



INSPIRING NEW TRADITIONS

ANNUAL REPORT 2018





About the Report

Inspiring New Traditions is the outlook National Foods Limited has adapted for business this year. Over the course of the year, we have strived to inculcate this message in every decision, product and initiative taken by us.

Our existence is based upon the happiness and health of our consumers, which leads us to provide the very best quality of products across the board. Our values direct us to innovate with the ever-growing economy of our nation, and to apprise our consumers regarding the importance of their health. With the changes in the food industry, National Foods Limited is looking forward to being a driving force.

The report highlights our outlook on Inspiring New Traditions. It showcases the manner in which we have moved through the year with the help of this idea in our minds.

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Our Story

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

In alignment with NFL's Vision of becoming a Rs. 50 billion company, we constantly Inspire New Traditions and are already on our way to be recognized as an internationally renowned brand in over 37 countries across 5 continents worldwide. This has been facilitated with the aim of keeping traditions through new methods.

NFL is dedicated to improving the well-being of our society through continuous development of innovative food products and changing the way in which the modern household cooks food. We are also dedicated to infusing new initiatives into the society through our wide range of Corporate Social Responsibility programs.

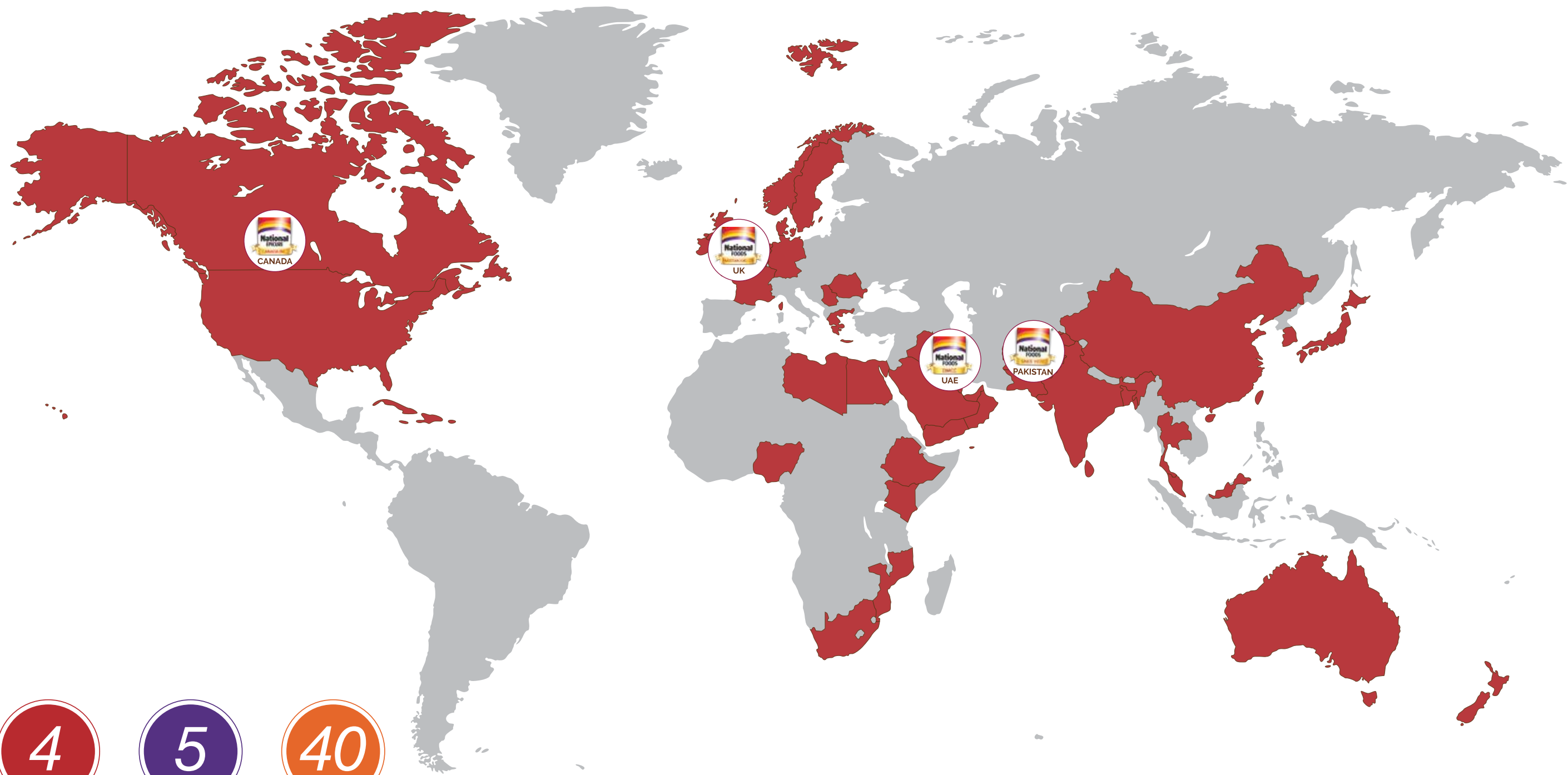
Business Profile

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

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



Geographical Presence



4

Offices

5

Continents

40

Countries



Founders' **Philosophy**

National Foods must focus on customers' needs and serve them with quality products at affordable prices. Our products must be pure and should conform to international standards. Our research must continuously produce new and adventurous products that are scientifically tested and hygienically wrapped in safe and attractive packaging.

We must create an environment in our offices and factories where talent is groomed and people have every opportunity to advance in their careers. We must provide ourselves to be good corporate citizens, support charitable causes and bear fair share of taxes.

Reserves must be built, new factories created, sound profits made and fair dividend should be paid to our stockholders. Through building a reliable brand, National Foods must get itself recognized as a leader in Pakistan and abroad.

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



Vision & **Mission**

To be a Rs. 50 billion food company 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, we're good at what we do, and we take pride in who we are.



Leadership

We are part of the solution, never the problem. We act like owners and have a positive influence on others.



People Centric

We put our people first. We treat them with respect and actively contribute towards their development.



Ethics

We don't run our business at the cost of human or ethical values.



Customer Focus

We see the world through the eyes of our customers. We do everything possible that makes them happy.



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.



Teamwork

Our roles are defined, not our responsibilities. We believe in going the extra mile to accomplish our goals. We coach and support each other to ensure everyone wins. We have a "WE versus I" mindset.



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!



Code of Ethics & Business Practices

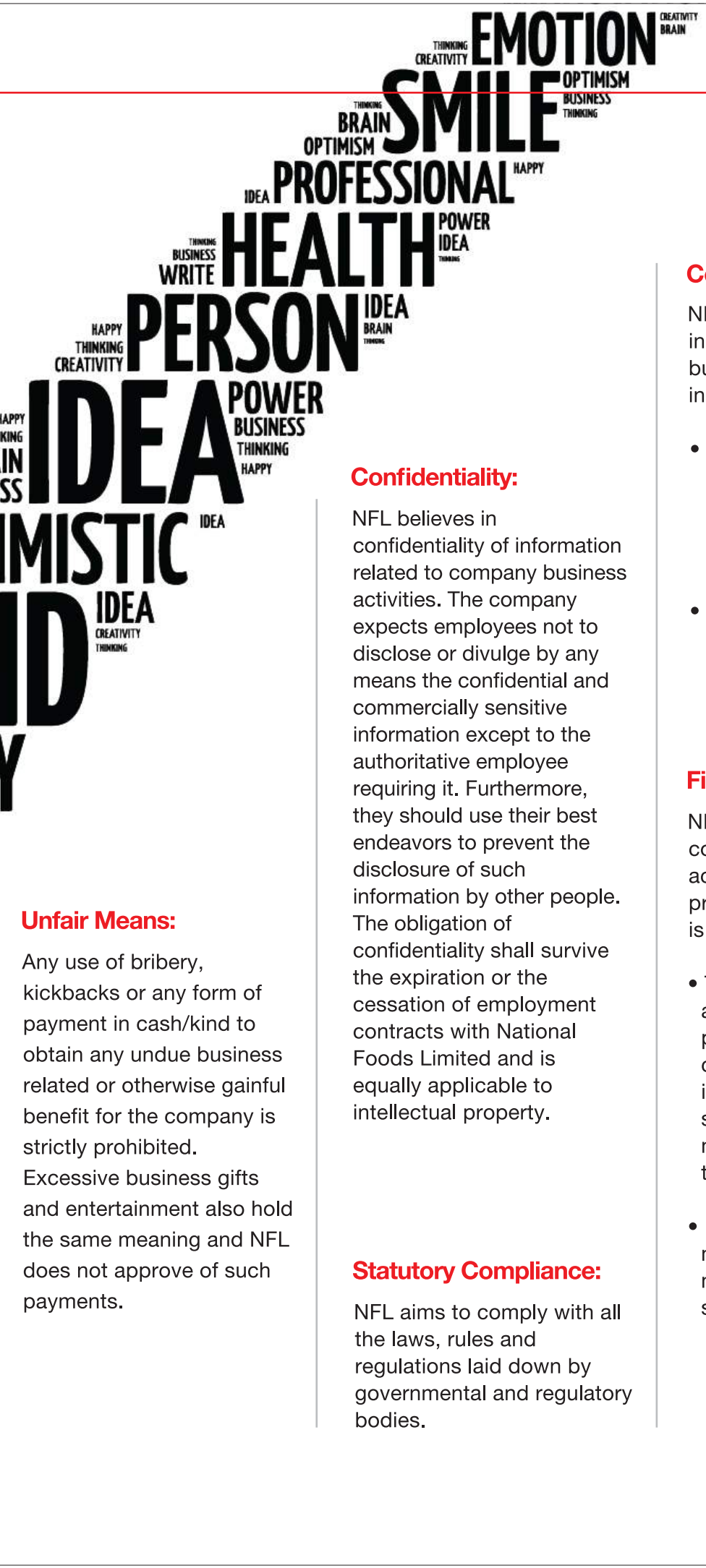
National Foods Limited believes in conducting its operations with strong ethical and moral standards. NFL's statement of code of conduct & business practices aims to provide guidance on carrying out its business-related decisions and activities. Any party entering any form of contract with NFL is bound to comply with the given guidelines. It has the following seven guidelines:

Unfair Behavior:

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

Health, Safety and Community Responsibility:

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



Confidentiality:

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

Unfair Means:

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

Statutory Compliance:

NFL aims to comply with all the laws, rules and regulations laid down by governmental and regulatory bodies.

