

Nurturing Growth



ANNUAL REPORT 2008



ABOUT THE COVER



A comprehensive Sustainability Strategy is Nurturing Growth at National Foods Limited today, driving all operations towards Vision 20/20. Featured on the cover is the red chilli plant (*Capsicum annum*). As part of its sustainability strategy, National Foods Limited is undertaking a planned effort, starting at the grassroots level, to support quality improvement and enhanced production of red chilli in Pakistan.

NATIONAL FOODS LIMITED

National Foods Limited (NFL), founded in 1970, is today Pakistan's leading multi-category Food Company with over 250 different products in 12 categories. It is the only food Company in Pakistan to have ISO 9001 and HACCP certifications along with SAP business technology to drive the Company's strong commitment to quality and management excellence. NFL is an international brand sold in over 35 countries and it aims to be a Rs. 50 billion company under its Vision 20/20. NFL is dedicated to improving the well-being of society through continuous development of innovative food products and through a wide-ranging corporate social responsibility program.



www.nfoods.com

FOUNDERS' PHILOSOPHY

National Foods Limited must focus on customers' needs and serve them with quality products at affordable prices at their doorstep.

Our products must be pure; conforming to international standards.

Our research must produce continuously new adventurous products scientifically tested, hygienically produced in safe and attractive packages

We must create an environment in our offices and factories where talents are groomed and have opportunity to advance in their careers.

We must prove to be recognized as good corporate citizens, support good causes and charity and bear fair share of taxes.

Reserves must be built, new factories created, sound profit made and fair dividends paid to our stock holders.

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

With the help of Almighty God, the Company can achieve its targets in years to come.



Basil
Ocimum basilicum



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Chilli
Capsicum annuum



VISION AND MISSION

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 create 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 and have pride for what we do and are good at it.

People-centric

We put our people first. 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 that makes 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 ensuring 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 for our actions and results. We don't blame others for our mistakes; we analyze them and correct them.



BRAND PILLARS



White is the colour of PURITY

Purity is our first value. Purity of thought and of action.
Purity as an uncompromising standard. Purity as a way of life.



The colour red in our logo stands for TRUST

Trust placed in us by our customers, our trade partners, our shareholders and our employees.
A Trust that National Foods Limited has upheld for the past 37 years.



The colour Orange in our logo represents our rich HERITAGE

A proud heritage of striving for excellence handed down by our founding generation to the present generation.
A belief in our Heritage is the strong foundation on which our business continues to grow.



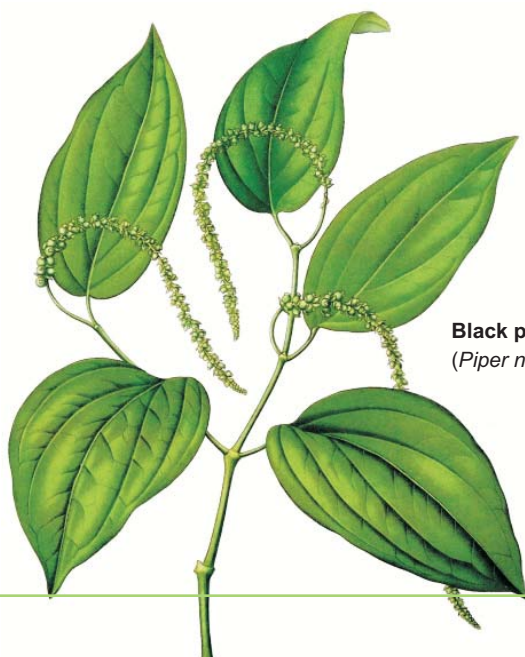
Purple, a colour of life that for us means CONVENIENCE for our customers

All our products aim to enhance convenience for our customers and our trade partners.
Convenience is a NFL value.



Yellow signifies brightness & for us brightness means INNOVATION

Innovation is a key NFL Value.
Innovation drives our ability to remain contemporary in response to our consumers needs.



Black pepper
(*Piper nigrum*)



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Abdul Majeed
Mr. Abrar Hasan
Mr. Waqar Hasan
Mr. Khawaja Munir Mashooqullah
Mr. Zahid Majeed
Mr. Ebrahim Qasim
Mr. Iqbal Alimohamed

Chairman
Managing Director / Chief Executive
Director
Director
Director
Director

AUDIT COMMITTEE

Mr. Waqar Hasan
Mr. Ebrahim Qasim
Mr. Zahid Majeed

Chairman
Member
Member

COMPANY SECRETARY AND SECRETARY AUDIT COMMITTEE

Mr. Fayyaz Abdul Ghaffar

CHIEF FINANCIAL OFFICER

Mr. Muhammad Kashif Iqbal

INTERNAL AUDITORS

Messrs. Ford Rhodes Sidat Hyder & Co.

Chartered Accountants

COMPANY MANAGEMENT

Mr. Abrar Hasan
Mr. Shakaib Arif
Mr. Kamran Khan
Mr. Waqas Abrar Khan
Mr. M. Azher Ali
Mr. Saleem Khilji
Mr. Muhammad Iqbal
Mr. Arif Shaikh
Mr. Zahid Marghoob Shiekh
Mr. Muhammad Kashif Iqbal

Managing Director / Chief Executive
Chief Operating Officer
Chief Commercial Officer
General Manager Human Resource
Sr. Business Unit Manager – PQ Plant
Business Unit Manager – SITE Plant
Head of Supply Chain Management
Head of Quality, Research & Development
Head of Information Technology
Head of Finance



AUDITORS

A. F. Ferguson & Co.

Chartered Accountants
State Life Building, 1-C,
I.I. Chundrigar Road, Karachi

SHARE REGISTRATION OFFICE

Noble Computer Services (Pvt.) Limited

2nd Floor, Sohni Centre, BS 5 & 6
Karimabad, Block-4, Federal B. Area,
Karachi-75950
Phone: 6801880 -82 (3 Lines)
Fax: 6801129
Email: nsl@noble-computers.com

PRINCIPAL BANKERS

Bank Al-Habib Limited

I.I. Chundrigar Road Branch, Karachi
S.I.T.E Branch, Karachi
New Garden Town Branch, Lahore

Royal Bank of Scotland (RBS)
(Formerly ABN AMRO Bank)

Abdullah Haroon Road, Karachi

Muslim Commercial Bank

Clifton Corporate Branch, Karachi
Shaheen Complex Branch, Karachi

Habib Bank Limited

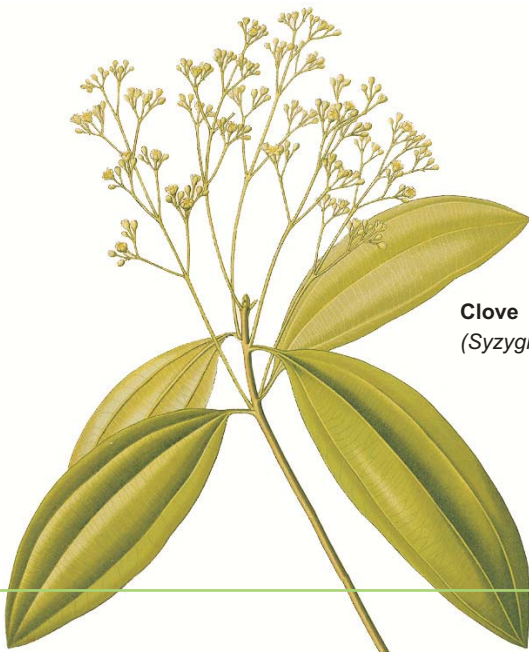
Hub River Road Branch, Karachi

Citi Bank Limited

S.I.T.E. Branch, Karachi

REGISTERED OFFICE

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



Clove
(*Syzygium aromaticum*)



SUSTAINABLE GROWTH

In today's rapidly evolving business environment, it is imperative for corporate organizations to remain dynamic, be responsive to consumer needs and proactively develop solutions. A specific strategy is required which interconnects all functions of the business while accommodating short term as well as long term requirements. Today, National Foods Limited has in place a comprehensive Sustainability Strategy for driving all the Company's operations towards Vision 20/20.

As part of this sustainability strategy, National Foods Limited is undertaking a planned effort, starting at the grassroots level, to support quality improvement and enhanced production of red chilli in Pakistan.

This year also marked the re-launch of the Adult Literacy Program (ALP), to provide basic education to illiterate workers. In May, Mr. Abdul Majeed, Chairman National Foods Limited, introduced the participants to this year's ALP, and shared accomplishments of previous phases. Then Teacher Packs were presented to the ALP Team, comprising of seventeen volunteers from within the Company, to take the program forward.

A chilli field in Sindh;
Inset shows the NFL Team at Chillies
Research Laboratory, Kunri



RS. 4 BILLION SALES MILESTONE

National Foods Limited crossed the notable milestone of Rs. 4.0 billion in sales during the financial year ending June 30, 2008. This represents a 28 percent growth over the previous year and reflects the strong level of confidence consumers throughout the country have in the Company and its extensive product range. This sales growth is very much in line with the Company's 'Vision 20/20' which targets Rs. 50 billion in annual sales by the year 2020.

SAP IMPLEMENTATION

In December 2007, National Foods Limited became the first Pakistani food company to select SAP®. This step was taken due to need of a fully integrated, robust system to manage National Foods Limited's aggressive and dynamic growth, diverse portfolio and geographic distribution, as well as rapidly growing human resources. National Foods Limited then went on to implement SAP® ERP Application ECC 6.0 in a record time of just six months!



Dr. Ishrat Hussain, Director IBA, speaking at the celebration event of Rs.4 billion sales and SAP implementation. Inset shows SAP signing ceremony



Celebrating

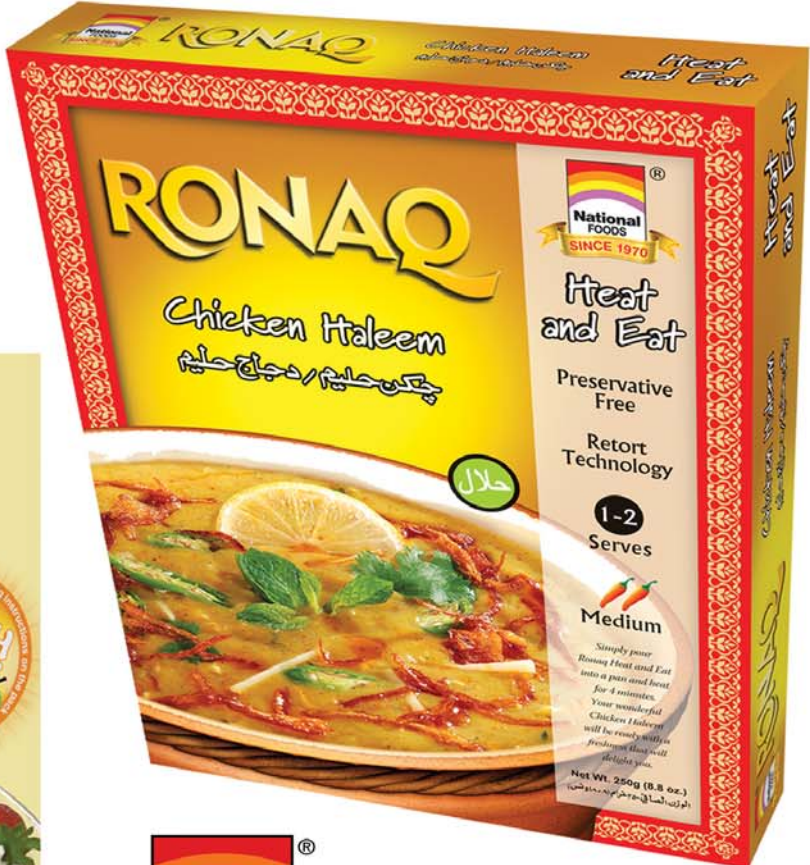
Rs. 4 Billion Sales

&



implementation





A MULTI-CATEGORY FOOD COMPANY

Food! What we eat defines our personality, shapes our way of living and chalks out our physical appearances.

