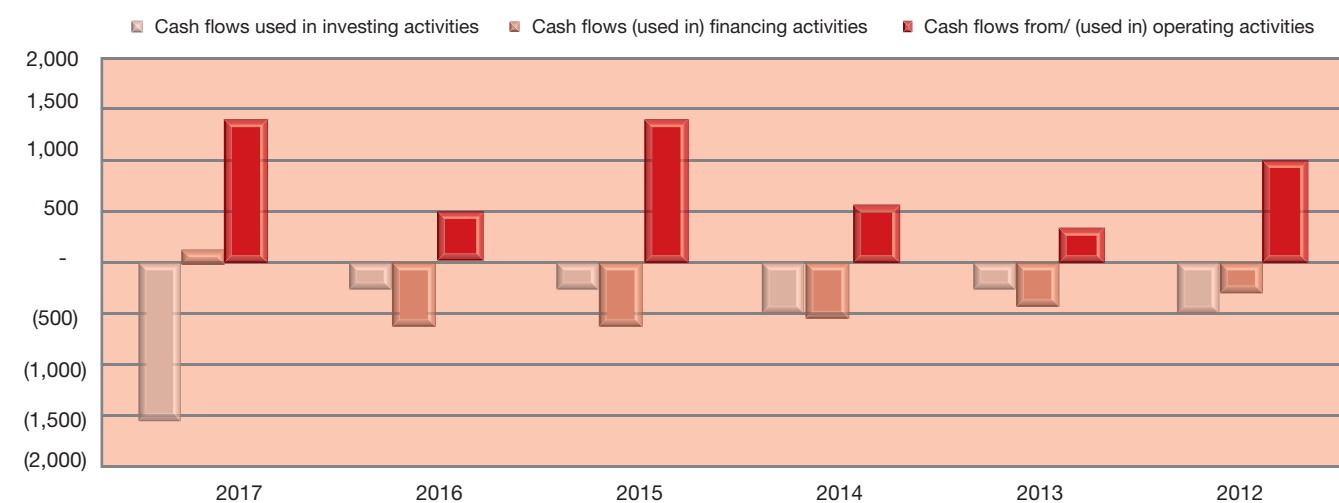
The Company's operating cash flow has increased at a CAGR of 5% over the past 6 years due to improved business performance.

Investing activities

Cash used in investing activities has increased at a CAGR of 21% over the past 6 years and mainly comprises investment in capital expenditure including Mayonnaise & Snacks Plant & land and building extension at manufacturing sites of the Company.

Financing activities

Financing activities mainly comprise long-term loans obtained for Investment in A-1 Bags & Supplies Inc. The Company has financed its expansion needs by obtaining long-term loans which were partially offset by dividend payments.

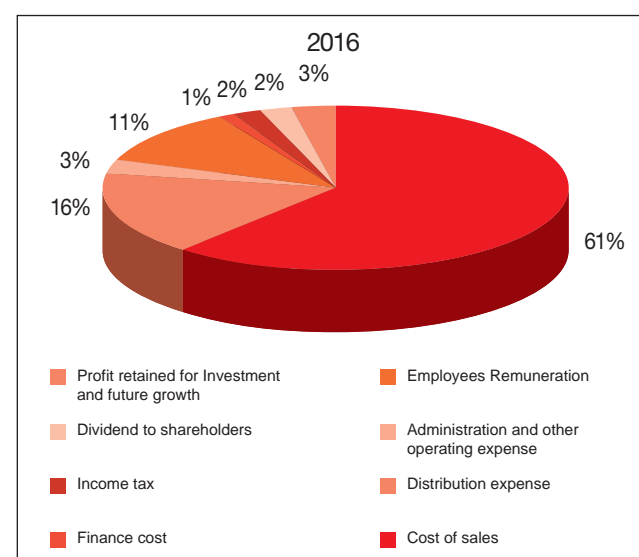
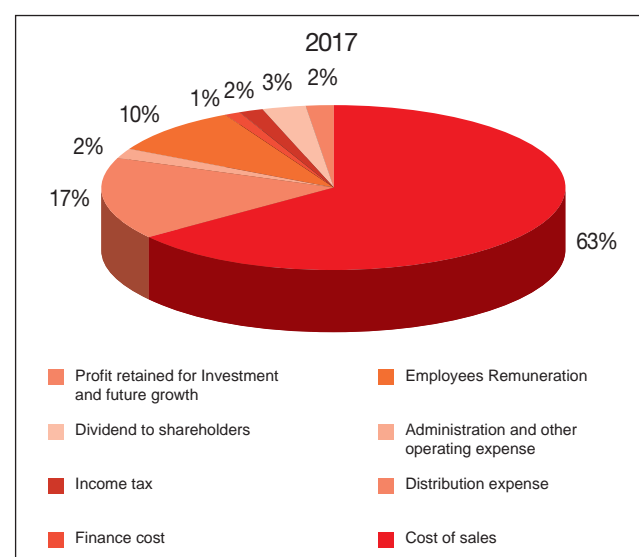


Six Year Cash Flows Using Direct Method

	2017	2016	2015	2014	2013	2012
(Rupees in thousand)						
Cash received from customers	16,382,637	13,709,694	11,416,540	9,580,403	8,185,748	7,166,480
Cash paid for goods & services	(14,463,131)	(12,908,168)	(9,742,647)	(8,763,322)	(7,423,215)	(5,784,983)
Cash generated from operations	1,919,506	801,526	1,673,893	817,081	762,533	1,381,497
Financial cost paid	(102,522)	(82,689)	(53,490)	(101,683)	(63,341)	(84,768)
Net increase in long term deposits	(3,209)	3,789	(12,643)	(10,429)	(5,884)	(1,432)
Deferred rent	1,898	-	-	-	-	-
Retirement benefit obligation	(17,881)	(23,876)	(61,382)	(3,811)	(4,113)	(4,536)
Income tax refund / (paid)	(372,357)	(208,625)	(132,640)	(151,202)	(344,466)	(221,995)
Net cash flow from operating activities	1,425,435	490,125	1,413,738	549,956	344,729	1,068,766
Purchase of property, plant & equipment	(1,299,100)	(684,088)	(467,793)	(346,618)	(216,616)	(265,585)
Purchase of intangible assets	(96,948)	(46,958)	(22,740)	(21,212)	(21,848)	(3,525)
Sale proceeds from disposal of property, plant and equipment	22,402	21,767	29,988	7,761	4,590	5,932
Sale proceeds of open ended mutual fund units	-	546,048	884,555	50,000	423,992	253,465
Purchased of open ended mutual fund units	-	(150,000)	(777,988)	(150,000)	(460,000)	(490,000)
Acquisition of subsidiary	(182,429)	-	-	-	-	-
Purchase of treasury bills	-	(147,810)	-	-	-	-
Proceeds from sale of treasury bills	-	148,731	-	-	-	-
Net cash flow from investing activities	(1,556,075)	(312,310)	(353,978)	(460,069)	(269,882)	(499,713)
Proceeds from short term borrowings	1,262,000	1,000,000	508,696	550,000	-	-
Proceeds from long term finance	289,613	-	-	-	-	-
Repayment of short term borrowings	(1,100,000)	(700,000)	(808,722)	(980,000)	-	-
Decrease in long term financing - net	-	-	-	-	-	(214,000)
Decrease in liabilities against assets subject to finance lease - net	-	-	-	-	-	(2,343)
Dividend paid	(284,158)	(1,031,839)	(412,814)	(166,781)	(390,202)	(103,239)
Net cash flow from financing activities	167,455	(731,839)	(712,840)	(596,781)	(390,202)	(319,582)
Net cash flows	36,815	(554,024)	346,920	(506,894)	(315,355)	249,471

Statement of Value Added and its Distribution

	2017		2016	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Value Addition				
Revenue	16,815,974		13,569,350	
Other Income	98,997		24,648	
	<u>16,716,977</u>	<u>100%</u>	<u>13,544,702</u>	<u>100%</u>
Value Distribution				
Cost of Sales	10,586,240	63%	8,323,635	61%
Distribution Expense	2,785,342	17%	2,226,420	16%
Administration and Other Operating Expense	380,472	2%	375,372	3%
Employees Remuneration	1,739,144	10%	1,452,007	11%
Finance Cost	99,793	1%	81,097	1%
Income Tax	345,666	2%	338,277	2%
Dividend to shareholders	440,329	3%	284,919	2%
Profit retained for Investment & Future Growth	339,991	2%	462,975	3%
	<u>16,716,977</u>	<u>100%</u>	<u>13,544,702</u>	<u>100%</u>



Pattern of Shareholding

Combined Pattern of CDC & Physical Shareholdings as at June 30, 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
Abdul Majeed	1	3,959,974	3.82
Abrar Hasan	1	10,218,262	9.86
Zahid Majeed	1	6,101,662	5.89
Ebrahim Qassim	1	1,763,566	1.70
Noreen Hasan	1	19,700	0.02
Saadia Naveed	1	673,350	0.65
Ehsan Ali Malik	1	500	0.00
Associated Companies, undertakings and related parties			
Associated Textile Consultants (Pvt) Ltd	1	34,357,724	33.16
Executives	-	-	-
Public Sector Companies and Corporations	2	1,017,074	0.98
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	7	240,174	0.23
Mutual Funds			
CDC - Trustee AKD Index Tracker Fund	1	8,150	0.01
General Public			
a. Local	1714	28,597,773	27.60
b. Foreign	1	500	0.00
Foreign Companies	7	16,572,950	16.00
Others	27	75,499	0.07
Totals	1767	103,606,858	100.00

Shareholders holding 5% or more	Shares Held	Percentage
Associated Textile Consultants (Pvt) Ltd	34,357,724	33.16
Kingsway Fund-Frontier Consumer Franchises	13,675,100	13.20
Khawar M. Butt	12,729,454	12.29
Abrar Hasan	10,218,262	9.86
Zahid Majeed	6,101,662	5.89

Pattern of Shareholding

Pattern of CDC & Physical Shareholdings as at June 30, 2017

Number of Share Holders	Shareholdings' Slab		Total Shares Held
664	1	to 100	27,295
505	101	to 500	141,891
176	501	to 1000	136,508
237	1001	to 5000	609,556
66	5001	to 10000	493,472
38	10001	to 15000	448,056
11	15001	to 20000	203,812
8	20001	to 25000	185,300
4	25001	to 30000	110,674
6	30001	to 35000	190,390
3	35001	to 40000	116,950
2	40001	to 45000	81,954
5	45001	to 50000	238,054
9	50001	to 55000	464,406
1	60001	to 65000	60,042
1	65001	to 70000	65,700
1	150001	to 155000	154,564
1	160001	to 165000	161,300
1	225001	to 230000	230,000
1	270001	to 275000	275,000
1	320001	to 325000	321,730
1	405001	to 410000	409,180
2	425001	to 430000	858,652
1	535001	to 540000	535,040
1	620001	to 625000	624,000
3	670001	to 675000	2,020,050
1	705001	to 710000	706,450
1	745001	to 750000	747,016
1	825001	to 830000	826,740
1	845001	to 850000	846,000
1	955001	to 960000	958,500
1	1015001	to 1020000	1,016,400
1	1115001	to 1120000	1,116,728
1	1175001	to 1180000	1,175,800
1	1215001	to 1220000	1,218,750
1	1250001	to 1255000	1,252,514
1	1760001	to 1765000	1,763,566
1	1770001	to 1775000	1,772,642
1	3955001	to 3960000	3,959,974
1	6100001	to 6105000	6,101,662
1	10215001	to 10220000	10,218,262
1	12725001	to 12730000	12,729,454
1	13675001	to 13680000	13,675,100
1	34355001	to 34360000	34,357,724
1767			103,606,858

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation No. 5.19 of the Pakistan Stock Exchange Limited Regulations, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Independent Director

Mr. Ehsan A. Malik

Executive Director

Mr. Abrar Hasan

Non-Executive Directors

Mr. Abdul Majeed

Mr. Ebrahim Qassim

Mr. Zahid Majeed

Mrs. Noreen Hasan

Mrs. Saadia Naveed

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company (excluding listed subsidiaries of listed holding companies where applicable).
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 NBFIs. They are neither members of Pakistan Stock Exchange and nor have been declared as defaulters by Pakistan 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 the CFO including his remuneration and terms and conditions of employment.

Statement of Compliance with the Code of Corporate Governance

11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of four (04) directors, of whom three are non-executive directors and one is an independent director. The chairman of the committee is a non-executive director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three (03) directors of whom all are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has outsourced the internal audit function to M/s Ernst & Young Ford Rhodes & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

Karachi
Dated: 11 September 2017



Abrar Hasan
Chief Executive

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **National Foods Limited** ("the Company") for the year ended 30 June 2017 to comply with the requirements of Listing Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Date: 11 September 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Name of the Engagement Partner: Moneeza Usman Butt

Standalone Financial Statements 2017



Auditors' Report to the Members

We have audited the annexed balance sheet of **National Foods Limited** ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, 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 as applicable in Pakistan and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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 repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 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 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Company for the year ended 30 June 2016 were audited by another firm of Chartered Accountants who have expressed an unmodified opinion on those financial statements vide their audit report dated 6 September 2016.

Date: 11 September 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants


Name of the Engagement Partner: Moneeza Usman Butt

Balance Sheet

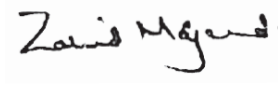
AS AT JUNE 30, 2017

	Note	2017	2016
(Rupees in thousand)			
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,049,019	1,997,039
Intangibles	5	85,564	61,295
Long term investment	6	31,719	31,719
Long term deposits		33,612	30,979
		<u>3,199,914</u>	<u>2,121,032</u>
Current assets			
Stores, spare parts and loose tools		10,880	6,605
Stock-in-trade	7	3,008,831	3,250,374
Trade debts	8	1,273,826	1,000,468
Advances	9	209,476	95,455
Trade deposits and prepayments	10	13,779	38,068
Other receivables	11	70,982	6,272
Sales tax refundable	12	40,633	-
Cash and bank balances	13	90,288	56,979
		<u>4,718,695</u>	<u>4,454,221</u>
TOTAL ASSETS		<u>7,918,609</u>	<u>6,575,253</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital and reserves			
Authorised capital of 150,000,000 ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital	14	518,034	518,034
Unappropriated profit		2,661,655	1,965,738
Shareholders' equity		<u>3,179,689</u>	<u>2,483,772</u>
Non-current liabilities			
Long term finance	15	140,865	-
Deferred taxation - net	16	142,393	80,934
Deferred liabilities	17	6,023	13,634
		<u>289,281</u>	<u>94,568</u>
Current liabilities			
Trade and other payables	18	2,374,605	1,960,435
Mark-up accrued		9,620	8,974
Short-term borrowings	19	1,549,528	1,311,326
Taxation - net		515,886	622,721
Sales tax payable		-	93,457
		<u>4,449,639</u>	<u>3,996,913</u>
		<u>4,738,920</u>	<u>4,091,481</u>
Commitments	20		
TOTAL EQUITY AND LIABILITIES		<u>7,918,609</u>	<u>6,575,253</u>

The annexed notes 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer



Director

Profit and Loss Account

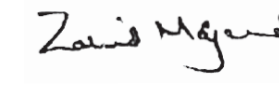
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
(Rupees in thousand)			
Sales	21	14,801,551	13,183,185
Cost of sales	22	(9,910,969)	(8,937,467)
Gross profit		<u>4,890,582</u>	<u>4,245,718</u>
Distribution costs	23	(2,974,259)	(2,518,730)
Administrative expenses	24	(515,421)	(505,866)
Other expenses	25	(100,373)	(97,681)
Other income	26	81,056	55,850
Operating profit		<u>1,381,585</u>	<u>1,179,291</u>
Finance costs	27	(68,567)	(67,338)
Profit before taxation		<u>1,313,018</u>	<u>1,111,953</u>
Taxation - net	28	(328,121)	(338,277)
Profit for the year		<u>984,897</u>	<u>773,676</u>
Other comprehensive income			
Items that will never be reclassified to profit and loss account:			
Remeasurements of retirement benefit liability		(5,530)	(14,712)
Related deferred tax thereon		1,469	3,989
		<u>(4,061)</u>	<u>(10,723)</u>
Total comprehensive income for the year		<u>980,836</u>	<u>762,953</u>
Earnings per share (basic and diluted)	29	<u>9.51</u>	<u>7.47</u>

The annexed notes 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer



Director

Cash Flow Statement

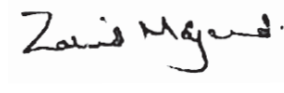
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	1,719,593	726,447
Finance cost paid		(67,921)	(60,884)
Income tax paid		(372,027)	(208,625)
Retirement benefits obligations paid		(17,881)	(23,876)
Long term deposits - net		(2,633)	3,789
Net cash generated from operating activities		1,259,131	436,851
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,286,425)	(684,084)
Sale proceeds from disposal of property, plant and equipment		22,402	21,767
Purchase of intangible assets		(56,708)	(46,958)
Purchase of open ended mutual fund units		-	(150,000)
Sale of open ended mutual fund units		-	546,048
Purchase of treasury bills		-	(147,810)
Sale proceeds of treasury bills		-	148,731
Net cash used in investing activities		(1,320,731)	(312,306)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		1,262,000	1,000,000
Proceeds from long term finance		140,865	-
Repayment of short term borrowings		(1,100,000)	(700,000)
Dividend paid		(284,158)	(1,031,839)
Net cash from / (used in) financing activities		18,707	(731,839)
Net decrease in cash and cash equivalents		(42,893)	(607,294)
Cash and cash equivalents at the beginning of the year		(854,347)	(247,053)
Cash and cash equivalents at the end of the year	31	(897,240)	(854,347)

The annexed notes 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer



Director

Statement of Changes in Equity

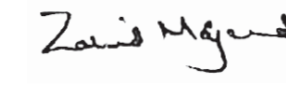
FOR THE YEAR ENDED JUNE 30, 2017

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
(Rupees in thousand)			
Balance as at 30 June 2015	518,034	2,238,854	2,756,888
Transaction with owners in their capacity as owners directly recorded in equity			
Final dividend for the year ended 30 June 2015 @ Rs 10.00 per share	-	(1,036,069)	(1,036,069)
Total comprehensive income for the year ended 30 June 2016			
Profit for the year	-	773,676	773,676
Other comprehensive income	-	(10,723)	(10,723)
	-	762,953	762,953
Balance as at 30 June 2016	518,034	1,965,738	2,483,772
Transaction with owners in their capacity as owners directly recorded in equity			
Final dividend for the year ended 30 June 2016 @ Rs 2.75 per share	-	(284,919)	(284,919)
Total comprehensive income for the year ended 30 June 2017			
Profit for the year	-	984,897	984,897
Other comprehensive income	-	(4,061)	(4,061)
	-	980,836	980,836
Balance as at 30 June 2017	518,034	2,661,655	3,179,689

The annexed notes 1 to 40 form an integral part of these financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

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

These financial statements are separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of cost rather than on the basis of reported results. Consolidated financial statements are prepared separately.

Details of the Company's investment in subsidiary company are given in note 6 to these financial statements.

2. BASIS OF PREPARATION

2.1 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984 including Islamic Financial Accounting Standards (IFAS). In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as stated otherwise in these financial statements.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are described in the following:

Property, plant and equipment / intangible assets

The Company reviews the rate of depreciation / amortization, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment / intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

Stock in trade / stores, spares and loose tools

The management continuously reviews its inventory for existence of any items which may have become obsolete. These estimates are based on historical experience and are continuously reviewed and the cost of such stocks is fully provided for.

Trade debts and other receivables

The Company's management reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

Retirement benefits obligations

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under this scheme in those years.

Taxation

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

2.5 Standards, Interpretations and Amendments which became effective during the year

During the year, amendments to certain standards became effective which were not relevant to the Company's accounting policies.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 - 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 01 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

- The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures which will be incorporated in financial statements for the period beginning on or after 1 July 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements.

3.1 Property, plant and equipment

Operating assets and depreciation

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes:

- its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates;
- any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and

(c) Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure (including normal repairs and maintenance)

Expenditures incurred to replace a significant component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including normal repairs and maintenance) is recognised in the profit and loss account as an expense when it is incurred.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

Depreciation

Depreciation on all items is charged on straight line method. The useful lives for depreciation are indicated in note 4.1.

Depreciation on additions to property, plant and equipment is charged from the month the asset is available for use upto the month of disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

3.2 Intangibles

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

3.3 Long term investment - subsidiary

Investment in subsidiary is stated at cost less impairment losses, if any.

3.4 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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.

3.5 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. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The latest actuarial valuation of the defined benefit plans was conducted at 30 June 2017.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

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.

3.6 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.

3.7 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 overhead.

3.8 Trade and other debts

These are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of cash flow statement, cash and cash equivalents comprise of cash, balances with banks on current and deposit accounts and running finance under mark up arrangements.

3.10 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.

3.11 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.

3.12 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.

3.13 Borrowings

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.

3.14 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.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

3.15 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

3.16 Foreign currency transactions and translation

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.

3.17 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 / late payment by trade debtors

- Income on late payment by trade debtors is recognised on accrual basis.

iii) Dividend income

- Dividend income is recognised when the Company's right to receive payment is established.

iv) Income from debt securities

- Income on bank deposit and debt securities is recognised on a time proportion basis using effective interest rate method.

v) Miscellaneous income

- Miscellaneous income including export rebate is recognised on receipt basis.

3.18 Research and development

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

3.19 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counter parties.

3.20 Dividends

Dividend distribution to the Company's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	4.1	2,103,633	1,227,020
Capital work-in-progress	4.4	945,386	770,019
		<u>3,049,019</u>	<u>1,997,039</u>

2017	2016
(Rupees in thousand)	
2,103,633	1,227,020
945,386	770,019
<u>3,049,019</u>	<u>1,997,039</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

4.1 Operating fixed assets:

	2017								
	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)								
At 1 July 2016									
Cost	230,606	555,694	1,124,754	63,135	70,727	146,978	25,529	61,137	2,278,560
Accumulated depreciation	(24,258)	(207,275)	(565,779)	(45,141)	(40,851)	(107,875)	(13,422)	(46,939)	(1,051,540)
Net book value	206,348	348,419	558,975	17,994	29,876	39,103	12,107	14,198	1,227,020
Additions / transfer - note 4.1.1	1,943	353,409	657,747	6,929	44,376	15,488	9,088	22,078	1,111,058
Disposals									
Cost	-	-	(2,447)	-	(568)	(2,978)	-	(23,027)	(29,020)
Accumulated depreciation	-	-	2,430	-	568	2,962	-	10,935	16,895
	-	-	(17)	-	-	(16)	-	(12,092)	(12,125)
Depreciation charge for the year	(4,211)	(30,230)	(134,907)	(7,908)	(11,074)	(24,218)	(2,683)	(7,089)	(222,320)
Closing net book value	204,080	671,598	1,081,798	17,015	63,178	30,357	18,512	17,095	2,103,633
At 30 June 2017									
Cost	232,549	909,103	1,780,054	70,064	114,535	159,488	34,617	60,188	3,360,598
Accumulated depreciation	(28,469)	(237,505)	(698,256)	(53,049)	(51,357)	(129,131)	(16,105)	(43,093)	(1,256,965)
Net book value	204,080	671,598	1,081,798	17,015	63,178	30,357	18,512	17,095	2,103,633
Useful life (years)	38 - 99	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	
	2016								
At 1 July 2015									
Cost	230,587	523,232	992,797	60,541	55,089	131,599	21,973	62,839	2,078,657
Accumulated depreciation	(20,090)	(179,322)	(456,362)	(37,912)	(35,160)	(83,147)	(11,302)	(44,669)	(867,964)
Net book value	210,497	343,910	536,435	22,629	19,929	48,452	10,671	18,170	1,210,693
Additions	19	32,462	131,957	2,610	15,885	20,921	3,556	14,248	221,658
Disposals									
Cost	-	-	-	-	-	(5,543)	-	(15,950)	(21,493)
Accumulated depreciation	-	-	-	-	-	4,794	-	4,869	9,663
	-	-	-	-	-	(749)	-	(11,081)	(11,830)
Depreciation charge for the year	(4,168)	(27,953)	(109,417)	(7,245)	(5,938)	(29,521)	(2,120)	(7,139)	(193,501)
Closing net book value	206,348	348,419	558,975	17,994	29,876	39,103	12,107	14,198	1,227,020
At 30 June 2016									
Cost	230,606	555,694	1,124,754	63,135	70,727	146,978	25,529	61,137	2,278,560
Accumulated depreciation	(24,258)	(207,275)	(565,779)	(45,141)	(40,851)	(107,875)	(13,422)	(46,939)	(1,051,540)
Net book value	206,348	348,419	558,975	17,994	29,876	39,103	12,107	14,198	1,227,020
Useful life (years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	10	5	

* All the non-current assets of the Company are located in Pakistan.