Conflict of Interest:

NFL prohibits actions that are in conflict with the company business interests. This may include but is not limited to:

- Providing assistance to the competition or holding ownership interests in a customer, supplier, distributor or competitor
- Making personal gains at company expenses

Financial Integrity:

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

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

History in Making

1970

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

1978



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

1971



National Foods moves its operations to Dinar Chambers West Wharf.

1986



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

1988

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

1992

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

1991

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



1993

National Foods goes into Salt Plant Modernization.

1996

National Foods introduces its first Human Resources Department.

1997



National Foods adds ketchup to its product portfolio.

1998

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

2000

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

2009

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

2006

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

2001



National launches its line of instant desserts.

2010



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

2013

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

Aflatoxin free Red Chilli Crop project conducted successfully with progressive farmers.

"Building Excellence in People" program was initiated by HR.

2014

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

National Foods launches its "Saaf Pani Sehatmand Zindagi" campaign.

National Foods also launches its first range of Halal frozen meals and traditional nimco snacks called National Authentic and National Masala Snax internationally.

2018

National Foods shifts to its new Corporate Office. Inauguration of the Snacks productions at Port Qasim with launch of Scene On in the market. Launch of Chana Chaat Masala and Fruit Chaat Masala. Establishment of Demand Based Replenishment System (DBRS). Launch of NFL's first-ever Sales Career Framework.



2017



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

National Foods launches Mayonnaise to its product range.

Systems are switched to Office 365.

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



2015

National Foods inaugurates Gujranwala Factory in line with its Vision. This plan focuses on streamlining the value chain of Kasuri Methi, along with providing support to National Recipe Masala's packaging processes.

NFL launches its first Solar Energy Project at Port Qasim in line with sustainable energy developments.

Awards & Certificates

1. Recognition of NFL Products on International Front

This year, IRD along with the marketing team capitalized the opportunity of recognizing our brand at international level through participating in the ITQI Superior Taste Awards 2018.

ITQI – International Taste & Quality Institute is the leading independent Chef and Sommelier based organization dedicated to test and promote superior taste of food and drink products all around the world. The evaluation process is ISO 9001 Certified and the products are assessed by the most qualified jury in the world.



The following National Foods products were able to achieve remarkable and at par ratings:



2. Project Manager of the Year 2017

National Foods Limited (NFL) was honoured by Pakistan Chapter of the Project Management Institute – USA, by declaring it the winner of the Project Management Professional Award 2017. The announcement came from a ceremony organised to celebrate the International Project Management Day at the PMI’s Karachi Chapter.

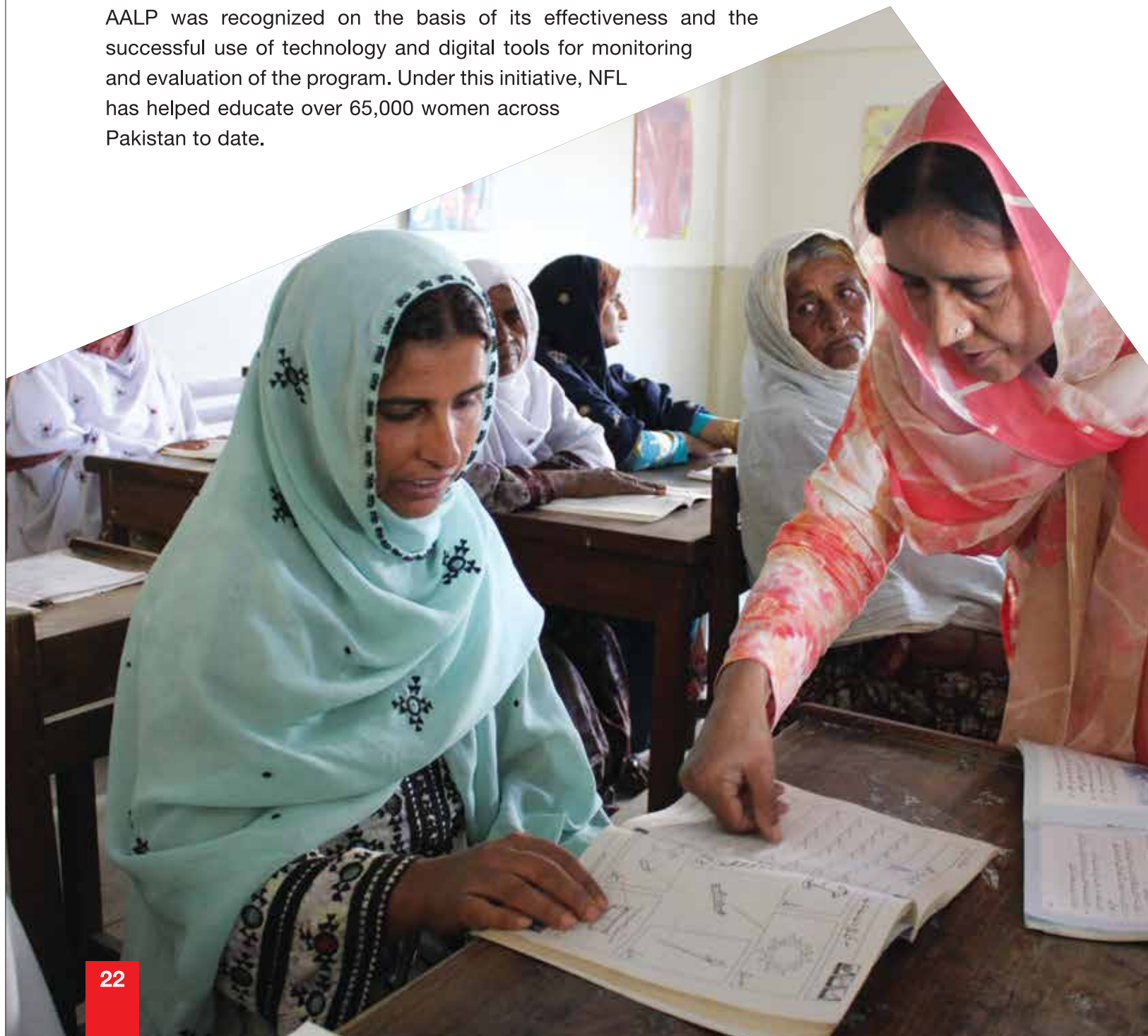
NFL Innovation Team participated in the contest to showcase its project “Mayonnaise” under the award category “Project Manager of the Year”. The PMI KPC PM Award Committee coordinates with a panel of judges (comprising members from Industry and Academia) for evaluating outstanding applications, three as finalists, as per Chapter’s Board approved criteria. This takes into account leadership skills, technical project management skills and the strategic & business management expertise demonstrated throughout the project as per PMI’s talent triangle for applicant’s evaluation.



3. UNESCO Confucius Prize for Literacy 2017

National Foods, in collaboration with The Citizens Foundation, pioneered the Aagahi Adult Literacy Program (AALP) as part of community development. The program has been selected as one of the winners of UNESCO Confucius Prize for Literacy 2017. The UNESCO Confucius Prize for Literacy was established in 2005, with the support of the Government of the People's Republic of China. It gives special consideration to literacy amongst adults in rural areas and out-of-school youth, particularly girls and women.

AALP was recognized on the basis of its effectiveness and the successful use of technology and digital tools for monitoring and evaluation of the program. Under this initiative, NFL has helped educate over 65,000 women across Pakistan to date.



4. Food Safety Management System & Quality Management System

We received successful certifications of ISO 22000 Food Safety Management System (FSMS) as well as smooth transition of ISO 9001:2008 to 9001:2015 version of Quality Management System (QMS). It demonstrates that NFL has a robust Food Safety Management System in place which meets the requirements of its customers and consumers.



Gujranwala and Muridke plants were FSMS certified for the very first time! These certifications help in addressing control measures for all types of food hazards associated with raw materials, packaging, handling and storage, manufacturing and processing, until the final dispatch of products including food security and safety.

Post this feat, all plants of NFL have been certified with Food Safety Management System now. This has led to minimization of the occurrence of food safety related incidents.

5. Occupational Health and Safety Assessment Series (OHSAS)

National Foods also received successful OHSAS 18001:2007 Certification and Recertifications this year. Our Gujranwala plant, snacks department at Port Qasim plant and Mayo department at SITE plant were OHSAS certified for the first time!

This helps the company in dealing with workplace hazard and provides sound occupational health and safety performance.



Our People

Our people are our biggest competitive advantage as their commitment and passion drives us to realize our Vision, driven by our founder's philosophy for sustainable acceleration.