National Foods Limited is one such company, dedicated to improving lives through providing healthy, innovative food items that excel in quality and provide value for money. With a range of over 110 products in 12 major categories, we are one of the largest food companies in the business.

Plain Spices

Chilli, Coriander, Turmeric, Black Pepper and Cumin Seeds comprise this category, launched in 1970 with the Company. The objective was consumer focused - to develop pure, hygienically packed plain spices to counter generally available loose spices of doubtful quality. Our Plain Spices are market leaders in the branded market segment.

Ingredients

Ingredients category consisting of Khatai Powder, Ginger, Garlic Powder and Kasuri Methi enjoys the leadership position in the branded market.

Salt

Refined Table Salt was launched in 1978 and Iodized Salt in 1990 with the UNICEF. Salt has the highest customer recognition in terms of National Foods. National Salt is the market leader of the branded market.

Basic Recipes

Launched in 1982, Basic Recipes consist of Garam Masala and Curry Powder, popularly known as Salan Masala. Though it is a basic category, it enjoys popularity with everyone who cooks.

Recipe Concoction

Launched in 1986 and today the market leader, Recipe Masalas are available throughout urban Pakistan. This category has three sub-brands - National is homely/motherly food, while Ronaq is a Chatkila Restaurant taste and Rivaaj is a cooking paste.

Chinese Salt and Vinegar

This category was launched in 1988 and is currently enjoying a leadership position in the branded market.

Pickles

Launched in 1988-89 as one of the first wet products to be launched. National Pickle is the clear market leader for many years now.

Ketchup

Launched in 1997, is produced on one of the most modern plants in Pakistan. National Foods Limited enjoys the market leadership for the past 5 years.

Jams, Jellies and Marmalades

It performed extremely well since the launch in 1998-99. Yet again National Foods Limited is leading the market in this category.

Snacks

This category includes Chat Masala, Dahi Bara Powder, Pakora Mix and Fruit Chat Masala. National Foods is the dominant market leader in this category also, with these mixes being very popular with the consumers, especially in the month of Ramzan.

Desserts

This includes Custard Powder, a growing category for NFL. 'Jelly Crystals' and a complete 'Kheer' range were launched 2 years ago and are performing well in the market.

Ready-to-Eat Meals

Ready-to-Eat (RTE) meals are a new category, launched this year. This includes Ronaq Heat and Eat meals.



Ginger
Zingiber officinale



MARKETING INITIATIVES

As the pioneer multi-category food company in Pakistan, National Foods continues to lead the way in all aspects of product innovation and marketing initiatives. This was a year full of a plethora of activities ranging from new launches to targeted branding, and direct to consumer promotions.

KITCHEN FOODS DIVISION

An important aspect of the National Foods Limited business philosophy is to remain dynamic, be responsive to consumer needs and proactively develop solutions. In response to changing societal trends, National Foods launched RONAQ "Heat and Eat" meals, opening up a new market of ready-to-eat products, which are completely pre-cooked and require only heating before consumption. This is a major step in the convenience foods category and paves the way for many more innovative products to be introduced in the near future.

To further acquaint consumers with the recently launched sachet recipe mixes, National Foods Limited ran a special campaign called 'Masala Hamara, Salika Tumhara'. The campaign, run via TV and POSM, and featuring the 'saas bahu' (mother-in-law vs. daughter-in-law) struggle for mastery, was an instant hit with consumers. Ongoing activities included direct to consumer promotions and strategic branding.

FAMILY FOODS DIVISION

This year we continued to focus on modern trade outlets with target specific branding and consumer promotion activities at the point of sale. Specialized activities were also conducted in target specific areas, such as schools. To promote consumer awareness around our innovative ketchup brand, a campaign was launched to take the 'Squeezy' experience to various consumer touch points such as fast food eateries.

A new fun size was introduced in jam bottles, which would appeal to a younger audience. The new SKU was introduced via fun activities in schools and amusement parks.

Picture shows visitors tasting various RONAQ Heat & Eat meals at the National Foods Limited stall.



GLOBAL MARKET DEVELOPMENT

On the International front, National Foods kicked off the year by officially launching its products in India. Strategic distribution partners were signed up and marketing and PR activities were done, creating ripples across the Indian masala market. Consumers welcomed the NFL products with open arms, and we hope to see sales grow rapidly in a short time.

National Foods also aggressively stepped up activities in other countries with participation in major international exhibitions including the prestigious ANUGA trade fair in Germany, the Food and Hotel (FHC) trade fair in Shanghai, and the 4-week long Indian International Trade Fair (IITF) in New Delhi. NFL also participated in the Gulf Food Exhibition in Dubai and the AAHAR-2008 food exhibition in New Delhi this March.

New distributors have also been signed up in several countries to broaden the reach of National Foods products to international consumers.



National FOODS
SINCE 1970
www.nfoods.com

خوشبو اور ذائقہ ایسا کہ بس!

National
بریانی
Biryani
MASALA MIX

غزت کا سوال ہر تو... نیشنل فوڈز کا جواب نہیں

صرف 10 روپے میں

مصالحت ہمارا سلیقہ تمہارا and more...



HUMAN RESOURCES

Employees are the life force of any organization, and development of this vital asset is an extremely important role played by the Human Resources department. National Foods Limited is no exception; initiatives of the National Foods Limited HR team are briefly described below.

To give its employees a chance to demonstrate their teamwork and sportsmanship abilities in the field, the NFL Games 2008 were held in February at the Naval Sports Centre. It was full day program of sun and fun on the run. The excitement ran high as 500 employees were split into four groups and battled it out on the playing field.

HAMSAB, launched previously, is an on-going program based on Vision 20/20 and NFL core values. A HAMSAB teambuilding session was held in April to give new employees an orientation of our Vision 20/20 and core values. HAMSAB is an activity-based team-building program that helps explain our corporate identity and the 'right' behaviors to demonstrate it. The objective of the day was to learn what makes National Foods Limited a great place to work and how we can make it even better.

National Foods Limited is now a member of Rozee.pk, the fastest growing job portal in Pakistan that caters to the recruitment needs of major companies. We have initiated E-recruitment through web portal on Rozee.pk exclusively designed for National Foods Limited.

For the first time in National Foods Limited history,

we participated in the annual Rozee.pk Job Fair at the Karachi Expo Center in March. The National Foods Limited exhibit was easily visible amongst the crowded affair due to the carefully chosen bright red carpet and a larger than life backdrop displaying happy faces of our employees depicting a fun filled work culture.

A "Variable Pay" system was launched to reinforce true performance driven culture. This program is based on individual and team performance on a "What gets measured, gets rewarded" philosophy.

The GMP Olympics program has been launched to help motivate the factory employees keep up our quality standards. This is an inter-departmental competition with a winning department each month.

A Kids Recognition Day was held to reward the employee's children who were position holders that year to help them understand the value of education and hard work.

A New Career Ladder was designed and implemented to better equip ourselves for the future as business evolves and organizational needs change while Individual Development Plan tools were implemented to help people plan their career and develop leaders internally.

An Internal Promotion process through panel interviews will be the new practice whereby the promotion criteria will be clearly defined and the decision will be subject to the discretion of the panel.

HAMSAB Training Event



NOTICE OF MEETING

Notice is hereby given that the 37th 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 Wednesday, October 15, 2008 at 11:00 a.m., to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 36th Annual General Meeting held on October 05, 2007.
2. To receive, consider and approve the audited accounts for the year ended June 30, 2008.
3. To appoint auditors for the year 2008-2009 and to fix their remuneration.

Special Business:

4. To consider and approve the following resolution as an Ordinary Resolution seeking to increase Authorized Share Capital of the Company:

“Resolved that the Authorized Share Capital of the Company be increased from existing Rs. 100,000,000 to Rs. 750,000,000 and for the purpose aforesaid:

- (a) the words and figures “Rs. 750,000,000 (Rupees Seven Hundred and Fifty Million) divided into 75,000,000 (Seventy Five Million)” shall be substituted for the words and figures “Rs. 100,000,000 (One Hundred Million) divided into 10,000,000 (Ten Million)” appearing in Clause V of the Memorandum of Association of the Company; and
- (b) all legal and ancillary formalities shall be carried out by the Company under the Companies Ordinance, 1984.”

5. To consider and approve amendments in Articles of Association of the Company as explained in the Statement attached to this notice, and in that connection to pass the following resolution as a Special Resolution with or without modification:

Resolved that Article 4 of Company’s Articles of Association shall stand replaced with the following new Article :

“The authorized capital of the Company is the amount set out in Clause V of the Memorandum of Association of the Company divided into such number of shares of Rs. 10 (Rupees ten) each as are set out in the said Clause of the Memorandum.”

6. Subject to the enhancement in the authorized capital and the completion of all relevant legal formalities connected therewith, to consider and if thought fit to capitalize a sum of Rs.270,182,870/- out of the reserves of the Company and Rs.6,102,100/- representing the shares premium account for the issuance of 27,628,497 as bonus shares in the proportion of 5 (five) ordinary share for every 1 (one) ordinary shares held by the Members of the Company as on October 07, 2008.
7. To approve the names of executive directors (*i.e.* those Directors who are holding offices of profit in the Company) and to approve the authority of the Board of Directors to determine the remuneration therefore, including post retirement benefits to the Executive Directors and the Chief Executive of the company.
8. To transact any other matter with the permission of the Chairman.

By order of the Board of Directors

A. Majeed

A. Majeed
Chairman

Karachi, September 24, 2008



Notes:

1. The share transfer books of the Company will remain closed from October 08, 2008 to October 15, 2008 (both days inclusive).
2. All members are entitled to attend and vote at the meeting. A member may appoint a proxy to attend, speak and vote for him/her. A proxy must be a member of the Company.
3. In order to be valid, an instrument proxy and the power of attorney or other authority under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the office of the Company's Share Registrar not less than 48 hours before the time of the meeting.
4. Any change of address of Members should be notified immediately to the Company's Share Registrar, Noble Computer Services (Pvt.) Ltd., 2nd Floor, Sohni Center, BS 5 & 6, Karimabad, Block 4, Federal B. Area, Karachi.
5. A member who has deposited his/her shares into Central Depository Company of Pakistan Limited,
 - a. in case of individuals, must bring his/her participant's ID number and account/sub-account number alongwith original Computerised National Identity Card or original Passport at the time of attending the meeting.
 - b. in case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
6. Members who have not yet submitted photocopy of their Computerised National Identity Cards to the Company are requested to send the same at the earliest.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting and the proposed Resolutions related there to:

A. Items 4 & 5 of the Agenda – Increase in Authorized Capital of the Company

The authorized share capital of the Company presently stands at Rs.100 million divided into 10 million equity shares of Rs.10/- each. With the growing expansion of the Company's business it is desirable to bring the authorized capital of the Company in proper co-relation with the magnitude of the Company's resources and size of its undertaking. It is, therefore, considered advisable to increase the authorized capital of the Company from Rs.100 million to Rs.750 million by creation of 65 million equity shares of Rs.10/- each, which will rank pari passu in all respects with the existing equity shares in the Company. The proposed increase of the authorized capital of the Company requires the approval of the members in general meeting. Consequent upon the increase in authorized capital of the company, its Memorandum and Articles of Association will require alteration so as to reflect the increase in share capital.

