

National Foods Limited

Annual Report 1999

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BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

AUDITORS

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

REGISTRAR

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

BANKERS

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

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

City Garden Town Branch
Lahore City.

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

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

Wahdat Road Branch, Lahore.
Phones: 7235737

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

CHAIRMAN'S REVIEW

The Corporate Management has been working to lead your Company towards the next millennium. In order to face the challenges, the corporate policies, procedures and systems have been framed, reduced in writing and approved. These systems have been worked out by Company's Professional Managers working in the company.

It has been agreed that the company will optimize the present human and financial resources and consolidate itself for the next two years.

The targets have been set and all the four pillars of management i.e. Procurement/Inventory, Production, Marketing & Finance have accepted the goals. They will be supported by Human Resource department and Quality Control. I see no reason why the company will not be able to achieve higher profitability targets in coming years.

The consolidation period will allow the higher management to plan the expansion either as extension of present products or go entirely in new direction within the Food Industry.

Also we are in the process of setting up "INTERNAL AUDIT" as the 5th pillar of organization. This will ensure an independent feed back at regular interval on the implementation of corporate policies.

I am sure that your Company can enter the next millennium as professionally competent and organized entity thus safeguarding the interests of the Share Holders in the next millennium.

A. MAJEED
Chairman

CHIEF EXECUTIVE'S ANNUAL REPORT TO THE SHAREHOLDERS FOR THE YEAR

SUMMARY

The operational results of National Foods Limited are presented before you.

The company finished with a pretax profit of Rs.14,593,422 against a total Gross Sale of Rs.820,795,775.

The sales registered a growth of 27.93% vs. profit growth of -0.38%. The reasons for a somewhat static profit growth are presented below.

APPROPRIATION

The Board of Directors takes pleasure in announcing the appropriation as follows:

	1998 Rupees	1999 Rupees
Profit after taxation	11,443,422	9,504,052
Add: Unappropriated profit brought forward	27,161,624	23,201,752
	-----	-----
Profit available for appropriation	38,605,046	32,705,804
Proposed dividend @ 14%	5,950,753	--
Reserve for issue of bonus shares Nil (1998: 15%)	--	5,544,180
	-----	-----
Unappropriated profit carried forward	32,654,293	27,161,624
	=====	=====

OPERATIONAL REPORT

As mentioned above the dismal or rather static growth in profit was seen in last year's performance. On analyzing the operational accounts, it is clear that all costs have been reduced, specially fixed costs, which include Selling & Administrative Costs.

The main reason for decline is a reduction in the GP rate to 20.34% from 22.48%. If we analyze this further, it becomes evident that among the variable costs the raw material rates compared to Operating Profit last year have increased, even though the packaging material rates were contained and a reduction in terms percentage of sales can be witnessed.

There were primarily 2 items whose escalation has led to the fall in GP rate. These 2 items are Red Chillies and price of Raw Mangoes used in

Pickles. The prices for both these items moved too far too fast and hence despite increasing prices of our products in the market 4 times the rising costs could not be contained.

The rapid excesses of the economy of which the prime culprit has been the GST and utilities also further enhanced this escalation. The difference in prices because of GST now has created a gap of 80% in the market. This has caused a lot of our consumers to switch from branded market towards the open /loose market. Various revisions in the year of the GST rate have also led to increased pricing for our products.

Also unplanned increases on the utility rates specially fuel and electricity by the government has led to various budget revisions on our part.

All these increasing costs could not be contained by price increases alone. In order to combat this burden the company is undergoing a consolidation phase in which various cost cutting exercises are being undertaken to increase profitability. This needs to be done effectively as further price increase is not sustainable. Emphasis is on Operational policies, wastage control and effective benchmarking.

OUTLOOK

The company has launched various new products in the market last year. These new products include the Chinese range, Jams and Jellies and earlier Tomato Ketchup. The launch has been quite successful and we hope these ranges would start contributing in volume sales and profitability for the future.

The Chilli crop is good this year and the prices are down by 50%. The Mango procurement has also been done on reduced rates and these materials should contribute effectively towards the profit this year.

The company is also ISO 9001 certified. Since its certification it has also passed 2 subsequent follow up audits.

As mentioned above the coming years would see a period of consolidation. Expansion shall be limited and modernization would be the key focus during this period. This should lead to efficient processes and thus a lower cost per unit in the long run.

AUDITORS

The present Auditors Messrs. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, retire, being eligible for re-appointment, have offered themselves, for re-appointment as auditors for the year 1999-2000.

YEAR 2000 COMPLIANCE

Computer hardware and software used for Financial, Marketing, Production, Administration and Procurement applications have been thoroughly test and we have ensured that Y2K problem will not affect any of these application. The steps taken include upgradation, replacement and modification of certain hardware and software.

PATTERN OF SHARE HOLDING

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

MANAGEMENT

Like always the board emphasizes its gratitude towards the management. Without their hard work, achievements towards ISO certification would not have been possible.

The entire management is charged and motivated to handle the cost escalation and consolidation exercise effectively.

We hope to overcome this depressive era and enter the new millennium with a renewed vigor and self-determination- a better company at all levels ready to face the new challenges of the millennium.