At National Foods, we believe that long term value creation is the result of both operational efficiencies and growth mindset which is why we are highly keen on investing in the continuous personal and professional development. Our continued success is constantly challenged in a world where change is happening at a rapid pace fueled by the ever-evolving digital technology. Consumers are far more responsive and sensitive to changing trends and attitudes, unleashing new opportunities for organizations, which are adept, agile and flexible in their approach for keeping abreast with the modern-day era. We ensure that our people are continuously equipped with the right resources, empowered and possess growth mindset, transparent guidelines and skillsets which enable their performance to outperform expectations.

Management Development

According to the World Economic Forum, on average, by 2020 more than a third of the desired core skill sets will be changed and nearly 35% of the core skills required for key roles in future are currently missing from the equivalent roles today. The vision of our Human Resources function is to be simpler, with more impact to accelerate business growth by embarking on the following initiatives:

- **Realigning**

During 2017, NFL has gone through major realignment in every function. The key objectives are to create an organization that is faster, more agile and more competitive. Through restructuring in Sales and Integrated Supply Chain, we want our people to think and act differently, making them more empowered, giving them the opportunity to experiment and encouraging them to think and proactively act like business owners. These changes will be key in attracting the right people to achieve our goals.

- **Trailblazers**

In a bid to revolutionize the operations of the industry and to recruit top talent, NFL has revamped, rebranded and relaunched its Management Trainee Program which is now called the NFL 'Trailblazers'. The purpose of this accelerated growth program is to recruit new talent that can Trailblaze their way to the top, and take the organization to new levels. NFL teamed up with Taar, a consulting company through Mettl, Taar's Assessment Center. The organization uses a complete online testing method. The tests are designed to identify the right fit for the organization using comprehensive checks for attention to detail, problem solving, critical thinking, data analysis and analytical thinking.



Around 3000 applicants have gone through a rigorous selection process out of which 2100 were shortlisted for the Online Analytical Test. After the online aptitude test, a total of 36 people will be broken into 6 groups where they will be evaluated on developing a solution set upon inhouse developed business case study. They will be observed for their participation and contribution to group discussions, time management, analytical, planning and strategic skills, innovative solutions, communication and presentation. The candidates will also go through an online psychometric testing which will help NFL to gauge their job and organizational compatibility and help identify leadership potential

• Sales Career Framework

As NFL evolves into a dynamic organization, it is critical to outline the role of architectures (i.e. domains, careers levels, and positions) within the organization to understand how these levels will reflect meaningful differences to impact the career progression. The journey of building Career Frameworks has started from sales function this year. Sales Career Framework will enable us to lay out the experiences that will deliver results, build capability by bench strength creation and a high-performance culture for the Sales Organization. In future, the model will cascade to the other functions.

Learning

Learning and building skill set is critical with skills evolving at pace. In response, our learning team has focused on igniting a passion for a fostering “Growth Learning Mindset”. Learning Management System (LMS), our collaborative digital learning platform, will be supporting this shift. Our people can access bite-sized learning which will be both engaging and featuring industry best practices. Following workshops were conducted to enhance the skillset of our people:

- A series of “Essential Excel Skills” workshops were conducted to equip Sales team to bring them up to speed for creating dashboards and other updated Microsoft tools. NFL also celebrated “Digital Day” and invited guest speakers from Facebook
- In line with our continuous effort to develop people and their line managers, NFL conducted org-wide workshops on Managing Employee Performance through giving effective feedback



Our Manufacturing Excellence

Site

When compared to FY17, Overall Equipment Effectiveness increased by almost 10%. While the manufacturing volumes (both in KG and units) grew, the total cost of manufacturing for the plant



reduced by 2%, reducing per kg cost of manufacturing by 5% as compared to last year. Many initiatives were taken to improve energy efficiency at the plant, including installation of VFD driven Air Compressor, change of Salt Plant Dryer to reduce natural gas consumption, enhancing power generator efficiency through maintenance excellence and sourcing water via alternate sources to reduce cost. In terms of numbers, there was a 10% reduction in utility cost per kg when compared to last year. All this was accompanied by continuous focus on Quality and HSE; clearing all external audits pertaining to HSE and Quality without any major Non-Conformity. Special emphasis was given to employee development and training on Root Cause Analysis (RCA), 5S and Productivity Improvement in collaboration with MNBEC (Management and Business Excellence Consultant). In addition to this, SITE plant was awarded as the **BEST IMPROVED PLANT OF NFL**.

Nooriabad

• State-of-the-art Salt Processing Plant

National is among the oldest and well-established names in the Branded Salt segment, currently generating revenue of more than a billion PKR for the company. The company has raised the capacity of the Salt Category by installing state-of-the-art European Technology (from Spain) with a capacity of 10 tons per hour.

• 132 Brine Tanks Construction

Strategic sourcing of ingredients and raw materials is of key importance in any FMCG business. This is the case for Pickle Manufacturing, where we need to store thousands of tons of Mangoes, Carrots, Chillies etc. in brine tanks for the full season.



With trend of double digits growth in Pickle, 132 new Brine Tanks were made in Nooriabad Plant under a pre-fabricated building. In addition to this, we also updated the automated Mango Cutting lines through which record production was achieved.

Port Qasim

• Pickle Dwelling Zone

A new Dwelling Zone was developed to provide extra space and increased airflows to Pickle Maturation Tanks to debottleneck filling constraints of 20 kg pickle operations. A sharp increase in daily production has

been achieved due to this remarkable innovation and now it has touched an all-time high of 95 tons/day and in the month of March the pickle section made an un-parallel history by producing over 2 million kg.



• Increase in Electricity Sanctioned Load at PQ Factory

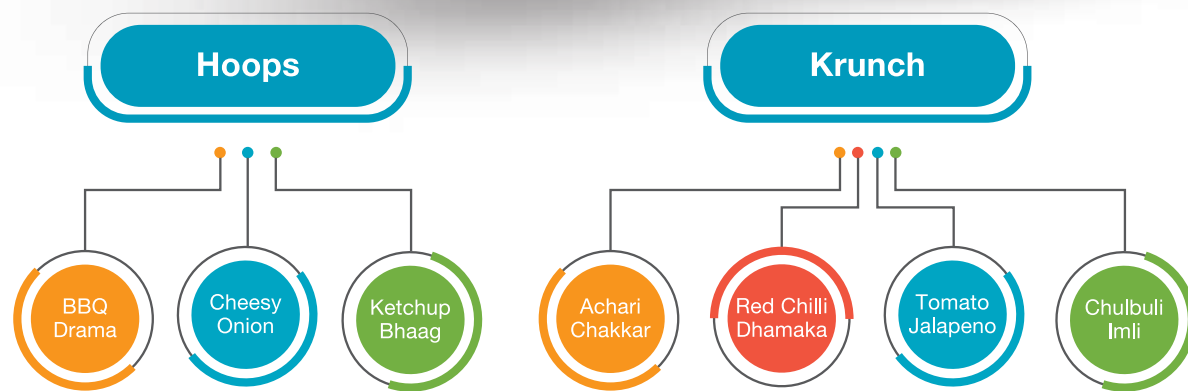
KE connection upgradation from 1 MW to 2.5 MW is a huge accomplishment and its inclusion will be beneficial for our present as well as future business requirements at this location.



• **Launch of Snacks Category**

We installed a state-of-the-art plant for making Extruded Corn Snacks with 2 fully automatic manufacturing lines for our brand Scene On, making it completely free of manual handling. From Extruders to Packing, a cutting-edge technology was selected from world's leading OEMs of USA and Japan and also features introduction of Anti-Microbial flooring (Polyurethane – PU) and filling Nitrogen gas in each pouch to keep the product fresh.

The brand strikes a balance by offering two main products; Hoops (Baked Snacks) and Krunch (Fried Snacks) each sprinkled with uniquely mouth-watering flavors. Scene On was launched in Aug 2017 and initially made available in Karachi with upcoming plans to expand the distribution network across the country.



• **Induction of Packing Machines for Spices & Recipes**

Being savvy on new market trends, Spices Section is always geared up to adopt accordingly. With a focus on providing opportunities for our local engineering we have developed new packing machines.

These packing machines include 2-Lane Semi Pack for most valued Biryani Masala segment capable of packing Biryani Masala, Bombay Biryani and Yakhni Pulao. Another packing machine for Recipes/Plain Spices was installed for packing semi-packs of several variants of 100 gm.

Gujranwala and Muridke

• **Capacity Enhancement for Recipe & Ketchup Lines**

This year we have installed 4 recipes sachet machines, one recipe cartoning machine (Langen) and one packing line for tomato ketchup (3.25 kg) in Gujranwala plant. These installations have increased our plant capacity for recipes packing from 36 MM units to 106 MM units per annum which is approx. 200% increase & also added 1000 MT per annum Ketchup production (12.5%).

• **OHSAS 18000 & ISO 22000 Certification**

ISO 22000 Food Safety Management System has been successfully developed at Gujranwala plant this year. The plant also adopted and implemented Occupational Health & Safety Management System OHSAS 18000 and obtained its certification. These systems have been audited and certified through third party certification body i.e. United Registrar of Systems (URS).



Our Supply Chain

Demand Based Replenishment System (DBRS)

NFL has developed a dynamic replenishment model by adopting an advanced approach of demand-driven fundamentals. On the one hand, this move establishes a stronger presence for the company within the industry, while on the other, it helps transform our way of working through real-time data analysis, which leads to improved decision making and enhanced customer service levels.