No director is interested or concerned in this resolution.

B. Items 6 of the Agenda – Capitalization of reserves for the Issuance of Bonus Shares

The Directors have recommended capitalization of reserves and utilisation of shares premium for issue of Bonus Shares. Accordingly the board recommends to pass the following resolution as ordinary resolution of the company.

“RESOLVED THAT pursuant to the recommendation of the Board of Directors in this behalf and pursuant further to Article 78 of the Article of Association that a sum of Rs. 270,182,870 out of the free reserves of the Company be capitalized and a sum of Rs. 6,102,100 representing the shares premium of the Company, set free for distribution amongst the shareholders registered in the books of the Company at the close of business on October 07, 2008 in the proportion of Rs.50 for every Rs.10 nominal amount of equity capital then



held on the footing that the same be not paid in cash but be applied in paying up in full 27,628,497 equity shares of Rs.10 each in the capital of the Company, such additional equity shares to be allotted and distributed, credited as fully paid amongst such holders in the proportion of five (5) new shares for every one (1) existing equity share then held; that any of such new shares which, on an exact distribution in the proportion aforesaid, would fall to be allotted in fraction be allotted in the name of Director of the Company upon trust to sell the same and to divide the net proceeds amongst the shareholders entitled to such fractions *pro rata* in accordance with the rights; and that such new shares, as and when issued and fully paid, shall rank *pari passu* with the existing issued equity shares.”

The Directors are interested in the business to the extent of Bonus Shares which they will be entitled to receive as a result of their respective shareholding in the Company.

C. Item 7 of the Agenda – Remuneration of Executive Directors including Chief Executive

The members of the Company in its 26th Annual General Meeting, held on December 27, 1997, passed a Resolution, whereby, it approved and authorized the payment of Salaries and Allowances and other perquisites, bonuses and retirement benefits in accordance with the Company's policies and procedures, to the Directors of the Board namely Mr. Waqar Hasan, Mr. A. Majeed, Mr. Abrar Hasan and Mr. Zahid Majeed in consideration of holding offices of profit in the Company. The same Resolution also authorized the Chief Executive to increase the amount of such remuneration at an annualized rate of not exceeding 20%. Accordingly, in line with the said resolution the Company has paid Salaries and allowances to as under:

Charged during the year ended June 30, 2008

Rs.6.043 million for the Chief Executive and Rs.5.4 million for the Executive Directors as a consideration for holding an office of profit in the Company. They are also paid with bonuses and variable pay in accordance with the Company's rules as approved by the Board of Directors.

Apart from above the Chief Executive and Executive Directors are also provided with the Company maintained cars and residential telephones as per the Company policies.

At present the Chief Executive and the Executive Directors as mentioned above are not provided with any post retirement benefits including medical benefits. Carrying on the Company's business in an effective and efficient manner requires their substantial time and involvement in major operational and decision making matters.

It is, therefore, proposed that in accordance with the Company's policies and procedures the Chief Executive Officer and Executive Directors be provided with retirement benefits through a Defined Benefit plan of Pension Scheme, a Defined Contributory Plan of Provident Fund and Post Retirement Medical Benefits based on actuarial assumptions and valuation reports. The total charge for the year 2008-09 in respect of such retirement benefits is estimated to be Rs. 7.3 million which includes a one time cost of Rs.3.981 million and Rs. 0.8 million as the amortization of non-vested portion of past service liability.

It is also proposed that the Board of Directors be granted the authority to determine the nature and amount of the remuneration of Chief Executive Officer and Executive Directors.

For this purpose it is proposed that, following resolutions be passed as Ordinary Resolutions, namely:

“RESOLVED THAT approval be and is hereby granted to Mr. A Majeed, Mr. Waqar Hasan, Mr. Abrar Hasan and Mr. Zahid Majeed to hold offices of profit(including but not limited to managerial or service related roles) in the Company as Executive Directors including the office of Chief Executive (in the case of Mr. Abrar Hasan).”

“RESOLVED THAT the Board of Directors are hereby granted the authority to determine and payment of remuneration, including but not limited to perquisites, bonuses, variable pay, other allowances and retirement benefits in line with corporate international best practice to the above named executive directors for their respective periods of service in accordance with the rules of the Company.”

The Directors are interested to the extent of the remuneration payable to them individually.



DIRECTORS' REPORT TO THE SHAREHOLDERS

I take great pleasure in presenting before you the Annual Report along with the audited financial statements and management accomplishments for the year ended June 30, 2008.

A brief financial analysis is presented as follows:

	2008 (Rupees in thousand)	2007
■ Sales	3,061,746	2,391,058
■ Gross profit	985,777	818,484
■ Profit from operations	290,185	200,301
■ Profit before tax	233,947	191,722
■ Profit after tax	156,546	129,292
■ Earning Per Share	28.33	23.40

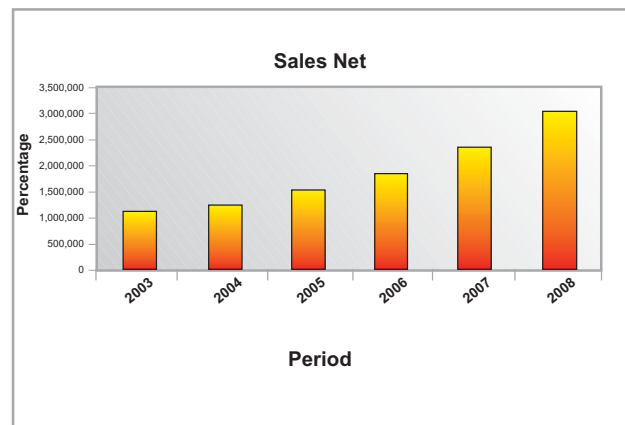
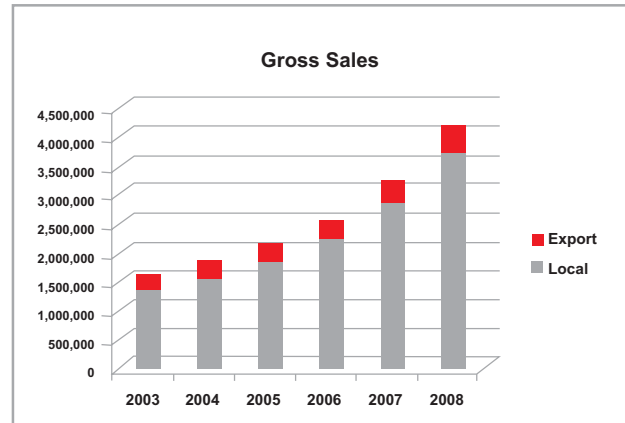
PERFORMANCE OVERVIEW

The outgoing year has been one of the toughest the Company has ever faced in terms of rising costs, global inflation, uncertain political situation and an erratic economy. Running the business in these conditions has tested the metal and the skill of the organization in terms of professionalism and a strategic intent which has evolved considerably since the start of the financial year. Achieving the budget thus become an intimidating challenge and called for innovative measures and a thorough review of all major business strategies. Despite all these obstacles the Company has outperformed its budgetary targets.

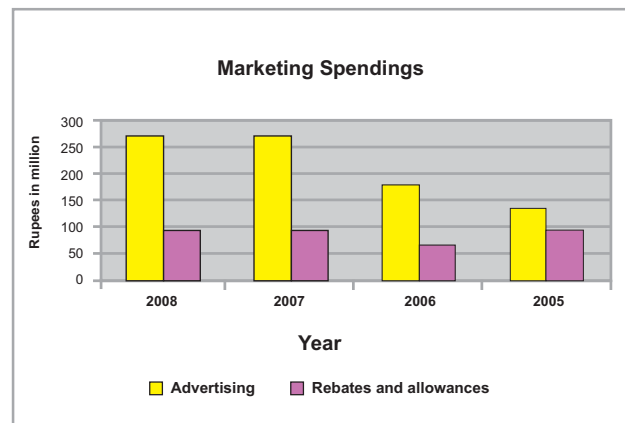
OPERATIONAL PERFORMANCE

The company finished with a top line growth of 28% with export sales showing robust performance at 40% sales increase. Gross Profits increased by 20% but registered a decline as a comparison to Net Sales. The reason has been extraordinary inflationary growth, majority of which has been passed on to the consumer through price increases but a portion of it could not be capitalized due to already stocked finished inventory at old prices. The costs have registered a decrease

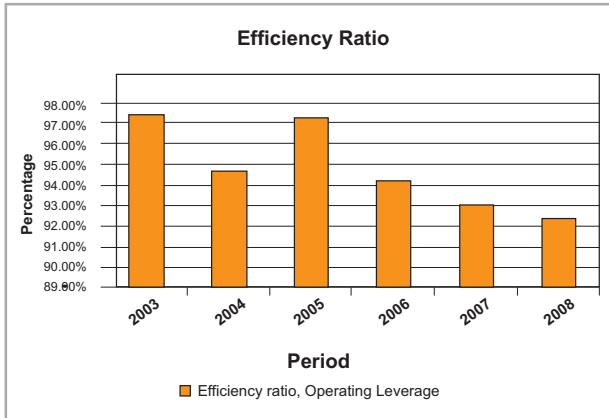
thus improving the operational profitability by over 1% along with an increase in excess of 0.5% in profit before tax in relation to Net Sales.



All sales categories have performed well showing diverse growth in terms of tonnage, however due to inflationary pressures these growths have been achieved at a lower tonnage growth rate as compared to revenue due to inflation.

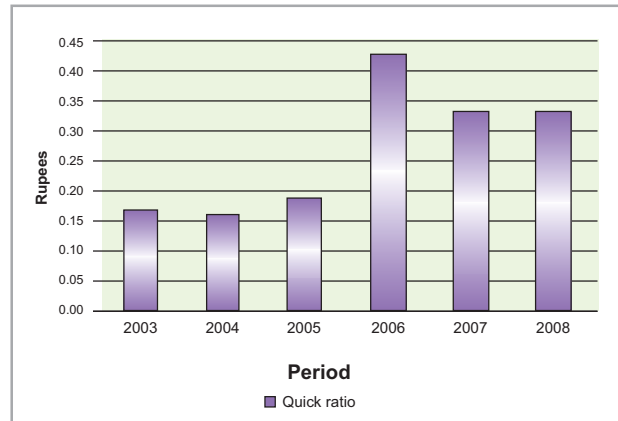


Despite unprecedented increases in commodity, freight and energy cost, which resulted in 2.03% decrease in Gross Profit Margin to 32.20%, the Company has shown broad base performance in bottom line. Efficiency ratio has improved to 92.27% (2007: 92.91%) showing continuous improvement at all level.