WAQAR HASAN
Chief Executive

NOTICE OF MEETING

Notice is hereby given that the 28th Annual General Meeting of National Foods Limited will be held at the Registered Office situated at 12/CL-6, Claremont Road, Civil Lines Karachi, on Tuesday the 21 st December 1999, at 11.00 a.m. to transact the following business:

1. To read and confirm the minutes of the Last Annual General Meeting held on 30th December 1998.
2. To receive, consider and approve the Audited Accounts for the year ended 30th June 1999.
3. To approve payment of Cash Dividend @ 14% (Rs.1.40 per share of Rs.10 each) as recommended by the Directors.
4. To appoint Auditors for the year 1999-2000 and to fix their remuneration. The present auditors Messrs. Riaz Abroad, Saqib, Gohar & Company, Chartered Accountants retire, being eligible, have offered themselves for re-appointment as Auditors.
5. To transact any other business with the permission of the Chairman.

By order of the Chairman

Karachi: 15th November, 1999

(HABIB A. ISMAIL KHAIRANI)
Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from 20th November, 1999 to 27th November, 1999 (Both days inclusive).
2. All members are entitled to attend and vote at the meeting.

3. A member entitled to attend and vote at the Meeting may appoint a proxy to attend, speak and vote for him/her. A proxy needs to be a member of the Company.

4. In order to be valid, an instrument of proxy and the Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Registered' Office of the Company not less than 48 hours before the time of the meeting.

5. Share-holders are requested to notify immediately, any change in their Registered address.

RATIO ANALYSIS

	1995	1996	1997	1998	1999
LIQUIDITY RATIOS					
Current Ratio	1.07	1.02	1.01	1.04	1.09
Acid Test Ratio	0.39	0.25	0.28	0.26	0.23
Debt / Equity Ratio	3.92%	5.39%	4.61%	7.91%	8.69%
Interest Cover	3.33	2.28	2.28	2.94	2.16
OPERATING RATIO					
Return On Shareholder's	18.74%	13.48%	12.77%	12.54%	13.12%
Gross Profit Margin	20.21%	20.15%	20.20%	22.48%	20.34%
Operating Profit	8.59%	6.27%	6.15%	7.65%	5.70%
Net Profit Margin	3.56%	2.31%	2.14%	1.89%	1.78%
TURNOVER RATIOS					
Asset Turnover	1.99	2.07	2.31	2.47	2.52
Equity Turnover	5.26	5.83	5.96	6.65	7.39
Debtor's Turnover	11.23	17.75	23.79	27.02	34.13
Receivable Days	32.49	20.56	15.34	13.51	10.69
Inventory Turnover	4.69	3.95	4.16	4.65	4.38
Days Inventory	77.86	92.33	87.82	78.55	83.35
OPERATING EXPENSES					
Administrative Expenses	3.63%	3.49%	3.49%	3.38%	2.75%
Selling Expenses	11.15%	11.54%	12.20%	14.37%	13.42%
Financial Expenses	1.85%	2.37%	2.07%	1.60%	1.95%
COST OF SALES					
Materials	84.87%	84.80%	84.94%	83.24%	85.01%
Direct Labor	4.65%	4.93%	4.59%	4.61%	4.09%
Overheads	10.48%	10.27%	10.47%	12.15%	10.90%
OPERATING EXPENSES (% OF GP)					
Administrative	17.95%	17.33%	17.25%	15.05%	13.52%
Selling	55.14%	57.29%	60.42%	63.95%	66.02%
Financial	9.17%	11.74%	10.27%	7.10%	9.59%
STOCK MARKET RATIOS					
Earnings Per Share	3.66	2.61	2.58	2.57	2.69
Dividend Per Share	2.00	2.00	1.25	1.50	1.40
Dividend Cover	1.83	1.30	2.06	1.71	1.92

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Foods Limited as at 30 June, 1999 and the related profit and loss account and the cash flow statement, together with the notes forming part

thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1999 and of the profit for the year then ended; and

(d) In our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

RIAZ AHMAD, SAQIB, GOHAR & CO.

Chartered Accountants

Karachi: 27th October, 1999.

BALANCE SHEET AS ON 30TH JUNE, 1999

	NOTE	1999 Rupees	1998 Rupees
CAPITAL AND LIABILITIES			
Capital and Reserves			
Authorised Capital 5,000,000 (1998: 5,000,000) ordinary shares of Rs.10/- each		50,000,000	50,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	42,505,380	36,961,200
Capital reserve - share premium		6,102,100	6,102,100
Reserve for Issue of bonus shares		--	5,544,180
Unappropriated profit		32,654,293	27,161,624
		-----	-----
		81,261,773	75,769,104
LONG TERM LIABILITIES - SECURED			
Liabilities against assets subject to finance lease	4	3,582,869	1,145,116
Deferred Tax		4,000,000	4,850,000
		-----	-----

		7,582,869	5,995,116
CURRENT LIABILITIES			
Current portion of long term liabilities against subject to finance lease	4	1,208,383	2,079,534
Finances utilized under mark-up arrangements- Secured	5	96,342,005	73,868,439
Creditors, accrued & other liabilities	6	63,632,975	46,139,258
Proposed dividend		5,950,753	--
		-----	-----
		167,134,116	122,087,231
Contingencies Commitments	7	--	--
		-----	-----
		255,978,758	203,851,451
		=====	=====
PROPERTY AND ASSETS			
Fixed Capital Expenditure			
Fixed assets	8	78,012,026	75,127,793
Capital work-in-progress	9	286,983	--
		-----	-----
		78,299,009	75,127,793
Long Term Deposits		1,265,981	925,458
Deferred Expenditure	10	--	900,000
Current Assets			
Stock-in-trade	11	139,868,430	94,579,968
Trade debts- unsecured- Considered good		19,540,444	18,218,515
Advances, deposits, prepayments, and other receivables	12	15,930,649	13,384,290
Cash and bank balances	13	1,074,245	715,427
		-----	-----
		176,413,768	126,898,200
		-----	-----
		255,978,758	203,851,451
		=====	=====

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

Auditors' report annexed.