Rescheduling

Automation of order processing in the warehouses is indicative of how the capabilities and power of the system can be leveraged. The ultimate vision is to have a one-click system from order generation to order processing. One of the key benefits is that a 12-hour job can be reduced to 4 mins at each NFL warehouse. With this system in place, more than 200 orders with 2400 lines are auto-processed as per the set priority of over 300 customers.

Forecasting

Based on historical data and user-defined flexible criteria, we leveraged the current SAP S&OP system which enabled forecast to be further disaggregated at regional, channel or customer group-level. This is a stepping stone and pre-requisite for the implementation of DBRS.

Logistics Backhauls

The backhaul model with Unilever is a freight management strategy that allows collaborative logistics and load sharing. This continuous move creates a win-win situation for the stakeholders involved in the business and the company, who will get lower rates for backhaul routes. This environment-friendly move equips NFL with the ability to minimize empty miles which is an important way to stay green!





Brands & Campaigns



Brands & Campaigns

National Recipe Mix

Various marketing and consumer engagement activities helped sustain volumes and gain market share for the recipe mixes. Promotional activities in the recipe category were executed throughout the four quarters at General Trade and Local Modern Trade channels. A dedicated new thematic ad campaign was rolled around for the Recipe Mix known as "Lazzat Bhari Sahulat". The ad focused on convenience and the ever-great taste of National Recipe Mixes. In addition to this, a dedicated Sachet campaign was aired to drive off-take and enhance the core product market share.

Moreover, the iconic food series of National Ka Pakistan entered its 5th season. This time Chef Saadat was seen exploring new places up north and visiting different locations and unique local cuisines that the masses were unaware of. The renowned composer Shuja Haider accompanied him throughout the season and sang traditional festive songs. The show had great recall among the audience and gained over 8 million video views.



Ketchup

National Ketchup Zaroori, is an engaging thematic campaign highlighting the versatile consumption occasions of National Ketchup. The 40 second TVC was strategically placed on-air to cover July-August buying cycle. It was also aired in pre-Bakra Eid season to highlight the consumer promotion of 1 kg ketchup with free single pack recipe mix.

Another burst was aired in Pre-Ramadan buying cycle. School activation targeting a total of 105 schools and over 36,000 students was executed across key cities to reach out to kids, who are the key influencers of the Ketchup category. The tagline 'Bhook Ho Puri, National Ketchup Zaroori' was used, building on a key insight that kids eat more with National Ketchup. Interesting activities were lined up for kids and nutritionists were taken on board to educate mothers. The campaign created buzz on social media and was promoted on our Facebook page. Various bloggers were engaged for post event amplification.

Following the school activations, DDS (Door to Door Selling) was carried out where 1 sachet of National Tomato Ketchup and Chilli Garlic was given free on the purchase of 250g National Ketchup and Chilli Garlic. 60,000 households were targeted, and the sales achievement was very promising.



National Desserts

To increase awareness, encourage trials, gain consumer interest and to capitalize on the opportunity of increased consumption during season (Bakra Eid), 3 bursts of consumer promotions were given in FY18 on modern desserts, in which free 80gms jelly was given with 300gms National Custard.

National Desserts also collaborated with Pakistani Chefs at Home, a popular Facebook group of opinion makers where participants co-created creative food items by using National Powdered Desserts. Winners were awarded with passes to a popular game show 'Geo Khelo Pakistan' where National Desserts were showcased for 3 weeks.



National Mayo

National Foods carried out various activities to promote the launch of Classic Mayo. A 15 second functional copy and 5 second break bumper was aired on all major TV channels. A radio spot was secured and ran in all major cities of Pakistan to announce the launch with its catchy jingle. Print was focused on 11 cooking and food based magazines. This campaign also ran on social media, which included Facebook, Instagram, YouTube as well as banners on Google. A competition was run on Facebook featuring the hashtag "ClassicSideOfLife" which garnered positive response. Overall, the launch was deemed a success as the product performed well according to statistics.



National Pickles

There was a robust plan executed for supporting the pickles category in FY18, to fuel category growth and increase consumption. An elaborate OOH campaign was executed focusing on key cities across Pakistan in Q2 of FY18. Further, to cash upon the seasonality effect and boost the performance of our pickles category in a hard-hitting manner, two media bursts of our pickle thematic - 'Chatkharon Ki Chakachak' were executed on TV and Radio capturing Pre-Ramadan buying cycle. The campaign comprised of 25 and 15 second adverts to maximize frequency and visibility on-air. Our media plan included a mix of top entertainment, news, cooking and regional channels to ensure maximum reach and relevance to the target audience.



Karachi Eat Festival

To create an emotional link between the brand and its consumers, National Foods continued to expand and stimulate brand loyalty through its on-ground activities. The Karachi Eat Festival is one of the biggest food festivals which takes place every year. National Foods used the platform to create engagement and brand recall among the audience. The Karachi Eat Festival 2018 saw some highly engaging activities with the iconic 'National Ka Pakistan' stall. It was the most innovative stall present at the festival where participants yelled 'National Ka Pakistan' loudly to get free gifts. The consumers highly enjoyed the activities and were given National Bombay Biryani for free trials.



National Ramadan Made Easy Campaign

National Made Easy platform was revived with 9 beautifully shot videos of mouthwatering fusion created by the very best Chef Ammara Noman using National products. To add finesse in this fusion S.M. Shuja was hired for the photography. To create the buzz National Foods collaborated with one of the top closed groups on Facebook; Karachi Chefs at Home and Pakistani Chefs at Home which resulted in spectacular organic engagement. Bloggers were provided with beautifully branded Ramadan gift boxes for online posting and virality. At the end of the campaign a huge event of Iftar Dinner was organized by National Foods in which KCH/PCH attendants were invited via ticket selling. Bloggers and personnel from different publications were also invited. The event was one of its kind in terms of branding, engagement and food. Five grand gifts were awarded to the winners of digital participants plus every attendant was gifted a beautifully wrapped basket consisting of National products and a branded Apron for recall. The whole event has been recorded via video and photography. This campaign resulted in the most trending campaign in Ramadan with the #Ramadanmadeeasy.



Masala Family Festival

Masala Family Festival provides an opportunity for the people to interact with their favorite chefs, enjoy the live cooking sessions, get signed copies of chef books and click pictures with them and participate in the lucky draw. National Foods has been associated with Masala TV for years. Masala Family Festival serves as a platform for National Foods and enables them to create a fun-filled experience for the target group. National Foods showcased its wide variety of products and its usage through scrumptious food menu. The outdoor setup included tempting Chinese Wok whereas the indoor setup included Pakistani fusion delights which was made by the MasterChef winner Chef Ammara Noman. Biryani, being the favorite dish of the target group, was given for free through a small guess and win game via the Biryani Vending Machine. Giveaway baskets were also distributed through lucky draws.



Savory Snacks (Scene On)

The brand was launched with an Integrated Marketing Communication strategy covering all major consumer touch points. Featuring the favorite rapper of teenagers Ali Gul Pir, a special 'SCENE ON Rap Anthem' was created that encapsulated the brand essence of 'Take Control'. A complete consumer engagement program was carried out that included Expo activation, School activation and out of Home activation in Quarter 2 and Quarter 3. In Quarter 4, a consumer promotion of Free Fidget Spinner was rolled out.

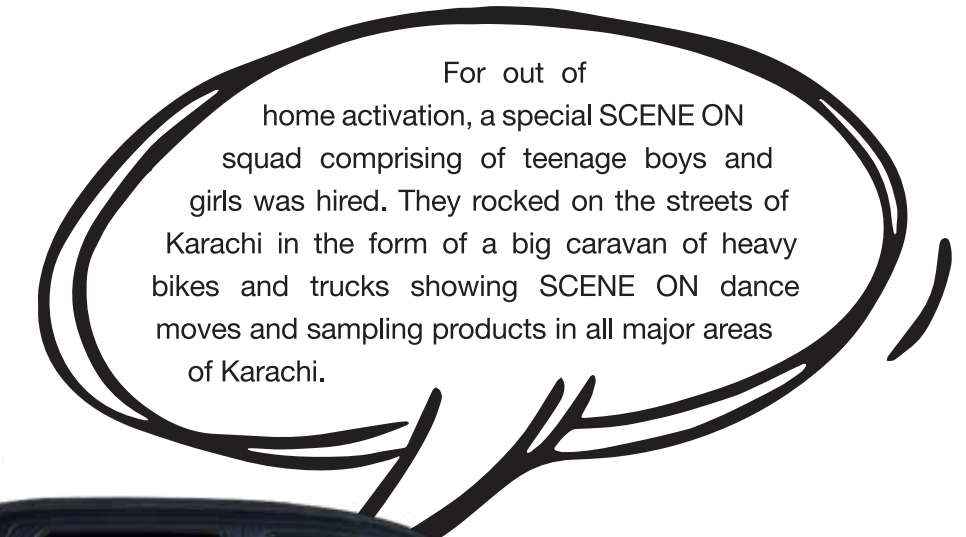
SCENE ON Rap Anthem is a 2.5-minute video. It shows the core issues faced by teenagers in the beginning followed by entry of Ali Gul Pir who comes to their rescue by offering them SCENE ON snacks. As soon as teenagers munch on SCENE ON, their 'cool mood' is switched on that enables them to flip the control in their favor and escape from nagging situations.



The same big idea was amplified on digital through creation of creative nagging situations in a teenager's life. Special Digital PR was carried out in which social influencers were hired to spread the anti-nagging voice and create hype of SCENE ON launch across social media.