The Company strategically invested in its sales and distribution infrastructure thus strengthening it further to combat with the inflationary aspect of passing on the price increase across the value chain. This resulted in an increase in the selling and distribution expense by 23.21% to Rs.299 million. The investment however paid off as top line targets were achieved and operational profitability was improved despite this investment.

Cash flows from operations have been under pressure due to significant increase in cost of stock due to rising raw material prices and increasing export debtors, which is in line with company approved policy. However, a net deficit of Rs. 95.7 million was recorded in net cash flows from operations. Cash flows are expected to improve in future periods through realizing the debtors, and efficient and timely price increases. Despite such pressures on liquidity, quick ratio was maintained at last year level.

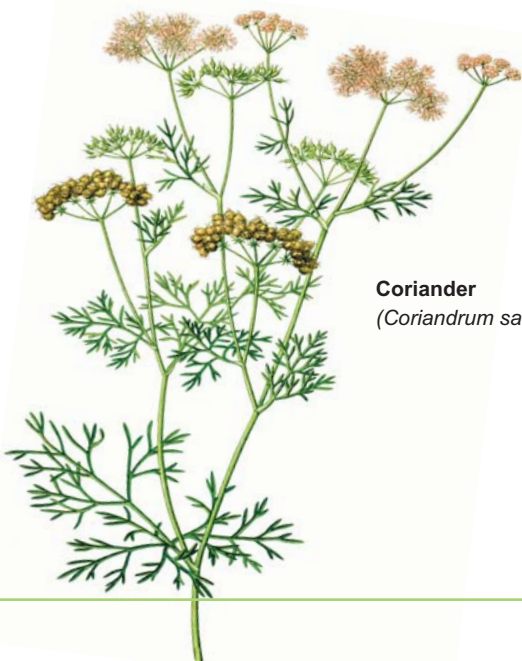


INVESTMENT IN TECHNOLOGY

The Company has upgraded its ERP system to SAP technologies. Investment was made to align future business processes in line with vision 2020. SAP has gone live from July 2008, whereby implementation in record six months time was made possible by our people through strong supervision. The Company has also decided to implement the Human Resource module of SAP and its implementation will be completed in the later part of the calendar year.

OUR PEOPLE

The success of the business results could not have been possible without the dedication and hard work of the dynamic professionals. Hiring the right resource is critical for the continuous expansion of the company's operations both domestic and international. Our continued growth requires us to develop our leadership benchmarks and continuous incentive plans which rightfully identifies and rewards performers. A variable pay for performance incentive plan has also been implemented in the Company.



Coriander
(*Coriandrum sativum*)



LEGAL CLAIMS

Claim of an ex-distributor of export market

In 2007 -08 M/s Oasis Trading Establishment of Saudi Arabia had filed a case in the Saudi court of law against the Company, challenging the non-renewal of his expired contract, demanding a compensation of a sum equivalent to US\$ 2 million. As a consequence, the honorable courts had imposed a ban on the Company's products in that market pending an outcome of the case. However, the Company took immediate legal steps with an appeal against the decision and was successful in convincing the honorable appellate courts to lift the ban. The Company challenged the financial claim made by the ex-distributor in the court of law. However, keeping in view the expected loss of time and money, coupled with the loss of potential business in that export market during the trial process, the management decided to settle the matter out of court. As a consequence a settlement agreement was made with our ex-distributor under which a full and final payment of US\$ 184,000 against the original claim of US\$ 2 millions, was made to the party.

APPROPRIATION OF PROFITS

Your directors have recommended following for the approval by the shareholders:

- Five bonus share for every one (1) (2007: Three bonus shares for every ten (10) shares held).
- In 2007, in addition to bonus shares, the Board of Directors proposed a cash dividend of Rs. 2/- per share.

CREDIT RATING

JCR-VIS, three years in a row, has maintained the medium to long-term and short-term entity ratings of A+ (Single A Plus) and A-2 (A Two) respectively. The outlook on the medium to long-term rating has remained 'Stable'.

Corporate Social Responsibility

Our commitment to sustainable growth, defined as performance with purpose, is focused on generating healthy financial returns while giving back to the communities we serve. This includes meeting changing

consumer needs by delivering modern convenient food products that meet their expectations and add value to their lives.

We support our employment practice through a diverse and inclusive culture that recruits and retains best talent and believes in an improved society by becoming good corporate citizens. We promote sustainable social enterprise through the corporate social responsibility programs (CSR) which in turn promotes the triple bottom line concept (TBL) by exercising responsible profit sharing towards our shareholders, employees, social society and the environment thus promoting and developing social enterprise which gives back to the people across our value chain.

The Company has embarked upon the following programs towards its CSR objectives:

- 1) Promoting concept of Fair Trade through direct interaction with farmers at field level to improve the quality of Red Pepper. This will build a social enterprise thus improving the quality of life of our supply chain partners.
- 2) Promotion of education and Adult Literacy Programs across all our stakeholders.
- 3) Sustainable energetic program to source greener sources of energy and also to promote and sustain alternative energy generation.
- 4) Environment friendly packaging.

The Company is committed towards these programs and expects to generate value added access to newer markets thus completing the sustainable cycle.

CONTRIBUTION TO NATIONAL EXCHEQUER

NFL is one of the largest tax payers in Pakistan. During the year the company paid over Rs. 559 million (2007: Rs. 434 million) to the government and its various agencies on account of various government levies including custom duty, sales tax and income tax. Moreover, foreign exchange of Rs.380 million was also generated through export of products, further reflecting our participation in the national economy.



COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The stock exchanges have included in their listing rules the Code of Corporate Governance (Code) issued by Securities & Exchange Commission of Pakistan. The Company has adopted the Code and is implementing the same in letter and spirit.

Audit Committee

The Board has constituted an Audit Committee consisting of three members including Chairman of the Committee. The Committee regularly meets as per requirements of the Code. The Committee assists the Board in reviewing Internal Audit Manual and Internal Audit System.

Pattern of shareholding

The pattern of shareholding of the Company is annexed.

Apart from following transactions, the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year:

Name	Nature of transaction	No. of shares
■ Mr. Abdul Majeed	Gifted	97,461
■ Mr. Zahid Majeed	Gift Received	97,461

All statutory returns in this connection were filled.

External Auditors

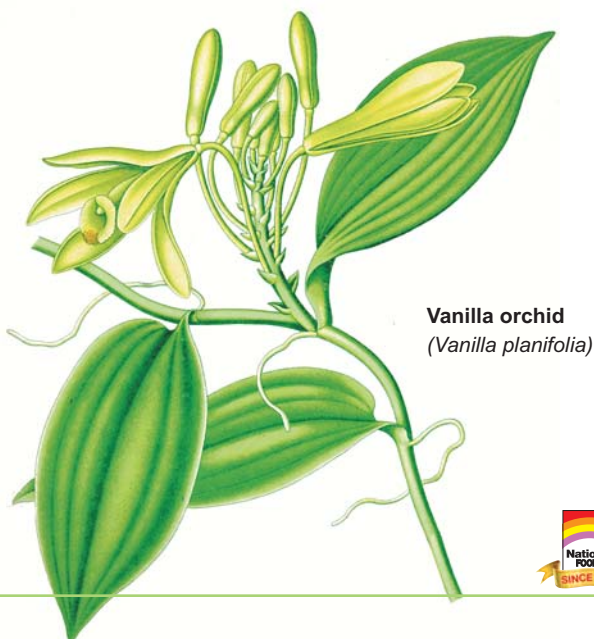
The present auditors Messrs. A. F. Ferguson & Co., Chartered Accountants are retiring and being eligible, offer themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, proposes the appointment of Messrs. A. F. Ferguson & Co., Chartered Accountants as the auditor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

Internal Auditors

On the recommendation of the Audit Committee, the Board of Directors in its meeting held on April 18, 2008, has reappointed Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants as internal auditors of the Company,

Corporate and financial reporting framework

- The financial statements prepared by management, 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 Accounting Standards as applicable in Pakistan has been followed in preparation of financial statements and any departure there from has been adequately disclosed.



- The system of internal control is sound in design and has been effectively implemented and monitored.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 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 operating and financial data for the last six years is annexed to this report.
- The value of investments of Provident Fund based on respective audited accounts was Rs. 31,541,143/-
- During the last business year five meetings of the Board of Directors were held. Attendance by each Director was as follows:

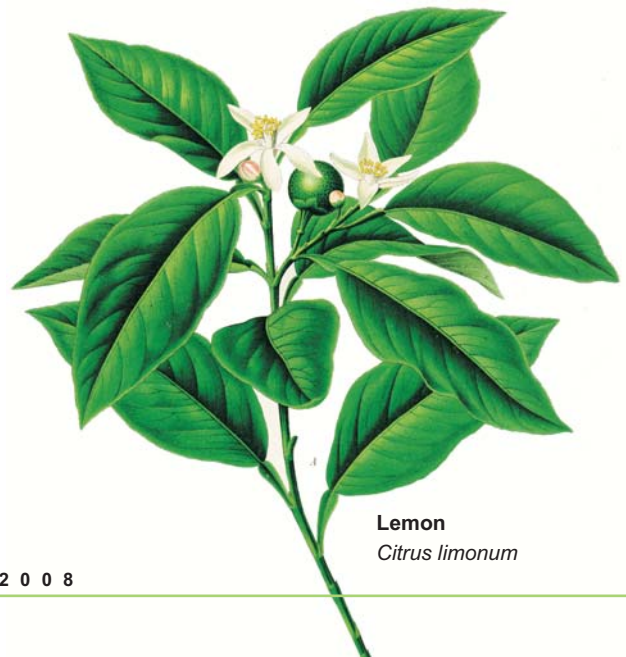
S. No.	Name of Directors	No. of meeting attended	Leaves granted	Leaves not granted	
1.	Mr. Abdul Majeed	4	1	-	
2.	Mr. Abrar Hasan	5	-	-	
3.	Mr. Waqar Hasan	4	1	-	
4.	Mr. Zahid Majeed	4	1	-	
5.	Mr. Ebrahim Qasim	4	1	-	
6.	Mr. Khwaja Munir Mashooqullah	2	3	-	Vacation of office on March 14, 2008
7.	Mr. Jawaid Iqbal	-	-	3	
8.	Mr. Iqbal Alimohamed	1	-	-	Appointed in place of Mr. Jawaid Iqbal