4.1.1 This includes Rs. 482.85 million (2016: Rs. 64.85 million) transferred from capital work in progress.

4.2 The depreciation charge for the year has been allocated as follows:

	2017	2016
	(Rupees in thousand)	
Cost of sales	176,870	144,676
Distribution costs	18,965	19,120
Administrative expenses	26,485	29,705
	222,320	193,501

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Vehicles	980	33	947	1,320	Company Policy	Mehtab Malik Executive
"	799	67	732	920	Company Policy	Waseem Mumtaz Executive
"	474	32	442	799	Company Policy	Bakhtiyar Alam Executive
"	265	18	247	566	Company Policy	Adeel Azeemi Executive
"	353	24	329	560	Company Policy	Madiha Taj Executive
"	325	22	303	602	Company Policy	Sumaira Saleem Executive
"	796	53	743	1,019	Company Policy	Farrukh Saeed Executive
"	762	64	698	896	Company Policy	Syed Muhammad Maaz Executive
"	743	50	693	751	Company Policy	Ali Kazmi Executive
"	570	38	532	736	Company Policy	Waqar Mursalin Executive
"	876	58	818	964	Company Policy	Shoab Habib Executive
"	396	13	383	746	Company Policy	Nouman Ali Executive
"	1,391	46	1,345	1,348	Company Policy	Umair Mandhai Executive
"	950	246	704	843	Auction	Saleem A. Siddiqui
"	1,250	667	583	850	Auction	Dr. Liaquat Khalid
"	1,770	-	1,770	1,770	Auction	Saeed-ur Rehman
"	582	-	582	582	Auction	Faisal Junaid
Total	13,282	1,431	11,851	15,272		

4.4 Capital work-in-progress

Civil works
Plant and machinery
Office equipment
Advance against acquisition of land
Advance against furniture

	2017	2016
	(Rupees in thousand)	
Civil works	582,494	391,176
Plant and machinery	187,021	272,273
Office equipment	73,216	25,146
Advance against acquisition of land	80,108	81,424
Advance against furniture	22,547	-
	945,386	770,019

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
5. INTANGIBLES			
Computer software and ERP System	5.1	53,087	56,223
Systems under development	5.2	32,477	5,072
		<u>85,564</u>	<u>61,295</u>
5.1 Computer softwares and ERP System			
Net carrying value basis			
Opening net book value		56,223	39,089
Additions (at cost)		29,302	41,886
Amortisation for the year		(32,438)	(24,752)
Closing net book value		<u>53,087</u>	<u>56,223</u>
Gross carrying value basis			
Cost		200,054	170,752
Accumulated amortisation		(146,967)	(114,529)
Net book value		<u>53,087</u>	<u>56,223</u>
Useful life (years)		<u>3</u>	<u>3</u>

5.2 This represents amount paid for development of software which are expected to be capitalised next year.

		2017	2016
		(Rupees in thousand)	
6. LONG TERM INVESTMENT			
National Foods DMCC, Dubai, UAE			
1,188 shares of AED 1,000 each		<u>31,719</u>	<u>31,719</u>

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

6.2 National Foods DMCC (NF DMCC) was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC. The registered address of the company is Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. 01 Jumeirah Lakes Towers Dubai, United Arab Emirates.

The primary objective of NF DMCC is to boost export sales of its parent company through trading in food stuff and other services. NF DMCC also has following two wholly owned subsidiaries:

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 UK 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.

National Epicure Inc.

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

During the year NEI has acquired 60% shares in A1 Bags & Suppliers Inc., based in Canada. It is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products. Its registered office is situated at 6400 Kennedy Road, Mississauga, Ontario, Canada.

		2017	2016
		(Rupees in thousand)	
7. STOCK-IN-TRADE			
Raw materials including goods in transit of Rs. 263.08 million (2016: Rs. 193.83 million)		1,157,825	1,450,684
Provision for obsolescence		(21,927)	(21,489)
		<u>1,135,898</u>	<u>1,429,195</u>
Packing materials including goods in transit Rs. Nil (2016: Rs. 5.06 million)		256,314	358,185
Provision for obsolescence		(69,463)	(50,161)
		<u>186,851</u>	<u>308,024</u>
Work in process		1,067,560	973,140
Provision for obsolescence		(11,053)	(9,360)
		<u>1,056,507</u>	<u>963,780</u>
Finished goods	7.2	647,066	562,659
Provision for obsolescence		(17,491)	(13,284)
		<u>629,575</u>	<u>549,375</u>
		<u>3,008,831</u>	<u>3,250,374</u>

7.1 Stock in trade includes Rs. 1.80 billion (2016: Rs. 1.94 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.

7.2 The above balances include items costing Rs. 45.74 million (2016: Rs. 59.75 million) valued at net realisable value of Rs. 37.54 million (2016: Rs. 51.74 million).

7.3 During the year, the Company has made a provision of Rs. 48.3 million for obsolescence (2016: Rs. 67.58 million) and has written off stocks against the provision amounting to Rs. 31.39 million (2016: Rs. 38.38 million).

		2017	2016
		(Rupees in thousand)	
8. TRADE DEBTS			
Considered good - unsecured			
- Related parties	8.3	753,984	565,034
- Others		519,842	435,434
		<u>1,273,826</u>	<u>1,000,468</u>
Considered doubtful		6,093	6,093
		<u>1,279,919</u>	<u>1,006,561</u>
Provision for doubtful trade debts		(6,093)	(6,093)
		<u>1,273,826</u>	<u>1,000,468</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

8.1 The movement in the allowance of impairment for trade debts is as follows:

	2017	2016
	(Rupees in thousand)	
Opening provision	6,093	7,600
Reversal for the year	-	(1,507)
Closing provision	<u>6,093</u>	<u>6,093</u>

8.2 As at 30 June 2017, trade debts of Rs. 424.36 million (2016: Rs. 310.39 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:

	2017	2016
	(Rupees in thousand)	
Up to 3 months	387,343	274,494
3 to 6 months	28,582	32,668
More than 6 months	8,437	3,237
	<u>424,362</u>	<u>310,399</u>

8.3 Receivable from related parties

	2017	2016
Premier Distributor	44,907	52,234
Premier Agency	51,446	65,246
National Foods DMCC	657,631	447,554
	<u>753,984</u>	<u>565,034</u>

As at 30 June 2017, trade debts of Rs. 45.57 million (2016: Rs. 93.1 million) from related parties were past due but not impaired. The age analysis of these trade debts is as follows:

	2017	2016
	(Rupees in thousand)	
Up to 3 months	45,565	81,827
3 to 6 months	-	5,725
More than 6 months	-	5,554
	<u>45,565</u>	<u>93,106</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

9. ADVANCES

Considered good
Employees - against expenses
Suppliers

Considered doubtful
Suppliers

Provision for doubtful advances to suppliers

9.1 These advances do not carry any mark up arrangement.

10. TRADE DEPOSITS AND PREPAYMENTS

Considered good

Deposits
Prepayments

Considered doubtful

Deposits
Provision for doubtful deposits

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

11. OTHER RECEIVABLES

Due from related parties
- National Foods DMCC - Subsidiary
- Associated Textile Consultants (Pvt.) Limited
- Director

Workers' Profits Participation Fund
Others

12. SALES TAX REFUNDABLE

During the year, the Deputy Commissioner Inland Revenue of Federal Board of Revenue (FBR) issued a show cause notice dated 22 May 2017 with respect to various discrepancies of sales tax charging / withholding observed during their scrutiny and analysis of monthly sales tax returns from July 2012 to June 2016. In response to Company's reply, an order in original was issued dated 30 June 2017 whereby demand of Rs. 24.96 million was raised comprising of sales tax liability, penalty and default surcharge amounting to Rs. 13.54 million, Rs. 0.68 million and Rs. 10.74 million respectively. Against the impugned order, Company has filed an appeal before Commissioner of Inland Revenue (Appeals). Based on tax advice, management is confident that Company hold favorable chances in the appeal. However, the Company has made payment under protest of the adjudged sales tax liability, penalty and default surcharge and has recognized as sales tax refundable in these financial statements.

	2017	2016
	(Rupees in thousand)	
Considered good	4,128	3,311
Employees - against expenses	205,348	92,144
Suppliers	<u>209,476</u>	<u>95,455</u>
Considered doubtful	3,413	3,413
Suppliers	<u>212,889</u>	<u>98,868</u>
Provision for doubtful advances to suppliers	<u>(3,413)</u>	<u>(3,413)</u>
	<u>209,476</u>	<u>95,455</u>
Considered good	13,479	12,479
Deposits	300	25,589
Prepayments	<u>13,779</u>	<u>38,068</u>
Considered doubtful	1,553	1,553
Deposits	<u>15,332</u>	<u>39,621</u>
Provision for doubtful deposits	<u>(1,553)</u>	<u>(1,553)</u>
	<u>13,779</u>	<u>38,068</u>

	2017	2016
	(Rupees in thousand)	
Due from related parties	4,311	2,435
- National Foods DMCC - Subsidiary	861	905
- Associated Textile Consultants (Pvt.) Limited	197	187
- Director	<u>5,369</u>	<u>3,527</u>
Workers' Profits Participation Fund	-	1,432
Others	<u>65,613</u>	<u>1,313</u>
	<u>70,982</u>	<u>6,272</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

13. CASH AND BANK BALANCES

Cash in hand

Cash at bank - current account

- local currency
- foreign currency

13.1

	2017	2016
	(Rupees in thousand)	
	28	1,394
	82,679	3,296
	7,581	52,289
	90,260	55,585
	90,288	56,979

13.1 This includes current account maintained with Islamic banks having balance of Rs. nil (2016: Rs. 1.33 million).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2017	2016
Number of Shares	
2,511,980	2,511,980
101,094,878	101,094,878
103,606,858	103,606,858

Ordinary shares of Rs. 5 (2016: Rs. 5) each issued for consideration paid in cash

Ordinary shares of Rs. 5 (2016: Rs. 5) each as fully paid bonus shares

2017	2016
(Rupees in thousand)	
12,560	12,560
505,474	505,474
518,034	518,034

15. LONG TERM FINANCE

This represents long term finance facility of Rs. 250 million obtained from commercial bank for ten years having mark-up at the rate of State Bank of Pakistan base rate + 0.3% (3.3%). The loan is secured by way of hypothecation of Company's present and future fixed assets. The unavailed portion of the facility at the reporting date was Rs. 101.13 million.

16. DEFERRED TAXATION - net

Credit / (debit) balance arising in respect of:
Accelerated tax depreciation / amortisation
Provision for stock obsolescence
Provision for doubtful trade debts
Provision for retirement benefits obligations

2017	2016
(Rupees in thousand)	
177,485	108,635
(31,872)	(26,552)
(1,620)	1,652
(1,600)	(2,801)
142,393	80,934

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

16.1 Deferred tax liability is restricted to 88.57% (2016: 90.37%) 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.

17. DEFERRED LIABILITIES

Pension Plan
Pensioners' Medical Plan

2017	2016
(Rupees in thousand)	
3,685	11,764
2,338	1,870
6,023	13,634

17.1 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 30 June 2017.

17.2 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.

17.3 The latest actuarial valuation of the Fund as at 30 June 2017 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

17.4 Balance sheet reconciliation

	Pension Plan		Pensioners' Medical Plan	
	2017	2016	2017	2016
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligations	113,813	106,503	20,175	16,932
Fair value of plan assets	(110,128)	(94,739)	(17,837)	(15,062)
	<u>3,685</u>	<u>11,764</u>	<u>2,338</u>	<u>1,870</u>
17.5 Movement in the net liability recognised in the balance sheet				
Opening balance	11,764	17,214	1,870	2,281
Remeasurements recognised in other comprehensive income	(541)	7,206	6,071	7,506
Charge / (income) for the year	4,226	4,558	514	(1,255)
Contribution made	(11,764)	(17,214)	(6,117)	(6,662)
Closing balance	<u>3,685</u>	<u>11,764</u>	<u>2,338</u>	<u>1,870</u>
17.6 Remeasurements recognised in other comprehensive income				
Actuarial (gain) / loss on defined benefit obligation	(703)	2,045	5,648	10,781
Actuarial (gain) / loss on plan assets	162	5,161	423	(3,275)
	<u>(541)</u>	<u>7,206</u>	<u>6,071</u>	<u>7,506</u>
17.7 Expense recognised in profit and loss account				
Current service cost	3,212	2,839	353	194
Net interest cost	1,014	1,719	161	(1,449)
	<u>4,226</u>	<u>4,558</u>	<u>514</u>	<u>(1,255)</u>
17.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	106,503	96,324	16,932	9,347
Current service cost	3,212	2,839	353	194
Interest cost	9,510	10,004	1,489	991
Benefits paid	(4,709)	(4,709)	(4,247)	(4,381)
Actuarial loss / (gain)	(703)	2,045	5,648	10,781
Obligation as at June 30	<u>113,813</u>	<u>106,503</u>	<u>20,175</u>	<u>16,932</u>
17.9 Movement in the fair value of plan assets				
As at July 1	94,739	79,110	15,062	7,066
Expected return on plan assets	8,496	8,285	1,328	2,440
Contribution made	11,764	17,214	6,117	6,662
Benefits paid	(4,709)	(4,709)	(4,247)	(4,381)
Actuarial (loss) / gain	(162)	(5,161)	(423)	3,275
As at June 30	<u>110,128</u>	<u>94,739</u>	<u>17,837</u>	<u>15,062</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

17.10 Plan assets comprise of the following:

Defence Savings Certificates
Cash at bank
Investment in mutual fund

	2017	2016
	(Rupees in thousand)	
Defence Savings Certificates	91,856	101,115
Cash at bank	16,491	1,241
Investment in mutual fund	19,618	7,445
	<u>127,965</u>	<u>109,801</u>
17.11 Principal actuarial assumptions		
Expected rate of increase in salaries	8.75%	9.00%
Expected rate of increase in pension	3.75%	4.00%
Expected rate of increase in medical benefits	8.75%	9.00%
Discount factor used	8.75%	9.00%

17.11 Principal actuarial assumptions

Expected rate of increase in salaries
Expected rate of increase in pension
Expected rate of increase in medical benefits
Discount factor used

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

17.12 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 2017 consists of defence savings certificates ("DSC"). The Company believes that DSC offer the best returns over the long term with an acceptable level of risk.

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.

17.13 Expected charge for the year ending 30 June 2018 works out to be Rs. 4.02 million and Rs. 0.62 million for Pension Plan and Pensioners' Medical Plan respectively.

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

17.14 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)		
	2017		
Discount rate at June 30	1.00%	(116,974)	155,257
Future salary increases	1.00%	120,941	(107,206)
Future pension increases	1.00%	124,415	(104,609)
Medical cost increases	1.00%	23,077	(17,805)
	2016		
Discount rate at June 30	1.00%	(107,404)	143,343
Future salary increases	1.00%	113,531	(100,044)
Future pension increases	1.00%	116,299	(97,981)
Medical cost increases	1.00%	19,394	(14,928)

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

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

17.15 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.

17.16 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 12.83 and 11.82 years respectively.

17.17 Expected maturity analysis of undiscounted retirement benefit payments.

	Less than a year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Total
	(Rupees in thousand)				
Retirement benefit plans	6,098	5,674	14,308	33,529	59,609

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

17.18 During the year, the Company contributed Rs. 37.96 million (2016: Rs. 34.31 million) to the provident fund.

	2017	2016
	(Rupees in thousand)	
18. TRADE AND OTHER PAYABLES		
Creditors	321,027	203,986
Accrued liabilities	1,711,026	1,511,012
Workers' Profits Participation Fund	68,713	-
Workers' Welfare Fund	64,110	46,522
Advances from customers	56,728	62,718
Payable to provident fund	6,881	8,298
Tax deducted at source	79,300	47,938
Due to related parties - directors	91	87
Advances from employees against sale of vehicles	56,236	68,140
Unclaimed dividend	10,471	9,710
Other liabilities	22	2,024
	<u>2,374,605</u>	<u>1,960,435</u>
18.1 Workers' Profits Participation Fund		
(Receivable Due) / payable as at July 1	(1,432)	12,197
Allocation for the year	70,145	58,577
	<u>68,713</u>	<u>70,774</u>
Interest on funds utilised in Company's business	-	10,955
Amount paid during the year	-	(83,161)
Payable as at June 30	<u>68,713</u>	<u>(1,432)</u>
19. SHORT-TERM BORROWINGS		
Running finance under mark-up arrangements	677,623	911,326
Running finance under Musharakah	309,905	-
Export re-finance	500,000	400,000
Money market loan	62,000	-
	<u>1,549,528</u>	<u>1,311,326</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

- 19.1 This includes running finance balance maintained with Islamic Bank having balance of Rs. 545.62 million (2016: Rs. 287.37 million).
- 19.2 The facilities available from various banks amount to Rs. 3.35 billion (2016: Rs. 2.93 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 2017 and 2018.
- 19.3 The rates of mark up range from one month KIBOR plus 0.04% to three months KIBOR plus 0.5% per annum (2016: one month KIBOR plus 0.05% to six months KIBOR plus 0.2% per annum).
- 19.4 The facilities for opening letters of credit amount to Rs. 1.59 billion (2016: Rs. 1.19 billion) and for letters of guarantee amount to Rs. 134.89 million (2016: Rs. 243.3 million) as at 30 June 2017 of which the amount remaining unutilised at year end were Rs. 1.08 billion (2016: Rs. 1.07 billion) and Rs. 68.33 million (2016: Rs. 76.75 million) respectively.
- 19.5 As at 30 June 2017, the unavailed facilities from the above borrowings amounted to Rs. 1.85 billion (2016: Rs. 1.63 billion).

20. COMMITMENTS

- 20.1 Aggregate commitments for capital expenditure as at 30 June 2017 amount to Rs. 544.30 million (2016: Rs. 404.46 million).
- 20.2 Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2016: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at 30 June 2017 amount to:

	2017	2016
	(Rupees in thousand)	
Not later than one year	61,817	55,332
Later than one year but not later than five years	95,850	80,769
	<u>157,667</u>	<u>136,101</u>

21. SALES

Manufactured goods

	2017	2016
	(Rupees in thousand)	
Gross sales	19,551,713	17,801,422
- Local sales	1,241,140	987,460
- Export sales	20,792,853	18,788,882
Less: Sales tax	(2,636,366)	(2,380,572)
	<u>18,156,487</u>	<u>16,408,310</u>
Less:		
- Discount, rebates and allowances	(3,212,168)	(2,937,685)
- Sales return	(142,768)	(287,440)
	<u>(3,354,936)</u>	<u>(3,225,125)</u>
	<u>14,801,551</u>	<u>13,183,185</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

- 21.1 Export sales represent sales made to NF DMCC - a wholly owned subsidiary of the Company.
- 21.2 The Company's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customer in Pakistan are 94.03% (2016: 94.74%) and to customer outside Pakistan are 5.97% (2016: 5.26%) of the revenue.

22. COST OF SALES

	2017	2016
	(Rupees in thousand)	
Raw material consumed	6,050,378	5,600,410
Packing material consumed	2,322,418	2,237,022
Stores and spares consumed	81,995	63,654
Brine and cutting charges	18,528	41,084
Salaries, wages and other benefits	783,670	738,333
Contribution to provident fund	13,286	11,797
Depreciation	176,870	144,676
Amortisation	241	735
Ujrah payments	19,253	14,525
Fuel and power	210,404	188,140
Insurance	26,739	21,863
Laboratory, research and development	7,633	6,330
Postage and communications	6,250	6,186
Printing and stationery	1,122	1,008
Rent, rates and taxes	157,175	125,821
Travelling	90,881	74,862
Repairs and maintenance	56,645	35,262
Security charges	23,481	21,087
Inventory destruction charges	25,172	17,007
Others	11,755	3,366
	<u>10,083,896</u>	<u>9,353,168</u>
Opening work in process	963,780	817,850
Closing work in process	(1,056,507)	(963,780)
Cost of goods manufactured	<u>9,991,169</u>	<u>9,207,238</u>
Opening stock of finished goods	549,375	279,604
Closing stock of finished goods	(629,575)	(549,375)
	<u>9,910,969</u>	<u>8,937,467</u>

- 22.1 The Company has filed an appeal in High Court of Sindh challenging the applicability of Gas Infrastructure Development Cess Act, 2015 on the ground that it is ultra vires the Constitution. On 26 October 2016, the High Court of Sindh declared the Act as ultra vires the Constitution. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh against aforesaid decision which is pending for adjudication. On 31 May 2017, Peshawar High Court held the Act as validly enacted and no procedural defect in the Act could be made as a ground for its annulment. Management, in view of the Sindh High Court decision, consider that no provision is required to be recognized in these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
23. DISTRIBUTION COSTS			
Salaries, wages and other benefits		548,366	434,027
Advertising and sales promotion		1,305,558	1,115,316
Commission expense		36,888	38,242
Outward freight and handling charges		632,861	575,214
Contribution to provident fund		15,742	14,235
Depreciation	4.2	18,965	19,120
Amortisation		791	1,709
Ujrah payments		24,837	20,925
Fuel and power		5,170	4,949
Forwarding charges		46,740	21,896
Insurance		15,490	14,231
Laboratory, research and development		111	510
Legal and professional charges		4	14
Postage and communications		8,927	9,660
Printing and stationery		2,684	4,003
Rent, rates and taxes		172,243	80,915
Travelling		115,569	121,340
Repairs and maintenance		13,702	10,011
Reversal of provision for doubtful debts		-	(1,507)
Sales conference expenses		-	26,520
Security charges		783	2,534
Advances written off		-	3,033
IT support charges		6,203	1,700
Others		2,625	133
		<u>2,974,259</u>	<u>2,518,730</u>

		2017	2016
		(Rupees in thousand)	
24. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	24.1	240,107	237,379
Contribution to provident fund		8,929	8,287
Depreciation	4.2	26,485	29,705
Amortisation		31,406	22,308
Ujrah payments		17,016	19,288
Fuel and power		4,589	7,193
Insurance		5,632	5,988
Legal and professional charges		29,083	32,589
Postage and communications		28,197	24,640
Printing and stationery		3,947	3,458
Rent, rates and taxes		17,644	15,447
Travelling		33,261	31,161
Repairs and maintenance		51,690	49,245
Security charges		4,472	5,000
Others		12,963	14,178
		<u>515,421</u>	<u>505,866</u>

24.1 Salaries, wages and other benefits include Rs. 4.74 million (2016: Rs. 3.33 million) in respect of charge for retirement benefit plans.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
25. OTHER EXPENSES			
Workers' Profits Participation Fund		70,145	58,577
Workers' Welfare Fund		21,081	20,360
Auditors' remuneration	25.1	2,622	8,242
Donations		6,525	10,502
		<u>100,373</u>	<u>97,681</u>
25.1 Auditors' remuneration			
Audit fee		1,500	1,500
Limited review, special reports and other certifications		1,062	1,924
Taxation services		-	4,509
Out of pocket expenses		60	309
		<u>2,622</u>	<u>8,242</u>
26. OTHER INCOME			
Income from financial assets			
Exchange (loss) / gain	26.1	(1,288)	19,628
Gain on sale of open ended mutual fund units		-	6,803
Return on savings account and term deposits	26.2	1,863	3,391
Return on late payments by trade debtors		2,452	1,134
Gain on sale of treasury bills		-	921
		<u>3,027</u>	<u>31,877</u>
Income from other than financial assets			
Profit on disposal of property, plant and equipment		10,277	9,937
Write back of advances from employees against sale of vehicle		33,493	-
		<u>43,770</u>	<u>9,937</u>
Dividend income from subsidiary		3,141	3,130
Export rebate		1,636	-
Others		29,482	10,906
		<u>34,259</u>	<u>14,036</u>
		<u>81,056</u>	<u>55,850</u>

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

26.2 This represents profit earned on bank balances maintained under conventional banking system, except for Rs. nil (2016: Rs. 1.03 million) earned from deposits with Islamic banks.

		2017	2016
		(Rupees in thousand)	
27. FINANCE COSTS			
Interest on:			
Workers' Profit Participation Fund		-	10,955
Mark-up on:			
- Short-term running finances	27.1	24,348	7,402
- Istisna facility		-	9,924
- Export refinance facility		11,745	10,238
- Short-term loans	27.2	470	10,315
- Long-term loans		2,087	-
Bank charges and other costs		29,917	18,504
		<u>68,567</u>	<u>67,338</u>

27.1 This represents markup on running finance balance obtained from Conventional banks.

27.2 This represents markup on short term loans obtained from Islamic banks.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
28.	TAXATION - net		
	Current		
	- for the year	312,049	346,768
	- prior year	(46,857)	-
	Deferred	62,929	(8,491)
		<u>328,121</u>	<u>338,277</u>

28.1 This includes super tax charge of Rs. 33.39 million (2016: 31.09 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001.

28.2 Income tax assessment of the Company has been deemed to be finalised upto and including tax year 2016 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

		2017	2016
		(Rupees in thousand)	
28.3	Relationship between income tax expense and accounting profit		
	Profit before taxation	1,313,018	1,111,953
	Tax at applicable rate of 31% (2016: 32%)	407,036	355,825
	Tax effect of permanent differences	2,504	13,755
	Tax effect of final tax regime	(210)	(48,158)
	Effect of prior year tax	(46,857)	-
	Super Tax	33,389	31,097
	Effect of tax credits	(65,775)	(15,140)
	Others	(1,966)	898
		<u>328,121</u>	<u>338,277</u>

28.4 Under section 5A of Income Tax Ordinance, 2001 (as amended by the Finance Act 2017), a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors in their meeting held on 11 September 2017 have recommended sufficient dividend for the year ended 30 June 2017 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2017.

		2017	2016
		(Rupees in thousand)	
29.	EARNINGS PER SHARE		
29.1	Basic		
	Profit after taxation attributable to ordinary shareholders	984,897	773,676
	Weighted average number of ordinary shares outstanding during the year	103,606,858	103,606,858
		<u>103,606,858</u>	<u>103,606,858</u>
		(Rupees)	
	Earnings per share	9.51	7.47

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

29.2 A diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at balance sheet date which would have any effect on the earnings per share if the option to convert is exercised.

		2017	2016
		(Rupees in thousand)	
30.	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	1,313,018	1,111,953
	Adjustments for non-cash charges and other items		
	Depreciation	222,320	193,501
	Amortisation	32,438	24,752
	Profit on disposal of property, plant and equipment	(10,277)	(9,937)
	Provision for slow moving stock	17,439	29,201
	Gain on sale of open ended mutual fund units	-	(6,803)
	Gain on sale of treasury bills	-	(921)
	Finance costs	68,567	67,338
	Retirement benefits expense	4,740	3,303
		<u>335,227</u>	<u>300,434</u>
	Profit before working capital changes	1,648,245	1,412,387
	Working capital changes		
	(Increase) / decrease in current assets		
	Stores, spare parts and loose tools	(4,275)	(708)
	Stock in trade	224,104	(1,024,852)
	Trade debts	(273,358)	150,198
	Advances	(114,021)	(45,051)
	Trade deposits and prepayments	24,289	(8,332)
	Other receivables	(64,710)	7,180
	Sales tax refundable	(40,633)	-
		<u>(248,604)</u>	<u>(921,565)</u>
	Increase / (decrease) in current liabilities		
	Trade and other payables	413,409	283,522
	Sales tax payable	(93,457)	(47,897)
		<u>319,952</u>	<u>235,625</u>
		<u>1,719,593</u>	<u>726,447</u>

31. CASH AND CASH EQUIVALENTS

Cash and bank balances
Short term borrowings

		2017	2016
		(Rupees in thousand)	
	Cash and bank balances	90,288	56,979
	Short term borrowings	(987,528)	(911,326)
		<u>(897,240)</u>	<u>(854,347)</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

32. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in thousand)					
Managerial remuneration and allowances	17,389	15,794	-	-	244,325	208,564
Technical advisory fee	-	-	2,373	8,400	-	-
Utilities	1,739	1,579	1,069	793	24,433	20,857
Bonus / variable pay	2,898	2,632	-	-	43,352	37,446
Housing	7,825	7,107	-	-	109,946	93,854
Retirement benefits	1,739	1,579	4,740	3,303	21,732	19,121
Other expenses	2,280	3,349	4,590	5,194	122,913	97,226
	<u>33,870</u>	<u>32,040</u>	<u>12,772</u>	<u>17,690</u>	<u>566,701</u>	<u>477,068</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>180</u>	<u>161</u>

32.2 In addition to the above, fee paid to 6 (2016: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 2,350,000 (2016: Rs. 1,750,000).