WAQAR HASAN
CHIEF EXECUTIVE

ZAHID MAJEED
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 1999**

	NOTE	1999 Rupees	1998 Rupees
Sales	14	644,351,806	503,645,413

Less: Cost of sales	15	513,322,658	390,437,503
		-----	-----
Gross profit		131,029,148	113,207,910
Less: Administrative expenses	16	17,714,111	17,033,811
Selling and distribution expenses	17	86,500,491	72,396,569
Financial expenses	18	12,559,967	8,041,687
Workers' profit participation fund		776,628	822,000
Workers' welfare fund		162,500	125,000
		-----	-----
		117,713,697	98,419,067
Operating Profit		13,315,451	14,788,843
Add: Other income	19	1,277,971	815,209
		-----	-----
Profit before taxation		14,593,422	15,604,052
Taxation	20	3,150,000	6,100,000
		-----	-----
Profit after taxation		11,443,422	9,504,052
Add: Unappropriated profit brought forward		27,161,624	23,201,752
		-----	-----
Profit available for appropriation		38,605,046	32,705,804
APPROPRIATIONS:			
Proposed dividend @ 14%		5,950,753	--
Reserve for Issue of Bonus Shares Nil (1998:15 %)		--	5,544,180
		-----	-----
Unappropriated profit carried forward		32,654,293	27,161,624
		=====	=====

The annexed notes form an integral part of these accounts.

WAQAR HASAN
CHIEF EXECUTIVE

ZAHID MAJEED
DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)
FOR THE YEAR ENDED 30 JUNE, 1999**

	1999	1998
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before taxation	14,593,422	15,604,052
Adjustments for non cash charges and other items		
Depreciation	10,920,724	10,642,922
Amortization of deferred expenses	900,000	1,900,000
Profit on sale of fixed assets	(984,405)	(469,487)
Internal / Adjustment fixed assets	--	550
Financial charges	12,559,967	8,041,687
	-----	-----
	23,396,286	20,115,672

Operating profit before working capital changes	37,989,708	35,719,724
(Increase)/decrease in current assets		
Stock in trade	(45,288,462)	(21,117,330)
Trade debts	(1,321,929)	838,739
Advances, deposits, prepayments and other receivables	(951,722)	(2,260,649)
	(47,562,113)	(22,539,240)
Increase in current liabilities		
Creditors, accrued and other liabilities	14,339,693	11,898,098
	4,767,288	25,078,582
Financial charges paid	(9,405,920)	(8,041,924)
Taxes paid	(5,594,637)	(3,779,384)
	(15,000,557)	(11,821,308)
Net cash from operating activities	(10,233,269)	13,257,274
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure	(15,344,965)	(21,253,219)
Sale proceeds of fixed assets	6,437,430	2,600,377
Long term deposits	(340,523)	(101,962)
Finance leased assets	(4,200,000)	(1,738,000)
Net cash used in Investing activities	(13,448,058)	(20,492,804)
	(23,681,327)	(7,235,530)
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of long term loan	(2,633,398)	(2,160,270)
Dividend paid	(23)	(258,731)
Proceed from finance lease	4,200,000	1,738,000
Net cash used in financing activities	1,566,579	(681,001)
Net decrease in cash & cash equivalent	(22,114,748)	(7,916,531)
Cash & Cash equivalent at the beginning of the year	(73,153,012)	(65,236,481)
Cash & Cash equivalent at the end of the year	(95,267,760)	(73,153,012)
CASH & CASH EQUIVALENTS:		
Cash & bank balance	1,074,245	715,427
Finance utilized under mark-up arrangements	(96,342,005)	(73,868,439)
	(95,267,760)	(73,153,012)

WAQAR HASAN
CHIEF EXECUTIVE

ZAHID MAJEED
DIRECTOR

**STATEMENT OF MOVEMENT IN EQUITY
FOR THE YEAR ENDED 30 JUNE 1999**

	Issued, Subscribed & Paid-up Capital	Capital Reserve - Shares Premium	Reserve for Issue of Bonus Shares	Unappropriated Profit	Total
As on 1 July, 1998	36,961,200	6,102,100	5,544,180	27,161,624	75,769,104
Shares issued during the year	5,544,180	--	(5,544,180)	--	--
Profit for the year	--	--	--	11,443,422	11,443,422
Proposed dividend	--	--	--	(5,950,753)	(5,950,753)
As on 30 June, 1999	42,505,380	6,102,100	--	32,654,293	81,261,773

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 1999

1. STATUS AND NATURE OF BUSINESS:

The company was incorporated in Pakistan as a private limited company on 19 February, 1970 and subsequently converted into public limited company by special resolution passed in extra-ordinary general meeting held on 30 March 1988. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The company is principally engaged in the manufacture and sale of spices, pickles, ketchup / pastes and salt.