On behalf of the Board of Directors



Abrar Hasan
Chief Executive

Karachi: August 29, 2008



Lemon
Citrus limonum

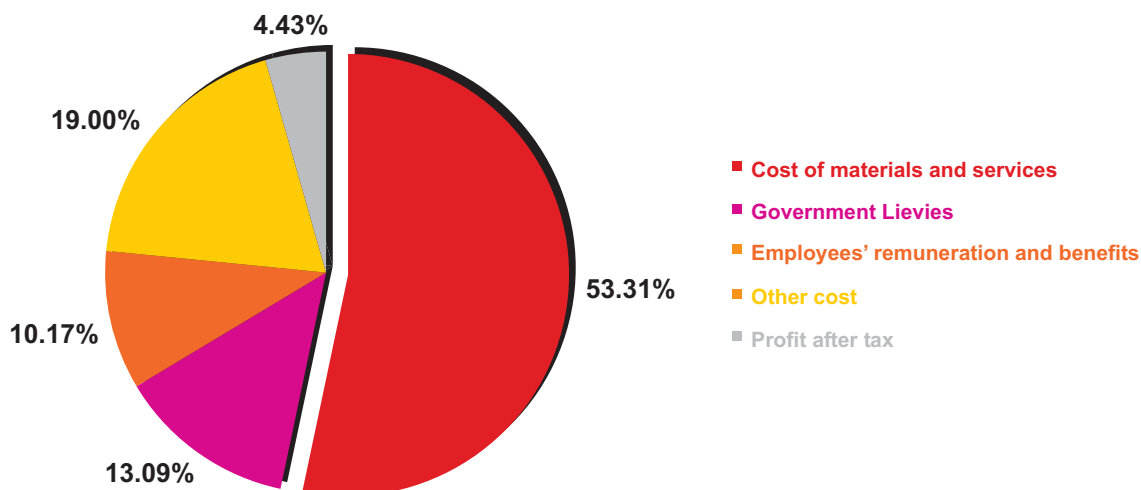


VALUE ADDITION

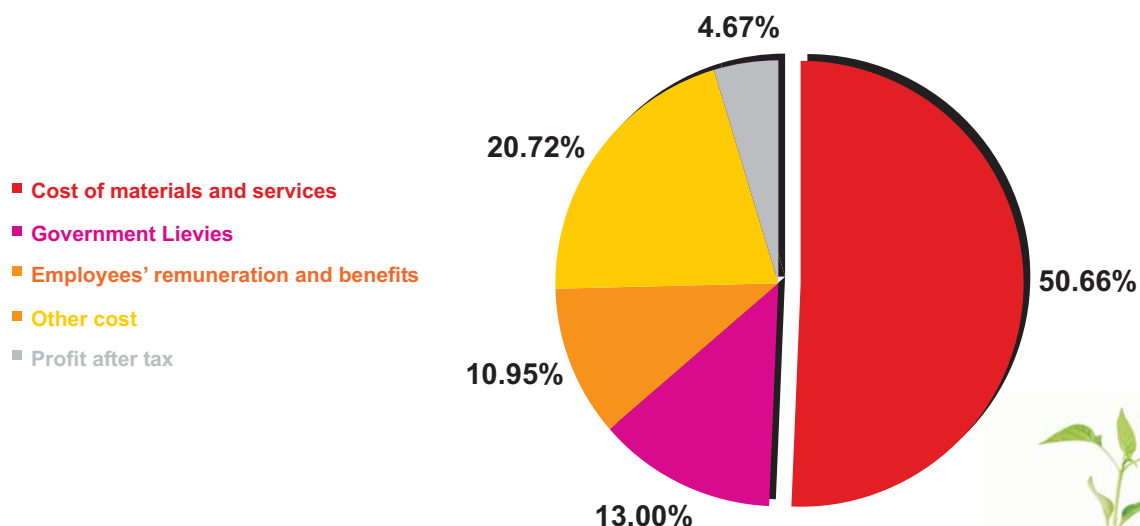
FOR THE YEAR ENDED JUNE 30, 2008

Value addition	June 30, 2008		June 30, 2007	
	Rupees in '000'	%	Rupees in '000'	%
Net sales including sales tax & SED	3,509,487	99.37%	2,738,743	98.91%
Other operating income	22,309	0.63%	6,110	0.22%
Claim recovery against raw material supply	-	0.00%	24,096	0.87%
	3,531,796	100.00%	2,768,949	100.00%
Value distribution				
Cost of materials and services	1,882,653	53.31%	1,402,699	50.66%
Government Levies	462,341	13.09%	360,015	13.00%
Employees' remuneration and benefits	359,057	10.17%	303,324	10.95%
Other costs	671,199	19.00%	573,619	20.72%
Profit after tax	156,546	4.43%	129,292	4.67%
	3,531,796	100.00%	2,768,949	100.00%

JUNE 30, 2008



JUNE 30, 2007



OPERATING AND FINANCIAL HIGHLIGHTS

	2003	2004	2005	2006	2007	2008
PROFIT AND LOSS STATEMENT						
Sales	1,135,642	1,273,032	1,533,879	1,847,700	2,391,058	3,061,746
Cost of Sales	825,454	919,282	1,136,727	1,276,437	1,572,574	2,075,969
Gross Profit	310,188	353,750	397,152	571,263	818,484	985,777
Administration	30,234	41,467	51,842	73,112	91,297	129,868
Distribution cost	233,952	229,323	288,289	364,758	513,902	570,218
Other operating cost	1,982	4,924	3,242	8,753	19,094	17,815
Administration, Selling & Other Operating Exp.	266,168	275,714	343,373	446,623	624,293	717,901
Financial Charges	18,843	11,640	16,006	24,850	32,675	56,238
Other Income	4,850	1,958	4,498	6,681	6,110	22,309
Profit before Tax	30,027	68,354	42,271	106,471	167,626	233,947
Taxation	10,014	22,055	11,618	36,107	62,430	77,401
Profit after taxation	20,013	46,299	30,653	70,364	129,292	156,546
BALANCE SHEET						
Share Capital	42,505	42,505	42,505	42,505	42,505	55,257
Reserves	93,398	126,945	140,596	204,584	325,375	460,668
Shareholders' Equity	135,903	169,450	183,101	247,089	367,880	515,925
Long Term Obligations	54,713	33,500	90,139	206,161	193,763	197,020
Current Liabilities & Provisions	286,275	361,817	435,491	514,710	626,815	1,033,710
TOTAL	476,891	564,767	708,731	967,960	1,188,458	1,746,655
Fixed Assets & CWIP	187,564	182,936	230,865	369,938	496,223	637,519
Other Non current assets	1,959	1,941	2,139	2,504	2,766	4,444
Current Assets	287,368	379,890	475,727	595,518	689,469	1,104,692
TOTAL	476,891	564,767	708,731	967,960	1,188,458	1,746,655



KEY FINANCIAL RATIOS

	2003	2004	2005	2006	2007	2008
PERFORMANCE MEASURES						
Efficiency ratio, Operating leverage	97.32%	94.59%	97.22%	94.18%	92.91%	92.27%
Return on assets (ROA)	10.25%	14.16%	8.22%	13.57%	16.85%	16.61%
Return on net assets (RONA)	10.50%	22.81%	11.22%	15.52%	23.02%	21.96%
Return on capital employed (ROCE)	25.64%	39.42%	21.33%	28.97%	35.66%	40.70%
Return on equity (ROE)	15.25%	30.32%	17.39%	32.71%	42.05%	35.43%
PROFITABILITY MEASURES						
Gross margin percentage	27.31%	27.79%	25.89%	30.92%	34.23%	32.20%
Net margin	1.76%	3.64%	2.00%	3.81%	5.41%	5.11%
Operating margin	4.30%	6.28%	3.80%	7.11%	8.38%	9.48%
Earnings per share	4.71	10.89	7.21	16.55	23.40	28.33
INVESTMENT UTILIZATION						
Collection period (period average)	14.81	14.49	15.47	17.56	16.37	22.15
Creditors payment days	13.53	16.79	19.85	25.64	31.18	30.80
Inventory Turnover days	81.29	95.53	101.24	103.50	97.98	108.33
Inventory Turnover Ratio	4.49	3.82	3.61	3.53	3.73	3.37
Asset turnover (Times)	2.69	2.44	2.41	2.20	2.22	2.09
FINANCIAL CONDITION						
Current ratio	1.00	1.05	1.09	1.16	1.10	1.07
Quick ratio	0.17	0.16	0.19	0.43	0.33	0.33
Debt to equity ratio	40.26%	19.77%	49.23%	83.44%	52.67%	38.19%
Interest coverage ratio	2.59	6.87	3.64	5.28	6.13	5.16
Book value per share	31.97	39.87	43.08	58.13	86.55	93.37



PATTERN OF SHAREHOLDING

COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT JUNE 30, 2008

Category No.	Category of shareholders	Number of shares held	Category-Wise No. of share holders	Category-wise shares held	Percentage %
1	INDIVIDUALS		1,062	1,533,762	27.76%
2	INVESTMENT COMPANIES		1	700	0.01%
3	JOINT STOCK COMPANIES		15	3,115	0.06%
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND MINOR Mr. Abdul Majeed Mr. Waqar Hasan Mrs. Jamila Waqar Mr. Abrar Hasan Mr. Zahid Majeed Mr. Ebrahim Qassim Mr. Iqbal Alimohamed Mrs. M.E.Majeed W/o. Mr. Abdul Majeed Mrs. Kulsum Banoo W/o. Mr. Ebrahim Qassim Khawaja Munir Mashooqullah Mrs. Zeelaf Munir W/o. Khawaja Mashooqullah	324,872 650 650 544,974 209,272 94,057 867,230 21,823 39,841 8,970 36,779	11	2,149,118	38.89%
5	Executives		1	13	0.00%
6	NIT/ICP		-	-	-
7	Associated companies, undertakings and related parties		1	1,832,412	33.16%
	Associated Textile Consultants (Pvt.) Limited	1,832,412			
8	Public Sector Companies and Corporations		-	-	-
9	Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds		-	-	-
10	Foreign Investors		-	-	-
11	Co-operative Societies		-	-	-
12	Charitable Trusts		1	5,019	0.09%
13	Others		2	1,560	0.03%
	Totals		1,094	5,525,699	100.00%

Share-holders holding ten percent or more voting interest in the listed company

Total paid up capital of the Company 5,525,699 Shares
10% of the paid up capital of the Company 552,569 Shares

Name(s) of shareholder(s)	Description	No. of shares held	Percentage
Mr. Khawar M. Butt	Falls in Category # 1	605,777	10.96%
Mr. Iqbal Ali Mohammad	Falls in Category # 4	867,230	15.69%
Associated Textile Consultants (Pvt.) Limited	Falls in Category # 7	1,832,412	33.16%
	Totals	3,305,419	59.82%



PATTERN OF SHAREHOLDINGS CDC AND PHYSICAL

AS ON JUNE 30, 2008

Number of Share Holders	Share Holding		Total Share Held
	From	To	
643	1	100	13,789
272	101	500	54,762
66	501	1,000	43,840
79	1,001	5,000	166,722
8	5,001	10,000	50,303
1	10,001	15,000	13,000
3	15,001	20,000	50,928
3	20,001	25,000	66,662
6	35,001	40,000	223,356
1	45,001	50,000	48,118
2	60,001	65,000	126,834
4	90,001	95,000	376,137
1	205,001	210,000	209,272
1	320,001	325,000	324,872
1	510,001	515,000	512,488
1	540,001	545,000	544,974
1	865,001	870,000	867,230
1	1,830,001	1,835,000	1,832,412
1,094			5,525,699



STATEMENT OF COMPLIANCE

WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2008

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 four (04) independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring in the Board was filled up by the directors on March 14, 2008, Mr. Iqbal Alimohamed was appointed in place of Mr. Jawaid Iqbal.
5. The Company has prepared a 'Code of Business Ethics', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of the Internal Auditors, the Chief Financial Officer and the Company Secretary including their remuneration and terms and condition of services/employment, as determined by CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three (03) members, of whom two (02) are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has outsourced the internal audit function to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedure of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.



REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit

and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.



A. F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: August 29, 2008



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Foods Limited as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies

Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: August 29, 2008



FINANCIAL STATEMENTS



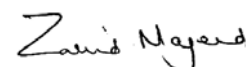
BALANCE SHEET

AS AT JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
(Rupees in thousand)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	635,325	493,444
Intangibles	4	2,194	2,779
Long term deposits		4,444	2,766
		641,963	498,989
CURRENT ASSETS			
Stores, spare parts and loose tools		7,499	4,322
Stock in trade	5	755,259	477,007
Trade debts	6	259,091	112,585
Advances	7	18,965	11,794
Trade deposits and prepayments	8	2,333	2,520
Other receivables	9	1,446	25,393
Tax refunds due from / adjustable with the government	10	46,603	37,702
Cash and bank balances	11	13,496	18,146
		1,104,692	689,469
		1,746,655	1,188,458
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	12	55,257	42,505
Capital Reserve - Share premium		6,102	6,102
Unappropriated profit		454,566	319,273
		515,925	367,880
NON-CURRENT LIABILITIES			
Long term financing	13	100,000	143,000
Liabilities against assets subject to finance lease	14	26,262	15,406
Deferred tax	15	70,758	35,357
		197,020	193,763
CURRENT LIABILITIES			
Trade and other payables	16	369,565	306,359
Accrued interest / mark up	17	17,186	10,184
Short term borrowings	18	536,341	211,272
Current maturity of:			
Long term financing	13	43,000	46,000
Liabilities against assets subject to finance lease	14	12,341	6,041
Provision for income tax		42,000	38,000
Due to / adjustable with the government	19	13,277	8,959
		1,033,710	626,815
COMMITMENTS			
	20		
		1,746,655	1,188,458

The annexed notes 1 to 35 form an integral part of these financial statements.


Abrar Hasan
 Chief Executive


Zahid Majeed
 Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
		(Rupees in thousand)	
Sales	21	3,061,746	2,391,058
Cost of sales	22	(2,075,969)	(1,572,574)
Gross profit		985,777	818,484
Distribution cost	22	(570,218)	(513,902)
Administrative expenses	22	(129,868)	(91,297)
Other operating expenses	23	(17,815)	(19,094)
Other operating income	24	22,309	6,110
Operating profit		290,185	200,301
Finance costs	25	(56,238)	(32,675)
		233,947	167,626
Claim recovery against raw material supply		-	24,096
Profit before taxation		233,947	191,722
Taxation	26	(77,401)	(62,430)
Profit after taxation		156,546	129,292
Earnings per share - basic and diluted - Rupees	27	28.33	23.40

The annexed notes 1 to 35 form an integral part of these financial statements.


Abrar Hasan
 Chief Executive


Zahid Majeed
 Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30, 2008	June 30, 2007
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	2,165	185,534
Finance cost paid		(49,236)	(28,033)
Income tax paid		(46,901)	(55,963)
Net increase in long term deposits		(1,678)	(262)
Net cash (used in) / from operating activities		(95,650)	101,276
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(158,974)	(147,899)
Sale proceeds on disposal of property, plant and equipment		2,392	6,272
Purchase of intangible assets		(14,147)	(599)
Return received on term deposits		-	1,637
Net cash used in investing activities		(170,729)	(140,589)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(46,000)	(26,000)
Liabilities against assets subject to finance leases (net)		(9,098)	(6,450)
Dividend paid		(8,242)	(8,463)
Net cash used in financing activities		(63,340)	(40,913)
Net decrease in cash and cash equivalents		(329,719)	(80,226)
Cash and cash equivalents at the beginning of the year		(193,126)	(112,900)
Cash and cash equivalents at the end of the year	33	(522,845)	(193,126)

The annexed notes 1 to 35 form an integral part of these financial statements.


Abrar Hasan
 Chief Executive


Zahid Majeed
 Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2008

	Issued subscribed and paid up capital	Capital reserve - Share premium	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at June 30, 2006	42,505	6,102	198,482	247,089
Final dividend for the year ended June 30, 2006 (Rs 2 per share)	-	-	(8,501)	(8,501)
Profit for the year ended June 30, 2007	-	-	129,292	129,292
Balance as at June 30, 2007	42,505	6,102	319,273	367,880
Final dividend for the year ended June 30, 2007 (Rs 2 per share)	-	-	(8,501)	(8,501)
Issue of 3 bonus shares for every 10 shares held	12,752	-	(12,752)	-
Profit for the year ended June 30, 2008	-	-	156,546	156,546
Balance as at June 30, 2008	55,257	6,102	454,566	515,925

The annexed notes 1 to 35 form an integral part of these financial statements.


Abrar Hasan
 Chief Executive


Zahid Majeed
 Director



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are essentially the same as those which applied for the previous financial year.

2.1 Basis of preparation

Statement of compliance

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

Critical accounting estimates and judgements

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

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

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

Recent accounting developments

- Amendments effective in 2007

IAS 1 (Amendment) - 'Presentation of Financial Statements - Capital Disclosures', is mandatory for the Company's accounting periods beginning on or after January 1, 2007. It introduces capital disclosure requirements regarding how the entity manages its capital. Adoption of this amendment only impacts the format and extent of disclosures as presented in note 31.2 to the financial statements.

- Standards and interpretations effective in 2007 but not relevant

There are other new standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2007 but are considered not to be relevant or have any significant effect to the Company's operations and are therefore not explained in these financial statements.



- Standard, interpretation, and amendment not yet effective but relevant

Following standard, interpretation and amendment to existing standards have been published that are mandatory for the Company's accounting periods beginning on the dates mentioned below:

IAS 1 'Presentation of Financial Statements', issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. The revised standard will be effective from January 1, 2009.

Adoption of the above standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRS 8 'Operating segments' (effective from January 1, 2009). IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The management is reviewing the implications.

2.2 Overall valuation policy

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

2.3 Property, plant and equipment

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

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

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

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

2.4 Intangibles - computer software

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

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

2.5 Taxation

i) Current

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

ii) Deferred

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

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



2.6 Employee benefits

Retirement benefit - defined contribution plan

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

Others - compensated absences

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

2.7 Stores, spares and loose tools

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

2.8 Stock in trade

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

2.9 Trade and other debts

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

2.10 Cash and cash equivalents

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

2.11 Impairment losses

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exist, the asset's 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 has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Finance leases

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

2.13 Trade and other payables

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



2.14 Borrowing costs

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

2.15 Provisions

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

2.16 Financial instruments

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

2.17 Foreign currency transactions and translation

These financial statements are prepared in Pak Rupees which is also the functional currency of the Company.

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

2.18 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 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 has been met for each of the Company's activities as described below:

i) Sale of goods

Sales are recognised on despatch of goods to customers.

ii) Interest / Mark up income

Income on bank deposits is recognised on accrual basis.

2.19 Research and development

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

2.20 Offsetting

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

2.21 Dividends

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



June 30, 2008 **June 30, 2007**
(Rupees in thousand)

3. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 3.1	564,514	342,696
Capital work in progress - at cost - note 3.2	70,811	150,748
	635,325	493,444

3.1 Operating Assets

	Leasehold land	Building on leasehold land	Plant and machinery including generators	Furniture and fittings	Office and other equipments	Computers owned	Subject to finance lease	Laboratory equipments	Vehicles owned	subject to finance lease	Total
(Rupees in thousand)											
Net carrying value basis											
Year ended June 30, 2008											
Opening net book value (NBV)	13,882	122,033	143,397	3,798	7,077	6,880	-	4,495	16,402	24,732	342,696
Additions (at cost)	2,200	128,382	98,914	12,555	2,837	4,336	11,002	70	2,041	15,252	277,589
Disposals (at NBV)	-	-	-	-	-	-	-	-	(1,300)	-	(1,300)
Depreciation charge	(396)	(9,441)	(22,435)	(2,019)	(1,638)	(4,846)	(1,222)	(514)	(4,241)	(7,719)	(54,471)
Closing net book value	15,686	240,974	219,876	14,334	8,276	6,370	9,780	4,051	12,902	32,265	564,514
Gross carrying value basis											
At June 30, 2008											
Cost	17,214	287,302	329,330	20,192	25,962	26,333	11,002	6,642	35,925	45,537	805,439
Accumulated depreciation	(1,528)	(46,328)	(109,454)	(5,858)	(17,686)	(19,963)	(1,222)	(2,591)	(23,023)	(13,272)	(240,925)
Net book value	15,686	240,974	219,876	14,334	8,276	6,370	9,780	4,051	12,902	32,265	564,514
Net carrying value basis											
Year ended June 30, 2007											
Opening net book value (NBV)	14,256	27,049	100,011	3,600	6,737	6,893	-	2,099	21,745	9,895	192,285
Additions (at cost)	-	99,465	58,724	1,357	1,641	3,763	-	2,780	3,010	19,897	190,637
Disposals (at NBV)	-	-	(154)	-	(14)	(16)	-	-	(3,100)	(730)	(4,014)
Depreciation charge	(374)	(4,481)	(15,184)	(1,159)	(1,287)	(3,760)	-	(384)	(5,253)	(4,330)	(36,212)
Closing net book value	13,882	122,033	143,397	3,798	7,077	6,880	-	4,495	16,402	24,732	342,696
Gross carrying value basis											
At June 30, 2007											
Cost	15,014	158,920	230,416	7,637	23,125	21,997	-	6,572	38,598	30,285	532,564
Accumulated depreciation	(1,132)	(36,887)	(87,019)	(3,839)	(16,048)	(15,117)	-	(2,077)	(22,196)	(5,553)	(189,868)
Net book value	13,882	122,033	143,397	3,798	7,077	6,880	-	4,495	16,402	24,732	342,696
Useful life (Years)	38-99	10-37	5-10	5	6-7	3	5	10	5	5	

June 30, 2008 **June 30, 2007**
(Rupees in thousand)

3.2 Capital Work in Progress

Civil work in progress	686	86,181
Plant and machinery	14,484	39,664
Advance against acquisition of land - note 3.2.1	27,417	-
Advances to suppliers	3,439	14,140
Vehicles pending delivery	1,314	689
Borrowing costs	-	10,074
Computer Software under development - note 3.2.2	23,471	-
	70,811	150,748

3.2.1 This represents amount paid for the acquisition of land at Sundar Industrial Estate, Lahore.

3.2.2 This represents license and consultation fee for the implementation of SAP Enterprise Resource Planning (ERP) Solution.