In school activation, there were funny skit performances of different nagging situations to engage the students after which product trials were carried out. In the end, SCENE ON dance challenge was carried out in which students participated and won exciting prizes.



For out of home activation, a special SCENE ON squad comprising of teenage boys and girls was hired. They rocked on the streets of Karachi in the form of a big caravan of heavy bikes and trucks showing SCENE ON dance moves and sampling products in all major areas of Karachi.





At trade, SCENE ON captured the shelf share through its creative stands and other trade tools along with multiple splashes of Point of Sale material and merchandising activities.

The year was closed through an exciting Consumer Promotion of Fidget Spinners in June. Consumers received a free fidget spinner with every SCENE ON pack. This activity enabled to increase the consumer demand and help in-stock liquation at trade and distributor end.



Product Innovation

A new flavor 'Red Chilli Dhamaka' was launched in Quarter 4 to keep the consumers hooked to the brand.

A special range of Rs.5 price SKUs (HOOPS BBQ, KRUNCH Achari and Red Chilli Dhamaka) were introduced to reach out to the price-conscious segment.

SAP FIORI

Technological Developments

NFL's new Corporate Office is a state-of-the-art building with most modern IT Infrastructure established from scratch. The IT setup involved comprehensive program management skills having multiple IT vendors and teams working in harmony on numerous smaller integrated projects. The overall setup encompasses designing and establishment of Data Center & HVAC Solution, Centralized N+1 UPS Solution, High Availability & Redundant Network Solution, Wi-Fi Solution, Cisco Call Manager (IPT), Video Conferencing System, Interactive Smart LEDs' and Video Wall.

Usage of technology was extended to the basic root level through implementation of SAP FIORI on tablets so as to automate manual Quality Control process for recording of inspection data.

The power of SAP was extended to enable efficiencies in Finance and Integrated Supply Chain business processes. These include Customer Ledger clearing, Bank Reconciliation, Sales & Operational Planning, Production Order TECO automation, Rescheduling process for automating deliveries based on Customer Priority, PO Alerts for Due & Overdue delivery and the implementation of the crucial SAP Plant Maintenance Module at all NFL Plants for both Unplanned and Planned Maintenance.

Further, business applications such as Workflow system was extended to automate various paper based forms for Finance and HR.

Comprehensive Interactive Dashboards were developed for providing actionable visual insights into NFL Data and for making data analytics a competitive advantage for all business functions. Using visual analytics, business functions are now uncovering ways and means to monitor efficiency, identify new opportunities and better understand customers. Visual analytics has introduced data analytical capabilities to our management to easily slice & dice the data at multiple levels such as regional, category & product. Dashboards handed over to business include Sales & Operations Planning, Stocks Information, Order vs Delivery, Wastages, Operational KPIs, Procurement Performance & Quality Control notifications.

Other strategic initiatives involve IT partnership with ISC to move from conventional ordering mechanism to a demand-driven dynamic replenishment model. Further, IT has partnered with IRD to initiate a comprehensive Stage-Gate based Innovation Management (Portfolio & Project Management) software.

Innovation, Research & Development

This year was full of excitement and thrill at the Innovations end as we introduced Snacks and Mayo into the National Foods business successfully. Establishing a completely new structure of the plant, machinery and people with the desired set of protocols and standards was a major task. With the support of all the functions from manufacturing to sales making use of end to end project management, the projects were delivered on time in full.



As businesses grow, the need for sustainable raw material sourcing at economies of scale becomes more and more challenging. The R&D teams proposed and participated in different process simplification and process engineering ideas embarking excellence in execution on the production floors. We made use of our international experiences from Gulfoods, various research programs and on-field visits to continue our quest of knowledge and innovation.

We also collaborated with the regulatory agencies at federal and provincial levels such as Punjab Food Authority, Sindh Food Authority and PSQCA for the betterment of Food Standards being followed across the territories with sincere efforts for their harmonization domestically as well as internationally.



New Product Launches

• Scene On

New category of snacks food was launched as a stand-alone brand namely "Scene On". Snacks was a natural fit with the company product portfolio and offered an opportunity to grow volumes and widen the consumer base.

Exciting flavours in two different shapes were launched as mentioned below:

- Hoops BBQ (Rs. 5, 10 and 20)
- Hoops Ketchup (Rs. 10 and 20)
- Hoops Cheesy Onion (Rs. 10 and 20)
- Krunch Achari (Rs. 5, 10 and 20)
- Krunch Jalapeno (Rs. 10 and 20)
- Krunch Imli (Rs. 10 and 20)
- Krunch Red Chilli Dhamaka (Rs. 5, 10 and 20)



Stay tuned as we continue to bring more excitement in this category as we grow the business in coming years.





Samosa Chutney Sauce:

As a part of line extension initiative in our sauces category, Samosa Chutney Sauce was launched for our consumers in the international market. The sauce has been launched in two bottle sizes i.e. 300 g and 850 g in North America.

With an appealing color and mouthwatering taste, Samosa Chutney Sauce is an excellent blend of sweet, sour and spicy flavors.



Fruit Chaat Masala:

Keeping in focus the continually growing category of our seasonings in local and export markets, we enhanced our Chaat Masala range with the development and launch of Fruit Chaat Masala. With its superior taste, appearance, aroma and quality we believe that it will strengthen our brand and create value in both local and export markets by offering further convenience and flavour to our consumers.



Value Engineering, Product/Process Improvements and other Initiatives

• Cost Optimization in Recipes, Pickles and Desserts Category

In a continuous drive to maximize business profitability, we took some initiatives to streamline and rationalize our products & processes of recipe mixes category such as ingredient replacements, use of different spice varieties to maintain a certain pungency and colour just perfect for our dishes and seasoning mixes.

Similarly, minor adjustments in the Pickle and Dessert category allowed us to optimize the product blends to bring value to our consumers without any compromise on quality.

The implementation of these productive ideas involved extensive research and taste trials for maintaining the product quality and other attributes throughout their shelf life.

• Product Improvement & Process Optimization of Tomato Ketchup

This year, we took the initiative to optimize the throughput or efficiency of Ketchup Cooking process without compromising on the cost, quality, and taste profile of the product by harmonizing time-temperature relationship in the manufacturing process. Extensive efforts were made by IRD to improve Ketchup quality in terms of appearance and stability which resulted in an improved product in all aspects.

• Line Extensions and other Strategic Initiatives

1. Launch of Beef Biryani as a Recipe Line extension in Export Market.
2. Launch of Chana Chaat Masala and Fruit Chaat Masala variants in Ramadan locally and globally.
3. Launch of Recipe Sachet Value Pack to attract the consumers with a distinct value proposition.
4. Bombay Biryani Single pack convenience with Ginger Garlic Powder.
5. Cross promotion of recipe sachets with Ginger Garlic paste in North America.
6. Custard Sachet SKU rationalization and optimization from 21 g to 30 g.
7. Pickle Sachet SKU rationalization and optimization from 50 g to 40 g.

Health, Safety & Environment

Safety First! We don't just say it at National Foods but also believe in it and implement it. In our passionate strive towards becoming a 'Zero Incident Organization' we have taken various initiatives which include On Floor Safety walks by HODs & GMs & Directors on weekly, monthly and quarterly basis which not only prove management commitment but send a strong message at all levels. We have a powerful system in place for engagement of workers by means of monthly D-Level Meeting and a quarterly B-Level meeting for the review of HSE performance. Tools like Risk Assessments, Safety talks, PTW system are strongly imbedded in the system under the umbrella of OHSAS18001 which is implemented and followed in its true spirit creating a strong safety culture.

According to Peter Drucker, "If you can't measure it, you can't improve it". As per this methodology we have introduced the system of HSE performance measurement of HSE Management System by using a combination of Leading & Lagging indicators of safety performance.



Trainings

Our HSE professionals follow a strict training schedule which is based on TNA. Our trainings are classroom & on-floor involving management and non-management staff. Subject experts are also invited to train the employees. To gauge the effectiveness of the training, a feedback system is in place as well.

Occupational Health

Work related diseases and ill health are closely monitored and taken care of specially during Risk Assessments. We have a team of professional medical staff, dispensary and fully equipped ambulance

available 24/7. Since we believe in engineering controls rather than just relying on PPEs, therefore we have installed powerful dust collectors to safeguard the health of our employees. Periodic medical tests are carried out as well to analyze health of our employees and the effects of working environment on them.

Fire Safety

We have modelled our IT Data Server Room as per NFPA 75 requirements and equipped the room with the most modern Fire Suppression System i.e. Novec 1230, most sensitive fire detection system which is VESDA System and CRAC cooling units specially designed for the Data Rooms. We have also implemented passive fire protection by means of fire compartmentation.



Energy Conservation

We have implemented LED lights at various locations as a step towards energy conservation. Reduction of water usage and electricity has been incorporated as a KPI of the technical department. Constant monitoring system in form of flow meters is also in place to analyze the consumption. The latest step in the conservation is the introduction of the system for the recovery of boiler exhaust gases to be used for the preheating of feed water in boiler.

Environmental Protection

Strict PM schedule is in place to ensure exhaust emission values meet the legal requirements. Environmental monitoring by an independent lab is carried out on regular intervals to ensure compliance. Concept of secondary containment & spill kits has been adopted to ensure the hazardous chemicals do not harm the aquatic life in case of a spill. A proper Waste Management System is in place and we manage the hazardous & non-hazardous waste as per legal requirements through EPA approved vendors. Addition of waste crusher machine has further enhanced our efforts for the protection of environment.