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

33. RELATED PARTY DISCLOSURES

The related parties comprise of entities over which the Company is able to exercise significant influence including subsidiaries (direct and indirect), entities with common directors, major shareholders, staff retirement funds, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be.

Transactions between the Company and the related parties are set forth below:

Relationship with the Company	Nature of transaction	2017	2016
		(Rupees in thousand)	
Subsidiary Company	Sale of goods	1,240,042	983,409
	Dividend income	3,141	3,130
Associated Companies	Sale of goods	1,510,548	1,473,634
	Rent charges paid / payable	9,048	8,431
	Commission expense	36,888	38,242
Staff retirement funds	Expense charged for the year	37,956	34,319
	Payments to retirement contribution plan	92,735	91,986
	Contribution to defined benefit plans	13,834	23,876
Directors	Technical advisory services	2,373	8,400
Key management personnel compensation:			
	Salaries and other short-term employee benefits	181,299	177,889
	Retirement benefits	8,187	10,378

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

The related party status of outstanding balances as at 30 June 2017 is included in the notes on trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

34. PLANT CAPACITY AND PRODUCTION

Actual production of plants

	2017	2016
	Metric Tons	
	<u>96,913</u>	<u>90,176</u>

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

35. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the Fund:

	2017	2016
	(Rupees in thousand)	
Size of the fund - Total assets	<u>505,802</u>	<u>446,000</u>
Fair value of investments	<u>267,780</u>	<u>250,650</u>
Cost of investment	<u>187,250</u>	<u>176,320</u>
Percentage of investments made	<u>53%</u>	<u>56%</u>

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

	2017	2016	2017	2016
	Percentage		(Rupees in thousand)	
National savings scheme	92%	91%	245,192	229,361
Bank deposits	2%	3%	4,775	6,977
Unit trust schemes	6%	6%	17,813	14,312
	<u>100%</u>	<u>100%</u>	<u>267,780</u>	<u>250,650</u>

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

36. NUMBER OF EMPLOYEES

Number of employees as at 30 June

	2017	2016
- Permanent	<u>671</u>	<u>662</u>
- Contractual	<u>2</u>	<u>8</u>

Average number of employees during the year

	2017	2016
- Permanent	<u>664</u>	<u>658</u>
- Contractual	<u>3</u>	<u>10</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Financial risk factors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. 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.

37.2 Financial assets and liabilities by category and their respective maturities:

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
FINANCIAL ASSETS							
Trade debts	-	-	-	1,273,826	-	1,273,826	1,273,826
Trade deposits	-	-	-	13,479	33,612	47,091	47,091
Other receivables	-	-	-	70,982	-	70,982	70,982
Cash and bank balances	-	-	-	90,288	-	90,288	90,288
30 June 2017	-	-	-	1,378,575	33,612	1,412,187	1,412,187
30 June 2016	-	-	-	1,076,198	30,979	1,107,177	1,107,177
Financial liabilities							
Long term finance	-	140,865	140,865	-	-	-	140,865
Trade and other payables	-	-	-	2,042,637	-	2,042,637	2,042,637
Accrued interest/mark up	-	-	-	9,620	-	9,620	9,620
Short term borrowings	1,549,528	-	1,549,528	-	-	-	1,549,528
30 June 2017	1,549,528	140,865	1,690,393	2,052,257	-	2,052,257	3,742,650
30 June 2016	1,311,326	-	1,311,326	1,735,793	-	1,735,793	3,047,119
On balance sheet gap							
30 June 2017	(1,549,528)	(140,865)	(1,690,393)	(603,682)	33,612	(570,070)	(2,260,463)
30 June 2016	(1,311,326)	-	(1,311,326)	(659,595)	30,979	(628,616)	(1,939,942)
Off balance sheet items							
Letters of credit							
30 June 2017							510,000
30 June 2016							128,260
Letters of guarantees							
30 June 2017							68,560
30 June 2016							166,550

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

All the financial instruments of the Company are designated as loans and receivables and hence measured at amortised cost. The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

37.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.48 billion (2016: Rs. 1.11 billion) the financial assets exposed to the credit risk amounted to Rs. 1.48 billion (2016: Rs. 1.11 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 30 June 2017 trade debts of Rs. 424.26 million (2016: Rs. 310.39 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

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

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk. The management does not expect any losses from non-performance by these counterparties.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

37.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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. The maturity of the Company's financial liabilities are provided in these financial statements.

37.2.3 Market risks

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2017 net financial assets of Rs. 645.92 million (2016: Rs. 400.35 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2017 if the Pak Rupee had weakened / strengthened by 4% (2016: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 25.83 million (2016: Rs. 16.01 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

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.

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 30 June 2017 the Company had variable interest bearing financial liabilities of Rs. 1690.47 million (2016: Rs. 1,311.32 million), had the interest rates varied by 100 basis points (2016: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 16.90 million (2016: Rs. 13.11 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2016: 100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2016: 100 basis points) per annum.

37.3 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 2017, the Company's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2017 was as follows:

	2016	2015
	(Rupees in thousand)	
Total borrowings	1,700,013	1,320,300
Cash and bank balances	(90,288)	(56,979)
Net debt	1,609,725	1,263,321
Total Equity	3,179,689	2,483,772
Total capital	4,789,414	3,747,093
Gearing ratio	34%	34%

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

37.4 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management considers fair value of financial assets approximate its fair value owing to their short term maturities and credit quality of counter parties.

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

39. EVENTS OCCURRING AFTER BALANCE SHEET DATE

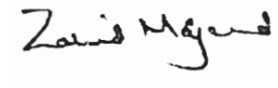
The Board of Directors of the Company in their meeting held on 11 September 2017 has proposed a final dividend of Rs. 4.25 per share amounting to Rs. 440.33 million for the year ended 30 June 2017. The approval of the shareholders of the Company for the dividend shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2017. The financial statements for the year ended 30 June 2017, do not include the effect of the proposed final cash dividend which will be accounted for in the financial statements for the year ending 30 June 2018.

40. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on 11 September 2017.


Chief Executive Officer


Chief Financial Officer


Director

Consolidated Financial Statements 2017



Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of National Foods Limited ("the Parent Company") and its subsidiary company National Foods DMCC, Dubai, UAE as at 30 June 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, 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 opinions on the financial statements of National Foods Limited except for National Foods DMCC, subsidiary company, which were 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 Parent Company's management. Our responsibility is to express an opinion on these consolidated 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 30 June 2017 and the results of their operations for the year then ended.

The consolidated financial statements for the year ended 30 June 2016 were audited by another firm of Chartered Accountants who have expressed an unmodified opinion on those consolidated financial statements vide their audit report dated 23 September 2016.

Date: 11 September 2017

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Name of the Engagement Partner: Moneeza Usman Butt

Consolidated Balance Sheet

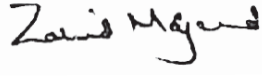
AS AT JUNE 30, 2017

	Note	2017	2016
(Rupees in thousand)			
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,204,389	1,997,110
Intangibles and goodwill	5	583,725	61,295
Long term deposits		34,217	30,979
		<u>3,822,331</u>	<u>2,089,384</u>
Current assets			
Stores, spare parts and loose tools		10,880	6,605
Stock-in-trade	6	3,418,314	3,280,590
Trade debts	7	1,364,571	933,274
Advances	8	229,113	138,928
Trade deposits and prepayments	9	62,017	38,870
Other receivables	10	103,103	5,071
Sales tax refundable	11	40,633	-
Cash and bank balances	12	364,022	249,667
		<u>5,592,653</u>	<u>4,653,005</u>
TOTAL ASSETS		<u>9,414,984</u>	<u>6,742,389</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital and reserves			
Authorised capital of 150,000,000 ordinary shares of Rs. 5 each		<u>750,000</u>	<u>750,000</u>
Issued, subscribed and paid-up capital	13	518,034	518,034
Unappropriated profit		2,686,892	2,022,873
Foreign exchange translation reserve		7,283	2,849
Equity attributable to owners of the Company		<u>3,212,209</u>	<u>2,543,756</u>
Non-controlling interest	14	179,196	-
Total equity		<u>3,391,405</u>	<u>2,543,756</u>
Non-current liabilities			
Long term finance	15	375,252	-
Long term deposits		2,759	-
Deferred consideration	16	154,222	-
Deferred liabilities	17	7,977	14,866
Deferred rent		7,407	-
Deferred taxation - net	18	142,393	80,934
		<u>690,010</u>	<u>95,800</u>
Current liabilities			
Trade and other payables	19	3,047,506	2,066,355
Mark-up accrued		11,269	8,974
Short-term borrowings	20	1,549,528	1,311,326
Current maturity of long term finance	15	28,255	-
Current maturity of deferred consideration	16	160,437	-
Taxation - net		536,574	622,721
Sales tax payable		-	93,457
		<u>5,333,569</u>	<u>4,102,833</u>
		<u>6,023,579</u>	<u>4,198,633</u>
Commitments			
	21		
TOTAL EQUITY AND LIABILITIES		<u>9,414,984</u>	<u>6,742,389</u>

The annexed notes 1 to 41 form an integral part of these Consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Consolidated Profit and Loss Account

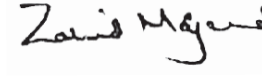
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
(Rupees in thousand)			
Sales	22	16,815,974	13,569,350
Cost of sales	23	(11,383,196)	(9,073,765)
Gross profit		<u>5,432,778</u>	<u>4,495,585</u>
Distribution costs	24	(3,478,494)	(2,682,631)
Administrative expenses	25	(520,221)	(521,821)
Other expenses	26	(109,287)	(99,217)
Other income	27	98,997	24,648
Operating profit		<u>1,423,773</u>	<u>1,216,564</u>
Finance costs	28	(104,817)	(81,097)
Profit before taxation		<u>1,318,956</u>	<u>1,135,467</u>
Taxation - net	29	(345,666)	(338,277)
Profit after tax		<u>973,290</u>	<u>797,190</u>
Other comprehensive income			
Items that will not be reclassified to profit and loss account:			
Remeasurements of retirement benefit liability		(5,530)	(14,712)
Related tax thereon		1,469	3,989
		<u>(4,061)</u>	<u>(10,723)</u>
Items that are or may be reclassified subsequently to profit and loss account:			
Foreign operations - foreign currency translation differences		4,535	1,910
		<u>474</u>	<u>(8,813)</u>
Total comprehensive income for the year		<u>973,764</u>	<u>788,377</u>
Profit attributable to:			
Owners of the Parent Company		952,999	797,190
Non-controlling interest		20,291	-
		<u>973,290</u>	<u>797,190</u>
Total comprehensive income attributable to:			
Owners of the Parent Company		953,372	788,377
Non-controlling interest		20,392	-
		<u>973,764</u>	<u>788,377</u>
(Rupees)			
Earnings per share (basic and diluted)	30	<u>9.20</u>	<u>7.69</u>

The annexed notes 1 to 41 form an integral part of these Consolidated financial statements.


Chief Executive Officer


Chief Financial Officer



Director

Consolidated Cash Flow Statement

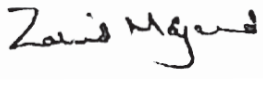
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	1,919,506	801,526
Finance cost paid		(102,522)	(82,689)
Income tax paid		(372,357)	(208,625)
Deferred rent		1,898	-
Retirement benefits obligations paid		(17,881)	(23,876)
Long term deposits		(3,209)	3,789
Net cash generated from operating activities		1,425,435	490,125
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,299,100)	(684,088)
Sale proceeds from disposal of property, plant and equipment		22,402	21,767
Purchase of intangible assets		(96,948)	(46,958)
Purchase of open ended mutual fund units		-	(150,000)
Acquisition of subsidiary, net of cash acquired		(182,429)	-
Sale of open ended mutual fund units		-	546,048
Purchase of treasury bills		-	(147,810)
Sale proceeds of treasury bills		-	148,731
Net cash used in investing activities		(1,556,075)	(312,310)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		1,262,000	1,000,000
Proceeds from long term finance		289,613	-
Repayment of short term borrowings		(1,100,000)	(700,000)
Dividend paid		(284,158)	(1,031,839)
Net cash from / (used in) financing activities		167,455	(731,839)
Net increase / (decrease) in cash and cash equivalents		36,815	(554,024)
Cash and cash equivalents at beginning of the year		(661,659)	(109,547)
Currency translation difference on cash and cash equivalents		1,338	1,912
Cash and cash equivalents at end of the year	32	(623,506)	(661,659)

The annexed notes 1 to 41 form an integral part of these Consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Consolidated Statement of Changes in Equity

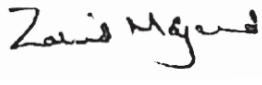
FOR THE YEAR ENDED JUNE 30, 2017

	Attributable to shareholders of the Parent Company					
	Share capital	Retained earnings	Foreign currency translation reserve	Sub-total	Non controlling interest	Total equity
(Rupees in thousand)						
Balance as at 1 July 2015	518,034	2,272,475	939	2,791,448	-	2,791,448
Total Comprehensive income for the year ended 30 June 2016						
Profit for the year	-	797,190	-	797,190	-	797,190
Other comprehensive income	-	(10,723)	1,910	(8,813)	-	(8,813)
	-	786,467	1,910	788,377	-	788,377
Transaction with owners in their capacity as owners directly recorded in equity						
Final dividend for the year ended 30 June 2015 @ Rs. 10 per share	-	(1,036,069)	-	(1,036,069)	-	(1,036,069)
Balance as at 30 June 2016	518,034	2,022,873	2,849	2,543,756	-	2,543,756
Total Comprehensive income for the year ended 30 June 2017						
Profit for the year	-	952,999	-	952,999	20,291	973,290
Other comprehensive income	-	(4,061)	4,434	373	101	474
	-	948,938	4,434	953,372	20,392	973,764
Transaction with owners in their capacity as owners directly recorded in equity						
Final dividend for the year ended 30 June 2016 @ Rs. 2.75 per share	-	(284,919)	-	(284,919)	-	(284,919)
Changes in ownership interests Acquisition of subsidiary with NCI (refer note 1.2)	-	-	-	-	158,804	158,804
Balance as at 30 June 2017	518,034	2,686,892	7,283	3,212,209	179,196	3,391,405

The annexed notes 1 to 41 form an integral part of these Consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

- i) Parent Company - National Foods Limited; and
- ii) Subsidiary Company - National Foods DMCC, Dubai.

National Foods Limited

National Foods Limited ("Parent 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 repealed Companies Ordinance, 1984 by special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Parent Company is principally engaged in the manufacture and sale of convenience food products. It is listed on Pakistan Stock Exchange. The registered office of the Parent Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

National Foods DMCC

National Foods DMCC ("NF DMCC") was registered on 7 November 2012 in Dubai Multi Commodities Centre ("DMCC") pursuant to Dubai (DMCC) Law No. 4 of 2001 and operates in the United Arab Emirates ("UAE") under a trade license issued by DMCC. The registered address of NF DMCC is Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. 01 Jumeirah Lakes Towers Dubai, United Arab Emirates. NF DMCC is a wholly owned subsidiary of National Foods Limited, Pakistan.

Primary objective of NF DMCC is to boost export sales of Parent Company through trading in food stuff and other services.

National Foods DMCC has following two wholly owned subsidiaries:

National Epicure Inc. ("NEI")

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

During the year NEI has acquired 60% shares in A-1 Bags & Supplies Inc. ("A-1 Bags"), based in Canada. A-1 Bags is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products. Its registered office is situated at 6400 Kennedy Road, Mississauga, Ontario, Canada.

National Foods Pakistan (UK) Limited

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

1.2 ACQUISITION OF SUBSIDIARY

Effective 1 February 2017, NEI (acquirer) entered into a Share Purchase Agreement (SPA) for purchase of equity shares of A-1 Bags and Supplies Inc. (Acquiree). The acquiree engaged in cash and carry business in Canada. Under the terms of the SPA, NEI has acquired 60% controlling stake in Acquiree and nominated 2 out of 3 directors on the Board of Directors. Consideration for the acquisition aggregating to Rs. 477.855 million (6 million Canadian Dollar) will be paid in 3 equal tranches within 18 months from the SPA date. The first tranche was due on 1 February 2017 which was paid and remaining consideration will be paid by July 2018. The acquired shares are currently held in escrow till payment of last tranche. The acquisition is expected to increase the Group's market share and reduce costs through economies of scale.

The acquired business contributed revenue of Rs. 1,727.6 million and net profit of Rs. 48.2 million to the Group for the period from 1 February 2017 to 30 June 2017. If the acquisition had occurred on 1 July 2016, the consolidated revenue and profit after tax for the year ended 30 June 2017 would have been Rs. 20,729.09 million and Rs. 9,714.65 million respectively. In determining these amounts, management has assumed that the fair values adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2016.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

1.2.1 The breakup of consideration transferred is as follows:

	(Rupees in thousand)
Cash paid	159,285
Deferred consideration	306,289
Total purchase consideration	<u>465,574</u>

The fair value of the deferred consideration of the acquisition price has been determined by discounting the amounts payable to their present value at the date of acquisition. The present value is determined using a discount rate of 3 month LIBOR + 3% (4.03%) which is considered to be appropriate to determine its fair value.

1.2.2 The Group incurred acquisition-related costs of Rs. 32.69 million on legal fees and due diligence costs. These costs have been included in administrative expenses in the consolidated profit and loss account.

1.2.3 The fair values of identifiable assets and liabilities of the Acquiree as at the date of acquisition were as follows:

	(Rupees in thousand)
Property, plant and equipment	153,663
Intangibles	229,370
Stock-in-trade	366,891
Trade debts	140,778
Trade deposits and prepayments	20,684
Cash and bank balances	(23,144)
Trade and other payables	(384,544)
Income tax payable	(3,473)
Deferred rent liability	(5,509)
Long term deposits	(2,730)
Long term finance	(113,894)
Due to shareholders	(17,083)
Total identifiable net assets acquired	<u>397,009</u>

1.2.4 The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Asset acquired	Valuation technique
Customer relationships	Income Approach using an excess earnings method is used to value the acquired customer relationship. The excess earnings method estimates the fair value of an asset based upon expected future economic benefits discounted to present value at a rate of return commensurate with the risk inherent in the investment.
Trademark	The Group used the relief from royalty method to arrive at the fair value of the Trade name acquired. This approach assumes the notional sale of the rights to the Company's Trade name through a Royalty or licensing agreement with arm's length parties.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The trade receivables comprise gross contractual amounts due of Rs. 140.78 million. As on the date of acquisition, no trade receivables were considered impaired. Based on review of operating fixed assets' physical condition, management considered fair value of operating fixed assets acquired approximate to their carrying value.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

1.2.5 Goodwill arising from the acquisition has been recognised as follows.

	(Rupees in thousand)
Consideration transferred	465,574
NCI, based on their proportionate interest in the recognised amounts of assets and liabilities	158,804
Fair value of identifiable net assets	<u>(397,009)</u>
Goodwill	<u>227,369</u>

The goodwill is attributable to synergies expected to arise after the Group's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes.

1.2.6 Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

1.2.7 As the acquisition transaction was close to the quarter ended 31 March 2017, management was unable to complete initial accounting for business combination, hence, provisional amounts were used for 3rd quarterly reporting subject to completion of an independent appraisal in identification of fair values of identifiable net assets acquired. During the quarter ended 30 June 2017, management has completed initial accounting for the business combination and identified customer relationships amounting to Rs. 86.4 million and trademark amounting to Rs. 142.97 million respectively. Hence the recognition of those assets resulted in corresponding decrease in amount of goodwill initially recognized.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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 repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984 including Islamic Financial Accounting Standards (IFAS). In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except as stated otherwise.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand of rupees, unless stated otherwise.

2.4 Use of significant estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are described in the following:

Property, plant and equipment / intangible assets

The Group reviews the rate of depreciation / amortization, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment / intangible assets with a corresponding effect on the depreciation / amortization charge and impairment.

Stock in trade / stores, spares and loose tools

The Group's continuously reviews its inventory for existence of any items which may have become obsolete. These estimates are based on historical experience and are continuously reviewed and the cost of such stocks is fully provided for.

Trade debts and other receivables

The Group's reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Retirement benefits obligations

Certain actuarial assumptions have been adopted for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under this scheme in those years.

Taxation

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

Goodwill

Goodwill is tested for impairment on an annual basis and also when there is an indication of impairment. Impairment loss on goodwill is not reversed. On disposal of subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2.5 Standards, Interpretations and Amendments which became effective during the year

During the year, amendments to certain standards became effective which were not relevant to the Group's accounting policies.

2.6 Standards, Interpretations and Amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendment further clarifies that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - "Share-based Payment" clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a group can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 - 'Agriculture'. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non-current Assets Held for Sale and Discontinued Operations'.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture.

The above improvements to standards are not likely to have material / significant impact on Group's financial statements.

- The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 17 of 2017 dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires certain additional disclosures which will be incorporated in financial statements for the period beginning on or after 1 July 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as set out below are consistently applied for all periods presented in these consolidated financial statements.

3.1 Basis of consolidation

The consolidated financial statements consists of financial statements of the Parent Company and its subsidiary companies as disclosed in note 1.1 to these consolidated financial statements (hereinafter referred as Group).

The financial statements of the Parent Company and its subsidiary companies are prepared up to the same reporting date and are combined on a line-by-line basis.

The Group accounts for business combination using the acquisition method when control is transferred to the Group. The consideration transferred (including contingent consideration) in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that acquire is not amortized but tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities. When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized, to reflect new information obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognized at that date, had they been known the measurement period does not exceed twelve months from the date of acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and up to the date when the control ceases.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests are presented as a separate item in the consolidated financial statements.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

Changes in the Group interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in consolidated profit and loss account. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

3.2 Property, plant and equipment

Initial recognition

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably.

Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment includes:

- (a) its purchase price including import duties, non refundable purchase taxes after deducting trade discounts and rebates;
- (b) any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management; and
- (c) Borrowing costs, if any.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure (including normal repairs and maintenance)

Expenditures incurred to replace a significant component of an item of property, plant and equipment is capitalised and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the items can be measured reliably. All other expenditures (including normal repairs and maintenance) is recognised in the profit and loss account as an expense when it is incurred.

Depreciation

Depreciation is charged on straight line method at the rates specified in respective notes in these consolidated financial statements.

Depreciation on additions to property, plant and equipment is charged from the month the asset is available for use up to the month of disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

Gains and losses on disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in the profit and loss account.

Capital work in progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

3.3 Goodwill and intangible assets

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets, including customer relationships that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Trademark and other have indefinite useful life and is not amortised, therefore, measured at cost less any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.4 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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.

3.5 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. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The latest actuarial valuation of the defined benefit plans was conducted as at 30 June 2017.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

Past service cost and the amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Defined contribution plan

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

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

3.6 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.

3.7 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.

3.8 Trade and other debts

These are recognised initially at fair value and subsequently measured at amortised cost or cost, as the case may be, less provision for impairment, if any. Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of cash flow statement, cash and cash equivalents comprise of cash, balances with banks on current and deposit accounts and running finance under mark up arrangements.

3.10 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.

3.11 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

3.12 Leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating lease are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3.13 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.

3.14 Borrowings

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.

3.15 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.

3.16 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to profit and loss account.

3.17 Foreign currency transactions and translation

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 foreign operation are translated into the presentation currency as follows:

- assets and liabilities including goodwill and fair value adjustment arising on acquisition are translated into Pak Rupees at the exchange rate at the reporting date;
- 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 and accumulated in these translation reserve, except to the extent that the translation difference is allocated to NCI.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

3.18 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 / late payment by trade debtors

- Income on late payment by trade debtors is recognised on accrual basis.

iii) Dividend income

- Dividend income is recognised when the Group's right to receive payment is established.

iv) Rental income

- Rental income from properties on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

v) Income from debt securities

- Income on bank deposit and debt securities is recognised on a time proportion basis using effective interest rate method.

vi) Miscellaneous income

- Miscellaneous income including export rebate is recognised on receipt basis.

3.19 Research and development

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

3.20 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Group has currently legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Group or the counter parties.