2. ACCOUNTING POLICIES:

2.1 Accounting Convention:

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

2.2 Taxation:

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

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

2.3 Staff Retirement Benefits:

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

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

2.4 Fixed Assets and Depreciation:

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

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

is charged on assets deleted. Gains and losses on disposal of assets are included in income currently.

2.5 Assets subject to Finance Lease:

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

2.6 Stock-in-Trade:

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

2.7 Foreign Currency Translation:

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

2.8 Revenue Recognition:

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

	1999 Rupees	1998 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL:		
1,255,990 (1998: 1,255,990) Ordinary Shares of Rs. 10/- each fully paid in cash	12,559,900	12,559,900
2,994,548 (1998: 2,440,130) Ordinary Shares of Rs. 10/- each issued as fully paid Bonus Shares	29,945,480	24,401,300
	-----	-----
	42,505,380	36,961,200
	=====	=====

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE:

The amount of future lease payments and the period in which these payments will become due are:

Year ending June 30

1999	--	2,648,753
2000	1,866,820	722,180
2001	1,773,175	628,535
2002	1,144,640	--
2003	1,564,640	--
	-----	-----
	6,349,275	3,999,468
Less: Financial charges allocated to future periods	(1,558,023)	(774,818)
	-----	-----

	4,791,252	3,224,650
Less: Current portion shown under current obligation	(1,208,383)	(2,079,534)
	-----	-----
	3,582,869	1,145,116
	=====	=====

The implicit rate used as the discounting factor is in range between 19-21% per annum Rentals are payable in equal quarterly installments.

At the end of lease period the ownership of assets will transfer to the company on payment of residual value.

These are secured by demand promissory notes and security deposits.

		1999	1998
		Rupees	Rupees
5. FINANCES UTILIZED UNDER MARK-UP ARRANGEMENTS - SECURED:			
<i>Muslim Commercial Bank Limited</i>			
Export refinance	5.1	--	29,550,000
Running finance	5.2	--	9,387,792
		-----	-----
		--	38,937,792
		=====	=====
<i>Citibank</i>			
Running finance	5.3	14,986,129	13,286,154
<i>Bank Al Habib Limited</i>			
Export refinance	5.4	40,273,000	--
Running finance	5.5	38,583,176	21,644,493
Advance against trust receipt	5.6	2,499,700	--
		-----	-----
		81,355,876	21,644,493
		-----	-----
		96,342,005	73,868,439
		=====	=====

	L I M I T	EXPIRY	RATE OF	S E C U R I T Y
	Rupees		MARK-UP	
5.1	Nil (1998: 30,000,000)	31 Dec. 1999	8% per annum	(i) Banks lien on export L/Cs contract and hypothecation of stock & equitable mortgage of properties and 949,845 shares of National Foods Limited and Collaterally secured against property mentioned in note 5.2 below. The charge was satisfied on 21-02-1999 after settlement of debts.
5.2	Nil (1998: 18,000,000)	31 Dec. 1999	45 paisa per Rs.1,000 per day	(i) Hypothecation of raw, packing materials, finished goods, equitable mortgage of factory premises valued at Rs.6.144 million. First charge on fixed and current assets and Registered charge of Rs. 50 million with Registrar, Joint Stock Companies. The charge was satisfied on 21-02-1999 after settlement

5.3	Rs.20,000,000 (1998: 20,000,000)	31 Mar. 1999	16% per annum.	of debts. i) Registered hypothecation agreement over stocks and receivables for Rs.27.00 million
5.4	Rs. 40,273,000 (1998: Nil)	31 Oct. 1999	8% per annum	The facility mentioned in note 5.4, 5.5 and 5-6 are secured by:
5.5	Rs. 59,100,000 (1998: 27,000,000)	31 Oct 1999	17% per annum	i) Registered hypothecation over movable to the extent of Rs.117.50 million. ii) Registered equitable mortgage over immovable to the extent of Rs.117.50 million.
5.6	Rs. 2,500,000 (1998: Nil)	31 Oct. 1999	17.5% per annum	iii) Personal guarantees of directors amounting to Rs.146.00 million. iv) Pledge of 1,964,438 shares of National Foods Limited owned by directors and their family.

1999	1998
Rupees	Rupees

6. CREDITORS, ACCRUED AND OTHER LIABILITIES:

Creditors		27,049,818	17,140,575
Accrued expenses		6,876,510	6,662,009
Advance from customers		1,910,010	1,968,292
Payable to customers		2,446,704	1,302,737
Security deposits		362,700	513,700
Mark-up accrued on secured loans		3,154,047	--
Unclaimed dividend		227,275	227,298
Due to associated undertakings		131,553	18,409
Due to directors		29,028	44,697
Due to gratuity trust		2,316,913	4,644,397
Payable to employees provident fund trust		519,673	479,446
Sales tax payable		2,675,361	1,056,322
Workers' welfare fund		592,568	450,226
Workers' profit participation fund	6.1	826,628	882,057
Other liabilities		14,514,187	10,749,093
		-----	-----
		63,632,975	46,139,258
		=====	=====

6.1 Workers' Profit Participation Fund:

Opening balance		882,057	536,579
Allocation for the year		776,628	822,000
		-----	-----
		1,658,685	1,358,579
Interest on funds utilized in company's business		50,000	60,000
Less: Payment to beneficiaries		(882,057)	(536,522)

826,628	882,057
---------	---------

7. CONTINGENCIES AND COMMITMENTS:

7.1 Company has committed to pay against discounting of export bills amounting to Rs. NIL as on 30-06-99 (1998: Rs.8,653,325).