International Division



In FY 2017-18, the international business remained focused on its efforts to drive demand generation in focus markets USA, UK and Saudi Arabia through aggressive trials and sampling activities. Furthermore, a lot of energies were put towards promoting the recently launched 'National Foods Global' Facebook page, designed specifically for the International audiences. This year, the social media visibility was primarily amplified in the USA market to drive brand awareness.

Sales in the Middle East market remain under pressure due to political and economic factors while Afghanistan continued with law and order crises throughout the year. However, despite these challenges we responded with counter measures to keep the growth momentum going in other markets despite complete discontinuation of rice from our portfolio this year.

International Business Expansion

Steps were taken to consolidate business in potential countries by filling identified gaps where distributors were not performing to the optimal level. The distribution change in Australia, where two distributors replaced the old distributor, had turned out to be a big success. Similarly, a new distributor has been identified in India and their appointment is under process while addressing all regulatory matters. Change in UK, Netherlands and New Zealand with appointment of a new distributor in Switzerland are the initiative taken this year.

In addition, listing at new chains i.e. Carrefour and Lulu in UAE had been a positive breakthrough, which certainly will fuel pace of growth in the UAE market.

As part of strategy, certain manpower and customer realignments have also been completed within this year to bring greater focus for next year.



TV Media Visibility Campaigns

Towards the end of last year, National Foods launched its first dedicated TVC for the International markets, 'National for all Nationals'. The multi-ethnic culture was delightfully portrayed in this copy through the depiction of consumers from different nationalities and ethnicities, rejoicing over food prepared with National products.



This year, the visibility of this campaign was further amplified through airing occasion based copies, where our nationals from different ethnicities wished the relevant audiences Eid and Diwali Mubarak on their respective occasions. The Eid greetings copy was aired on highest rated mainstream Pakistani channels including, HUM Network, ARY Network, Geo Network in USA, Canada and UK. The Diwali greetings copy was

aired on mainstream Indian channels including Star TV, Colours, Jadoo TV, etc. In parallel, the original TVC was also aired on both Indian and Pakistani channels in these regions to gain maximum coverage and visibility.

Digital Campaign

'National Foods Global' Facebook page was promoted widely in the North American market, as a platform where consumers could be guided more about National Foods' product offerings, product availability and above all to engage them through content marketing and offer convenience in their daily lives through different recipes, cooking videos, posts, etc.

Trial Generation

This year, the company focused heavily on on-ground activities to gain maximum leverage from sampling opportunities.



• On-ground Initiatives, UK



For the first time, National Foods held an event 'Flavours of Home' at Quality Foods in UK, where consumers were invited for a fun-filled event, with live BBQ, free sampling, cultural music/dhol wala, and other engaging activities. In addition, brochures and USBs, highlighting exciting BBQ recipes from our 'Made Easy' platform was distributed to the audience. The event was strategically planned right before the Eid-ul-Azha season, and focused on the key sellers for the season, including Seekh Kabab and Tikka Masala. Consumers were given a chance to try the products straight off the grill and buy the masalas and other National products at the venue. Pre-hype was created through social media, where the event invite was sent out to those residing in nearby vicinities. After the event, post-hype amplification followed on social media.

National Foods also participated in the London Halal Food Festival held in August 2017. Similarly, a live BBQ setup, cultural décor and free sampling initiatives were highlights of National Foods presence at the event. The audience turn-up was massive, and the event was captured by various media channels and bloggers.

The event was once again promoted through social media platforms and received a tremendous response.

In parallel, we carried out consecutive in-store activations in the UK, where promoters were deployed to educate and convince consumers to try National products and promote the offer that was specifically designed for the activity. These activities were executed throughout the year in key states in the North, South and Midland areas of UK.

• On-ground Initiatives, North America

To ensure our presence and audience engagement, National Foods has participated in numerous regional ethnic events like Pakistan Day celebrations in New York, Atlanta and Houston, Bangladeshi and Diwali Melas in Tampa and Atlanta, Eid Bazaars in Toronto, etc.

National Foods also ran a CSR initiative for flood victims in Sep'17, by pairing up with its Houston based partner 'Famous Foods', in which free (branded) giveaways were distributed to the affected.



For the first time, National Foods initiated a wet sampling BTL activation across ethnic (Indian and Pakistani) grocery stores in Houston as a pilot project. The objective was to increase National's brand awareness and usage through product tasting and encourage customers to purchase National products by offering them coupons (Buy 2 get 1 free offer). Total 40 activities were conducted during Jan-Feb'18 across top 5 high traffic stores in Houston, resulting in 7,000+ contacts approached.

In order to tap customers at A1 cash & carry Toronto, we had executed in-store BTL activation (for 8 weeks from Feb-Mar'18), to create awareness and generate trial of NFL products. Trials of meat as well as vegetarian dishes (for Indians) were done along with sauces and pickles. Estimated footfall and in-store sampling was around 800 – 900 customers per week.

• Consumer Offers

Aggressive consumer promotions were given in key seasons such as Ramadan to drive consumption and trial generation in UK and USA.

In addition, National launched a cross promotional offer in the North American market, to increase awareness and generate recipe trials among competition/non-users, where 25gms sachets filled with Chicken Tandoori Recipe Mix were cross promoted with 750gms Ginger Garlic pastes.

New Product Developments

New Recipe variants, Beef Biryani and Fruit Chaat Masala were launched to further strengthen National's presence in the category and meet consumer demand for these flavors. The products have been successfully launched and shipped to North American markets. In addition, a new variant Samosa Chutney was added to the Chutneys and Sauces range, to specifically target the South Asian taste pallet. All these new products were strategically launched prior to the Ramadan season, to gain maximum leverage from the seasonal impact.

Research Usage & Attitude Study UAE

This year, the company carried out a Usage and Attitude (U&A) study in the UAE, for the Recipes category. The research comprised of a thorough understanding of the category, competition landscape, usage and need states, 360-degree deep dive of consumer behavior and category drivers, media and social habits of consumers. Key actionable outcomes were derived from the research and applied while devising the future strategy for the region.

Exhibitions

National Foods continued to engage customers by participating in Gulfood 2018 in Dubai. To further build upon the objective of trial generation, the company once again sampled star products including Bombay Biryani, Sindhi Biryani, Pulao, Chicken Tandoori, Chicken Tikka Haleem, Pickles, Sauces and many more. A new exciting menu was revealed every day, and the visitors were invited to come over and enjoy our delicious flavours. The sampling activity managed to pull a huge crowd towards our stand and received a tremendous response.

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



Stakeholders Information



TRAILBLAZERS

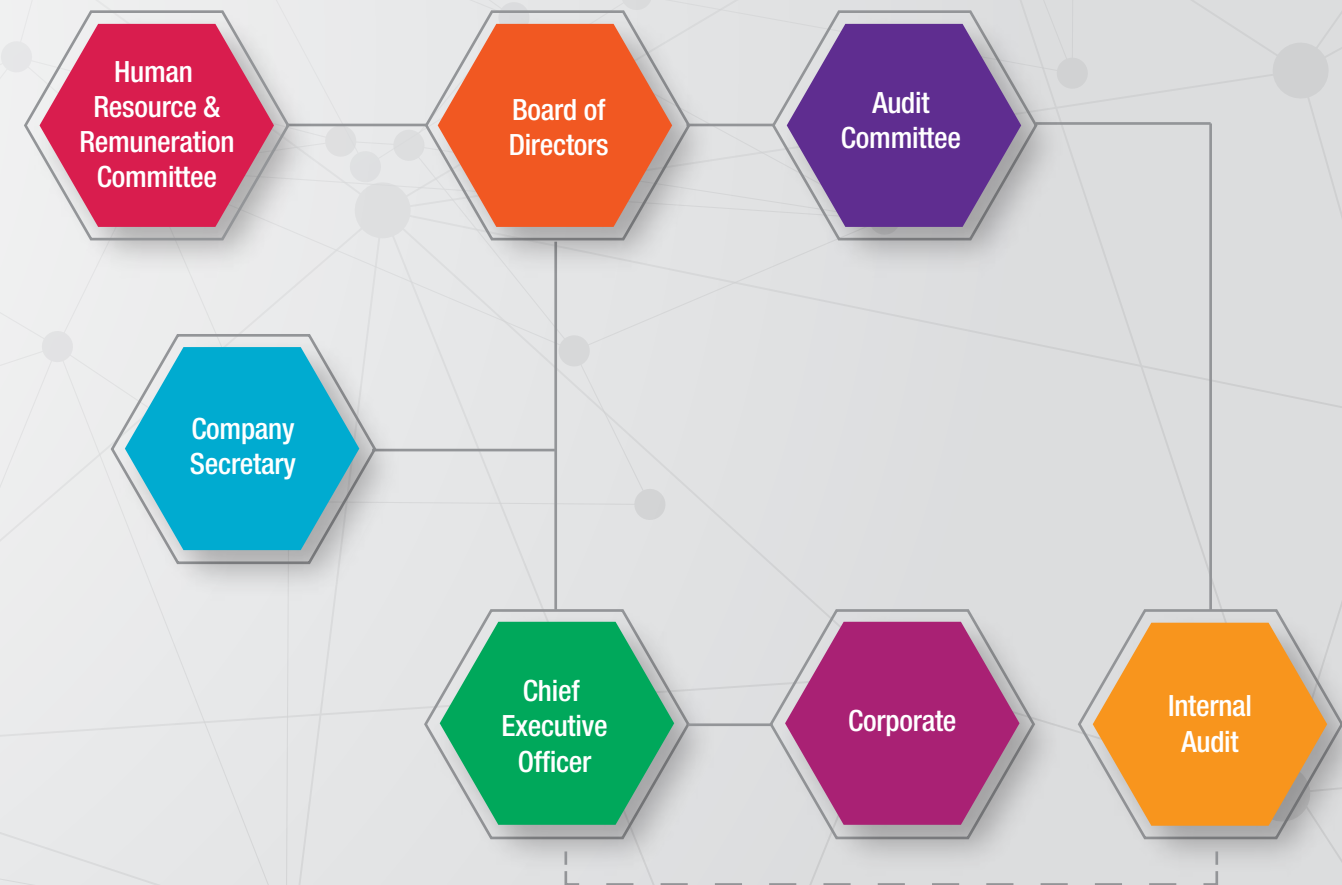
RELEVANCE. TRUST. LOVE.