3.21 Dividends

Dividend distribution to the Group's shareholders and appropriations to / from reserves are recognised in the period in which these are approved.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

4. PROPERTY, PLANT AND EQUIPMENT

		2017	2016
(Rupees in thousand)			
Operating fixed assets	4.1	2,248,623	1,227,091
Capital work-in-progress	4.4	955,766	770,019
		<u>3,204,389</u>	<u>1,997,110</u>

4.1 Operating fixed assets

	2017									
	Leasehold Land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
(Rupees in thousand)										
At 1 July 2016										
Cost	230,606	-	555,694	1,124,754	63,135	70,727	147,220	25,529	61,137	2,278,802
Accumulated depreciation	(24,258)	-	(207,275)	(565,779)	(45,141)	(40,851)	(108,046)	(13,422)	(46,939)	(1,051,711)
Net book value	206,348	-	348,419	558,975	17,994	29,876	39,174	12,107	14,198	1,227,091
Additions / transfer - note - 4.1.1	1,943	-	353,409	657,747	7,666	45,193	16,229	9,088	22,078	1,113,353
Acquisition through business combination	-	28,843	-	-	55,975	44,509	5,358	-	18,978	153,663
Disposals										
Cost	-	-	-	(2,447)	-	(568)	(2,978)	-	(23,027)	(29,020)
Accumulated depreciation	-	-	-	2,430	-	568	2,962	-	10,935	16,895
	-	-	-	(17)	-	-	(16)	-	(12,092)	(12,125)
Effect of movement in exchange rate	-	322	-	-	693	473	33	-	196	1,717
Depreciation charge for the year	(4,211)	(1,431)	(30,230)	(134,907)	(12,612)	(14,736)	(24,949)	(2,683)	(9,317)	(235,076)
Closing net book value	204,080	27,734	671,598	1,081,798	69,716	105,315	35,829	18,512	34,041	2,248,623
At 30 June 2017										
Cost	232,549	33,933	909,103	1,780,054	172,352	186,736	176,503	34,617	105,640	3,631,487
Accumulated depreciation	(28,469)	(6,521)	(237,505)	(698,256)	(103,329)	(81,894)	(140,707)	(16,105)	(71,795)	(1,384,581)
Net exchange difference	-	322	-	-	693	473	33	-	196	1,717
Net book value	204,080	27,734	671,598	1,081,798	69,716	105,315	35,829	18,512	34,041	2,248,623
Useful life (years)	38 - 99	Lease term	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	2016								
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)								
At 1 July 2015									
Cost	230,587	523,232	992,797	60,541	55,089	131,839	21,973	62,839	2,078,897
Accumulated depreciation	(20,090)	(179,322)	(456,362)	(37,912)	(35,160)	(83,238)	(11,302)	(44,669)	(868,055)
Net book value	210,497	343,910	536,435	22,629	19,929	48,601	10,671	18,170	1,210,842
Additions	19	32,462	131,957	2,610	15,885	20,921	3,556	14,248	221,658
Disposals									
Cost	-	-	-	-	-	(5,543)	-	(15,950)	(21,493)
Accumulated depreciation	-	-	-	-	-	4,794	-	4,869	9,663
	-	-	-	-	-	(749)	-	(11,081)	(11,830)
Depreciation charge for the year	(4,168)	(27,953)	(109,417)	(7,245)	(5,938)	(29,601)	(2,120)	(7,139)	(193,581)
Effect of movement in exchange rate	-	-	-	-	-	2	-	-	2
Closing net book value	206,348	348,419	558,975	17,994	29,876	39,174	12,107	14,198	1,227,091
At 30 June 2016									
Cost	230,606	555,694	1,124,754	63,135	70,727	147,220	25,529	61,137	2,278,802
Accumulated depreciation	(24,258)	(207,275)	(565,779)	(45,141)	(40,851)	(108,046)	(13,422)	(46,939)	(1,051,711)
Net book value	206,348	348,419	558,975	17,994	29,876	39,174	12,107	14,198	1,227,091
Useful life (years)	38 - 99	10 - 52	5 - 10	5	6 - 7	3	10	5	

* All non-current assets of the Group are located in Pakistan except non-current assets amounting to Rs. 155.37 million which are located outside Pakistan.

4.1.1 This includes Rs. 482.85 million (2016: Rs. 64.85 million) transferred from capital work in progress.

4.2 The depreciation charge for the year has been allocated as follows:

	2017	2016
	(Rupees in thousand)	
Cost of sales	23	23
Distribution costs	24	24
Administrative expenses	25	25
	177,168	144,676
	31,423	19,120
	26,485	29,785
	235,076	193,581

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

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

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)					
Vehicles	980	33	947	1,320	Company Policy	Mehtab Malik Executive
"	799	67	732	920	Company Policy	Waseem Mumtaz Executive
"	474	32	442	799	Company Policy	Bakhtiyar Alam Executive
"	265	18	247	566	Company Policy	Adeel Azeemi Executive
"	353	24	329	560	Company Policy	Madiha Taj Executive
"	325	22	303	602	Company Policy	Sumaira Saleem Executive
"	796	53	743	1,019	Company Policy	Farrukh Saeed Executive
"	762	64	698	896	Company Policy	Syed Muhammad Maaz Executive
"	743	50	693	751	Company Policy	Ali Kazmi Executive
"	570	38	532	736	Company Policy	Waqar Mursalin Executive
"	876	58	818	964	Company Policy	Shoab Habib Executive
"	396	13	383	746	Company Policy	Nouman Ali Executive
"	1,391	46	1,345	1,348	Company Policy	Umair Mandhai Executive
"	950	246	704	843	Auction	Saleem A.Siddiqui
"	1,250	667	583	850	Auction	Dr.Liaquat Khalid
"	1,770	-	1,770	1,770	Auction	Saaed-ur Rehman
"	582	-	582	582	Auction	Faisal Junaid
Total	13,282	1,431	11,851	15,272		

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

4.4 Capital work-in-progress

Civil works
Plant and machinery
Office equipment
Advance against acquisition of land
Advance against furniture

	2017	2016
	(Rupees in thousand)	
	584,204	391,176
	187,021	272,273
	73,216	25,146
	80,108	81,424
	31,217	-
	<u>955,766</u>	<u>770,019</u>

5 INTANGIBLES AND GOODWILL

Goodwill and intangibles
System under development

5.1
5.2

	551,248	56,223
	32,477	5,072
	<u>583,725</u>	<u>61,295</u>

5.1 Goodwill and intangibles

	2017				
	Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
	(Rupees in thousand)				
Cost					
Balance as at 1 July 2016	170,752	-	-	-	170,752
Acquisition through business combination	-	227,369	86,412	142,958	456,739
Addition	29,302	-	-	40,241	69,543
Effect of movement in exchange rates	-	2,396	911	1,508	4,815
Balance as at 30 June 2017	<u>200,054</u>	<u>229,765</u>	<u>87,323</u>	<u>184,707</u>	<u>701,849</u>
Accumulated amortisation					
Balance as at 1 July 2016	114,529	-	-	-	114,529
Amortisation for the year	32,438	-	3,645	-	36,083
Effect of movement in exchange rates	-	-	(11)	-	(11)
Balance as at 30 June 2017	<u>146,967</u>	<u>-</u>	<u>3,634</u>	<u>-</u>	<u>150,601</u>
Carrying amounts					
As at 30 June 2017	<u>53,087</u>	<u>229,765</u>	<u>83,689</u>	<u>184,707</u>	<u>551,248</u>
Useful life (years)	3	-	10	Indefinite	

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

Cost

Balance as at 1 July 2015
Addition
Balance as at 30 June 2016

Accumulated amortisation

Balance as at 1 July 2015
Amortisation for the year
Balance as at 30 June 2016

Carrying amounts

As at 30 June 2016

Useful life (years)

	2016				
	Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
	(Rupees in thousand)				
Balance as at 1 July 2015	128,866	-	-	-	128,866
Addition	41,886	-	-	-	41,886
Balance as at 30 June 2016	<u>170,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,752</u>
Balance as at 1 July 2015	89,777	-	-	-	89,777
Amortisation for the year	24,752	-	-	-	24,752
Balance as at 30 June 2016	<u>114,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,529</u>
As at 30 June 2016	<u>56,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,223</u>
Useful life (years)	3	-	-	-	

5.2 This represent amount paid to vendor for the development of software which are expected to be capitalised next year.

5.3 Impairment testing of goodwill, trademark and others

The recoverable amount of business operations of A-1 Bags & Supplies Inc. (acquired entity) have been determined based on 'value in use' calculation, using cash flow projections prepared by management from 2018 through 2022 till terminal period. The following rates are used for the year ended 30 June 2017.

Long term growth rate	<u>2.00%</u>
Weighted average cost of capital (discount rate)	<u>18.40%</u>
Terminal Growth rate	<u>2.00%</u>

The Calculation of 'value in use' for the business operations of A-1 Bags & Supplies Inc. is most sensitive to the following assumptions;

Revenue, cost of sales and operating expenses

Revenue, cost of sales and operating expenses represent management's best estimate of the most likely future operating results of A-1 Bags & Supplies Inc. and exclude any synergies expected to arise from the transaction that would not be equally realisable by other market participants.

Capital expenditures

Capital expenditures have been projected taking into account growth in business volume and historical trends.

Discount rate (WACC)

Discount rates reflect management's estimate of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the weighted average cost of capital.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the cash generating units will not have significant impact on the cash flows that could result in an impairment of goodwill.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
6. STOCK IN TRADE		
Raw materials including goods in transit of Rs. 263.08 million (2016: Rs. 193.83 million)	1,157,825	1,450,684
Provision for obsolescence	(21,927)	(21,489)
	<u>1,135,898</u>	<u>1,429,195</u>
Packing materials including in transit Rs. Nil (2016: Rs. 5.06 million)	256,314	364,939
Provision for obsolescence	(69,463)	(50,161)
	<u>186,851</u>	<u>314,778</u>
Work in process	1,067,560	973,140
Provision for obsolescence	(11,053)	(9,360)
	<u>1,056,507</u>	<u>963,780</u>
Finished goods including in transit of Rs. 27.07 million (2016: Rs. 18.16 million)	1,056,549	586,121
Provision for obsolescence	(17,491)	(13,284)
	<u>1,039,058</u>	<u>572,837</u>
	<u><u>3,418,314</u></u>	<u><u>3,280,590</u></u>

- 6.1 Stock in trade includes Rs. 1.80 billion (2016: Rs. 1.94 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.
- 6.2 The above balances include items costing Rs. 45.74 million (2016: Rs. 59.75 million) valued at net realisable value of Rs. 37.54 million (2016: Rs. 51.74 million).
- 6.3 During the year, the Group has made a provision of Rs. 48.3 million for obsolescence (2016: Rs. 67.58 million) and has written off stocks against the provision amounting to Rs. 31.39 million (2016: Rs. 38.38 million).

	2017	2016
	(Rupees in thousand)	
7. TRADE DEBTS		
Considered good - unsecured		
Related parties	96,353	117,480
Others		
- Local	519,842	435,434
- Foreign	748,376	380,360
	<u>1,364,571</u>	<u>933,274</u>
Considered doubtful	8,133	6,093
	<u>1,372,704</u>	<u>939,367</u>
Provision for doubtful trade debts	(8,133)	(6,093)
	<u>1,364,571</u>	<u>933,274</u>
	<u><u>1,364,571</u></u>	<u><u>933,274</u></u>
7.1 The movement in the allowance for impairment for trade debts is as follows:		
Opening provision	6,093	7,600
Provision / (Reversal) for the year	2,040	(1,507)
Closing provision	<u>8,133</u>	<u>6,093</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

- 7.2 As at 30 June 2017, trade debts of Rs. 1,003.64 million (2016: Rs. 448.16 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:

	2017	2016
	(Rupees in thousand)	
Up to 3 months	952,178	374,959
3 to 6 months	28,582	46,373
More than 6 months	22,878	26,823
	<u>1,003,638</u>	<u>448,155</u>

7.3 Receivable from related parties

Premier Distributor
Premier Agency

	2017	2016
	(Rupees in thousand)	
Premier Distributor	44,907	52,234
Premier Agency	51,446	65,246
	<u>96,353</u>	<u>117,480</u>

As at 30 June 2017, trade debts of Rs. 45.57 million (2016: Rs. 50.4 million) from related parties were past due but not impaired. The age analysis of these trade debts is as follows:

	2017	2016
	(Rupees in thousand)	
Up to 3 months	45,565	39,056
3 to 6 months	-	5,725
More than 6 months	-	5,554
	<u>45,565</u>	<u>50,335</u>

8. ADVANCES

Considered good
Employees - against expenses
Suppliers

	2017	2016
	(Rupees in thousand)	
Employees - against expenses	4,128	3,311
Suppliers	224,985	135,617
	<u>229,113</u>	<u>138,928</u>
Considered doubtful Suppliers	3,413	3,413
	<u>232,526</u>	<u>142,341</u>
Provision for doubtful advances to suppliers	(3,413)	(3,413)
	<u>229,113</u>	<u>138,928</u>

- 8.1 These advances do not carry any mark up arrangement.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
9. TRADE DEPOSITS AND PREPAYMENTS		
Considered good		
Deposits	13,479	13,281
Prepayments	48,538	25,589
	<u>62,017</u>	<u>38,870</u>
Considered doubtful		
Deposits	1,553	1,553
	<u>63,570</u>	<u>40,423</u>
Provision for doubtful deposits	(1,553)	(1,553)
	<u>62,017</u>	<u>38,870</u>

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

	2017	2016
	(Rupees in thousand)	
10. OTHER RECEIVABLES		
Due from related parties		
- Associated Textile Consultants (Pvt.) Limited	861	905
- Director	197	187
	<u>1,058</u>	<u>1,092</u>
Workers' Profits Participation Fund	-	1,432
Others	102,045	2,547
	<u>103,103</u>	<u>5,071</u>

11. SALES TAX REFUNDABLE

During the year, the Deputy Commissioner Inland Revenue of Federal Board of Revenue (FBR) issued a show cause notice dated 22 May 2017 to the Parent Company with respect to various discrepancies of sales tax charging / withholding observed during their scrutiny and analysis of monthly sales tax returns from July 2012 to June 2016. In response to Parent Company's reply, an order in original was issued dated 30 June 2017 whereby demand of Rs. 24.96 million was raised comprising of sales tax liability, penalty and default surcharge amounting to Rs. 13.54 million, Rs. 0.68 million and Rs. 10.74 million respectively. Against the impugned order, Parent Company has filed an appeal before Commissioner of Inland Revenue (Appeal). Based on tax advice, management is confident that Parent Company hold favorable chances in the appeal. However, the Parent Company has made payment under protest of the adjudged sales tax liability, penalty and default surcharge and has recognized as sales tax refundable in these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
12. CASH AND BANK BALANCES		
Cash in hand	28	1,394
Cash at bank - current account		
- local currency	82,679	3,296
- foreign currency	281,315	244,977
	<u>363,994</u>	<u>248,273</u>
	<u>364,022</u>	<u>249,667</u>

12.1 This includes current account maintained with Islamic banks having balance of Rs. nil million (2016: Rs. 1.33 million).

13. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2017	2016		2017	2016
	Number of Shares			(Rupees in thousand)	
	2,511,980	2,511,980	Ordinary shares of Rs. 5 (2016: Rs. 5) each issued for consideration paid in cash	12,560	12,560
	101,094,878	101,094,878	Ordinary shares of Rs. 5 (2016: Rs. 5) each as fully paid bonus shares	505,474	505,474
	<u>103,606,858</u>	<u>103,606,858</u>		<u>518,034</u>	<u>518,034</u>

14. NON-CONTROLLING INTEREST (NCI)

Below is summarised financial information of A-1 Bags & Supplies Inc. that has a non-controlling interest (40% stake) that is material to the Group. The amounts disclosed are before inter-group eliminations and consolidation adjustments:

	2017	2016
	(Rupees in thousand)	
Summarised balance sheet		
Non-current assets	162,333	-
Current assets	594,786	-
Non-current liabilities	(85,167)	-
Current liabilities	(443,434)	-
	<u>228,518</u>	<u>-</u>
Accumulated NCI	179,196	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in thousand)	
Summarised statement of profit or loss and comprehensive income		
Sales	1,651,456	-
Profit for the period	50,728	-
Other comprehensive income	-	-
Total comprehensive income	50,728	-
Profit allocated to NCI	20,291	-
Eligible dividend to NCI	5,013	-
Summarised cash flows		
Cash flow from operating activities	25,239	-
Cash flow from investing activities	19,846	-
Cash flow from financing activities	(40,497)	-
Net increase in cash and cash equivalents	4,588	-
15. LONG TERM FINANCE		
Long term finance		
- MCB Bank Limited - Pakistan	15.1	140,865
- MCB Bank Dubai	15.2	159,385
- TD Commercial Bank - Canada	15.3	103,257
		403,507
Less: Current maturity of long term finance		(28,255)
		375,252

15.1 This represents long term finance facility of Rs. 250 million obtained from commercial bank for ten years having mark-up at the rate of State Bank of Pakistan base rate + 0.3% (3.3%). The loan is secured by way of hypothecation of the Parent Company's present and future fixed assets. The unavailed portion of the facility at the reporting date is Rs. 101.13 million.

15.2 NF DMCC, a subsidiary company entered into a long term loan agreement with MCB Bank Dubai. It carries mark up at the rate of 3 month LIBOR + 3% per annum. The tenor of facility is 5 years with grace period of 1 year from IDA (for each tranche). The principal is payable in equal quarterly installments. This facility is secured against 60% shares of A-1 Bags & Supplies Inc., undated security cheque, promissory note and assignment of receivables of NF DMCC.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

15.3 A-1 Bags, obtained loan from TD commercial bank details are as follows:

TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,081 plus interest, maturing in September 2018.

TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,106 plus interest, maturing in January 2019.

TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,163 plus interest, maturing in March 2019.

Vehicle loan payable to Scotiabank – loan is secured by a charge of the vehicle, it is non-interest bearing with monthly payments of \$751, maturing in March 2019.

BDC loan, secured by book debts, bears interest at rate of 4.7% per annum and is repayable in 60 equal monthly payments of \$16,660, maturing in June 2021.

BDC loan, secured by book debts, bears interest at rate of 4.7% per annum and is repayable in 60 equal monthly payments of \$2,080, maturing in June 2020.

BDC loan, secured by book debts, bears interest at rate of 4.7% per annum and is repayable in 60 equal monthly payments of \$5,000, maturing in June 2021.

Vehicle loan payable to Scotiabank - loan is secured by a charge of the vehicle, bears interest at a rate of 2.5% with monthly payments of \$1,590, maturing in April 2022.

	2017	2016
	(Rupees in thousand)	
	1,305	-
	1,692	-
	1,884	-
	1,252	-
	64,360	-
	6,027	-
	19,316	-
	7,421	-
	103,257	-

16. DEFERRED CONSIDERATION

As disclosed in note 1.2, the Group has agreed to pay the acquisition price of A-1 Bags & Supplies Inc. in tranches. The movement is as follows:

	2017	2016
	(Rupees in thousand)	
Fair value of deferred consideration at acquisition date (refer note 1.2)	306,289	-
Unwinding of deferred consideration	5,024	-
Impact of exchange rate translation	3,346	-
Less: current portion of deferred consideration	(160,437)	-
	154,222	-

16.1 The unwinding of deferred consideration is included in finance cost.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
17. DEFERRED LIABILITIES			
Pension Plan		3,685	11,764
Pensioners' Medical Plan		2,338	1,870
Staff terminal benefits	17.19	1,954	1,232
		<u>7,977</u>	<u>14,866</u>

17.1 The Group operates a funded pension scheme and post retirement medical benefit for chief executive officer 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 30 June 2017.

17.2 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.

17.3 The latest actuarial valuation of the Fund as at 30 June 2017 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	
	2017	2016	2017	2016
(Rupees in thousand)				
17.4 Balance sheet reconciliation				
Present value of defined benefit obligations	113,813	106,503	20,175	16,932
Fair value of plan assets	(110,128)	(94,739)	(17,837)	(15,062)
	<u>3,685</u>	<u>11,764</u>	<u>2,338</u>	<u>1,870</u>
17.5 Movement in the net liability recognised in the balance sheet				
Opening balance	11,764	17,214	1,870	2,281
Remeasurements recognised in other comprehensive income	(541)	7,206	6,071	7,506
Charge / (income) for the year	4,226	4,558	514	(1,255)
Contribution made	(11,764)	(17,214)	(6,117)	(6,662)
Closing balance	<u>3,685</u>	<u>11,764</u>	<u>2,338</u>	<u>1,870</u>
17.6 Remeasurements recognised in other comprehensive income				
Actuarial (gain) / loss on defined benefit obligation	(703)	2,045	5,648	10,781
Actuarial (gain) / loss on plan assets	162	5,161	423	(3,275)
	<u>(541)</u>	<u>7,206</u>	<u>6,071</u>	<u>7,506</u>
17.7 Expense recognised in profit and loss account				
Current service cost	3,212	2,839	353	194
Net interest cost	1,014	1,719	161	(1,449)
	<u>4,226</u>	<u>4,558</u>	<u>514</u>	<u>(1,255)</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	Pension Plan		Pensioners' Medical Plan	
	2017	2016	2017	2016
(Rupees in thousand)				
17.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	106,503	96,324	16,932	9,347
Current service cost	3,212	2,839	353	194
Interest cost	9,510	10,004	1,489	991
Benefits paid	(4,709)	(4,709)	(4,247)	(4,381)
Actuarial loss / (gain)	(703)	2,045	5,648	10,781
Obligation as at June 30	<u>113,813</u>	<u>106,503</u>	<u>20,175</u>	<u>16,932</u>
17.9 Movement in the fair value of plan assets				
As at July 1	94,739	79,110	15,062	7,066
Expected return on plan assets	8,496	8,285	1,328	2,440
Contribution made	11,764	17,214	6,117	6,662
Benefits paid	(4,709)	(4,709)	(4,247)	(4,381)
Actuarial (loss) / gain	(162)	(5,161)	(423)	3,275
As at June 30	<u>110,128</u>	<u>94,739</u>	<u>17,837</u>	<u>15,062</u>

17.10 Plan assets comprise of the following:

Defence Savings Certificates
Cash at bank
Investment in mutual fund

	2017	2016
(Rupees in thousand)		
Defence Savings Certificates	91,856	101,115
Cash at bank	16,491	1,241
Investment in mutual fund	19,618	7,445
	<u>127,965</u>	<u>109,801</u>

17.11 Principal actuarial assumptions

Expected rate of increase in salaries
Expected rate of increase in pension
Expected rate of increase in medical benefits
Discount factor used

	2017	2016
(Percent Per Annum)		
Expected rate of increase in salaries	8.75%	9.00%
Expected rate of increase in pension	3.75%	4.00%
Expected rate of increase in medical benefits	8.75%	9.00%
Discount factor used	8.75%	9.00%

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

17.12 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 Company 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 2017 consists of defence savings certificates ("DSC"). The Group believes that DSC offer the best returns over the long term with an acceptable level of risk.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

17.13 Expected charge for the year ending 30 June 2018 works out to be Rs. 4.02 million and Rs. 0.62 million for Pension Plan and Pensioners' Medical Plan respectively.

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

17.14 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)		
	2017		
Discount rate at June 30	1.00%	(116,974)	155,257
Future salary increases	1.00%	120,941	(107,206)
Future pension increases	1.00%	124,415	(104,609)
Medical cost increases	1.00%	23,077	(17,805)
	2016		
Discount rate at June 30	1.00%	(107,404)	143,343
Future salary increases	1.00%	113,531	(100,044)
Future pension increases	1.00%	116,299	(97,981)
Medical cost increases	1.00%	19,394	(14,928)

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

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

17.15 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.

17.16 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 12.83 and 11.82 years respectively.

17.17 Expected maturity analysis of undiscounted retirement benefit payments:

	Less than a year	Between 1-2 year	Between 2-5 year	Between 5-10 year	Total
	(Rupees in thousand)				
Retirement benefit plans	6,098	5,674	14,308	33,529	59,609

17.18 During the year, the Group contributed Rs. 37.96 million (2016: Rs. 34.31 million) to the provident fund.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

17.19 Staff terminal benefits obligation relating to NF DMCC:

	2017	2016
	(Rupees in thousand)	
Opening liability	1,232	812
Provision for the year	722	420
Closing liability	<u>1,954</u>	<u>1,232</u>

This represent staff terminal benefits calculated in accordance with UAE labour laws. The Group has reclassified the liability from accrued liabilities to deferred liabilities for better presentation purposes, the effect of which is not considered material.

18. DEFERRED TAXATION - net

	2017	2016
	(Rupees in thousand)	
Credit / (debit) balance arising in respect of:		
Accelerated tax depreciation / amortisation	177,485	108,635
Provision for stock obsolescence	(31,872)	(26,55)
Provision for doubtful trade debts	(1,620)	1,652
Provision for retirement benefits obligations	(1,600)	(2,801)
	<u>142,393</u>	<u>80,934</u>

18.1 Deferred tax liability of Parent Company is restricted to 88.57% (2016: 90.37%) 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.