7.2 Company has issued letter of Guarantees through a Bank in favour of Collector of Customs Karachi, amounting to Rs. NIL as on 30-06-99 (1998: Rs.2,693,000).

7.3 Company has commitment against outstanding letters of credit established for imports of goods amounting to Rs. 7,797,200 as on 30-06-99 (1998: Rs.1,089,000). These also includes LC's for capital commitments amounting to Rs.3,275,000.

7.4 Company has commitment with bank for payment against documents amounting to Rs.3,775,470.

8. FIXED ASSETS

PARTICULARS	C O S T				DEPRECIATION				
	As at 1 July 1998	Additions/ (Disposals)/ Transfers During the Year	As on 1-Jul 1999	RATE %	As at 1 July 1998	Additions/ (Disposals) / Transfers During the Year	Charge for the Year	As on 30-Jun 1999	Written Down value as on 30 June 1999
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
Leasehold Land	1,450,235	--	1,450,235	--	--	--	--	--	1,450,235
Buildings on Leasehold L Plant, Machinery,	29,663,950	2,345,141	32,009,091	10	11,817,284	--	2,019,185	13,836,469	18,172,622
Equipment & Generators	41,774,283	5,308,913 (4,738,368) 3,090,000**	45,434,828	10	17,229,666	'(735,677) 709,815**'	2,823,124	20,026,928	25,407,900
Office and other Equipme	17,301,490	2,692,304 (378,244)	19,615,550	15	7,992,916	'(185,827)	1,771,282	9,578,371	10,037,179
Laboratory Equipment	1,325,491	168,930	1,494,421	10	441,899	--	105,252	547,151	947,270
Motor Vehicles	16,683,127	3,771,935 (2,615,910) 2,399,485**	20,238,637	20	6,106,412	(1,357,993) 1,060,475**	2,885,941	8,694,835	11,543,802
Furniture and Fixtures	7,733,395	770,759	8,504,154	10	2,325,596	617,860	--	2,943,456	5,560,698
	115,931,971	15,057,982 (7,732,522) 5,489,485 **	128,746,916		45,913,773	'(2,279,497) 1,770,290**'	10,222,644	55,627,210	73,119,706
Leased assets									
Machinery	3,090,000	4,200,000 (3,090,000) **	4,200,000	10	709,815	-- (709,815)**	420,000	420,000	3,780,000
Motor vehicles	4,137,485	-- (2,399,485) **	1,738,000	20	1,408,075	-- (1,060,475) **	278,080	625,680	1,112,320
	7,227,485	4,200,000 (5,489,485)**	5,938,000	--	2,117,890	-- (1,770,290)	698,080	1,045,680	4,892,320

Total 1999:	123,159,456	24,747,467 (13,222,007)	134,684,916	--	48,031,663	'(2,279,497)	10,920,724	56,672,890	78,012,026
Total 1998:	96,661,396	30,085,730 (3,587,670)	123,159,456	--	38,844,971 550*	(1,456,780)	10,642,922	48,031,663	75,127,793

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

** These represent transfer of assets from leased assets to owned assets after completion of lease term.

8.1 Depreciation has been allocated as follows:

	1999 Rupees	1998 Rupees
Cost of sales	6,671,231	7,860,923
Administrative expenses	2,055,226	1,341,457
Selling and distribution expense	2,194,267	1,440,542
	-----	-----
	10,920,724	10,642,922
	=====	=====

8.2 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Book Value	Sold for	Profit (Loss)	Mode of Disposal
	Rs.	Rs.	Rs.	Rs.	Rs.	
MOTOR VEHICLE						
Yamaha 100 cc Reg. No. KCB-5939 Mr. Mohammad Idress Amwal Dakhana Zafarwal District Norowal	25,600	22,164	3,436	3,436		-Company Scheme
Kawasaki GTO 125 cc Reg. No. KC1-1672 Mr. Mohammad Arif Khan Flat # 13 Rabia Centre Block 7 F.B. Area Karachi.	39,500	31,217	8,283	23,891	15,608	Company Scheme
Honda CG 125 cc Reg. No. KC1-1076 Mr. Mohammad Ramzan Kot Maghrib Birbal Sharif Tehsil Shahpur Sargodha.	37,500	29,636	7,864	22,682	14,818	Company Scheme
Kawasaki GTO 100 cc Reg. No. KCI-5886	34,000	26,870	7,130	20,565	13,435	Company Scheme