MANAGEMENT TRAINEE DRIVE 2018

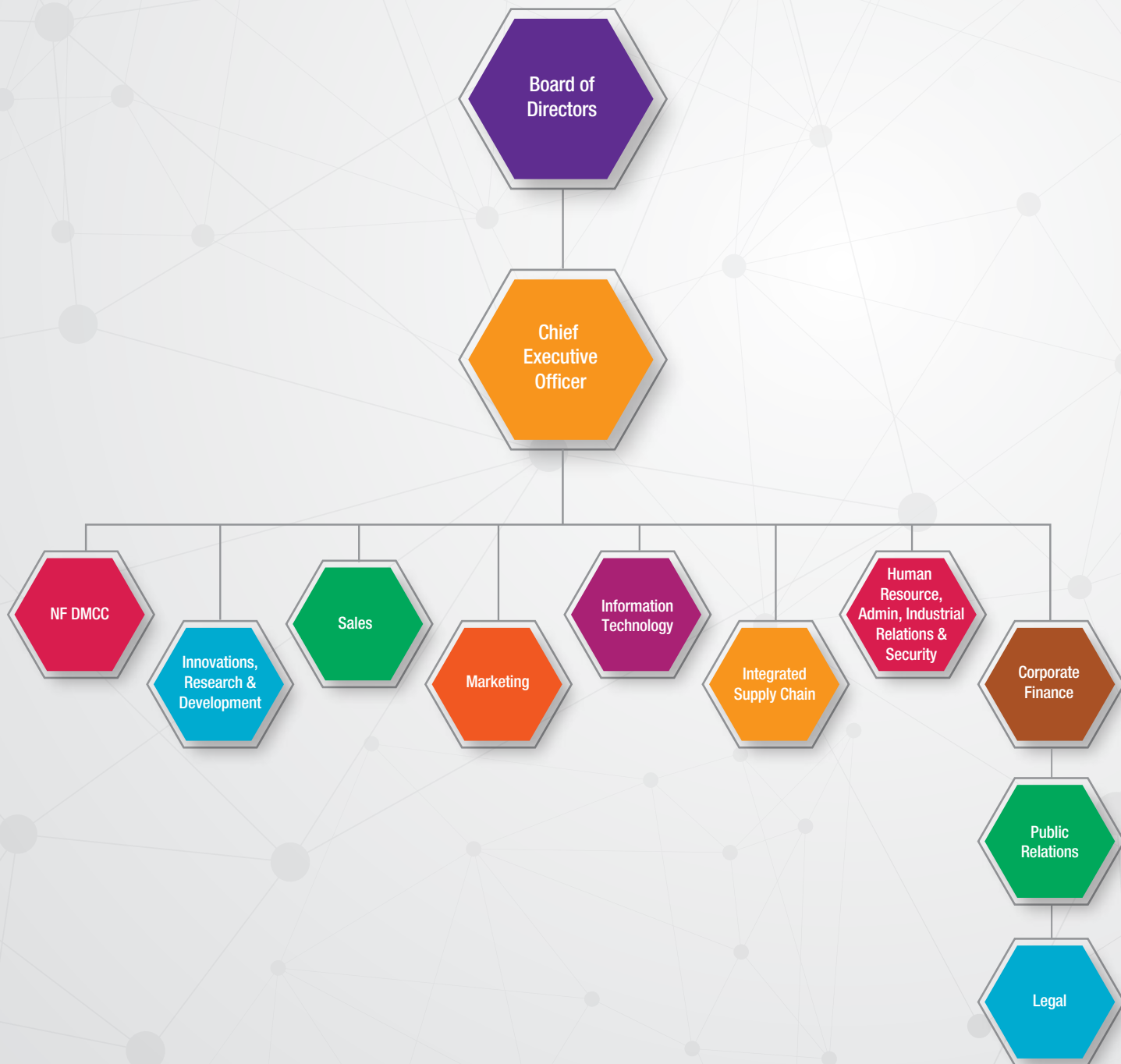


Organizational Structure

Corporate Organizational Chart



NFL Organizational Chart



NFL Subsidiaries Organizational Chart



Company Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Ehsan A. Malik	Chairman
Mr. Ebrahim Qassim	Member
Mrs. Saadia Naveed	Member
Mr. Zahid Majeed	Member
Ms. Saira A. Khan	Secretary HRRC

DIRECTOR CORPORATE FINANCE / CHIEF FINANCIAL OFFICER

Mr. Syed Farhan Ali Rizvi

COMPANY SECRETARY

Mr. Fazal ur Rehman Hajano

HEAD OF INTERNAL AUDIT AND SECRETARY AUDIT COMMITTEE

Mr. Shahid Hussain

INTERNAL AUDITORS

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

COMPANY MANAGEMENT

Mr. Abrar Hasan	Chief Executive Officer
Mr. Syed Farhan Ali Rizvi	Director Corporate Finance
Ms. Saira A. Khan	Director HR, Admin, IR & Security
Mr. Shakaib Arif	Director Integrated Supply Chain
Mr. Aejaz Abbas Basrai	Director Strategy & Marketing & Chief Operating Officer NF DMCC

Mr. Hasan Sarwat
Dr. Fayyaz Ashraf
Mr. Syed Zeeshan Ali

Director Sales
Head of Innovations, Research & Development
Head of Information Technology

AUDITORS

Messrs. KPMG Taseer Hadi
& Co. Chartered Accountants

Shaikh Sultan Trust Building No. 2
Beaumont Road, Karachi.

SHARE REGISTRATION OFFICE

Central Depository Company
of Pakistan Limited:

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Main Shahrah-e-Faisal, Karachi-74400.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326031

COMPANY BANKS

Bank Al Habib Limited
Bank Alfalah Limited
(Islamic Banking Group)
National Bank of Pakistan
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited

Meezan Bank Limited
United Bank Limited
Habib Bank AG Zurich
MCB Dubai
Toronto Dominion Canada Trust Bank
Bank of Montreal
Business Development Bank of Canada

REGISTERED OFFICE

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35670793 & 35672268 Fax: (92-21) 35684870

SITE PLANT

F-160/C, F-133, S.I.T.E., Karachi.
Phone: 021-3257-7707 – 10, Fax: 021-3257-2217
Email Address: info@nfoods.com