3.3 The details of property, plant and equipment sold, having net book value in excess of Rs. 50,000 are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	—————(Rupees in thousand)—————					
Motor vehicles						
Toyota Corolla Saloon	1,169	880	289	700	Negotiation	Mr. Bhagwan Das Dhirani F-65 Block-F, North Nazimabad Karachi
Honda City Exi-s	824	661	163	520	Insurance Claim	Adamjee Insurance Company Limited 404-405, Shaheen Centre Clifton, Karachi
Honda City	795	591	204	333	Company policy	Mr. Zaheer Ahmed Ex-Employee
Suzuki Alto VXR	487	227	260	382	-do-	Mr. Muhammad Kashif Iqbal Employee
						June 30, 2008
						June 30, 2007
						(Rupees in thousand)

4. INTANGIBLES - computer software

Net carrying value basis

Opening net book value	2,779	4,064
Additions (at cost)	1,723	599
Amortisation for the year	(2,308)	(1,884)
Closing net book value	<u>2,194</u>	<u>2,779</u>

Gross carrying value basis

Cost		
- Computer software and ERP System	11,503	9,780
Accumulated amortisation	(9,309)	(7,001)
Net book value	<u>2,194</u>	<u>2,779</u>

5. STOCK IN TRADE

Raw materials (including in transit Rs nil; 2007: Rs 0.33 million)	303,118	166,550
Provision for obsolescence	(1,380)	(2,611)
	<u>301,738</u>	<u>163,939</u>
Packing materials	99,418	86,969
Provision for obsolescence	(13,772)	(12,468)
	<u>85,646</u>	<u>74,501</u>
Work in process	213,850	141,357
Provision for obsolescence	(77)	(1,662)
	<u>213,773</u>	<u>139,695</u>
Finished goods	157,099	105,988
Provision for obsolescence	(2,997)	(7,116)
	<u>154,102</u>	<u>98,872</u>
	<u>755,259</u>	<u>477,007</u>

The Company has written off inventory amount to Rs.4.41 million (2007: nil) by utilising the provision during the year ended June 30, 2008.



	June 30, 2008	June 30, 2007
(Rupees in thousand)		
6. TRADE DEBTS		
Considered good		
Related parties - note 6.1	16,451	8,340
Others	242,640	104,245
	<u>259,091</u>	<u>112,585</u>
Considered doubtful	3,906	3,906
	<u>262,997</u>	<u>116,491</u>
Less: Provision for doubtful trade debts	(3,906)	(3,906)
	<u>259,091</u>	<u>112,585</u>
6.1 Due from related parties		
Premier Distributor	14,249	6,422
Premier Agency	2,202	1,918
	<u>16,451</u>	<u>8,340</u>
7. ADVANCES		
Considered good		
Employees		
- against expense	863	233
- against salary	352	-
Suppliers	16,497	10,385
Others	1,253	1,176
	<u>18,965</u>	<u>11,794</u>
8. TRADE DEPOSITS AND PREPAYMENTS		
Margin deposits	287	114
Other deposits	652	636
Prepayments	1,394	1,770
	<u>2,333</u>	<u>2,520</u>
9. OTHER RECEIVABLES		
Claim recovery against raw material supply	-	24,096
Export rebate	337	841
Due from related party - Precision Rubber Products (Private) Limited	473	-
Insurance claim	125	-
Others	511	456
	<u>1,446</u>	<u>25,393</u>



	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
10. TAX REFUNDS DUE FROM / ADJUSTABLE WITH THE GOVERNMENT		
Taxation - payments less provision	46,603	36,702
Sales tax refundable - paid under protest	-	1,000
	<u>46,603</u>	<u>37,702</u>

11. CASH AND BANK BALANCES

Cash in hand	773	754
Cash at bank		
current accounts		
local currency	9,736	15,824
foreign currency	2,987	1,568
	<u>12,723</u>	<u>17,392</u>
	<u>13,496</u>	<u>18,146</u>

12. SHARE CAPITAL

Authorised share capital

Number of shares				
<u>10,000,000</u>	<u>10,000,000</u>	Ordinary shares of Rs 10 each	<u>100,000</u>	<u>100,000</u>

Issued, subscribed and paid up capital

Ordinary shares of Rs 10 each

Number of shares				
2008	2007	Shares allotted:		
1,255,990	1,255,990	for consideration paid in cash	12,560	12,560
4,269,710	2,994,548	as bonus shares	42,697	29,945
<u>5,525,700</u>	<u>4,250,538</u>		<u>55,257</u>	<u>42,505</u>

**June 30,
2008** **June 30,
2007**

Number of shares

12.1. RECONCILIATION OF NUMBER OF ORDINARY SHARES OUTSTANDING

At the beginning of the year	4,250,538	4,250,538
Issue of 3 bonus shares for every 10 (2007: nil) shares held	1,275,162	-
At the end of the year	<u>5,525,700</u>	<u>4,250,538</u>



	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
13. LONG TERM FINANCING		
Bank Al-Habib Limited - note 13.1	3,000	9,000
MCB Bank Limited - note 13.2	<u>140,000</u>	<u>180,000</u>
	143,000	189,000
Less: Current maturity shown under current liabilities	<u>(43,000)</u>	<u>(46,000)</u>
	<u><u>100,000</u></u>	<u><u>143,000</u></u>

13.1 The facility is secured by way of equitable mortgage over factory building. Mark up is charged at the rate ranging from 8.5% to 11% per annum (2007: 8% to 8.5% per annum). The loan is repayable in equal quarterly installments, the last of which is payable on December 24, 2008.

13.2 The facility is secured by way of equitable mortgage over land, buildings, plant and machinery installed or to be installed at factory buildings. Mark up is charged at the rate ranging from 10.69% to 11.49% (2007: 10.25% to 11.61%) per annum. The loan is repayable in equal quarterly installments, the last of which is payable on October 13, 2011.

	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	38,603	21,447
Current maturity shown under current liabilities	<u>(12,341)</u>	<u>(6,041)</u>
	26,262	15,406
Minimum lease payments		
Not later than 1 year	16,965	8,383
Later than one year but not later than 5 years	<u>30,072</u>	<u>17,915</u>
	47,037	26,298
Future finance charges on finance lease	<u>(8,434)</u>	<u>(4,851)</u>
Present value of finance lease liabilities	<u><u>38,603</u></u>	<u><u>21,447</u></u>
Present value of finance lease liabilities		
Not later than 1 year	12,341	6,041
Later than one year but not later than 5 years	<u>26,262</u>	<u>15,406</u>
	<u><u>38,603</u></u>	<u><u>21,447</u></u>

14.1 Finance leases are entered into with modarabas and a leasing Company for motor vehicles. The balance of liability is payable by June 2012 in monthly installments.

Monthly lease payments include finance charge ranging from 6.26% to 14.98% (2007: 6.26% to 13.43%) per annum which are used as discounting factor.



	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
15. DEFERRED TAX		
(Debit) / credit balance arising in respect of:		
Accelerated tax depreciation / amortisation	76,530	42,972
Provision for slow moving stock	(5,618)	(7,422)
Provision for doubtful trade debts	(1,215)	(1,215)
Liabilities against assets subject to finance lease	1,061	1,022
	<u>70,758</u>	<u>35,357</u>
16. TRADE AND OTHER PAYABLES		
Creditors	185,424	164,915
Accrued liabilities	132,672	93,334
Workers' profits participation fund - note 16.1	2,862	10,315
Workers' welfare fund	6,737	4,059
Advances from customers	16,568	17,844
Payable to provident fund	2,406	1,610
Security deposits from customers	3,097	69
Tax deducted at source	3,470	973
Due to related parties - directors	23	28
- others - note 16.2	937	912
Advances from employees	11,849	10,129
Unclaimed dividend	972	713
Other liabilities	2,548	1,458
	<u>369,565</u>	<u>306,359</u>
16.1 Workers' profits participation fund		
Balance as at July 1	10,315	5,718
Allocation for the year	12,592	10,315
Interest on fund utilised in the company's business	270	128
	<u>23,177</u>	<u>16,161</u>
Amount paid during the year	(20,315)	(5,846)
Balance as at June 30	<u>2,862</u>	<u>10,315</u>
16.2 Due to related parties - others		
Associated Textile Consultants (Private) Limited	833	872
Pakistan Card Clothing (Private) Limited	104	40
	<u>937</u>	<u>912</u>
17. ACCRUED INTEREST / MARK UP		
On		
- short term borrowings	8,764	5,234
- long term financing	8,422	4,950
	<u>17,186</u>	<u>10,184</u>



June 30, **June 30,**
2008 **2007**
(Rupees in thousand)

18. SHORT TERM BORROWINGS

Running finance under mark up arrangements	281,932	-
Export re-finance	124,330	96,900
Short term loans	130,079	114,372
	536,341	211,272

18.1 The above facilities available from various banks amount to Rs 625 million (2007: Rs 338 million). The arrangements are secured by way of pari-passu charge against hypothecation of Company's stock in trade and trade debts. The facilities are payable by March 2009 and are renewable.

18.2 The facilities for opening letters of credit and guarantee as at June 30, 2008 amounted to Rs 114.49 million (2007: Rs 105.43 million) of which the amount unutilised at year end was Rs 4.03 million (2007: Rs 76.57 million).

18.3 The rates of mark up range between 7.5% to 14% per annum as at June 30, 2008 (2007: 6.11% to 10.2%).

June 30, **June 30,**
2008 **2007**
(Rupees in thousand)

19. DUE TO / ADJUSTABLE WITH THE GOVERNMENT

Sales tax	12,582	8,959
Special excise duty	695	-
	13,277	8,959

20. COMMITMENTS

Aggregate commitments for capital expenditure as at June 30, 2008 amounted to Rs 5.4 million (2007: Rs 8.97 million).

June 30, **June 30,**
2008 **2007**
(Rupees in thousand)

21. SALES

Local sales	3,653,216	2,869,311
Export sales	388,812	278,030
	4,042,028	3,147,341
Sales tax	(423,849)	(347,685)
Special excise duty	(23,892)	-
	(447,741)	(347,685)
	3,594,287	2,799,656
Less:		
Discount	359,311	285,487
Rebates and allowances	93,265	84,911
Sales returns	79,965	38,200
	532,541	408,598
	3,061,746	2,391,058



22. OPERATING COSTS

	Cost of Sales		Distribution Cost		Administrative Expenses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Raw materials consumed	1,391,740	916,164	-	-	-	-	1,391,740	916,164
Packing materials consumed	443,084	386,266	-	-	-	-	443,084	386,266
Provision for slow moving stock	(1,375)	6,387	-	-	-	-	(1,375)	6,387
Salaries, wages and other benefits	175,627	154,975	112,501	97,754	64,675	45,429	352,803	298,158
Contribution of provident fund	3,089	2,570	1,747	1,552	1,419	1,044	6,255	5,166
Advertising and sales promotion	-	-	270,656	270,769	-	-	270,656	270,769
Auditors' remuneration - note 22.1	-	-	-	-	1,393	730	1,393	730
Depreciation / Amortisation	36,229	24,747	9,195	5,909	11,355	7,440	56,779	38,096
Fuel and power	57,813	48,786	938	769	667	751	59,418	50,306
Outward freight	-	-	107,531	87,188	-	-	107,531	87,188
Forwarding charges	-	-	5,415	4,942	-	-	5,415	4,942
Insurance	4,988	3,238	2,313	1,896	2,614	1,152	9,915	6,286
Laboratory, research and development	1,835	1,658	434	138	25	12	2,294	1,808
Legal and professional charges	-	-	-	-	7,809	9,896	7,809	9,896
Postage and communications	699	458	7,392	5,770	2,506	2,186	10,597	8,414
Printing and stationery	2,272	2,456	3,853	2,235	2,056	1,688	8,181	6,379
Rent, rates and taxes	11,784	8,446	9,833	7,375	750	632	22,367	16,453
Repairs and maintenance	53,061	38,673	2,941	1,892	13,929	7,167	69,931	47,732
Travelling	23,987	14,436	33,243	24,379	17,164	11,634	74,394	50,449
Stock written off	-	3,819	-	-	-	-	-	3,819
Others	633	720	2,226	1,334	3,506	1,536	6,365	3,590
	<u>2,205,466</u>	<u>1,613,799</u>	<u>570,218</u>	<u>513,902</u>	<u>129,868</u>	<u>91,297</u>	<u>2,905,552</u>	<u>2,218,998</u>
Opening work in process	139,695	97,603						
Closing work in process	(213,773)	(139,695)						
Cost of goods manufactured	<u>2,131,388</u>	<u>1,571,707</u>						
Opening stock of finished goods	98,872	101,067						
Closing stock of finished goods	(154,102)	(98,872)						
Export rebate	(189)	(1,328)						
	<u>2,075,969</u>	<u>1,572,574</u>						