Mr. S.M. Rizwan H.# B-403 Block 11-A North Karachi					
Honda CD 70 cc Reg. No. HDJ-6379 Mr. Mohammad Arif Khan Flat # 13 Rabia Centre Block 7 F.B. Area Karachi.	29,900	23,630	6,270	19,000	12,730Negotiation
Honda CD 70 cc Reg. No. KCX- 7714 Mr. Tariq Ather	32,600	24,054	8,546	20,573	12,027Company Scheme
H.#0-113 Block 5 F.B. Area Karachi Honda CD 70 cc Reg. No. SKE-6960 Mr. Jamal Ahmed H.# R-400 Block 18 Samnabad F.B. Area Karachi.	39,000	26,221	12,779	25,889	13,110Company Scheme
Honda CD 70 cc Reg. No. RIU- 7675 Mr. Syed Baseer-uI-Hasab Naqvi H.# 916/435 Gasira Abad Sheikh Bhata Rawalpindi.	39,000	26,221	12,779	25,889	13,110Company Scheme
Sub-Total	277,100	210,013	67,087	161,925	94,838
Suzuki Mehran Reg. No. R- 5164 Ms. Shirin Fakhria H.# A/139 Block D North Nazimabad Karachi.	115,000	67,896	47,104	81,052	33,948Company Scheme
Toyota Carolla GLI Reg. No. Z - 7551 Us. Uohni Dhirani F-65 Block F North Nazimabad Karachi.	764,000	451,066	312,934	425,000	112,066Negotiation
Honda CD 70 CC Reg. No. KCV - 1335 E.F.U. General Insurance Ltd.	51,800	30,582	21,218	48,000	26,782Insurance Claim
Honda Civic Ex Reg. No. AB- 1862 Mr. Sh. Fida Hussain 14-D Block 2 P.E.C.H.S. Karachi.	688,860	406,703	282,157	335,000	52,843Negotiation
Sohrab 70 cc Reg. No. KCV. 2668 Mr. Liaquat All	39,650	23,409	16,241	27,945	11,704Company Scheme

477-32-B Korangi Karachi.

Soharab 70 cc Reg. No. KCV-4306 Mr. Syed Wasimuddin H.# C-32 Sector 8/L Orangi Town Karachi.	43,000	20,984	22,016	32,508	10,492	Company Scheme
--	--------	--------	--------	--------	--------	----------------

Honda CD 70 cc Reg. No. KCC- 992 E.F.U. General Insurance Ltd.	59,000	21,240	37,760	55,000	17,240	Insurance Claim
--	--------	--------	--------	--------	--------	-----------------

Honda CD 70 cc Reg. No. KCC- 2950 E.F.U. General Insurance Ltd.	59,500	21,420	38,080	58,000	19,920	Insurance Claim
---	--------	--------	--------	--------	--------	-----------------

Honda CG 125 cc Reg. No. KCC- 5643 E.F.U. General Insurance Ltd.	68,000	24,480	43,520	55,000	11,480	Insurance Claim
--	--------	--------	--------	--------	--------	-----------------

Suzuki Mehran Reg. No. T- 3353 Mr. Suleman J. Modi 403-Uzma Gaiden 233/3/1 Cruz Road Garden East Karachi.	190,000	68,400	121,600	138,000	16,400	Company Scheme
---	---------	--------	---------	---------	--------	----------------

Sub Total	2,078,810	1,136,180	942,630	1,255,505	312,875	
------------------	------------------	------------------	----------------	------------------	----------------	--

Honda CD 70 cc Reg. No. KCC- 3733 E.F.U. General Insurance Ltd.	59,000	11,800	47,200	55,000	7,800	Insurance Claim
---	--------	--------	--------	--------	-------	-----------------

Honda CG 125 cc Reg. No. KAR. 5398 E.F.U. General Insurance Ltd.	70,000	-	70,000	70,000	-	Insurance Claim
--	--------	---	--------	--------	---	-----------------

Honda CG 125 cc Reg. No. KAR- 7244: E.F.U. General Insurance Ltd.	70,000	-	70,000	70,000	-	Insurance Claim
---	--------	---	--------	--------	---	-----------------

Yamaha YB 100 Reg. No. KAR- 7482 E.F.U. General Insurance Ltd.	61,000	-	61,000	61,000	-	Insurance Claim
--	--------	---	--------	--------	---	-----------------

GENERATORS

Generator 200 KV Contain Turbo Charger Kit	439,853	283,343	156,510	350,000	193,490	Negotiation
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PLANT & MACHINERY

Strapping Machine	61,000	28,582	32,418	10,000	(22,418)	Trade-in
Imported Packaging Mac	4,237,515	423,752	3,813,763	4,200,000	386,237	Sales & lease back

WEIGHING SCALES

Electronic Digital Scale	20,000	3,000	17,000	18,000	1,000Trade-in
Electronic Digital Scale	20,000	3,000	17,000	18,000	1,000Trade-in
Electronic Digital Scale	20,000	3,000	17,000	18,000	1,000Trade-in

FANS & AIR CONDITIONERS

Carrier A.C. Split Unit	318,244	176,827	141,417	150,000	8,583Negotiation
Sub Total	5,376,612	933,304	4,443,308	5,020,000	576,692
Grand Total	7,732,522	2,279,497	5,453,025	6,437,430	984,405

1999
Rupees

1998
Rupees

9. CAPITAL WORK-IN-PROGRESS:

Building			137,393	--
Plant & Machinery			149,590	--
			286,983	--

10. DEFERRED EXPENDITURE:

Gratuity	10.1	--	900,000
		--	900,000

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

11. STOCK IN TRADE:

Raw materials	40,746,910	36,281,782
Work in process	46,398,396	28,383,250
Finished goods	22,001,275	11,106,022
Packing material	28,180,984	16,190,724
Goods in transit	2,164,822	2,618,190
General stores	376,043	--
	139,868,430	94,579,968

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

Staff -- considered good	1,831,730	1,626,542
Income tax	4,744,317	3,149,680
Profit accrued on DSC Gratuity	3,133,279	1,070,123
Others -- Considered good	4,682,210	5,431,094

		14,391,536	11,277,439
Prepayments		736,673	701,507
Deposits		114,400	114,400
Export rebate receivable --considered good		103,096	660,674
Due from associated undertakings	12.1	584,944	630,270
		-----	-----
		15,930,649	13,384,290
		=====	=====

12.1 Maximum aggregate balance due from associated undertaking at the end of any month during the year was Rs. 1,115,675 (1998: Rs.966,000).