	2017	2016
	(Rupees in thousand)	
19. TRADE AND OTHER PAYABLES		
Creditors	668,784	204,304
Accrued liabilities	1,979,918	1,565,546
Workers' Profits Participation Fund	68,713	-
Workers' Welfare Fund	64,110	46,522
Advances from customers	61,794	113,786
Payable to provident fund	6,881	8,298
Tax deducted at source	79,300	47,938
Due to related parties - directors	49,565	87
Advances from employees against sale of vehicles	56,236	68,140
Unclaimed dividend	10,471	9,710
Other liabilities	1,734	2,024
	<u>3,047,506</u>	<u>2,066,355</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

19.1 Workers' Profits Participation Fund

	2017	2016
	(Rupees in thousand)	
(Receivables) / payable as at July 1	(1,432)	12,197
Allocation for the year	70,145	58,577
	<u>68,713</u>	<u>70,774</u>
Interest on funds utilised in Group's business	-	10,955
Amount paid during the year	-	(83,161)
Payable / (receivable) as at June 30	<u>68,713</u>	<u>(1,432)</u>

20. SHORT-TERM BORROWINGS

	2017	2016
	(Rupees in thousand)	
Running finance under mark up arrangements	677,623	911,326
Running finance under Musharakah	309,905	-
Export re-finance	500,000	400,000
Money market loan	62,000	-
	<u>1,549,528</u>	<u>1,311,326</u>

- 20.1 This includes running finance balance maintained with Islamic Bank having balance of Rs. 545.62 million (2016: Rs. 287.37 million).
- 20.2 The facilities available from various banks amount to Rs. 3.35 billion (2016: Rs. 2.93 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 2017 and 2018.
- 20.3 The rates of mark up range from one month KIBOR plus 0.04% to three months KIBOR plus 0.5% per annum (2016: one month KIBOR plus 0.05% to six months KIBOR plus 0.2% per annum).
- 20.4 The facilities for opening letters of credit amount to Rs. 1.59 billion (2016: Rs. 1.19 billion) and for letters of guarantee amount to Rs. 134.89 million (2016: Rs. 243.3 million) as at 30 June 2017 of which the amount remaining unutilised at year end were Rs. 1.08 billion (2016: Rs. 1.07 billion) and Rs. 68.33 million (2016: Rs. 76.75 million) respectively.
- 20.5 As at 30 June 2017, the unavailed facilities from the above borrowings amounted to Rs. 1.85 billion (2016: Rs. 1.63 billion).
- 20.6 A demand operating loan has been authorized by the bank for a maximum of Rs. 36.21 million and bears interest at the bank's prime lending rate plus 2.5% per annum and is secured by a general security agreement and an assignment of insurance. As at June 30, 2017, the facility remains un-utilised. The loan entails compliance of certain financial covenants which were compiled by the Group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

21. COMMITMENTS

- 21.1 Aggregate commitments for capital expenditure as at 30 June 2017 amount to Rs. 544.30 million (2016: Rs. 404.46 million).
- 21.2 Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2016: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at 30 June 2017 amount to:

	2017	2016
	(Rupees in thousand)	
Not later than one year	61,817	55,332
Later than one year but not later than five years	95,850	80,769
	<u>157,667</u>	<u>136,101</u>

- 21.3 A-1 Bags has commitments under three operating leases and a sublease agreement. It has subleased one location to a third party tenant on similar terms and conditions. There are three years and five months remaining on the sublease for which the Group could be responsible should the tenant default on rent. Estimated minimum annual payments are as follows:

	2017	2016
	(Rupees in thousand)	
Not later than one year	117,506	-
Later than one year but not later than five years	747,985	-
	<u>865,491</u>	<u>-</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
22. SALES			
Gross sales			
- Local sales		19,551,713	17,801,422
- Export sales	22.1	3,421,505	1,435,116
		<u>22,973,218</u>	<u>19,236,538</u>
Less: Sales tax		(2,713,690)	(2,380,572)
		<u>20,259,528</u>	<u>16,855,966</u>
Less:			
- Discount, rebates and allowances		(3,284,692)	(2,999,176)
- Sales return		(158,862)	(287,440)
		<u>(3,443,554)</u>	<u>(3,286,616)</u>
		<u><u>16,815,974</u></u>	<u><u>13,569,350</u></u>

		2017	2016
		(Rupees in thousand)	
22.1	Export sales comprise of sales made in the following regions:		
	USA / Canada	2,675,120	592,036
	Africa	8,884	5,956
	Middle East Asia	598,578	614,223
	Europe / UK	138,923	222,901
		<u>3,421,505</u>	<u>1,435,116</u>

22.2 The Group's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customer in Pakistan are 85.11% (2016: 92.54%) and to customer outside Pakistan are 14.89% (2016: 7.46%) of the revenue.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
23. COST OF SALES			
Raw material consumed		6,050,368	5,610,836
Packing material consumed		2,325,011	2,371,443
Stock written off		3,512	-
Stores and spares consumed		81,995	63,654
Brine and cutting charges		18,528	41,084
Salaries, wages and other benefits		783,670	738,333
Contribution to provident fund		13,286	11,797
Depreciation	4.2	177,168	144,676
Amortisation		241	735
Ujrah payments		19,253	14,525
Fuel and power	23.1	210,404	188,140
Insurance		26,739	21,863
Laboratory, research and development		7,633	6,330
Postage and communications		6,250	6,186
Printing and stationery		1,122	1,008
Rent, rates and taxes		157,175	125,821
Travelling		90,881	74,862
Repairs and maintenance		56,645	35,262
Security charges		23,481	21,087
Inventory destruction charges		25,172	17,007
Others		11,457	3,366
		<u>10,089,991</u>	<u>9,498,015</u>
Opening work in process		963,780	817,850
Closing work in process		(1,056,507)	(963,780)
Cost of goods manufactured		<u>9,997,264</u>	<u>9,352,085</u>
Opening stock of finished goods		549,375	294,517
Cost of sales - purchased products		1,466,122	-
Closing stock of finished goods		(629,565)	(572,837)
		<u><u>11,383,196</u></u>	<u><u>9,073,765</u></u>

23.1 The Parent Company has filed an appeal in High Court of Sindh challenging the applicability of Gas Infrastructure Development Cess Act, 2015 on the ground that it is ultra vires the Constitution. On 26 October 2016, the High Court of Sindh declared the Act as ultra vires the Constitution. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh against aforesaid decision which is pending for adjudication. On 31 May 2017, Peshawar High Court held the Act as validly enacted and no procedural defect in the Act could be made as a ground for its annulment. Management, in view of the Sindh High Court decision, consider that no provision is required to be recognized in these Consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
24. DISTRIBUTION COSTS			
Salaries, wages and other benefits		677,410	441,976
Advertising and sales promotion		1,436,567	1,192,937
Commission expense		36,888	38,242
Outward freight and handling charges		637,727	582,438
Contribution to provident fund		15,742	14,235
Depreciation	4.2	31,423	19,120
Amortisation		4,349	1,789
Ujrah payments		24,837	20,925
Fuel and power		16,115	5,724
Forwarding charges		46,740	21,896
Insurance		18,840	14,231
Laboratory, research and development		2,715	4,168
Legal and professional charges		107,736	66,442
Postage and communications		11,909	9,660
Printing and stationery		3,276	4,003
Rent, rates and taxes		229,411	80,915
Travelling		126,036	121,340
Repairs and maintenance		27,114	10,011
Provision / (reversal) for doubtful debts		2,040	(1,507)
Sales conference expenses		-	26,520
Security charges		783	2,534
Advances written off		-	3,033
IT support charges		6,203	1,700
Others		14,633	299
		<u>3,478,494</u>	<u>2,682,631</u>
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	25.1	240,107	237,379
Contribution to provident fund		8,929	8,287
Depreciation	4.2	26,485	29,785
Amortisation		31,406	22,228
Ujrah payments		17,016	19,288
Fuel and power		4,589	7,193
Insurance		5,632	5,988
Legal and professional charges		29,083	32,589
Postage and communications		28,197	25,746
Printing and stationery		3,947	4,815
Rent, rates and taxes		17,644	24,939
Travelling		33,261	34,721
Repairs and maintenance		51,690	49,245
Security charges		4,472	5,000
Others		17,763	14,618
		<u>520,221</u>	<u>521,821</u>

25.1 Salaries, wages and other benefits include Rs. 5.46 million (2016: Rs. 3.33 million) in respect of charge for retirement benefit plans.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
		(Rupees in thousand)	
26. OTHER EXPENSES			
Workers' Profits Participation Fund		70,145	58,577
Workers' Welfare Fund		21,081	20,360
Auditors' remuneration	26.1	6,523	9,778
Donations		6,525	10,502
Compensation package dividend	26.2	5,013	-
		<u>109,287</u>	<u>99,217</u>
26.1 Auditors' remuneration			
Audit fee		5,401	3,036
Limited review, special reports and other certifications		1,062	1,924
Taxation services		-	4,509
Out of pocket expenses		60	309
		<u>6,523</u>	<u>9,778</u>
26.2			
This represent payment of Canadian Dollar 152,864 to be declared annually and paid monthly as eligible dividend to selling shareholder of the acquired entity as per Share Purchase Agreement.			
27. OTHER INCOME			
<i>Income from financial assets</i>			
Exchange gain / (loss)	27.1	8,885	(8,046)
Gain on sale of open ended mutual fund units		-	6,803
Return on savings accounts	27.2	1,863	3,391
Return on late payments by trade debtors		2,452	1,134
Gain on sale of treasury bills		-	921
		<u>13,200</u>	<u>4,203</u>
<i>Income from other than financial assets</i>			
Profit on disposal of property, plant and equipment		10,277	9,937
Write back of advances from employees against sale of vehicle		33,493	-
		<u>43,770</u>	<u>9,937</u>
Rental income	27.3	10,909	-
Export rebate		1,636	-
Others		29,482	10,508
		<u>42,027</u>	<u>10,508</u>
		<u>98,997</u>	<u>24,648</u>
27.1			
Income earned from exchange gain is actual currency and not from derivative financial instrument.			
27.2			
This represents profit earned on bank balances maintained under conventional banking system, except for Rs. nil million (2016: 1.03 million) earned from deposits with Islamic banks.			

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

27.3 This represent rental income earned by the subsidiary company on sub lease of property. The future minimum lease payments receivable under an agreement at reporting date were as follows.

	2017	2016
	(Rupees in thousand)	
Less than one year	28,413	-
More than one year	70,133	-
	<u>98,546</u>	<u>-</u>
28. FINANCE COSTS		
Mark-up on:		
- Short-term running finances	28.1 29,895	7,402
- Istisna facility	-	9,924
- Export refinance facility	11,745	10,238
- Short-term loans	28.2 470	10,315
- Long-term loans	2,087	-
	<u>44,197</u>	<u>37,879</u>
Interest on Workers' Profit Participation Fund	-	10,955
Unwinding of deferred consideration	5,024	-
Bank charges and other costs	55,596	32,263
	<u>104,817</u>	<u>81,097</u>

28.1 This represents markup on running finance balance obtained from conventional banks.

28.2 This represents markup on short term loans obtained from Islamic banks.

	2017	2016
	(Rupees in thousand)	
29. TAXATION - net		
Current		
- for the year	29.1 329,594	346,768
- prior year	(46,857)	-
Deferred	62,929	(8,491)
	<u>345,666</u>	<u>338,277</u>

29.1 This includes super tax charge of Rs. 33.69 million (2016: 31.09 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001.

29.2 Income tax assessment of the Group has been deemed to be finalised upto and including tax year 2016 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

29.3 Deferred tax assets have not been recognised for carried forward tax losses amounting to Rs. 22.75 million as at 30 June 2017 (2016: Rs. 9.65 million) in the books of NF DMCC, since it is not probable that future taxable amounts will be available to utilise those losses.

NF DMCC is subject to tax in respect of its operations in the UK and Canada. Except for A-1 Bags & Supplies Inc. (Canada based subsidiary), no current tax expense has been incurred during the year ended 30 June 2017 and 30 June 2016 as the company's operations in these jurisdictions have not generated any taxable profits.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

29.4 Relationship between income tax expense and accounting profit

Profit before taxation

Tax at applicable rate of 31% (2016: 32%)

Tax effect of permanent differences

Tax effect of final tax regime

Effect of tax in foreign jurisdictions

Effect of prior year tax

Super Tax

Effect of tax credits

Others

	2017	2016
	(Rupees in thousand)	
Profit before taxation	1,318,956	1,135,467
Tax at applicable rate of 31% (2016: 32%)	408,876	363,349
Tax effect of permanent differences	2,732	13,755
Tax effect of final tax regime	(210)	(48,158)
Effect of tax in foreign jurisdictions	15,477	(7,524)
Effect of prior year tax	(46,857)	-
Super Tax	33,389	31,097
Effect of tax credits	(65,775)	(15,140)
Others	(1,966)	898
	<u>345,666</u>	<u>338,277</u>

29.5 Under section 5A of Income Tax Ordinance, 2001 (as amended by the Finance Act 2017), a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors of the Parent Company in their meeting held on 11 September 2017 have recommended sufficient dividend for the year ended 30 June 2017 for the consideration and approval of the shareholders of the Parent Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2017.

30. EARNINGS PER SHARE - basic and diluted

30.1 Basic

Profit after taxation attributable to owners of the Parent Company

Weighted average number of ordinary shares outstanding during the year

Earnings per share

	2017	2016
	(Rupees in thousand)	
Profit after taxation attributable to owners of the Parent Company	952,999	797,190
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	103,606,858	103,606,858
	(Rupees)	
Earnings per share	9.20	7.69

30.2 A diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at balance sheet date which would have any effect on the earnings per share if the option to convert is exercised.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
31. CASH GENERATED FROM OPERATIONS	(Rupees in thousand)	
Profit before taxation	1,318,956	1,135,467
<i>Adjustments for non-cash charges and other items</i>		
Depreciation	235,076	193,581
Amortisation	36,083	24,752
Profit on disposal of property, plant and equipment	(10,277)	(9,937)
Provision for doubtful debts	2,045	-
Provision for slow moving stock	17,440	29,201
Unwinding of discount	5,024	-
Unrealized foreign exchange loss	-	-
Gain on sale of open ended mutual fund units	-	(6,803)
Gain on sale of treasury bills	-	(921)
Finance costs	104,817	89,143
Retirement benefits expense	5,462	3,303
	<u>395,670</u>	<u>322,319</u>
Profit before working capital changes	<u>1,714,626</u>	<u>1,457,786</u>
Working capital changes		
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(4,275)	(708)
Stock in trade	211,727	(1,040,155)
Trade debts	(292,564)	138,837
Advances	(90,185)	(88,277)
Trade deposits and prepayments	(2,463)	(8,353)
Sales tax refundable	(40,633)	-
Other receivables	(98,033)	5,946
	<u>(316,426)</u>	<u>(992,710)</u>
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	614,763	384,347
Sales tax payable	(93,457)	(47,897)
	<u>521,306</u>	<u>336,450</u>
	<u>1,919,506</u>	<u>801,526</u>
32. CASH AND CASH EQUIVALENTS		
Cash and bank balances	364,022	249,667
Short term borrowings	(987,528)	(911,326)
	<u>(623,506)</u>	<u>(661,659)</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in thousand)					
Managerial remuneration and allowances	17,389	15,794	-	-	252,429	214,510
Technical advisory fee	-	-	2,373	8,400	-	-
Utilities	1,739	1,579	1,069	793	24,433	20,857
Bonus / variable pay	2,898	2,632	-	-	43,352	37,624
Housing	7,825	7,107	-	-	109,946	93,854
Retirement benefits	1,739	1,579	4,740	3,303	21,732	19,121
Other expenses	2,280	3,349	4,590	5,194	122,913	98,637
	<u>33,870</u>	<u>32,040</u>	<u>12,772</u>	<u>17,690</u>	<u>574,805</u>	<u>484,603</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>184</u>	<u>162</u>

33.2 In addition to the above, fee paid to 6 (2016: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 2,350,000 (2016: Rs. 1,750,000).

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

34. RELATED PARTY DISCLOSURES

The related parties comprise of associated companies, entities with common directors, major shareholders, staff retirement benefits, directors and key management personnel. Transactions with related parties are entered into at commercial terms, as per the terms of employment and actuarial advice, as the case may be.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

Disclosure of transactions between the Group and related parties:

		2017	2016
		(Rupees in thousand)	
Relationship with the Group	Nature of transaction		
Associated companies	Sale of goods	1,510,548	1,473,634
	Rent charges paid / payable	9,048	8,431
	Commission expense	36,888	38,242
Staff retirement funds	Expense charged for the year	37,956	34,319
	Payments to retirement contribution plan	92,735	91,986
	Contribution to defined benefit plans	13,834	23,876
Directors	Technical advisory services	2,373	8,400
Key management personnel compensation:			
Salaries and other short-term employee benefits		189,403	177,889
Retirement benefits		8,187	10,378
Eligible dividend		5,013	-

The related party status of outstanding balances as at 30 June 2017 is included in notes on trade debts, other receivables and trade and other payables respectively. These outstanding balances are unsecured and are settled in the ordinary course of business.

		2017	2016
		(Metric tons)	
35. PLANT CAPACITY AND PRODUCTION			
Actual production of plants		96,913	90,176

35.1 The capacity of the Parent Company plants is indeterminable as these are multi-product and involve varying processes of manufacture.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

36. PROVIDENT FUND RELATED DISCLOSURES OF PARENT COMPANY

The following information is based on un-audited financial statements of the Fund:

	2017	2016
	(Rupees in thousand)	
Size of the fund - Total assets	505,802	446,000
Fair value of investments	267,780	250,650
Cost of investment	187,250	176,320
Percentage of investments made	53%	56%

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

	2017	2016	2017	2016
	Percentage		(Rupees in thousand)	
National savings scheme	92%	91%	245,192	229,361
Bank deposits	2%	3%	4,775	6,977
Unit trust schemes	6%	6%	17,813	14,312
	100%	100%	267,780	250,650

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

	2017	2016
37. NUMBER OF EMPLOYEES		
Number of employees as at June 30		
- Permanent	673	663
- Contractual	2	8
Average number of employees during the year		
- Permanent	668	659
- Contractual	5	10

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Financial risk factors

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

38.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
FINANCIAL ASSETS							
Trade debts	-	-	-	1,364,571	-	1,364,571	1,364,571
Trade deposits	-	-	-	13,479	34,217	47,696	47,696
Other receivables	-	-	-	103,103	-	103,103	103,103
Cash and bank balances	-	-	-	364,022	-	364,022	364,022
30 June 2017	-	-	-	1,845,175	34,217	1,879,392	1,879,392
30 June 2016	-	-	-	1,201,293	30,979	1,232,272	1,232,272
Financial liabilities							
Long term finance	28,255	375,252	403,507	-	-	-	403,507
Deferred consideration	160,437	154,222	314,659	-	-	-	314,659
Trade and other payables	-	-	-	2,710,472	-	2,710,472	2,710,472
Accrued interest / mark up	-	-	-	11,269	-	11,269	11,269
Short term borrowings	1,549,528	-	1,549,528	-	-	-	1,549,528
30 June 2017	1,738,220	529,474	2,267,694	2,721,741	-	2,721,741	4,989,435
30 June 2016	1,311,326	-	1,311,326	1,791,877	-	1,791,877	3,103,203
On balance sheet gap							
30 June 2017	(1,738,220)	(529,474)	(2,267,694)	(876,566)	34,217	(842,349)	(3,110,043)
30 June 2016	(1,311,326)	-	(1,311,326)	(590,584)	30,979	(559,605)	(1,870,931)
Off balance sheet items							
Letters of credit							
30 June 2017							510,000
30 June 2016							128,260
Letters of guarantees							
30 June 2017							68,560
30 June 2016							166,550

All the financial instruments of the Group are designated as loans and receivables and hence measured at amortised cost. The effective interest / mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

38.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.88 billion (2016: Rs. 1.23 billion) the financial assets exposed to the credit risk amounted to Rs. 1.88 billion (2016: Rs. 1.23 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 30 June 2017 trade debts of Rs. 1,003.64 million (2016: Rs. 448.15 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

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

The other financial assets are neither material to the financial statements nor exposed to any significant credit risk. The management does not expect any losses from non-performance by these counterparties.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2017	2016
(Rupees in thousand)		
Domestic	616,195	552,914
UAE	37,365	118,342
Canada	188,363	249,272
Other regions	522,648	12,746
	<u>1,364,571</u>	<u>933,274</u>

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, management focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Management does not consider that it has any concentration of credit risk at reporting date.

38.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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. The maturity of the Group's financial liabilities are provided in these financial statements.

38.2.3 Market risks

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2017 net financial assets of Rs. 214.17 million (2016: Rs. 445.99 million) were denominated in foreign currency which were exposed to foreign currency risk.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

As at 30 June 2017 if the Pak Rupee had weakened / strengthened by 4% (2016: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 8.57 million (2016: Rs. 17.83 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.

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 30 June 2017 the Group had variable interest bearing financial liabilities of Rs. 2,267.69 million (2016: Rs. 1,311.32 million), had the interest rates varied by 100 basis points (2016: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 22.68 million (2016: Rs. 13.11 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2016:100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2016: 100 basis points) per annum.

38.3 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 2017, the Group's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2017 was as follows:

	2017	2016
	(Rupees in thousand)	
Total borrowings	1,953,035	1,320,300
Cash and bank balances	(364,022)	(249,667)
Net debt	1,589,013	1,070,633
Total Equity	3,391,405	2,543,756
Total capital	4,980,418	3,614,389
Gearing ratio	32%	30%

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

38.4 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement.

Fair value of assets acquired as a result of business combination as disclosed in note 1.2 of these consolidated financial statements and falls under level 3 of the fair value hierarchy.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

39. CORRESPONDING FIGURE

Corresponding figures have been rearranged and reclassified for better presentation, wherever considered necessary, the effect of which is not material.

40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in their meeting held on 11 September 2017 has proposed a final dividend of Rs. 4.25 per share amounting to Rs. 440.33 million for the year ended 30 June 2017. The approval of the shareholders of the Parent Company for the dividend shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2017. The consolidated financial statements for the year ended 30 June 2017, do not include the effect of the proposed final cash dividend which will be accounted for in the financial statements for the year ending 30 June 2018.

41. DATE OF AUTHORISATION

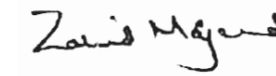
These financial statements were authorised for issue by the Board of Directors of the Parent Company on 11 September 2017.



Chief Executive Officer



Chief Financial Officer



Director

Notice of Annual General Meeting

Notice is hereby given that the 46th Annual General Meeting of National Foods Limited will be held on October 24, 2017 at 3:00 pm at Beach Luxury Hotel, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 45th Annual General Meeting held on October 20, 2016.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2017 together with the Directors' and Auditors' Reports thereon, together with Audited consolidated financial statements of the Company and the Auditors' reports thereon for the year ended June 30, 2017.
3. To approve and declare the dividend on the Ordinary Share of the Company. The Directors have recommended final dividend of 85% (Rs. 4.25/- per Ordinary share of Rs. 5/- each) on Ordinary Shares, for the year ended June 30, 2017.
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 re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors, for the year ending June 30, 2018.

Special Business:

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

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the company be and is hereby amended and substituted with the clause as follows;

"The Authorized Capital of the company is Rs. 1,000,000,000 (Rupees One billion) divided into 200,000,000 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 Act, 2017."

RESOLVED FURTHER THAT the words "Incorporated under the Companies Ordinance, 1984" and (Liability of Members in Limited by Shares) appearing in the heading/title of the Memorandum of Association shall be read and replaced as "The Companies Act, 2017" and "(Company Limited by Shares)".

6. To consider and if thought fit, pass with or without modification, the following resolutions as special resolutions for alterations of Articles of Association of the Company:

"RESOLVED THAT alterations and additions in the existing Articles of Association of the company as per the Comparative Statement attached to the Notice of Annual General Meeting as Annexure-A, as laid before the meeting initiated by the Company Secretary for the purpose of identification, be and are hereby approved.

RESOLVED FURTHER THAT any changes, as may be required by the Securities and Exchange Commission of Pakistan, in the revised articles shall be treated as approved and adopted by the shareholders and the same shall have effect from the date of passing of this special resolution.

RESOLVED FURTHER THAT Chief Executive or Secretary of the Company be and are hereby authorized to do or cause to be done any and all acts, deeds and things that may necessary or expedient to complete any or all corporate and legal formalities to give effect to the above resolution."

Notice of Annual General Meeting

7. To approve circulation / dissemination of Annual Audited Accounts and Reports electronically.

To consider and, if deem fit, to pass with or without any amendment/ modification following resolution as ordinary resolution.

"RESOLVED that the company be and is hereby authorized for circulation/dissemination of annual audited accounts and reports to the shareholders electronically in soft form i.e. through CD/DVD/USB/EMAIL.

RESOLVED FURTHER that in terms of above resolution the company shall send annual audited accounts and reports to its shareholders through CD/DVD/USB except to those who wish to receive them through emails and given their written consent to the company."

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

Statements as required under section 134(3) of the Companies Act, 2017 in respect of the special business agenda items are being sent to the members' along with the notice.

By Order of the Board

Karachi
Date: September 28, 2017

Fazal ur Rehman Hajano
Company Secretary

NOTES:

1. Notice of Book Closure
The share transfer books of the Company will remain closed from October 18, 2017 to October 24, 2017 (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 17, 2017, 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 12/CL-6, Claremont Road, Civil Line, Karachi, at least 48 hours before the time of the meeting. Form of Proxy is enclosed. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.
 - c) Owners of the physical shares and of the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original valid Computerized National Identity Card (CNIC) or Passport, for identification purposes, at the time of attending the meeting.

Notice of Annual General Meeting

3. Submission of Copies of Valid CNICs:
SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the companies to issue dividend warrant crossed as "A/c Payee only" which should also bear the Computerized National Identity Card (CNIC) of the registered member. Availability of valid CNIC of all members is also necessary for filing, with SECP, of the list of members along with Annual Return of the Company.

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

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

4. Dividend Mandate Option / E-Dividend Facility
Under section 242 of Companies Act, 2017(Act), every listed company is required to pay dividend if any to their members compulsorily through electronic mode by directly crediting the same in their bank account provided by them. The Securities & Exchange Commission of Pakistan through its Circular dated no. 18 of 2017 dated August 1, 2017, has allowed extension in time till October 31, 2017.

Please note that unless aforesaid relaxation is extended by the SECP with effect from November 1, 2017 all dividend payments shall be made only through electronic mode. The company shall be bound to withhold dividend of those members who do not provide their bank details.

Therefore, all members are required to provide to the Company's Share Registrar, particulars relating to name, folio number, bank account number, title of account, complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC. A Dividend Mandate Form is available at the Registered Office of the Company and the same are also placed on the Company's website.

5. Changes in Members Addresses
Members are requested to notify any change in their addresses immediately to the Share Registrar M/s. Central Depository Company of Pakistan Limited.
6. Deduction of Income Tax under Section 150 of the Income Tax Ordinance, 2001
a) Pursuant to the Finance Act, 2017, effective July 01, 2017, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to a NON-FILER of income tax return is prescribed as 20% and for FILER of Tax Returns as 15%. List of Filers is available at Federal Board of Revenue's (FBR) website: <http://www.fbr.gov.pk>. Members are therefore advised to update their tax FILER status latest by October 17, 2017.
b) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio/CDC A/c No.	Total number of shares	Principal Shareholders		Joint Holder(s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

Notice of Annual General Meeting

The required information must reach our Share Registrar by the close of business (5:00 p.m) on October 17, 2017; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

c) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

d) The information received within the above specified time would enable the Company to deduct income tax at the applicable rates from the payment of dividend if announced by the Company on October 24, 2017.

e) Members seeking exemption from deduction of income tax or deduction at a reduced rate under the relevant provisions of the Income Tax Ordinance, 2001, are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be, latest by October 17, 2017.

f) For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following phone Numbers, email addresses:

Company: Corporate.Secretary@nfoods.com
Share Registrar: info@cdcpak.com

7. Availability of Financial Statements and Reports on the Website:
The Annual Report of the Company for the year ended June 30, 2017 has been placed on the Company's website at <http://www.nfoods.com/>

STATEMENTS OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

This Statements sets out the material facts concerning the Special Business to be transacted at the 46th Annual General Meeting:

AGENDA ITEM NO. 5 Amendments in the Memorandum of Association

The Board of Directors of the Company in their meeting held on September 11, 2017 proposed to increase authorized capital of the Company from Rs. 750,000,000 to Rs. 1,000,000,000 by creating 50,000,000 ordinary shares of Rs. 5/- each. The principle purpose of this increase is to accommodate any increase in paid up capital of the company in the future.

Comparison of existing and proposed clause V of the Memorandum of Association, is provided below:

MEMORANDUM OF ASSOCIATION	
Existing Clause V	Proposed Clause V
"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."	"The Authorized Capital of the company is Rs. 1,000,000,000 (Rupees One billion) divided into 200,000,000 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 Act, 2017."