June 30, 2008 **June 30, 2007**
(Rupees in thousand)

22.1 Auditors' remuneration

Audit fee	400	300
Limited review, special reports and other certifications	815	265
Out of pocket expenses	178	165
	1,393	730

23. OTHER OPERATING EXPENSES

Provision against doubtful trade debts	-	3,906
Debts written off	-	547
Donations - note 23.1	186	200
Workers' profits participation fund	12,592	10,315
Workers' welfare fund	5,037	4,126
	17,815	19,094

23.1 The directors or their spouses do not have any interest in any donee's to which donations were made.

June 30, 2008 **June 30, 2007**
(Rupees in thousand)

24. OTHER INCOME

Income from financial assets

Exchange gain	11,161	752
Interest on late payment by trade debtors	28	932

Income from assets other than financial assets

Profit on disposal of property, plant and equipment	1,092	2,258
Liabilities no longer payable written back	7,421	-
Sales tax refunded	-	7
Insurance claim	1,561	1,689
Scrap sales	834	-
Miscellaneous	212	472
	22,309	6,110

25. FINANCE COSTS

Mark up on long term finance	22,342	10,605
Mark up on running finance under mark up arrangements	12,673	2,198
Mark up on export re-finance	7,868	6,903
Mark up on foreign currency import finance	3,812	7,771
Mark up on finance lease	3,686	2,121
Interest on workers' profits participation fund	270	128
Bank charges	5,587	2,949
	56,238	32,675



	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
26. TAXATION		
Current - for the year	42,000	38,000
Deferred	35,401	23,890
	<u>77,401</u>	<u>61,890</u>
Prior	-	540
	<u>77,401</u>	<u>62,430</u>
26.1 Reconciliation between tax expense and accounting profit:		
Profit before taxation	233,947	191,722
Tax at applicable tax rate of 35%	81,881	67,103
Expense not deductible for tax purposes	179	179
Effect of lower tax rate on export sales	(5,479)	(4,709)
Others	820	(683)
	<u>77,401</u>	<u>61,890</u>
27. EARNINGS PER SHARE		
Profit after taxation attributable to ordinary shareholders	156,546	129,292
Weighted average number of shares in issue during the year (in thousand)	5,526	5,526
Earnings per share - basic and diluted (Rupees)	28.33	23.40

For the purposes of calculating earnings per share, number of shares outstanding as at June 30, 2007 have been increased to reflect the bonus shares issued during the period.

28. RELATED PARTY DISCLOSURES

A. Related parties with whom the Company had transactions

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



B. Disclosure of transactions between the Company and related parties

Relationship with the Company	Nature of transaction	June 30,	June 30,
		2008	2007
(Rupees in thousand)			
i) Associated Companies / Undertakings:	Sale of goods	602,978	541,673
	Compensation for use of trademark / marketing expense	-	634
	Reciprocal arrangements for sharing of services	2,129	1,470
Key management compensation:			
	Salaries and other short-term employee benefits	48,544	35,241
	Post-employment benefits	1,479	927
		50,023	36,168

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

The related party status of outstanding balances as at June 30, 2008 are included in trade debts, other receivables and trade and other payables respectively.

29. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

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

	Directors		Chief Executive		Executives	
	2008	2007	2008	2007	2008	2007
(Rupees in thousand)						
Managerial remuneration and allowances	3,484	2,098	3,899	3,108	18,537	12,962
Utilities	348	210	390	311	1,854	1,296
Bonus / Variable pay	581	350	2,643	5,032	2,849	2,155
Housing	1,568	944	1,754	1,399	8,342	5,833
Retirement benefits	-	-	-	-	1,714	1,215
Travelling expenses	-	208	-	503	-	-
Other expenses	783	153	900	440	8,302	5,418
	6,764	3,963	9,586	10,793	41,598	28,879
Number of persons	2	2	1	1	18	16

29.2 Aggregate amount charged in these financial statements for the year for fee to non-executive directors was Rs 11,000 (2007: Rs 11,000).

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



30. PLANT CAPACITY AND PRODUCTION

	2008	2007
	Actual production Metric Tons	
Spices	7,071	5,787
Pickles	5,186	5,554
Pastes	6,674	5,062
Salt	19,685	19,268

30.1 The capacity of the plant is not determinable as it is a multi product plant capable of producing several interchangeable products.

31. FINANCIAL INSTRUMENT

31.1 Financial assets and liabilities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
	(Rupees in thousand)						
FINANCIAL ASSETS							
Trade debts	-	-	-	262,997	-	262,997	262,997
Deposits	-	-	-	939	4,444	5,383	5,383
Other receivables	-	-	-	1,446	-	1,446	1,446
Cash and bank balances	-	-	-	13,496	-	13,496	13,496
June 30, 2008	-	-	-	278,878	4,444	283,322	283,322
June 30, 2007	-	-	-	160,780	2,766	163,546	163,546
FINANCIAL LIABILITIES							
Long term financing	43,000	100,000	143,000	-	-	-	143,000
Liabilities against assets subject to finance lease	12,341	26,262	38,603	-	-	-	38,603
Trade and other payables	-	-	-	325,673	-	325,673	325,673
Accrued interest / mark up	-	-	-	17,186	-	17,186	17,186
Short term borrowings	536,341	-	536,341	-	-	-	536,341
June 30, 2008	591,682	126,262	717,944	342,859	-	342,859	1,060,803
June 30, 2007	263,313	158,406	421,719	271,613	-	271,613	693,332
OFF BALANCE SHEET ITEMS							
Letters of credit							104,686
June 30, 2007							25,111
Letter of guarantee							5,772
June 30, 2007							3,754

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

31.2 Financial risk management objectives and policies

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 2008 the Company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2008 was as follows:

	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
Total Borrowings	679,341	400,272
Cash and Bank	(13,496)	(18,146)
Net debt / (cash)	<u>665,845</u>	<u>382,126</u>
Total equity	<u>515,925</u>	<u>367,880</u>
Total capital	<u><u>1,181,770</u></u>	<u><u>750,006</u></u>
Gearing ratio	56%	51%

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

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

i) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of total financial assets of Rs 283.32 million (2007: Rs 163.55 million), the financial assets which are subject to credit risk amounted to Rs 263 million (2007: Rs 116.49 million). Concentrations of credit risk may arise from exposure to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their obligations is effected similarly by changes in economic or other conditions. Although the Company operates mainly in the consumer industry but the management believes that it is not exposed to significant concentrations of credit risk. The management limits its credit risk by an aggressive policy for approval of credit limits and by ensuring that sales are made to customers with an appropriate credit history.

ii) Liquidity risk

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

iii) Foreign exchange risk management

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. The Company exports its products to various countries and is exposed to movement in foreign exchange rates. Financial assets of equivalent Rs 164.68 million (2007: Rs 100.50 million) were in foreign currency which were exposed to foreign currency risk. Also, short term loans include foreign currency import finance amounting to Rs 68.37 million (2007: Rs 41.46 million), which was exposed to foreign currency risk.

31.3 Fair values of financial assets and liabilities

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



	June 30, 2008	June 30, 2007
	(Rupees in thousand)	
32. CASH GENERATED FROM OPERATIONS		
Profit before taxation	233,947	191,722
Adjustments for non-cash charges and other items		
Depreciation on property, plant and equipment	54,471	36,212
Amortisation of intangibles	2,308	1,884
Profit on disposal of property, plant and equipment	(1,092)	(2,258)
Provision for slow moving stock	(1,375)	6,387
Stock written off	-	3,819
Finance cost	56,238	29,726
	<u>110,550</u>	<u>75,770</u>
Profit before working capital changes	344,497	267,492
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(3,177)	(859)
Stock in trade	(276,877)	(119,978)
Trade debts	(146,506)	(10,645)
Advances	(7,171)	1,792
Trade deposits and prepayments	187	1,770
Other receivables	23,947	(24,330)
	<u>(409,597)</u>	<u>(152,250)</u>
Increase in current liabilities		
Trade and other payables	62,947	65,804
Due to / adjustable with the government	4,318	4,488
	<u>67,265</u>	<u>70,292</u>
	<u>2,165</u>	<u>185,534</u>
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	13,496	18,146
Short term borrowings	(536,341)	(211,272)
	<u>(522,845)</u>	<u>(193,126)</u>



34. EVENT OCCURRING AFTER BALANCE SHEET DATE - PROPOSED DIVIDEND


The Board of Directors in its meeting held on August 29, 2008 proposed a transfer of Rs 270.19 million (2007: Rs 12.752 million) from unappropriated profit and Rs 6.10 million (2007: Rs Nil) from share premium account to "reserve for issue of bonus shares" for issuance of five bonus shares for every one share held (2007: issue of three bonus shares for every ten shares held) subject to the approval of increase in authorised shares capital and the bonus issue by the Company in the annual general meeting to be held on October 15, 2008.

In 2007, in addition to bonus shares, the Board of Directors proposed a cash dividend of Rs 2 per share amounting to a total dividend of Rs 8.501 million.

These financial statements do not reflect the transfer, which will be accounted for in the financial year ending June 30, 2009.

35. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 29, 2008 by the Board of Directors of the Company.


Abrar Hasan
Chief Executive


Zahid Majeed
Director



FORM OF PROXY

37TH ANNUAL GENERAL MEETING

I/we _____ of
_____ being a member of
National Foods Limited holding _____ Ordinary shares as per Registered
Folio No./CDC A/c No. (for members who have shares in CDS) _____
hereby appoint Mr./Mrs./Miss _____ of
(full address) _____ or falling him/her
Mr./Mrs./Miss _____ of
(full address) _____
(being member of the Company) as my/our Proxy to attend, act and vote for me/us and behalf at the 37th
Annual General Meeting or the Company to be held on October 15, 2008 and/or any adjournment thereof.

As witness my/our hand seal this _____ day of _____ 2008.

Signed by _____ in the
presence of (i) _____
(ii) _____

Signature on
Rs.5/-
Revenue Stamp

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

Important:

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

For CDC Account Holders/Corporate Entities:

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

- (i) The Proxy form shall be witness by two persons whose names, address and NIC Numbers shall be mentioned on the form.
- (ii) Attested copies of NIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his/her original NIC or original Passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form.

Noble Computer Services (Pvt.) Limited

2nd Floor, Sohni Centre,
BS 5 & 6 Karimabad,
Block-4, Federal B. Area,
Karachi-75950

AFFIX
POSTAGE





A young Chilli plant
Capsicum annuum



NATIONAL FOODS LIMITED
www.nfoods.com