13. CASH AND BANK BALANCES

In hand		220,500	85,500
With banks in current accounts		853,745	629,927
		-----	-----
		1,074,245	715,427
		=====	=====

14. SALES:

Local Sales:

Gross sales		716,064,755	547,268,194
Less:	Discount	85,872,833	58,071,705
	Cartage/Freight	14,481,174	13,222,855
	Sales tax	52,192,102	31,738,564
	Sales returns	8,877,770	8,560,001
		-----	-----
		161,423,879	111,593,125
		-----	-----
		554,640,876	435,675,069

Export Sales:

Gross Sales		104,731,020	81,664,034
Less:	Freight	5,887,788	4,231,241
	Forwarding charges	2,409,367	1,906,781
	Discount / Commission	6,722,935	7,555,668
		-----	-----
		15,020,090	13,693,690
		-----	-----
		89,710,930	67,970,344
		-----	-----
		644,351,806	503,645,413
		=====	=====

15. COST OF SALES:

Opening stock of work in process		28,383,250	31,769,675
Add: Material consumed	15.1	465,271,548	321,239,954
Direct wages		20,990,389	18,010,810
Factory overheads	15.2	55,971,120	47,437,397
		-----	-----
		542,233,057	386,688,161
		-----	-----
		570,616,307	418,457,836
Less: Closing stock of work in process		(46,398,396)	(28,383,250)

Cost of goods manufactured	524,217,911	390,074,586
Add: Opening stock of finished goods	11,106,022	11,468,939
Cost of goods available for sale	535,323,933	401,543,525
Less: Closing stock of finished goods	(22,001,275)	(11,106,022)
	513,322,658	390,437,503

15.1 Material Consumed:

Opening stock	52,472,506	28,648,510
Purchases during the year	481,726,936	345,063,950
Less: Closing stock	(68,927,894)	(52,472,506)
	465,271,548	321,239,954

15.2 Factory Overheads

Salaries Allowances & benefits	22,199,599	15,432,199
Professional services	755,000	504,000
Bonus	3,854,405	2,760,327
Gratuity	704,281	1,233,066
Rent, rates & taxes	1,820,758	1,564,897
Insurance	918,176	1,001,865
Power, electricity, gas and water	10,086,678	8,724,127
Depreciation	6,671,231	7,860,923
Repairs & maintenance	8,107,481	7,285,057
Laboratory expenses, research & development	853,511	1,070,936
	55,971,120	47,437,397

1999	1998
Rupees	Rupees

16. ADMINISTRATIVE EXPENSES:

Salaries Allowances & benefits		7,120,667	8,595,569
Bonus		1,795,033	1,877,692
Gratuity		1,028,438	942,695
Scholarship and donations	16.1	48,000	25,000
Travelling		376,176	98,929
Rent, rates & taxes		130,000	186,000
Insurance		480,608	235,708
Depreciation		2,055,226	1,341,457
Entertainment		79,338	64,649
Legal & professional		710,200	276,980
Printing, stationery, books & periodicals		849,723	895,758
Postage, telephone & telegraph		396,819	445,275
Repairs & maintenance		534,526	363,892
Motor vehicle		1,107,535	859,706
Electricity		363,672	305,690
Auditors' remuneration	16.2	70,000	70,000

Fee & subscriptions	191,387	57 481
Annual general meeting	265,363	311 297
Registrar services	111,400	72 400
Zakat	--	7 633
	-----	-----
	17,714,111	17,033,811
	=====	=====

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

16.2 Auditors' Remuneration:

Audit fee	45,000	45,000
Out of pocket expenses	25,000	25,000
	-----	-----
	70,000	70,000
	=====	=====

17. SELLING AND DISTRIBUTION EXPENSES:

Salaries, Allowances & benefits	10,002,046	7,974,006
Bonus	1,966,875	1,526,329
Gratuity	965,858	730,170
Travelling & daily allowances	5,794,797	5,183,274
Rent, rates & taxes	48,916	44,560
Insurance	846,013	545,058
Depreciation	2,194,267	1,440,542
Entertainment	185,202	113,402
Postage, telephone & telegraph	1,757,742	1,543,635
Printing, stationery, books & periodicals	1,295,407	807,450
Repairs & maintenance	474,245	281,295
Motor vehicle	1,540,570	1,082,325
Bank charges	216,399	256,240
Sales promotion, meeting & conferences	2,374,596	2,156,028
Legal & professional, trademark and registration	917,602	582,669
Scholarship and course fee	75,250	113,053
	-----	-----
	30,655,785	24,380,036
Advertisement and artwork	55,844,706	48,016,533
	-----	-----
	86,500,491	72,396,569
	=====	=====

18. FINANCIAL EXPENSES:

Mark-up and interest on long term loans	1,021,429	567,507
Mark-up and interest on short term loans	11,475,032	7,437,012
Bank charges	63,506	37,168
	-----	-----
	12,559,967	8,041,687
	=====	=====