Notice of Annual General Meeting

Other changes are proposed to replace the heading / title of the Memorandum of Association in accordance with the Companies Act, 2017.

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

AGENDA ITEM NO. 6

Alterations of Articles of Association

In accordance with the Companies (E-Voting) Regulations, 2016 issued by SECP, certain amendments are necessitated in the Articles of Association of the Company. While proposing the alteration required under E-Voting Regulations, the Board of Directors has recommended certain other alterations and additions to the Articles to bring the same in line with the provisions of the Companies Act, 2017.

A Comparative Statement of existing clauses of the Articles and proposed alteration and additions is annexed as Annexure-A, and being sent along with the notice of AGM.

The aforesaid comparative statement and the revised/amended Articles of Association are also placed at the Registered Office of the Company for inspection during business hours.

Pursuant to Section 38 of the Companies Act, 2017, the consent of the members of the Company by way of a Special Resolution is required for alterations and additions in the Articles of Association of the Company.

The Directors of the Company have no interest in the proposed alterations in the Articles of Association except to the extent of their directorship/shareholding in the Company.

Agenda Item No. 7

Circulation / Dissemination of Annual Audited Accounts and Reports electronically

The Securities and Exchange Commission of Pakistan (SECP) vide SRO No. 470(I)/2016 dated May 31, 2016 allowed companies to circulate its Annual Audited Accounts (i.e. the annual balance sheet and profit and loss account, auditor's report and director's report) to its members through CD/DVD/USB at their registered addresses. Pursuant to the aforesaid SRO, consent of shareholders shall be obtained in General Meeting for transmission of annual audited accounts through CD/DVD/USB instead of transmitting them in hard copies.

Moreover, the Companies Act, 2017 under Section 223 (6) provide for circulation of annual accounts and reports to members of the company either by post or electronically and keep a copy a copy at the registered office of the company for the inspection by the members.

In view of the above, approval is hereby sought from shareholders to authorize the company for transmission of annual audited accounts and reports electronically. Subject to the approval of resolution in the AGM, the company will circulate its annual reports through CD/DVD/USB except to those shareholders who have communicated their consent for receiving annual audited accounts through email. The company will continue to provide Annual Audited Accounts through email to those shareholders who have given their consent in this regard. Any changes to such arrangements should be communicated to the company on standard request form.

The shareholders will have the right to request hard copy free of cost at their registered addresses after submitting the Standard Request Form which shall be made available on Company website.

The Directors of the Company have no interest in the proposed alterations in the Articles of Association except to the extent of their directorship/shareholding in the Company.

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXTISTING CLAUSE/WORDS APPEARING IN THE EXISTING CLAUSE		PROPOSED CLAUSE/WORDS TO BE REPLACED IN THE CLAUSE	
1	Save as reproduced herein, the regulations contained in table "A" in the First Schedule to the Ordinance unless the same are applicable to public companies under the Ordinance, shall not apply to the Company.	1	Save as reproduced herein, the regulations contained in table "A" in the First Schedule to the Act unless the same are applicable to public companies under the Act, shall not apply to the Company.
2	In these Regulations unless there is something inconsistent in the subject or context following shall mean:- (a) "The Ordinance" means the Companies Ordinance 1984 with such statutory modifications as may from time to time be made. (b) "Special Resolution" has the meaning assigned thereto by Section 2 (1) (36) of the Ordinance. (c) "The Company" means National Foods Limited. (d) "The Seal" means the common seal of the Company. (e) "The Directors" means the Directors for the time being of the Company. (f) "The Board" means the Board of Directors for the time being of the Company. (g) "Office" means the Registered Office of the Company for the time being. (h) "Electronic" and "Electronically" includes electrical, digital, magnetic, optical, bio-metric, electro-chemical, wireless, electromagnetic technology or by any other means of information technology. (i) "The Register" means the register of members of the Company to be kept pursuant to Section 147 of the Ordinance, whether maintained on papers or in electronic form. (j) "Dividend" includes bonus. (k) "Month" means calendar month according to the English Calendar. (l) "Proxy" includes Attorney duly constituted under a power of Attorney. (m) "Writing, in writing" or "written" include printing, lithography, type-writing and where permitted or specified by the Board, also includes Electronic transmission, including but not limited to facsimiles, telex, downloading through computers, electronic mail, other modes of representing or reproducing words in a visible form and any usual substitutes. (n) Words importing the singular number also include the plural number and vice versa. (o) Words importing the masculine gender also include the feminine gender.	2	In these Regulations unless there is something inconsistent in the subject or context following shall mean:- (a) "The Act" means the Companies Act, 2017 with such statutory modifications as may from time to time be made. (b) "Special Resolution" has the meaning assigned thereto by Section 2 (1) (66) of the Act. (c) "The Company" means National Foods Limited. (d) "The Seal" means the common seal of the Company. (e) "The Directors" means the Directors for the time being of the Company. (f) "The Board" means the Board of Directors for the time being of the Company. (fa) "E-Voting Regulations" means the Companies (E-Voting) Regulations, 2016 issued by the Commission as may be amended or replaced from time to time. (fb) "E-Voting" means voting by the members at the general meeting through electronic means in accordance with E-Voting Regulations. (fc) "Financial Statements" shall have meaning as assigned to it by clause (33) of Section 2(1) of the Act. (g) "Office" means the Registered Office of the Company for the time being. (ga) "Ordinary Resolution" has the meaning assigned to it by clause (46) of Section 2(1) of the Act. (gb) "Postal Ballot" means voting by post or through any electronic mode; (h) "Electronic" and "Electronically" includes electrical, digital, magnetic, optical, bio-metric, electro-chemical, wireless, electromagnetic technology or by any other means of information technology. (i) "The Register" means the register of members of the Company to be kept pursuant to Section 119 of the Act, whether maintained on papers or in electronic form. (j) "Dividend" includes bonus and specie dividend (k) "Month" means calendar month according to the English Calendar. (l) "Proxy" includes Attorney duly constituted under a power of Attorney. (m) "Writing, in writing" or "written" include printing, lithography, type-writing and where permitted or specified by the Board, also includes Electronic transmission, including but not limited to facsimiles, telex, downloading through computers, electronic mail, other modes of representing or reproducing words in a visible form and any usual substitutes.

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
3 5 6 7 9	3 5 6 7 9
<p>“ section 95 of the Ordinance” “ Section 95-A of the Ordinance”</p> <p>Subject to the provisions of the Ordinance and these Articles, the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons on such terms and conditions, and at such times, as the Directors think fit and if so authorized by the Company in General Meeting give to any person, the call of any shares either at par or at a premium and for such consideration as the Directors think fit.</p> <p>“section 73 of the Companies Ordinance, 1984.” (a) “ the Companies Ordinance 1984”.</p> <p>Shares may be registered in the name of any limited Company or other corporate body but not in the name of a firm. Not more than four persons shall be registered as joint holders of any shares.</p> <p>TRANSFER AND TRANSMISSION OF SHARES</p>	<p>(n) Words importing the singular number also include the plural number and vice versa.</p> <p>(o) Words importing the masculine gender also include the feminine gender.</p> <p>(p) Words or expressions, not defined in these Articles, shall have the same meaning as assigned in the Act “section 86 of the Act” and “Section 88 of the Act “</p> <p>Subject to the provisions of the Act and these Articles, the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons on such terms and conditions, and at such times, as the Directors think fit.</p> <p>“section 70 of the Act.” (a) “the Act.”</p> <p>Shares may be registered in the name of any limited Company or limited liability partnership or other corporate body but not in the name of a firm. Not more than four persons shall be registered as joint holders of any shares.</p> <p>TRANSFER AND TRANSMISSION OF SHARES</p>
15	15
<p>The instrument of transfer of any shares shall be signed both by the transferor and transferee and shall contain the names, address, occupation and CNIC or Passport Number (in case of non-resident) of both of the transferor and transferee and shall be duly stamped and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Each signature to such transfer instrument shall be duly attested by the signature of one creditable witness who shall add his address and occupation.</p>	<p>The instrument of transfer of any shares shall be signed both by the transferor and transferee and shall be duly stamped and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Each signature to such transfer instrument shall be duly attested by the signature of one creditable witness who shall add his address and occupation.</p>
17	17
<p>The instrument of transfer of any share shall be in writing in the following form or in any usual or common form which the Directors shall approve.</p> <p>I _____ of _____ in consideration of the sum of Rupees _____ paid to me by _____ of _____ (hereinafter called “the Transferee”), do hereby transfer to the said transferee _____ the share (or shares) numbered _____ to _____ inclusive in the NATIONAL FOODS LIMITED to hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said Transferee, do hereby agree to the take the said share (or shares) subject to the conditions aforesaid.</p>	<p>The instrument of transfer of any share shall be in writing in the following form or in any usual or common form which the Directors shall approve.</p> <p>TRANSFER DEED/INSTRUMENT OF TRANSFER</p> <p>I _____ of _____ in consideration of the sum of Rupees _____ paid to me by _____ of _____ (hereinafter called “the Transferee”), do hereby transfer to the said transferee _____ the share (or shares) numbered _____ to _____ inclusive in the NATIONAL FOODS LIMITED to hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said Transferee, do hereby agree to the take the said share (or shares) subject to the conditions aforesaid.</p>

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>As witness our hands this _____ day of _____</p> <p>Witness Transferor Signature: _____ Signature: _____ Name: _____ Name: _____ Occupation: _____ Father/Husband's Name: _____</p> <p>CNIC No. _____ Occupation: _____ Address _____ Address: _____</p> <p>CNIC/Passport: _____ Witness Transferee Signature: _____ Signature: _____ Name: _____ Name: _____ Occupation: _____ Father/Husband's Name: _____</p> <p>CNIC No. _____ Occupation: _____ Address: _____ Address: _____ CNIC/Passport: _____</p> <p>Dividend Mandate In case the transferee intends that the cash dividend declared by the Company, if any, is directly credited in his/her/its bank account, instead of issue of dividend warrants, then please fill in the following details:</p> <p>Transferee Detail Title of Bank Account Banks's Name Branch Name and Address Cell number of Transferee Landline number of Transferee, if any</p> <p>It is stated that the above-mentioned information is correct and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur.</p> <p>_____</p> <p>Transferee</p>	<p>TRANSFER DEED/INSTRUMENT OF TRANSFER As witness our hands this _____ day of _____</p> <p>Witness Transferor Signature: _____ Signature: _____ Name: _____ Name: _____ Occupation: _____ Father/Husband's Name: _____</p> <p>CNIC No. _____ Occupation: _____ Address: _____ Address: _____</p> <p>CNIC/Passport: _____ Witness Transferee Signature: _____ Signature: _____ Name: _____ Name: _____ Occupation: _____ Father/Husband's Name: _____</p> <p>CNIC No. _____ Occupation: _____ Address: _____ Address: _____ CNIC/Passport: _____ Cell Number: _____ Landline number, if any: _____ Email Address: _____</p> <p>Bank Account Details of Transferee for Payment of Cash Dividend (Mandatory) It is requested that all my cash dividend amounts declared by the company, may be credited into the following bank account:</p> <p>Transferee Detail Title of Bank Account Bank Account Number Bank's Name Branch Name and Address IBAN Number</p> <p>It is stated that the above-mentioned information is correct and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur.</p> <p>_____</p> <p>Signature of the Transferee (s)</p>

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
18	The directors of the company shall not refuse to transfer any fully paid shares or debentures unless the transfer deed is, for any reason, defective or invalid; provided that the company shall within thirty days from the date on which the instrument of transfer was lodged with it notify the defect or its invalidity to the transferee who shall, after the removal of such defect or invalidity, be entitled to re-lodge the transfer deed with the company.	18	The directors of the company shall not refuse to transfer any fully paid shares or debentures unless the transfer deed is, for any reason, defective or invalid; provided that the company shall within fifteen days or, where the transferee is a central depository, within 5 days, from the date on which the instrument of transfer was lodged with it notify the defect or its invalidity to the transferee who shall, after the removal of such defect or invalidity, be entitled to re-lodge the transfer deed with the company.
19	No transfer shall be made to a person of unsound mind.	19	Removed
20	Every instrument of transfer shall be left at the office of the Company or Share Registrar for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the transferor or his right to transfer the shares, the transferee shall be registered as a member in respect of such shares. The Directors may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction.	20	Every instrument of transfer shall be left at the office of the Company or Share Registrar for registration, accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the transferor or his right to transfer the shares, upon which the transferee shall be registered as a member in respect of such shares. The Directors may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction.
21	All instrument of transfer which shall be registered, shall be retained by the company but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same. Any instrument of transfer retained may be destroyed after ten years.	21	All instrument of transfer which shall be registered, shall be retained by the company but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same. Any instrument of transfer retained may be destroyed after ten years.
22	The execution or administrators of a deceased member (not being one of several joint holders) shall be the only person recognized by the company as having any title to the shares registered in the name of such member, and in case of the death of any one or more of the joint holders of any registered shares, the survivors shall be the only persons, recognized by the company as having any title to or interest in such shares. Nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person. Before recognizing any executor or administrator the Directors may require him to obtain a grant of Probate or Letter of Administration, or other Legal representation as the case may be from some competent court or Pakistan having jurisdiction in the matter. Provided nevertheless that in any case where the Directors in their absolute discretion think fit it shall be lawful for them to dispense with the production of Probate or Letter of Administration or other legal representation upon such terms as to indemnity or otherwise as they in their absolute discretion may consider proper.	22	(a) The execution or administrators of a deceased member (not being one of several joint holders) shall be the only person recognized by the company as having any title to the shares registered in the name of such member, and in case of the death of any one or more of the joint holders of any registered shares, the survivors or survivor or executors or administrators of the deceased survivor, shall be the only persons, recognized by the company as having any title to or interest in such shares in accordance with the law. Nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person. Before recognizing any executor or administrator the Directors shall require him to obtain a grant of Probate or Letter of Administration, or other Legal representation as the case may be from some competent court or Pakistan having jurisdiction in the matter. (b) A person may on acquiring interest in a company as member, represented by shares, at any time after acquisition of such interest deposit with the company a nomination conferring on a person, being the relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter, the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of non-Muslim members, as per their respective law.

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
		(c)	The person nominated shall, after the death of the member, be deemed as a member of company till the shares are transferred to the legal heirs and he shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share and exercise any right conferred by membership in relation to meetings of the company.
23A	COMMISSION AND BROKERAGE The Company may from time to time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures of the Company or procuring or agreeing to procure subscription (whether absolute or conditional) for any share or debentures of the Company. The Company, to pay commission, shall comply with the provisions of Section 82 of the Ordinance. The Company may also pay such brokerage as may be lawful on any issue of shares or debentures.		COMMISSION AND BROKERAGE The Company may from time to time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures of the Company or procuring or agreeing to procure subscription (whether absolute or conditional) for any share or debentures of the Company. The Company may also pay such brokerage as may be lawful on any issue of shares or debentures.
24	INCREASE AND REDUCTION IN CAPITAL The Company in General Meeting may by Ordinary Resolution from time to time increase the capital by the creation of new shares of such amount as may be deemed expedient.		INCREASE AND REDUCTION IN CAPITAL The Company in General Meeting may by Special Resolution from time to time increase the capital by the creation of new shares of such amount as may be deemed expedient.
25	Where the Directors decides to increase the capital of the company by the issue of further shares, such shares shall except where such shares are being issued pursuant to an order made by Court of competent jurisdiction, be offered to the members and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer if not accepted will be deemed to be declined and after the expiration of such time or receipt of an intimation from the member to whom such notice is given that he declined to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the company.		Where the Directors decides to increase the capital of the company by the issue of further shares, such shares shall except where such shares are being issued pursuant to an order made by Court of competent jurisdiction, be offered to the members and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer if not accepted will be deemed to be declined and after the expiration of such time or receipt of an intimation from the member to whom such notice is given that he declined to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the company. Nothing contained in this Article shall prevent the directors from issuing shares to any of its employee or to a person, not being member of the company, subject to passing of special resolution by the company and approval of the Commission.
27	“section 96 & 97 of the Ordinance.” SUB-DIVISION AND CONSOLIDATION OF SHARES	27	“section 89 of the Act.” SUB-DIVISION AND CONSOLIDATION OF SHARES
28	“ section 92 (1) of the Ordinance,” the Company may, by special resolution passed in General Meeting sub-divide or consolidate its shares or any of them.	28	“section 85 of the Act,”
29	SURRENDER OF SHARES “the Companies Ordinance,”	29	SURRENDER OF SHARES “ the Act,“

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
30	<p>BORROWING POWERS</p> <p>The Directors may, from time to time, at their absolute discretion but subject to the provisions hereinafter contained, raise or borrow any sum or sums of money for the purposes of this company from any person holding the office of Director subject to the provisions of section 208 of the Ordinance or from any other person, banks firms, corporations or companies and may secure the repayment of such money together with interest and payment of any other dues in such manner and upon such terms and conditions in all respects as they think fit and, in particulars, by the issue of convertible or non-convertible debentures or debentures or debenture stock of the company, charged or not charged upon the undertaking and all the or any part of the property and assets of the company (both present and future) by making, drawing, accepting or endorsing on behalf of the company any promissory notes or bills of exchange or giving or issuing any guarantee, share option certificate, undertaking or other security or by creating mortgage and hypothecation and charge on all or any part of the properties, assets and rights of the company, both present and future. The Directors may guarantee the whole or any part of any loans or debts raise or incurred by or on behalf of the company or any interest payable thereon and give all undertakings with power for them to secure the guarantors against liability in respect of such loans or guarantees by means of mortgage or hypothecation of charge upon, any property or assets of the company or otherwise.</p>	30	<p>BORROWING POWERS</p> <p>Subject to the provisions of the Act, the Directors may, from time to time, at their absolute discretion, raise or borrow any sum or sums of money for the purposes of this company from any person holding the office of Director or from any other person, banks firms, corporations or companies and may secure the repayment of such money together with interest and payment of any other dues in such manner and upon such terms and conditions in all respects as they think fit and, in particulars, by the issue of convertible or non-convertible debentures or debentures or debenture stock of the company, charged or not charged upon the undertaking and all the or any part of the property and assets of the company (both present and future) by making, drawing, accepting or endorsing on behalf of the company any promissory notes or bills of exchange or giving or issuing any guarantee, share option certificate, undertaking or other security or by creating mortgage and hypothecation and charge on all or any part of the properties, assets and rights of the company, both present and future. The Directors may guarantee the whole or any part of any loans or debts raise or incurred by or on behalf of the company or any interest payable thereon and give all undertakings with power for them to secure the guarantors against liability in respect of such loans or guarantees by means of mortgage or hypothecation of charge upon, any property or assets of the company or otherwise.</p>
33	“ debentures stock, “	33	“debenture stocks, “
34	“ Debenture stock,” and “ allotment of shares attending and voting at general meeting of the company.”	34	“ Debenture stocks, Term Finance Certificates “ and “allotment of shares and attending and voting at general meeting of the company.”
35	“ for the purpose of the company to be secured” and “in all respects as they think fit and “	35	“for the purpose of the company, be secured” and“ in all respects, as they think fit, and”
36	“within thirty days “.	36	“within fifteen days “
38	GENERAL MEETING	38	GENERAL MEETING
39	“ the Companies Ordinance”	39	“the Company Law ”
39	Subject to the provisions of section 158 of the Ordinance, Annual General Meeting of the Company shall be held at least once in every calendar year at such time not being more than fifteen months after the holding of the last preceding meeting and within a period of four months following the close of its financial year.	39	Subject to the provisions of section 132 of the Act, Annual General Meeting of the Company shall be held at least once in every calendar year, within a period of one hundred and twenty days or such other period, as may be prescribed under Section 132 of the Act, following the close of its financial year.
40	(i) The General Meeting referred to in last preceding Article shall be called “Annual General Meeting” all other Meeting of the company shall be called “Extra-Ordinary Meeting”.	40	(i) The General Meeting referred to in last preceding Article shall be called “Annual General Meeting” all other Meeting of the company shall be called “Extra-Ordinary Meeting”.
			ii) The Company may provide video-link facility in General

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
	<p>ii) The Company may provide video conference facility in General Meeting to its members at places other than the town in which General Meeting is taking place and for provision of such facility the Company shall comply with the guidelines or directives issued by the Commission from time to time.</p> <p>iii) The Company may transmit notices of general meetings and annual reports to the members of the Company through electronic mail or any other modes, as may be permitted by the Commission from time to time; subject to the conditions imposed thereof.</p>		<p>Meeting to its members at places other than the town in which General Meeting is taking place and for provision of such facility the Company shall comply with the regulations issued by the Commission as may be applicable from time to time.</p> <p>iii) The Company shall transmit all notices of general meetings and annual reports to the members of the Company either through post or electronically, through email or any other mode, as may be permitted by the Commission from time to time; subject to the conditions imposed thereof. The Company shall also post them on it's website for such period as may be specified by the Commission. Provided that that the members shall remain entitled to receive a hard copy of the annual report on making request to the company.</p> <p>iv) The Company shall also keep, at the Office for inspection by members, a copy of the annual reports and other documents, for a period of at least twenty-one days before the respective general meeting.</p>
41	<p>The Directors may whenever think fit on the requisition of the holders of not less than one tenth of the voting power of the company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extra-ordinary general meeting at the company and in the case of such requisition the following provisions shall have effect.</p> <p>a) The Requisition must state the object of meeting and must be signed by the requisitionists deposited at the Registered Office and consist of several documents in like form each signed by one or more requisitionists.</p> <p>b) If the Directors of the company do not proceed to convene a meeting within 21 days from the date of the requisition being so deposited, the requisitionists or a majority of them in value may themselves convene the meeting but any meeting so convened shall not be held after three months from the date of the deposit.</p> <p>c) Any meeting convened under this Article by the requisitionists shall be convened in the same manner or as nearly as possible as that in which meetings are to be convened by the Directors.</p>	41	<p>The Directors may whenever think fit on the requisition of the holders of not less than one tenth of the voting power of the company upon which all calls or other sums then due have been paid, forthwith proceed to convene an extra-ordinary general meeting at the company and in the case of such requisition the following provisions shall have effect.</p> <p>a) The Requisition must state the object of meeting and must be signed by the requisitionists, be deposited at the Registered Office and shall consist of several documents in like form, each signed by one or more requisitionists.</p> <p>b) If the Directors of the company do not proceed to convene a meeting within 21 days from the date of the requisition being so deposited, the requisitionists or a majority of them in value may themselves convene the meeting but any meeting so convened shall be held within ninety days from the date of the deposit of requisition.</p> <p>c) Any meeting convened under this Article by the requisitionists shall be convened in the same manner or as nearly as possible as that in which meetings are to be convened by the Directors.</p>
42	<p>PROCEEDINGS AT GENERAL MEETING</p> <p>The business of an Annual General Meeting shall be to receive and consider the Profit and Loss Accounts, the Balance Sheet and the Reports of the Directors and of the Auditors, to elect Directors, Auditors, and other Officers in the place of those retiring by rotation or otherwise, to declare dividends and to transact any other business which under these presents ought to be transacted at Annual General Meeting and all business transacted at an extra-ordinary</p>	42	<p>PROCEEDINGS AT GENERAL MEETING</p> <p>The business of an Annual General Meeting shall be to receive and consider the financial statements and the Reports of the Directors and of the Auditors, to elect Directors, to appoint Auditors, to declare dividends and to transact any other business which under these presents ought to be transacted at Annual General Meeting and all business transacted at an extra-ordinary meeting shall be deemed special.</p>

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
	meeting shall be deemed special.		
43	Subject to the provisions of section 160 (2) (a) of the Ordinance, ten members present in person who present not less than 25% of the total voting power either on their own account or as proxies shall be a quorum for general meeting.	43	Subject to the provisions of section 134(1)(a) of the Act, ten members present personally or through video-link who represent not less than 25% of the total voting power, either on their own account or as proxies, shall be a quorum for general meeting.
45	The Chairman of the Directors shall be entitled to take the chair at every general meeting, or if there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act, the members present shall choose another Director as Chairman and if no Director be present or decline to take the chair, then the members present shall choose one of their member to be Chairman.	45	The Chairman of the Directors shall be entitled to take the chair at every general meeting. If there be no such Chairman or if at any meeting he shall not be present within fifteen minutes, after the time appointed for holding such meeting, or is unwilling to act, the members present shall choose another Director as Chairman. If no Director be present or declines to take the chair, then the members present shall choose one of their member to be the Chairman.
46	If within half an hour from the time appointed for the meeting a quorum be not present, the meeting if convened upon such requisition as aforesaid shall be dissolved. But in any other case it shall stand adjourned to the same day in the next week at the same time and place and if at such adjourned meeting a quorum be not present those members who are present and not being less than two shall be quorum & may transact the business for which the meeting was called.	46	If within half an hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon requisition of the members, shall be dissolved. But in any other case it shall stand adjourned to the same day in the next week, at the same time and place and if at such adjourned meeting a quorum be not present, those members who are present and not being less than two shall be quorum and may transact the business for which the meeting was called.
48	a) At any General Meeting five members present in person or by proxy or the Chairman of the Meeting or any member or members holding not less than 1/10th of total voting power or having paid not less than 1/10th the paid up capital shall be entitled to demand a poll, and unless a poll is demanded a declaration by the Chairman that a resolution has, on a show of hands been carried, or carried unanimously or by a particular majority, or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of number or proportion of the votes recorded in favour of or against the resolution.	48	a) At any General Meeting the Chairman of the Meeting or any member or members, present in person or through video-link or by proxy, holding not less than 1/10th of total voting power or having paid not less than 1/10th the paid up capital, shall be entitled to demand a poll. Unless a poll is demanded a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously or by a particular majority, or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of number or proportion of the votes recorded in favour of or against the resolution.
51	The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.	51	The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business, other than the question on which a poll has been demanded.
52	Every holder of one or more shares, not disqualified by the last preceding Article, shall on his name being entered in the register of members, be entitled to be present and to speak and vote at any general meeting and shall, when present in person or represented by an agent duly authorized under a power of attorney or in the case of a company by a representative duly authorized under Section 162 of the Ordinance have one vote on a show of hands and shall, on a poll when present in person, or presented by an agent	52	Every holder of one or more shares, not disqualified by these Article, shall on his name being entered in the register of members, be entitled to be present and to speak and vote at any general meeting and shall, when present in person or represented by an agent duly authorized under a power of attorney or in the case of a company by a representative duly authorized under Section 138 of the Act, have one vote on a show of hands and shall, on a poll

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
	duly authorized under a power of attorney or in the case of a company by a representative duly authorized under Section 162 of the Ordinance or by proxy, have one vote in respect of each share held.		when present in person, or presented by an agent duly authorized under a power of attorney or in the case of a company by a representative duly authorized under Section 138 of the Act or by proxy, have one vote in respect of each share held.
53	Votes may be given either personally or by proxy or in case of a company by a representative duly authorized as aforesaid.	53	On a poll, votes may be given either personally or through video-link or by proxy or through postal ballot in the manner and subject to conditions as may be specified by the Commission.
54	The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy of the resolution under section 162 of the Ordinance signed by a director of such company shall be deposited at the office not less than 48 hours before the time for holding the meeting or adjourned meeting as the case may be at which the person named in such instrument or resolution as the case may be proposes to vote and in default the same shall be invalid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.	54	The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy of the resolution under section 138 of the Act signed by a director of such company shall be deposited at the office not less than 48 hours before the time for holding the meeting or adjourned meeting as the case may be at which the person named in such instrument or resolution as the case may be proposes to vote and in default the same shall be invalid. Provided that in calculating the period of 48 hours as aforesaid, no account shall be taken of any part of the day that is not a working day. No power of attorney shall be valid after the expiration of twelve months from the date of its execution.
		54A	A proxy must be a member of the Company, except in case of E-Voting both members and non-members can be appointed as proxy.
		54B	Notwithstanding anything contained in any other provision of the Articles, the Company shall provide E-voting facility in accordance with the mandatory requirements prescribed under E-Voting Regulations, and amendments made to them from time to time by the Commission. An instrument appointing proxy for the purpose of e-voting shall be in the form as prescribed under E-voting Regulations or any other regulations, as may be applicable for the purpose and be deposited, in writing, with the Company in the manner and within such timelines as prescribed by the Commission from time to time.
55	A vote given in accordance with terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer shall have been received at the office before the meeting. Provided nevertheless that the Chairman of the meeting shall be entitled to require such evidence as he may in his discretion think fit to the due execution of an instrument of proxy and that the same has not been revoked.	55	A vote given in accordance with terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer shall have been received at the office before the meeting. Provided nevertheless the Chairman of the meeting shall be entitled to require such evidence as he may in his discretion think fit to the due execution of an instrument of proxy and that the same has not been revoked.