19. OTHER INCOME:

Export rebate	139,561	213,702
Profit on sale of fixed assets	984,405	469,487
Insurance claim	154,005	132,020
	-----	-----
	1,277,971	815,209

20. TAXATION:

Current year	20.1	3,500,000	2,700,000
Prior year	20.1	500,000	--
Deferred	20.1	(850,000)	3,400,000
		-----	-----
		3,150,000	6,100,000
		=====	=====

20.1 Income tax assessment of the company upto assessment year 1997-98 has been finalized.

Assessment for the assessment year 1998-99 is pending for finalization. Appeals relating to assessment years 1989-90 to 1996-97 are pending for hearing before the Income Tax Appellate Tribunal. In order to cater for the eventual demand if any, after the disposal of pending appeals the company has provided for Rs.1.087 million which includes Rs.0.500 million provided in the current year.

20.2 Deferred tax liability as at 30 June, 1999 works out to be Rs. 4,000,000 arising mainly due to accelerated tax depreciation allowance.

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

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1999 Rupees	1998 Rupees	1999 Rupees	1998 Rupees	1999 Rupees	1998 Rupees
Basic Salary	385,680	321,360	1,225,740	1,125,480	4,969,805	3,415,141
House rent	173,520	144,600	551,460	506,340	2,238,221	1,538,925
Utilities	38,400	32,040	122,160	112,260	497,131	341,836
Bonus	149,430	161,010	474,940	561,595	1,920,780	1,671,476
Others	--	--	--	--	590,064	202,375
	-----	-----	-----	-----	-----	-----
	747,030	659,010	2,374,300	2,305,675	10,216,001	7,169,753
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	3	4	28	22
	=====	=====	=====	=====	=====	=====

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

21.2 Aggregate amount charged in these accounts in respect of non executive director's fee is Rs.3,000 (1998: 2000).

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

	1999		1998	
	Installed	Utilised	Installed	Utilised
<i>On Single Shift Basis</i>				
Spices	3,900	2,910	3,900	3,540
Pickles	1,800	2,540	1,800	2,080
Pastes	1,000	1,070	1,000	330

On Three Shift Basis

Salt	15,000	13,350	15,000	14,000
------	--------	--------	--------	--------

Under utilization of capacity is due to frequent power break downs.

Excess utilization of capacity in pickles has been achieved with extra working hours.

Lower utilization of capacity in salt is due to sale of counterfeited salt in the market.

23. FINANCIAL INSTRUMENTS:**23.1 Interest / markup rate risk exposure**

The company's exposure to interest / markup rate risk and the effective rates on its financial assets and liabilities as of 30 June, 1999 are summarized as follows:

Financial assets	Interest / mark-up bearing	Non interest / mark-up bearing	Total
Long term deposits	--	1,265,981	1,265,981
Trade debts	--	15,183,730	15,183,730
Advances deposits and other receivables	--	15,831,459	15,831,459
Cash and bank balances	--	1,074,245	1,074,245
	-----	-----	-----
	--	33,355,415	33,355,415
	=====	=====	=====
Financial liabilities			
Liabilities against assets subject to finance lease	4,791,252	--	4,791,252
Finance utilized under mark-up arrangements	96,342,005	--	96,342,005
Creditors, accrued other liabilities	--	59,299,633	59,299,633
	-----	-----	-----
	101,133,257	59,299,633	160,432,890
	=====	=====	=====

23.2 Concentration of credit risk

The substantial sales of the company are made on cash basis. The company attempts to control credit risk associated with the carrying amount of its receivable by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

23.3 Fair value of financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair value.

24. GENERAL:

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

24.2 Figures have been rounded off to the nearest rupee.

WAQAR HASAN

ZAHID MAJEED

CHIEF EXECUTIVE

DIRECTOR

**PATTERN OF SHARE HOLDING
AS AT 30TH JUNE, 1999**

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

Number of Shareholders	Share Holdings		Total Shares Held
	From	To	
1,294	1	100	18,858
309	101	500	70,687
72	501	1 000	52,774
117	1 001	5 000	250,297
7	5 001	10 000	51,667
5	10 001	15 000	64,484
1	15 001	20 000	16,787
4	25 001	30 000	113,223
1	40001	45.00	41,053
1	50.00	55 000	51,901
1	70 001	75 000	72,724
1	85.00	90 000	85,379
1	120 001	125 000	122,322
1	125.00	130 000	129,386
1	135.00	140 000	139,210
1	175 001	180 000	175,568
1	200 001	205 000	204,510
1	320 001	325 000	322,872
1	980 001	985 000	983,147
1	1,280,001	1,285,000	1,283,689
1,821			4,250,538

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
INDIVIDUALS	1,807	1,725,730	40.60
INVESTMENT COMPANIES	2	18,948	0.45
INSURANCE COMPANIES	1	175,568	4.13
JOINT STOCK COMPANIES	5	983,783	23.15
FINANCIAL INSTITUTIONS	1	1,283,689	30.20
MODARABA	3	7,058	0.17
FOREIGN INVESTORS	--	--	--
CO-OPERATIVE SOCIETIES	1	51,901	1.22
CHARITABLE TRUSTS	1	3,861	0.09
OTHERS	--	--	--
	1,821	4,250,538	100.00