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>56 Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in form or to the effect following and shall be retained by the company.</p> <p>I.....of.....being a member of the.....a holder of.....shares nos.....hereby appoint.....of.....which is also a member of the company, as my proxy to vote for me and on my behalf at the (Annual or extra-Ordinary as the case may be) general meeting of the company to be held on theday of19 and at any adjournment thereof.</p> <p>Signed this.....day of..... Signature.....</p>	<p>56 Every instrument appointing a proxy shall, as nearly as circumstances will admit, be in form or a form as near thereto as may be</p> <p>OPTION-1 (FORM OF PROXY)</p> <p>I.....of.....being a member of the.....a holder of.....shares nos.....hereby appoint.....of.....which is also a member of the company, as my proxy to vote for me and on my behalf at the (Annual or extra-Ordinary as the case may be) general meeting of the company to be held on theday of20 and at any adjournment thereof.</p> <p>Signed this.....day of..... Signature.....</p> <p>OPTION 2 FORM OF PROXY (E-VOTING)</p> <p>I / We, _____ of _____, being a member of the NATIONAL FOODS LIMITED, holder of _____ Ordinary Share(s) as per Register Folio No. _____ hereby opt for e-voting through Intermediary and hereby consent the appointment of execution office _____ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.</p> <p>My secured email address is _____, please send login details, password and electronic signature through email.</p> <p style="text-align: center;">Signature of Member (Signature should agree with the specimen signature registered with the company)</p> <p>Signed in the presence of:</p> <p>Signature of Witness Signature of Witness</p>

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>DIRECTORS</p> <p>59 " section 199 of the Ordinance,"</p> <p>60 a) A Director including the Chief Executive shall hold office for a period of three years unless he earlier resigns, becomes disqualified for being a Director or otherwise ceases to hold office.</p> <p>b) A Director may resign from his office upon giving one month's notice in writing to the company of his intention to do so and such resignation shall take effect upon the expiration of such notice or its earlier acceptance.</p> <p>c) Any casual vacancy occurring among the Directors may be filled up by Directors and the person so appointed shall hold office for the remainder of the term of the Director in whose place he is appointed.</p> <p>d) A retiring Director shall be eligible for re-election.</p> <p>61 The qualification of a Director, in addition to his being a Member, where required, shall be his holding of at least Five Hundred (500) shares in the Company, in his own name unless exempted under Section 187 (h) of the Ordinance.</p> <p>62 Every Director other than Chief Executive and full time working Director shall be entitled to a fee of not more than Rupees 50,000 for attending every meeting of directors, including committee meetings, plus the actual travelling expenses incurred by him for attending the meeting. The remuneration for extra services performed by the directors shall be determined by the Board of Directors or shareholders in general meeting.</p> <p>63 The continuing Directors may act notwithstanding any vacancy in their body; but so that if the number falls below the minimum fixed above, the Directors, shall not, except for the purpose of filling vacancies, or of summoning a general meeting of the company, act so long as the number is below the minimum.</p> <p>64 A director shall ipso facto cease to hold office if: he</p> <p>a) s a minor;</p> <p>b) Is of unsound mind;</p> <p>c) has applied to be adjudicated as an insolvent and his application is pending;</p> <p>d) is an undischarged insolvent;</p> <p>e) has been convicted by a court of law for an offence involving moral turpitude;</p> <p>f) has been debarred from holding such office under any provision of the Ordinance;</p> <p>g) has betrayed lack of fiduciary behavior and a declaration</p>	<p>DIRECTORS</p> <p>59 " section 187 of the Act,"</p> <p>60 a) A Director, including the Chief Executive, shall hold office for a period of three years unless he earlier resigns, becomes disqualified for being a Director or otherwise ceases to hold office.</p> <p>b) A Director may resign from his office upon giving one month's notice in writing to the company of his intention to do so and such resignation shall take effect upon the expiration of such notice or its earlier acceptance.</p> <p>c) Any casual vacancy occurring among the Directors may be filled up by Directors and the person so appointed shall hold office for the remainder of the term of the Director in whose place he is appointed.</p> <p>d) The chief executive appointed against a casual vacancy shall hold office till the directors elected in the next election appoint a chief executive.</p> <p>e) A retiring Director shall be eligible for re-election.</p> <p>61 Unless exempted under Section 153 (i) of the Act, the qualification of a Director, in addition to his being a member, shall be his holding of at least Five Hundred (500) shares in the Company, in his own name.</p> <p>62 Every Director other than Chief Executive and full time working Director shall be entitled to a fee of not more than Rupees 50,000 for attending every meeting of directors, including committee meetings, plus the actual travelling expenses incurred by him for attending the meeting. The remuneration for extra services performed by the directors shall be determined by the Board of Directors.</p> <p>63 The continuing Directors may act notwithstanding any vacancy in their body; but so that if the number falls below the minimum fixed above, the Directors, shall not act, except for the purposes of filling vacancies or of summoning a general meeting of the company, so long as the number is below the minimum. If at any time, there are not enough directors to form a quorum to fill a casual vacancy, all the remaining directors shall be deemed to constitute a quorum for this limited purpose.</p> <p>64 A director shall ipso facto cease to hold office if:</p> <p>a) he becomes ineligible to be appointed as a director on any one or more of the grounds enumerated in section 153;</p> <p>b) he absents himself form three consecutive meetings of the directors for a continuous period of three months, without leave of absence from the directors;</p> <p>c) he or any firm of which he is a partner or any private company of which he is a Director;</p> <p>i) without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of chief executive or a legal or technical</p>

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
	to this effect has been made by the Court under Section 217 at any time during the preceding five years; Provided that clause (h) shall not apply in the case of:- i. a person representing the Government or an institution or authority which is a member; ii. a whole time director who is an employee of the company iii. a chief executive; or iv. a person representing a creditor. i) absent himself from three consecutive meetings of the directors or from all the meetings of the directors for a continuous period of three months, whichever is the longer without leave of absence from the directors; j) or any firm of which he is a partner or any private company of which he is a Director; i) Without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of chief executive or a legal or technical adviser or a banker, or ii) accept a loan or guarantee from the company in contravention of section 195 “ the Ordinance “	ii) adviser or a banker; accepts a loan or guarantee from the company in contravention of section 182 of the Act.	
66	PROCEEDINGS OF DIRECTORS	66	“ the Act,”
67	The Directors may meet together in person or via teleconferencing or videoconferencing or by any other electronic means , for the dispatch of business, adjourn and other wise regulate their meeting and proceeding as they think fit, provided that if within half an hour from the time appointed for a meeting quorum is not present, the meeting shall stand adjourned to the same day next week at the same time and place, and may transact the business for which the meeting was called, subject to the provision of section 193 of the Ordinance the quorum shall not be less than one-third of their number or four, whichever is greater. Subject to any rules framed under any regulations or directives issued pursuant to the Companies Ordinance, Directors may participate in a meeting of the Directors by means of any communication equipment whereby all persons participating in the meeting can speak to and hear each other. Participation in a meeting in this manner shall be deemed to constitute presence of such Director at such meetings for the purposes of constituting a quorum.	67 The Directors may meet together in person or via videoconferencing or by other audio visual means, for the dispatch of business, adjourn and other wise regulate their meeting and proceeding as they think fit, provided that if within half an hour from the time appointed for a meeting quorum is not present, the meeting shall stand adjourned to the same day next week at the same time and place, and may transact the business for which the meeting was called. Subject to the provision of section 176 of the Act, the quorum shall not be less than one-third of their number or four, whichever is greater.	
68	The Directors may at any time and upon the request of a Director convene a meeting of the Directors. A notice sent to a Director by telex or facsimile transmission or electronic email to his address in or outside Pakistan, notified by him to the Company for this purpose, shall constitute a proper notice. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote.	68 The Directors may at any time and upon the request of a Director convene a meeting of the Directors. A notice sent to a Director by telex or facsimile transmission or electronically or to his address in or outside Pakistan, notified by him to the Company for this purpose, shall constitute a proper notice. Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote.	
		72A	The Company may send resolutions, notices of meetings of directors and committees of directors together with agenda, supporting documents, financial statements and reports, and minutes of such meetings to the directors and committee members electronically either through emails or

EXISTING ARTICLE OF ASSOCIATION		PROPOSED ARTICLES OF ASSOCIATION	
73	Except for the purpose of Section 196 and any other provision of the Ordinance, a resolution in writing signed by all the Directors for the time being in Pakistan (not being less than one third of their numbers or four, whichever is greater) shall be valid and effectual as it had been passed at a meeting of the Directors duly called and constituted. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors. A telex message or facsimile transmission or electronic mail sent by a Director shall be deemed to be a document signed by him for the purposes of this Article.	73	any other electronic mode or system. Except for the purpose of Section 183 (2) of the Act, a resolution in writing signed by all the Directors or committee of directors for the time being entitled to receive notice of meeting shall be valid and effectual as it had been passed at a the meeting of the Directors or committee of directors duly called and constituted. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors. A telex message or facsimile transmission or electronic document or electronic mail sent by a Director shall be deemed to be a document signed by him for the purposes of this Article. The resolution passed in writing, shall be noted at the subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting.
74	MINUTES d) of all resolutions and proceedings of General Meetings and of meetings of the Directors and Committee, and any such minutes of the Directors or of any Committee or of the company purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be receivable as prima facie evidence of matters stated in such minutes.	74	MINUTES d) of all resolutions and proceedings of General Meetings and of meetings of the Directors and Committee, and any such minutes of the Directors or of any Committee or of the company purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be receivable as prima facie evidence of matters stated in such minutes.
75	POWER OF DIRECTORS “ the Companies Ordinance”	75	Provided that all records related to proceedings through video-link shall be maintained in accordance with the relevant regulations specified by the Commission. POWER OF DIRECTORS “ the Act, “
76	Without prejudice to the general powers conferred by the preceding Articles and the other powers conferred by these presents, it is hereby expressly declared that the Directors shall have following powers, that is to say, power; a) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the company and also to pay the promoters all costs and charges they may have incurred in acquiring properties, machineries or other rights which this company may take over from them. b) To purchase or otherwise acquire for the company any property rights or privileges which the company is authorized to acquire at such price and generally on such terms conditions as they think fit, and subject to the provision of section 196 (3) (a) of the Companies Ordinance to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the property, privileges and undertaking of the company upon such terms and conditions and for such consideration as they may think fit.	76	Without prejudice to the general powers conferred by the preceding Articles and the other powers conferred by these presents, it is hereby expressly declared that the Directors shall have following powers, that is to say, power; a) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the company and also to pay the promoters all costs and charges they may have incurred in acquiring properties, machineries or other rights which this company may take over from them. b) To purchase or otherwise acquire for the company any property rights or privileges which the company is authorized to acquire at such price and generally on such terms conditions as they think fit, and subject to the provision of section 183 (3) (a) of the Act to sell, let, exchange or otherwise dispose of absolutely or conditionally any part of the property, privileges and undertaking of the company upon such terms and conditions and for such consideration as they may think fit.

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>c) At their discretion to pay for any property, or rights and privileges acquired by or services rendered to the company either or wholly partially in cash or in share (subject to section 86 of the Companies Ordinance) bonds, debentures or other securities of the company and any such shares may be issued as fully paid up thereon or as may be bound, agreed upon, any such bond debentures or other securities may be either specially charged upon all or any part of the property of the company.</p> <p>d) To secure the fulfilment of any contracts or engagements entered into by the company by mortgage or charge of all or any of the property of the company for the time being or in such other manner as they think fit.</p> <p>e) To appoint and at their discretion remove or suspend such agents, managers, secretaries, officers, legal advisers, clerks, and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments and to require securities in such instances and to such amount as they think fit and to send any such person to foreign countries for technical education or otherwise for the purpose of company's business and pay all expenses thereof on such terms as the Directors may think fit.</p> <p>f) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the company any property belonging to the company or in which it is interested or for any other purpose, and to execute all such trusts and also such deeds, documents and things as may be requisite in solution to any such trust and to provide for the remuneration of such trustee of trustees.</p> <p>g) To institute, conduct, defend, compound or abandon any legal proceeding including suits, appeals etc. before any court or authority by or against the company or its officers or otherwise concerning the affairs of the company and also to compound and allow time for payment or satisfaction of any debt due and of any claim or demands by or against the company subject to the provisions of section 196(3)(b) of the companies Ordinance.</p> <p>h) To refer any claim or demands by or against the company to arbitration and observe and perform or resist the rewards.</p>	<p>ba) To sell or dispose of subsidiary of the company subject to the provision of section 183(3) (b) of the Act.</p> <p>c) At their discretion to pay for any property, or rights and privileges acquired by or services rendered to the company either wholly or partially in cash or in shares (subject to section 83 of the Act) bonds, debentures or other securities of the company and any such shares may be issued as fully paid up thereon or as may be bound or agreed upon and any such bonds, debentures or other securities may be either specially charged upon all or any part of the property of the company.</p> <p>d) To secure the fulfilment of any contracts or engagements entered into by the company by mortgage or charge of all or any of the property of the company for the time being or in such other manner as they think fit.</p> <p>e) To appoint, and at their discretion, remove or suspend such agents, managers, secretaries, officers, legal advisers, clerks, and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties and fix their salaries or emoluments and to require securities in such instances and to such amount as they think fit and to send any such person to foreign countries for technical education or otherwise for the purpose of company's business and pay all expenses thereof on such terms as the Directors may think fit.</p> <p>f) To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the company, any property belonging to the company or in which it is interested or for any other purpose, and to execute all such trusts and also such deeds, documents and things as may be requisite in solution to any such trusts and to provide for the remuneration of such trustee or trustees.</p> <p>g) To institute, conduct, defend, compound or abandon any legal proceeding including suits, appeals etc. before any court or authority by or against the company or its officers or otherwise concerning the affairs of the company and also to compound and allow time for payment or satisfaction of any debt due and of any claim or demands by or against the company subject to the provisions of section 183(3)(c) of the Act.</p> <p>h) To refer any claim or demands by or against the company to arbitration and observe and perform or resist the rewards.</p>

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>i) To make and give receipts, releases and other discharge for money payable to the company.</p> <p>j) To act on behalf of the company in all matters relating to bankrupts and insolvents.</p> <p>k) To determine who shall be entitled to sign on the company's behalf, bill, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.</p> <p>l) From time to time to provide for the management of the affairs of the company either in different parts of Pakistan or elsewhere in such manner as they may think fit and in particular to establish branch offices and to appoint any persons to be attorneys or agents of the company with such powers (including power to sub-delegate) and upon such terms as they think fit.</p> <p>m) Subject to the provisions of section 95, 195, 208 of the Companies Ordinance to invest and deal with any of the money of the company upon such securities (not being shares in this company) and in such manners as they may think fit, and from time to time vary or realize such investments.</p> <p>n) To execute in the name and on behalf of the company, in favour of any Director or other person who may incur or be about to incur personal liability for the benefit of the company such mortgage on company's property (present and future) as they think fit, and such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon.</p> <p>o) To give to any person employed by the company as remuneration for their services as such a commission on the profits of any particular business or transaction or a share in general profits of the company and such commission or share of profits shall be treated as part of the working expenses of the company.</p> <p>p) From time to time make, vary and repeal bye-laws for the regulation of the business of the company, its officers and servant.</p> <p>q) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts deeds and things in the name and on behalf of the company as they consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the company.</p>	<p>i) To make and give receipts, releases and other discharge for money payable to the company.</p> <p>j) To act on behalf of the company in all matters relating to bankrupts and insolvents.</p> <p>k) To determine who shall be entitled to sign on the company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.</p> <p>l) From time to time to provide for the management of the affairs of the company either in different parts of Pakistan or elsewhere, in such manner as they may think fit, and in particular to establish branch offices and to appoint any persons to be attorneys or agents of the company with such powers (including power to sub-delegate) and upon such terms, as they think fit.</p> <p>m) Subject to the provisions of section 86, 182, 199 of the Act, to invest and deal with any of the money of the company upon such securities (not being shares in this company) and in such manner, as they may think fit, and from time to time vary or realize such investments.</p> <p>n) To execute in the name and on behalf of the company, in favour of any Director or other person who may incur or be about to incur personal liability for the benefit of the company, such mortgage on company's property (present and future) as they think fit, and such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon.</p> <p>o) To give to any person employed by the company, as remuneration for their services, a commission on the profits of any particular business or transaction or a share in general profits of the company and such commission or shares of profits shall be treated as part of the working expenses of the company.</p> <p>p) From time to time make, vary and repeal bye-laws for the regulation of the business of the company, its officers and servants.</p> <p>q) To enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts deeds and things in the name and on behalf of the company as they consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the company.</p>

Comparative Statement of Alterations in the Articles of Association (Annexure-A)

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>r) To establish, maintain, support and subscribe to any charitable public object and any institution society or club which may be for the benefit of the company or employees or may be connected with any town or place where the company carries on business; to give pensions, gratuities or charitable aid to any person or persons who have served the company or to the wives, children or dependents of such person, that may appear to the Directors just or proper whether, any such person his widow, children or dependents have or have not a legal claim upon the company.</p> <p>s) Subject to the provisions of section 226, 227, 228 of the Companies Ordinance before recommending any dividends to set aside portions of the profits of the company to form or supplement a fund to provide for such pensions, gratuities or a compensation or to create any provident fund or benefit in such or any other manner as the Directors may deem fit.</p> <p>t) To make and alter rules and regulations concerning the time and manner or payment of the contributions of the employees and the company respectively to any such fund and the accrual, employment, suspension forfeiture of the benefit of the said fund and the application and disposal thereof, and otherwise in relation to the working and management of the said fund as the Directors shall from time to time think fit.</p> <p>u) To open current fixed, overdraft, loan and cash credit accounts with any bank as may be necessary, and to pay into and to draw out money from such accounts.</p> <p>v) To make, draw, endorse, sign, accept, negotiable and give all cheques, bills of lading, drafts, orders, bill of exchange. Government of Pakistan and other promissory notes and other negotiable instruments required in the business of the company.</p> <p>w) To borrow and secure the payment of any sum or sums of money for the purposes of the company including creation of mortgage etc. on the properties of the company in favour of any person or persons including financing institutions.</p> <p>x) To do all such acts and things as are necessary and requisite for proper management of the affairs of the company.</p> <p>y) To undertake the scheme for re-organization and construction of the company including scheme for amalgamation in accordance with law.</p>	<p>r) To establish, maintain, support and subscribe to any charitable public object and any institution, society or club which may be for the benefit of the company or employees or may be connected with any town or place where the company carries on business; to give pensions, gratuities or charitable aid to any person or persons who have served the company or to the wives, children or dependents of such person, that may appear to the Directors just or proper whether, any such person his widow, children or dependents have or have not a legal claim upon the company.</p> <p>s) Subject to the provisions of section 217 and 218 of the Act, before recommending any dividends, to set aside portions of the profits of the company to form or supplement a fund to provide for such pensions, gratuities or a compensation or to create any provident fund or benefit in such or any other manner as the Directors may deem fit.</p> <p>t) To make and alter rules and regulations concerning the time and manner or payment of the contributions of the employees and the company respectively to any such fund and the accrual, employment, suspension forfeiture of the benefit of the said fund and the application and disposal thereof, and otherwise in relation to the working and management of the said fund as the Directors shall from time to time think fit.</p> <p>u) To open current, fixed, overdraft, loan and cash credit accounts with any bank as may be necessary, and to pay into and to draw out money from such accounts.</p> <p>v) To make, draw, endorse, sign, accept, negotiate and give all cheques, bills of lading, drafts, orders, bills of exchange, other promissory notes and other negotiable instruments required in the business of the company.</p> <p>w) To borrow and secure the payment of any sum or sums of money for the purposes of the company including creation of mortgage etc. on the properties of the company, in favour of any person or persons including financing institutions.</p> <p>x) To do all such acts and things as are necessary and requisite for proper management of the affairs of the company.</p> <p>y) To undertake the scheme for re-organization and construction of the company including scheme for amalgamation in accordance with law.</p>

EXISTING ARTICLE OF ASSOCIATION	PROPOSED ARTICLES OF ASSOCIATION
<p>DIVIDENDS</p> <p>78 Subject to the rights of members as to dividends and subject to the provisions of these presents and the Ordinance, as to the Reserve fund and Depreciation fund the profits of the company shall from time to time be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the ordinary shares of the company.</p> <p>81 Any general meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular, of paid up shares, debentures or debentures-stocks of the company or other company or in one or more of such ways. The dividend shall be paid either electronically, in accordance with the given mandate, or by cheque or warrant sent through the post / courier to the registered address of the member or person entitled thereto, or in the case of joint holders to any one of such joint holders at his registered address, or to such person and at such address as the Member or person entitled or such joint holders, as the case may be, may direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, or to order of such other person as the Member or person entitled or such joint holders, as the case may be, may direct.</p> <p>84 All dividends unclaimed for one year after having been declared shall be kept in trust by the company but may be invested or otherwise made use of by the Directors for the benefit of the company until claimed. No dividend shall bear interest as against the Company.</p> <p>CAPITALIZATION OF PROFITS</p> <p>84A "such resolution; provided "</p> <p>RECONSTRUCTION</p> <p>85 " section 367 of the Companies Ordinance"</p> <p>SECRECY</p> <p>86 " the Directors before entering his duties sign a declaration"</p> <p>87 " the Director of the company for the time being"</p> <p>WINDING UP</p> <p>88 i) " the Ordinance," and " or kind,"</p> <p>89 " (subject to the provisions of the Ordinance)"</p> <p>INDEMNITY</p> <p>90 Every officer or agent for the time being of the company may be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the company, except those brought by the company against him, in which judgement in given in his favour or in which he is acquitted, or in connection with any application under section 488 in which relief is granted to him by the Court.</p>	<p>DIVIDENDS</p> <p>78 Subject to the rights of members as to dividends and subject to the provisions of these presents and the Act, as to the Reserve fund and Depreciation fund the profits of the company shall from time to time be determined in respect of any year or period shall be applied in the payment of dividend on the ordinary shares of the company.</p> <p>81 Any general meeting declaring a dividend may resolve that such dividend be paid wholly or in part in cash or bonus or as specie by the distribution of shares of a listed company held by the Company. The payment of dividend shall be made in accordance with Section 242 of the Act</p> <p>84 All dividends unclaimed or unpaid for one year after having been declared shall be kept in trust by the company but may be invested or otherwise made use of by the Directors for the benefit of the company until claimed or vested with the Federal Government in accordance with Section 244(2) of the Act. No dividend shall bear interest as against the Company.</p> <p>CAPITALIZATION OF PROFITS</p> <p>84A " such resolution, provided "</p> <p>RECONSTRUCTION</p> <p>85 " section 356 of the Act "</p> <p>SECRECY</p> <p>86 " the Directors before entering his duties, sign a declaration"</p> <p>87 "the Directors of the company, for the time being, "</p> <p>WINDING UP</p> <p>88 i) " the Act, " and "or in kind, "</p> <p>89 " (subject to the provisions of the Act)"</p> <p>INDEMNITY</p> <p>90 The company may arrange insurance or third party indemnity to indemnify any director or officers of the company in accordance with Section 180 of the Act or any rules or regulations made thereunder. Notwithstanding anything contained under Section 180 of the Act every officer or agent for the time being of the company may be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the company, except those brought by the company against him, in which judgement in given in his favour or in which he is acquitted, or in connection with any application under section 492 in which relief is granted to him by the Court.</p>

Dividend Mandate

CDC/RTA/NATF/Letter/17
Date _____

Folio No. _____
Name of Shareholder
F/H Name
Address

Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK _____ (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
Signature of shareholder	

You are requested to kindly send us photocopy of this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at our address, Share Registrar Services, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Mian Shahrah-e-Faisal, Karachi. 74400, Pakistan.

Regards,

Share Registrar Department
Central Depository Company of Pakistan Limited
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.

Dividend Mandate

Letter format for CDS Shareholders

CDC/RTA/NATF/Letter/17
Date _____

CDS Account No. _____
Name of Shareholder
F/H Name
Address

Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank accounts of entitled shareholder as designated by them. In pursuance of the direction given by Securities and Exchange Commission of Pakistan (SECP), kindly immediately contact your relevant CDC Participant/CDC Investor Account Services Department and provide them your bank mandate information including International Bank Account Number (IBAN) which is now mandatory for all cash dividend payments.

In order to comply with regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide requisite bank mandate information to your respective Participant/CDC Investor Account Services Department immediately.

Regards,

Share Registrar Department
M/s. Central Depository Company of Pakistan Limited,
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.

Glossary

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

Jama Punji Information



www.jamapunji.pk

سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered
- Stock trading simulator (based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes

[jamapunji.pk](https://www.facebook.com/jamapunji.pk)
[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

نیشنل ایکس چیکر میں شراکت

سال کے دوران نیشنل ایکس چیکر میں مزید اضافہ ہوا اور کمپنی نے تقریباً 3,686 ملین روپے (2016: 3,124 ملین روپے) گورنمنٹ اور اس کی کئی ایجنسیوں کو مختلف گورنمنٹ لیویز کی مدد میں ادا کیے، جس میں کسٹم ڈیوٹی، سیلز ٹیکس اور انکم ٹیکس شامل ہیں۔ اس کے علاوہ پروڈکٹس کی برآمدات سے 1,128 ملین کے فارن ایکسچینج (2016: 1,072 ملین روپے) کی پیداوار بھی ہوئی جو قومی معیشت میں بھی ہماری شراکت کی عکاسی کرتی ہے۔

ڈویڈنڈ:

بورڈ آف ڈائریکٹرز نے 4.25 روپے فی شیئر کے فائنل کیس ڈویڈنڈ کی تجویز دی ہے۔ کل منافع کی ترسیل ڈویڈنڈ کی رقم کے 45% (2016: 37%) کے لحاظ سے کی گئی۔

کوڈ آف کارپوریٹ گورننس کی تعمیل:

نیشنل فوڈز لمیٹڈ کا انتظامی مقصد کارپوریٹ کے اچھے انتظام اور بہترین طریقوں کی تعمیل پر مشتمل ہے۔ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ذریعے جاری کردہ کارپوریٹ گورننس (Code) لسٹنگ کے قوانین کے تحت ضروری ہے جس کو کمپنی نے کوڈ کو اس کی تمام تر ذمہ داریوں کے ساتھ نیچے درج کیے گئے انداز میں اپنایا ہوا ہے:

- آپریشنز کے نتائج، کیس لین دین اور ردوبدل فنانشل اسٹیٹمنٹس کمپنی کے اسٹیٹ آف افیئرز تک شفاف انداز میں پیش کی جائیں۔
- کمپنی کے اکاؤنٹس بگس کو درست طریقے سے قائم رکھا ہوا ہے۔
- مالیاتی بیانات کے نوٹ میں بیان کردہ مناسب اکاؤنٹنگ پالیسیوں کو مسلسل فنانشل اسٹیٹمنٹس کی تیاری میں لاگو رکھا گیا ہے اور اکاؤنٹنگ کا تخمینہ معقول اور پرکشش فیصلے پر مبنی ہے۔
- فنانشل اسٹیٹمنٹس کی تیاری بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ کے مطابق کی جاتی ہے اور کسی بھی خامی کو مناسب طریقے سے بتایا جاتا ہے۔
- اندرونی کنٹرول کا نظام نہایت شاندار، موثر طریقے سے ڈیزائن شدہ اور کڑی نگرانی میں ہے۔ بورڈ نے چیئر مین کمیٹی کو مل کر چارٹرڈ ممبرز پر مشتمل ایک آڈٹ کمیٹی مقرر کی ہے۔
- آڈٹ کمیٹی کے چیئر مین ایک نان ایگزیکٹو ڈائریکٹر ہے جو Code کی ضروریات کی تکمیل کے لیے باقاعدہ طور پر کمیٹی سے ملتا رہتا ہے۔
- جیسا کہ درج شدہ دفعات میں تفصیلاً واضح کیا گیا ہے، کارپوریٹ گورننس پر بہترین عمل درآمد سے ماڈی طور پر کوئی انحراف نہیں برتا گیا ہے۔
- حالیہ اندازے کے مطابق کمپنی کے اسی طرح جاری رہنے کی قابلیت پر کوئی تشویشی شکوک و شبہات نہیں۔
- آڈٹ اسٹینڈنگ ڈیویڈنڈ، قانونی چارجز اور ٹیکس (اگر کوئی ہو) تمام تفصیل فنانشل اسٹیٹمنٹ میں مناسب طریقے سے بتائی گئی ہے۔
- گزشتہ 6 سالوں کے لیے اہم مالیاتی اعداد و شمار کے بارے میں اسٹیٹمنٹ اس رپورٹ میں شامل ہے۔

شیئر ہولڈنگ کا طریقہ

کمپنی کا شیئر ہولڈنگ کا طریقہ یا بیٹرن سالانہ رپورٹ کے ساتھ منسلک ہے۔

انٹرنل آڈیٹرز

انٹرنل آڈٹ کے سربراہ، انٹرنل آڈیٹر (Ernst & Young Ford Rhodes & Co.) کی معاونت سے انٹرنل آڈٹ کی نگرانی کرتے ہیں۔ وہ آڈٹ کمیٹی کے چیئر مین کو براہ راست رپورٹ کرتے ہیں۔

ایکسٹرنل آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کو (KPMG Taseer Hadi & Co.) چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہو رہے ہیں جو کہ دوبارہ تعیناتی کے اہل بھی ہیں۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے میسرز کے پی ایم جی تاثیر ہادی اینڈ کو (KPMG Taseer Hadi & Co.) چارٹرڈ اکاؤنٹنٹس کو بطور آڈیٹرز اگلے سالانہ جنرل اجلاس تک کے لیے اپائنٹمنٹ کا پریپوزل بھیج دیا ہے۔

مستقبل کا نقطہ نظر

نئے لاؤنچرز

سال کے اختتام سے پہلے کمپنی نے دو بیکریز میں پروڈکٹ لانچ کی۔ نیشنل کی چھتری تلے مایونیز اور "Scene On" کے نام سے اسٹیکس برانڈ۔ کمپنی نے اپنے اعلیٰ معیار اور ذائقے کی مہارت کو مد نظر رکھتے ہوئے صارفین کو بہترین کوالٹی کی مصنوعات کی فراہمی کو یقینی بنایا ہے۔

آگے کا سفر

نیشنل فوڈز مستقل کاروبار کی بہتری کے لیے مستعد اور اس کو آگے بڑھانے کے لیے کوشاں ہے تاکہ اس سے زیادہ سے زیادہ افراد فائدہ اٹھاسکیں۔ حالیہ لانچر مایونیز اور اسٹیکس کی بیکری 2018 کے مالیاتی سال کے لیے اس سال 2017 میں اس کا حصول ایک بیک ڈراپ کی حیثیت رکھتا ہے جس سے صاف نظر آ رہا ہے کہ گروپ شاندار ترقی کے سفر پر گامزن ہے۔ ہم بطور نیشنل فوڈز یہ بات وثوق سے کہتے ہیں کہ ہم اپنے صارفین کے لیے نہ صرف لذت و سہولت سے بھرپور پروڈکٹس لاتے رہیں گے بلکہ ہمارے صارفین تک ان کی رسائی بھی آسان ہوگی۔

اظہار تشکر

بورڈ ان تمام افراد کا تہہ دل سے ممنون ہے جنہوں نے اپنی شاندار کارکردگی اور دن رات کی لگن سے نیشنل فوڈز لمیٹڈ میں اپنی اعلیٰ صلاحیتوں کے ذریعے ہمیشہ ساتھ دیا۔ ہم ان کے اس جذبے کی قدر کرتے ہیں کہ جس طرح ایک مضبوط ٹیم ورک کے ساتھ مل جل کر مسائل کا حل نکال کر کمپنی کی فلاح و بہبود کے لیے اپنی بھرپور کوشش کر رہے ہیں۔ ہم آپ سب کے مشکور ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

سید فہیم

ڈائریکٹر

Ahmed

چیف ایگزیکٹو آفیسر

- اس رمضان نیشنل فوڈ ز نے مشہور فیس بک گروپ کراچی شیفنس سے Home (KCH) پر اشتراک کیا اور ”نیشنل فلیورز آف رمضان“ پیش کیا۔ اس ڈیجیٹل کمپین کے ذریعے پاکستان بھر سے تقریباً 60,000 خواتین کا برانڈ سے تعلق جوڑنے میں مدد ملی۔
- ”چٹاروں کی چھکا چھک“ کمپین اچا رکیلئے تیسرے اور چوتھے کوارٹر میں نشر کی گئی۔ بیک وقت ایک ریجن (پنڈی) پر توجہ مرکوز رکھتے ہوئے آؤٹ ڈور کمپین شمالی پنجاب کے 6 مختلف شہروں میں چلائی گئی۔

ہمارے لوگ

ذمہ دار امپلائرز ہونے کی حیثیت سے، نیشنل فوڈ ز لمیٹڈ ملازمین کے حقوق اور کامیابیوں کی قدر کرتی ہے اور انہیں محفوظ اور صحت مند کام کا ماحول، منصفانہ پالیسیز اور ان پر عمل درآمد، آزادی خیال و اظہار اور تمام ملازمین سے کھلے ماحول میں بات چیت کے مواقع فراہم کرتی ہے۔ سال 2017 میں کمپنی نے ملازمین کے اطمینان کو بڑھانے کیلئے بھرپور کام کیا اور شاندار اور منصفانہ معاوضے اور فوائد پیش کیے، جنسی تنوع میں اضافہ کیا، ذاتی اور پیشہ ورانہ ترقی کے مواقع فراہم کرے اور مستقبل کے کارپوریٹ لیڈر کے طور پر ابھرنے میں اپنا کردار ادا کیا۔ ہم اپنے ملازمین کے احساس ملکیت کو پیدا کرنے اور اس کی حوصلہ افزائی کیلئے اپنے عملے اور اپنے ادارے کے مقاصد کی ہم آہنگی کو یقینی بناتے ہیں۔ ان کی حوصلہ افزائی کیلئے ہم وقتاً فوقتاً کمالاتی نشستوں کا اہتمام کرتے ہیں۔ ہموار رابطہ ہمارے لیے سب سے اہم ہے اسی لیے ہم اس کی فروغ کیلئے تمام ادارے میں معلومات کی ہموار ترسیل کی حوصلہ افزائی کرتے اور اس میں مدد دیتے ہیں۔ اس سال ڈپارٹمنٹ کی سطح پر سی ای او سے مکالمے کا اہتمام کیا گیا تاکہ کمیونیکیشن کو پہلے سے بہتر اور امپلائرز کی حوصلہ افزائی کی جاسکے۔ اس سلسلے میں ایک ٹاؤن ہال کا بھی انعقاد کیا گیا جس میں تمام کمپنی کو سی ای او سے مکالمے کا موقع ملا۔ کمپنی کے سیکھنے کے جذبے کی بہتری کیلئے موجودہ پرفارمنس مینجمنٹ سسٹم کو مضبوط کیا گیا اور اس کی مضبوطی کیلئے رسمی طریقے سے سال کے درمیان میں جائزاتی معائنہ کیا گیا جس کا مقصد کامیابی کے نکات اور اس کے ساتھ افراد کو کراس فنکشنل کاروباری تجربہ فراہم کرنا ہے تاکہ وہ زیادہ سیکھ سکیں اور آگے بڑھ سکیں۔ اس کے علاوہ، ”علاقے کے انتظام (Territory Management)“ پریسلز ٹیم کی صلاحیتوں کو بڑھانے کیلئے 11 اجلاس منعقد کیے گئے۔ ہمیں یقین ہے کہ نیشنل فوڈ ز لمیٹڈ اپنے مقصد سے متاثر حکمت عملی کے تحت اپنے معزز کسٹمرز کو سہولیات کی فراہمی کا سلسلہ جاری رکھنے پر قائم رہے گا۔

کارپوریٹ کا استحکام (Corporate Sustainability)

ہم نیشنل فوڈ ز لمیٹڈ میں اپنے اٹوٹ عزم پر ثابت قدم ہیں کہ اپنے شراکت داروں کی زندگیوں اور سب سے بالاتر ہوسٹ کمیونٹیز کو بہتر بنائیں گے۔ سال کے دوران ہم نے تقریباً 6.5 ملین روپے کارپوریٹ سوشل ریسپانسیبلٹی (C.S.R) پروگرام کے تحت صرف کیے، جن میں بااختیار خواتین، صحت و نشوونما اور تعلیم جیسے بنیادی معاملات پر توجہ مرکوز کی گئی۔

دس سال پہلے شروع ہونے والا آگاہی تعلیم بالغان پروگرام ہمارے ابتدائی سی ایس آر اقدامات میں سے ایک ہے جسے حال ہی میں یونیسکو کی جانب سے سراہا گیا ہے اور اسے عالمی Litbase میں بھی شامل کیا گیا ہے۔ اس پروگرام نے 53,735 زندگیوں کو جن کا تعلق پاکستان کے 43 شہروں سے ہے، مثبت طور پر متاثر کیا ہے۔ بحیثیت فوڈ کمپنی کے ہمیں یقین ہے کہ صحت مند کھانا صحت مند زندگی کی ضمانت ہے لہذا ہم 2008 سے امن گھر کی مدد کر رہے ہیں۔ کھانا فراہم کرنے کا یہ پروگرام اب تک 17 اسکولوں میں 516,285 کھانے فراہم کر چکا ہے۔ ہم کامیابی سے آغا خان یونیورسٹی ہاسپٹل کی سپورٹ میں 3 سال کا طویل عرصہ بھی مکمل کر چکے ہیں جس میں ہم نے بچوں کیلئے پیڈیاٹرک انٹینسٹیو کیئر یونٹ (P.I.C.U) کے قیام میں مدد دی اور اس کا افتتاح رواں سال کے دوران ہوا۔ 15,500 اسکولرز فٹ پر مشتمل 8 بیڈز کی سہولت کو خاص طور پر ان بچوں کیلئے تیار کیا گیا ہے جو جان لیوا بیماریوں سے لڑ رہے ہیں۔

کاروباری اخلاقیات

نیشنل فوڈ ز لمیٹڈ جو کچھ کرتا ہے اس میں اچھی کارپوریٹ گورننس کے ساتھ اخلاقی رویہ اس کا اہم حصہ ہے۔ شراکت داروں کے معاملات کو منصفانہ طور پر دیکھنا ہماری کامیابی کا ایک اہم حصہ سمجھا جاتا ہے لہذا اسی لیے ہم سخت اور مستحکم اخلاقی اور اقداراتی ضابطوں پر عمل کرتے ہیں۔ بورڈ کی جانب سے فراہم کردہ شفاف ہدایات کے ذریعے امپلائرز کو ان کو ڈر وقتاً فوقتاً عملدرآمد کا پابند کیا جاتا ہے۔

پرنسپل رسک اور غیر یقینی صورتحال

کمپنی کا بنیادی کاروبار ملک اور ملک سے باہر جاری سیاسی اور معاشی غیر یقینی صورتحال پر منحصر ہے، جو موافق اور غیر موافق اثرات مرتب کرتا ہے۔ ملک کی ترقی کے لئے بیرونی قرضوں پر انحصار کے باعث روپے کی قیمت میں اتار چڑھاؤ کہ خدشات مسلسل لاحق رہتے ہیں، جس سے عالمی منڈی میں کمپنی کی مسابقت کو خطرات کا سامنا رہتا ہے۔

سہولت ساز کھانوں کے شعبے سے منسلک ہونے کے باعث کمپنی کے خام مال کا بیشتر حصہ ذریعہ پیداوار پر مشتمل ہوتا ہے۔ اہم اشیاء کی پیداوار کے لئے خام مال کی ترسیل اور قیمتوں میں مستقل خدشات لاحق رہتے ہیں، جن سے بچنے کے لئے کمپنی مقامی بیوپاریوں سے تعلقات مضبوط بنانے کی اور عالمی منڈی میں بے پار یوں کی نشاندہی سے مسلسل کوشاں رہتی ہے۔

کاروباری تسلسل کو برقرار رکھنے کے لئے منصوبے تیار کیے گئے ہیں تاکہ کمپنی کی پیداوار اور فروخت پر منفی اثرات مرتب نہ ہوں۔ یہ منصوبے کاروبار کے تمام پہلوں کا احاطہ کرتے ہیں خصوصاً انفارمیشن ٹیکنالوجی (Information technology) اور ای آر پی (ERP) سسٹم، جو کاروبار کے تمام شعبوں کو جوڑتا ہے منصوبے میں قائدین اور دیگر ذمہ داران کے نام اور ان کی تفصیلی ذمہ داریاں درج ہیں، تاکہ کاروبار متاثر ہونے کی صورت میں فوراً عمل درآمد ممکن ہو سکے۔

مالی استحکام اور پیسے کی لاگت کو کم کرنے کے لئے کمپنی قرضوں اور حصص دران/ ماکان کے پیسوں میں مناسب توازن برقرار رکھتے ہیں۔

کمپنی کی اندرونی دکلاء اور اکاؤنٹس کی ٹیم اس بات کو یقینی بناتی ہے کہ کمپنی تمام قومی ضروریات پر پورا اترے اور اداروں کی طے شدہ احکامات کے مطابق اپنے مالی گوشوارے تیار اور پیش کریں۔ ان کے علاوہ بیرونی ٹیکس ماہرین اور دکلاء تک رسائی رہتی ہے تاکہ بیرونی صلح ضرورت پر حاصل کی جاسکیں۔

ماحول پر اثر

کمپنی ماحول اور توانائی کے تحفظ کے لیے سرگرم ہے۔ حولیاتی آلودگی کو کم کرنے کے لیے پیداوار کی ٹیکنالوجی کو بہتر بنانے اور اشیاء کے دوبارہ استعمال کے مواقعوں کی نشاندہی کرنے پر خصوصی توجہ دی جا رہی ہے۔ کاغذ کے کم سے کم استعمال کو یقینی بنانے کے لئے الیکٹرانک پی او (PO) کو متعارف کرایا گیا۔

اس کے علاوہ آم کاٹنے کی نئی مشین کے ذریعہ پورانے ہاتھ سے آم کاٹنے کے طریقے کی نسبت کم ضیاء دیکھا گیا اس کے علاوہ کارخانے اس بات کو یقینی بناتے ہیں کہ پانی کم سے کم ضائع ہوا اور نقصان دہ اشیاء سے پاک کرنے کے بعد پانی کو دوبارہ استعمال میں لیا جاسکے۔

ڈائریکٹرز رپورٹ

ساتھی حصہ داران

نیشنل فوڈز لمیٹڈ کے ڈائریکٹرز 30 جون 2017 پر ختم ہونے والے سال کی کارکردگی رپورٹ اور مالی نتائج، کمپنی کے مجموعی اور انفرادی آڈیٹڈ مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

کاروباری کارکردگی کا جائزہ:

کینیڈا میں کمپنی کا حصول

مالیاتی سال 2017 کمپنی کے لیے ایک نہایت اہم سال ثابت ہوا۔ جس میں یکم فروری 2017 کو کمپنی کے ذیلی ادارے این ایف ڈی ایم سی سی NFD MCC نے کینیڈا میں اپنی ذیلی کمپنی نیشنل اپیکچور انکارپوریشن (National Epicure Inc.) کے ذریعے کینیڈا میں اے ون بیگز اینڈ سپلائز انکارپوریشن (A-1 Bags & Supplies Inc.) کے حصول کو کامیابی سے مکمل کر لیا۔ کمپنی کے نظریہ کو پانے کیلئے یہ حصول متوقع طور پر اس کی ترقی میں محرک ثابت ہوگا۔ ان مالیاتی نتائج میں حاصل شدہ کمپنی کی 5 ماہ کی کارکردگی بھی شامل ہیں۔ آپریٹنگ اور مالیاتی کارکردگی

گروپ کے سالانہ مالیاتی نتائج درج ذیل ہیں:

رقم پاکستانی روپے ملین میں

گروپ	2015-16		2016-17		اے ون بیگز اور سپلائز انکارپوریشن
	Change	2015-16	Change	2016-17	
خالص فروخت	24%	13,569	15,165	12%	1,651
مجموعی منافع	21%	4,496	5,145	14%	288
بطور خالص فروخت کی شرح	-0.8%	33.1%	33.9%	0.8%	17.4%
آپریٹنگ منافع	17%	1,217	1,339	10%	85
بطور خالص فروخت کی شرح	-0.5%	9.0%	8.8%	-0.7%	5.1%
خالص منافع بعد از ٹیکس	22%	797	925	16%	48
بطور خالص فروخت کی شرح	-0.1%	5.9%	6.1%	0.2%	2.9%
آمدنی فی حصص (روپے)		7.7	8.9		

* یہ نتائج یکم فروری 2017 سے 30 جون 2017 تک 5 ماہ تک کے ہیں۔

گروپ کی خالص فروخت (بشمول حالیہ حصول کے نتائج) میں سال بہ سال 24 فیصد کا اضافہ دیکھنے میں آیا جبکہ حجم کارفرما میں 10.8 فیصد کا اضافہ بنیادی کاروبار میں دیکھنے میں آیا۔ مقامی منڈی میں کمی کارجان رہا اور تمام آمدنی کے لحاظ سے بڑی مصنوعات میں منڈی کے حجم میں اضافہ گزشتہ سال کی نسبت کم دیا۔ اس کے باوجود مقامی برانڈ بلڈنگ اور صارفین سے ملاپ کی سرگرمیاں (Consumer Promotion) کے ذریعہ کمپنی ڈبل ڈیجٹ (Double Digit) کا اضافہ حاصل کرنے میں کامیاب رہی۔

گروپ کے مجموعی مارجن میں 80 بی پی ایس (b.p.s) کی کمی دیکھنے میں آئی جس کی وجہ نئے حصول کے نتائج کی شمولیت تھی۔ بنیادی کاروبار کے مجموعی منافع میں 80 بی پی ایس (b.p.s) اضافہ دیکھنے میں آیا جس کی وجہ خام مال کی قیمتیں اور پیداوار کے اخراجات میں کمی ہے۔

گروپ نے سال بہ سال خالص منافع میں 22% اضافے کا اعلان کیا جس میں بنیادی کاروبار میں 16% کا اضافہ ہوا۔ برانڈ کے فروغ کیلئے اعلیٰ سرمایہ کاری میں اضافہ گوداموں کی آؤٹ سورسنگ (Outsourcing)، بہتر معیار اور کارکردگی کیلئے، مستحکم مالی لاگت اور پرانے قرضہ جات کے استرداد سے ہونے والے سرمایہ کاری کے اخراجات مستحکم ہو سکیں۔

اہم کیلنگری کا جائزہ

سال 2016-17 مشکل/چیلنج کا حامل ثابت ہوا جس میں جارحانہ مارکیٹنگ اور ٹریڈ مارکیٹنگ سرگرمیوں کے ذریعے جاری اور مستحکم سرگرمیوں کی مثبت منصوبہ بندی اور عمل درآمد کے ذریعہ جنرل ٹریڈ اور LMTs میں حجم میں اضافہ ہوا۔

حجم کے استحکام اور مارکیٹ شیئر میں اضافہ کیلئے درج ذیل سرگرمیاں کی گئیں:

- کچپ ضروری کے پلیٹ فارم کو مزید آگے بڑھایا گیا، نیشنل کچپ کیلئے ایک نیا ٹیلی ویژن کمرشل بنایا گیا اور اس سال کے آغاز میں اسے چلایا گیا۔ اس کیونیکیشن کا اہم حصہ مختلف مواقع پر کچپ کے استعمال کو دکھانا تھا۔ اس کمپین کو مزید آؤٹ ڈور اور ڈیجیٹل میڈیا پر بھی چلایا گیا۔ آٹھ مختلف شہروں بشمول کراچی، لاہور، اسلام آباد، حیدرآباد، گجراتوالہ، فیصل آباد، ملتان اور سیالکوٹ میں کچپ ضروری ڈے منایا گیا۔
- پورے سال ریسیپی کی مہم کو چلایا گیا، ساتھ ہی خاص سائے کے لیے بھی اشتہارات چلائے گئے تاکہ سال کے دوران فروخت میں مدد ملے اور برانڈ کے بارے میں آگاہی بھی بڑھتی رہے۔ آف سیزن فروخت بڑھانے کیلئے اشتہارات کو بھی نشر کیا گیا۔
- LMTs میں صارفین کے بڑھتے ہوئے اضافے کے پیش نظر بروقت LMTs خصوصی توجہ کا مرکز رہی۔ پاکستان بھر میں LMT ایکٹیویٹیز کے نتیجے میں فروخت میں بھرپور اضافہ ہوا۔
- نیشنل کا پاکستان کا چوتھا سیزن نشر کیا گیا جس نے ہمارے منہدف افراد میں انتہائی مقبولیت حاصل کی، ساتھ ہی اس میں پہلی بار خاص طور پر ڈیجیٹل پر خاص توجہ بھی دی۔
- نیشنل ریسیپی کوئز پر دوبارہ کراچی میں عملدرآمد کیا گیا جس سے برانڈ کے بارے میں آگاہی اور کراچی کی اہم مارکیٹس میں اس کے پہلی بار استعمال (ٹرائل) میں اضافہ ہوا۔
- نیشنل سالٹ نے اپنی پہلی ٹیلی ویژن کمپین جوڑے رکھے سب ہی ذائقے کے نام سے نشر کی گئی سال بعد اس سے برانڈ کے ٹائٹل کو بڑھانے میں مدد ملی اور صارفین سے تعلق مزید مضبوط ہوا۔ اس نئی مواصلات پر عمل حوصلہ افزا تھا۔
- کچپ، اچار، پیٹھے اور جبر کیلئے صارفین کے حصول کی سرگرمیاں کی گئیں تاکہ آف سیزن سیزن میں مدد ملے۔



National Foods Limited

12/CL-6 Claremont Road,
Civil Lines, Karachi.
UAN: 111-222-282
Email: info@nfoods.com
Website: www.nfoods.com