PORT QASIM PLANT

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

MURIDKE PLANT

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

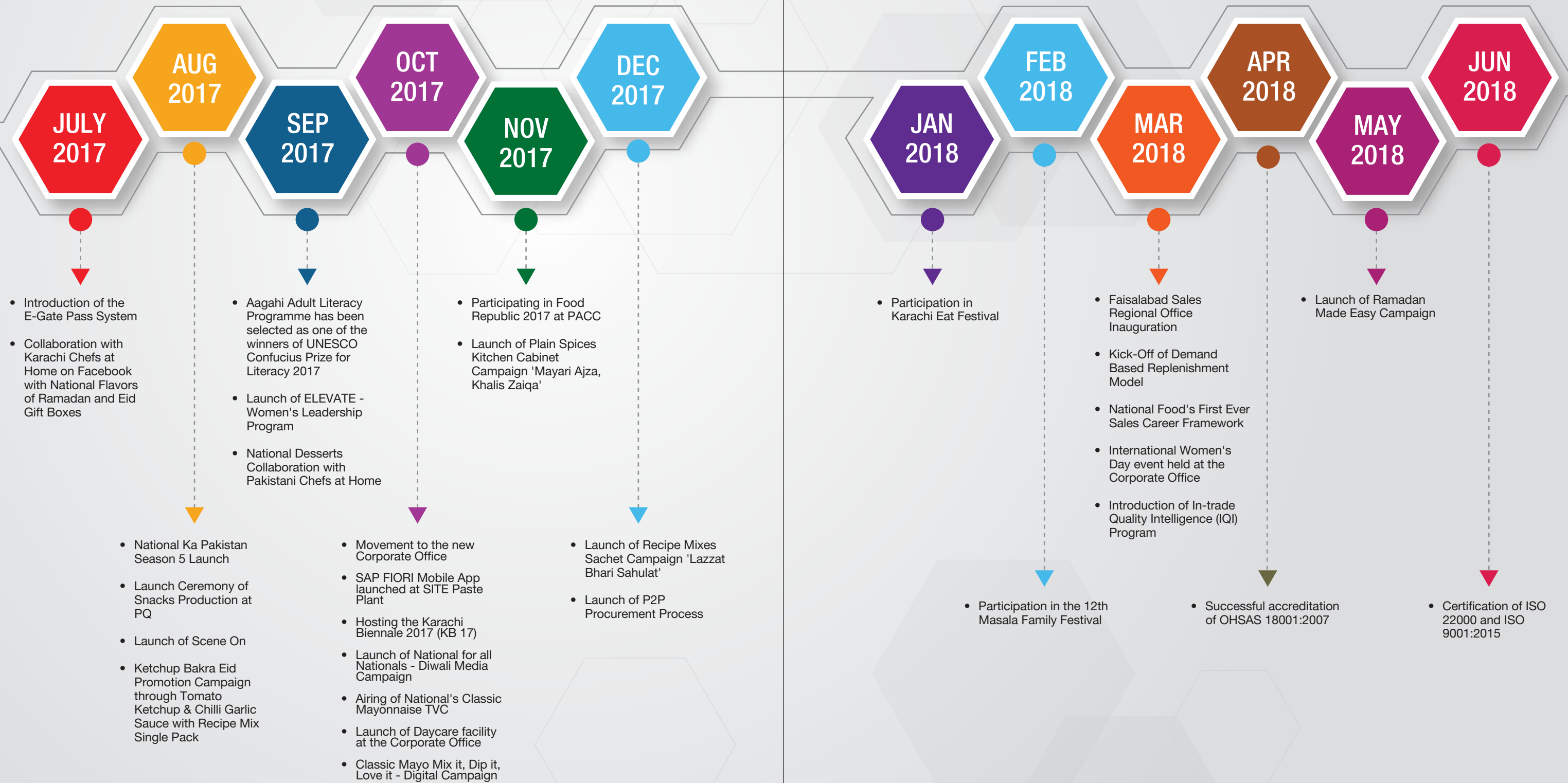
GUJRANWALA PLANT

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

NOORIABAD PLANT

A 393 Nooriabad Industrial Estate,
Nooriabad, Karachi.
Phone: 03000335287

Calendar of Events





CEO's Message

Dear Shareholders,

It is a matter of great pride for National Foods Limited (NFL) to have successfully enhanced its operational competencies and financial performance over 2017-2018, a year that came with numerous opportunities and growth. These achievements were shrouded in arduous challenges that could only be triumphed by strong initiatives with a spirit of managerial excellence. Hence, I am delighted to see that NFL has once again emerged as an industry leader, by setting new benchmarks of quality, customer care and success. Moreover, the acquisition of A1 Cash & Carry, with National Foods as the majority-stakeholder, has added to our profitability and this venture promises faster progress for our business. This move signifies our pledge for forward-integration, an effective strategy to increase portfolio, while we continue to diversify.

Several new regulatory challenges have emerged due to new legislations by the food regulatory authorities, that prohibit the addition of monosodium glutamate - MSG in food products. This abrupt decision by the judiciary caused a loss to the business. However, we have timely eliminated the use of this ingredient in our recipes. We transformed our business-model to one that does away with MSG, which in turn helps us comply with this regulatory intervention and enables us to adopt the best global practices.

The Middle-East turmoil had a negative impact on the exports growth, slowing down or even stagnating the exports of various Pakistani industries, especially the products traded in the Middle-Eastern region. This trend is expected to continue in the market, over the short-term future. However, through strong business acumen and innovation, we have prepared strategies to manage our business.

The company ensured major restructuring and enrichments in the Sales Department, elevating its bar with the expectation of delivering top tier in-store execution, re-aligning product portfolio as per market potential, optimizing our Route to Market, maximizing our revenue management capabilities and most importantly building a high performance, KPI focused sales team.

NFL has also conducted a comprehensive research for Brand Platter, after a gap of nearly one decade. This study helped us learn how the consumers perceive the 'National Foods' brand and how we have successfully 'inspired new traditions' in the community. It also helped us evaluate the Brand architecture, consumer dynamics and brand-categories, enabling the development of newer, more suitable products, while also making other innovations in our processes and operations.

Corporate Social Responsibility

It was an inspirational moment for everyone at National Foods when we shifted to our new, custom-built Corporate Office during the last quarter of 2017. This world-class, environment-friendly premises is the 1st Corporate Office in Pakistan to receive the 'Leadership in Energy and Environmental Design' (GOLD LEED) certification by United States Green Building Council (USGBC). The Pakistan Green Building Council also presented a Green Excellency Award to us for this new building. Constructed with the eco-friendly materials, this office is just one of our numerous initiatives to attain sustainability for both the environment and the business.

As a socially-embedded organization, we have always been actively involved in multiple CSR initiatives. Some of these are based on UN's Sustainable Development Goals (SDGs) to ensure good health, quality education and gender equality among all segments of the population. We continue to make generous contributions for improving healthcare and educational facilities. In recognition of the women's contributions in our society, NFL vibrantly celebrates the International Women's Day every year, besides granting special privileges like flexible work-timings, an on-site Day-Care facility and work-from-home under certain circumstances.

NFL pursues women-empowerment within the organization and across the society as a whole. The UN's SDG of Gender Equality in the economy is also sought through active participation in the Elevate Program, along with numerous leading organizations. Within a year, this program has evolved to engage, motivate and train women at every organizational level, with the objective of minimizing the gender-gap, across the corporate world.

The well-being and dedication of our human-capital will always be the driving force behind our ethical policies and business strategies. Being the leading food brand of Pakistan, NFL continuously endeavors to give back to the nation by focusing on health, education and women empowerment. We have earned the trust and confidence of our stakeholders as well as the society through our commitment to elevate the quality of life through community development, which remains a cornerstone of our corporate philosophy. NFL leadership takes pride in the gender-diversity achieved by the organization. It is an equal-opportunity enterprise that employs women not only in its corporate office, but also at its production site. Thus, encouraging women to bring forth their talents and contribute towards the success of the organization while our business continues to grow in an increasingly competitive environment.

Future Outlook & Challenges

Our newly built plant at Nooriabad, outside Karachi, is a state-of-the-art facility that boasts mega investments to reflect our confidence in Pakistan's economy. The trial-run of this new factory will start in August 2018, where the best possible Health and Safety Standards will also be tested.

This being an election-year in Pakistan, the national economy is expected to undergo several changes and the currency value also tends to remain volatile. Although the current budget recommendations given by the outgoing government have the potential to create good momentum, however, after the elections, the degree of change in the political scenario and the competence of the new government leadership will determine the future course and acceleration of economic growth. Hence, several changes are imminent, and NFL is geared up to realign our strategy within this evolving scenario.

In the end, I would like to extend my special thanks to the Management Committee (MANCOM) for ensuring the smooth progress of the company and hope that this robust performance will continue in the future too, where customer-care and satisfaction will continue to remain our primary focus.



Abrar Hasan
Chief Executive Officer



Corporate Governance

Director's Profile



MR. ABDUL MAJEED

Chairman

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

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

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

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

for Higher Studies in Textile Engineering and completed B.Sc. (Hons.) in Technology from Manchester University in 1959.

He is keenly interested in innovation and is pivotal in leading the R&D team at NFL. His other interests and affiliations range from serving in the Rotary District 3270 in different capacities as well as being active on social forums. He is the Vice President of Alumni Association of F.C. College, Lahore, (A Chartered University).

Mr. Abdul Majeed is a former Board Member of Pakistan Institute of Management, Karachi and the Society for the promotion of Arabic, Karachi.

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



MR. ABRAR HASAN

Chief Executive Officer

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

to his joining NFL, Mr. Abrar Hasan was Plant Director at Precision Rubber Products Limited, where he was responsible for overseeing production and manufacturing management. Mr. Abrar Hasan with his extensive experience and in-depth knowledge has set examples and inspired the NFL team to embrace new technology, discover upcoming marketing trends and invest in human resource development companywide. He is truly the driving force behind his team of skilled professionals at NFL.

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



MR. ZAHID MAJEED

Director

Mr. Zahid Majeed joined National Foods Limited in 1987 and pioneered its transformation from a small food enterprise into a leading food brand in Pakistan. Since then he has served in various capacities at NFL from heading the Corporate Marketing function to most recently establishing the International Business subsidiary, National Foods DMCC. He also introduced the concept of sustainability by establishing a Corporate Social Responsibility (CSR) platform at NFL.

Mr. Zahid Majeed played a significant role in initiating a Public-Private Partnership with UNICEF to launch the first Iodized Salt in the mid 1990's under the CSR umbrella along with various other education, health and nutrition initiatives with focused efforts to address women's empowerment.

He is the CEO of Associated Textile Consultants (Pvt.) Limited, the Group's Holding Company, and heads the Textile, Water Sustainability projects and other investments for the group.

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



MS. NOREEN HASAN

Director

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

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



MR. EBRAHIM QASSIM

Director

Mr. Ebrahim Qassim joined the Board of Directors of National Foods Limited in 2000.

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

A Chartered Accountant by profession, Mr. Ebrahim Qassim has also been part of the National Council

of the Institute of Chartered Accountants of Pakistan (ICAP) and the Marketing Association of Pakistan (MAP) in the past.



MR. EHSAN ALI MALIK

Director

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

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

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

A fellow of the Institute of Chartered Accountants of England and Wales, Ehsan is alumni of the Wharton and Harvard Business School.



MS. SAADIA NAVEED

Director

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

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

She joined EBM in the year 2002 and held the challenging position of Director Operations prior to her appointment as Deputy Managing Director in 2008.

Under her leadership, EBM has witnessed exponential growth from sales of 11,000 tons in 2001 to 115,000 tons in 2014. The company has also undergone numerous upgrades and expansions in its production capabilities as well as its technical and human resources.

She is a true team leader who works closely with Departmental Heads to further improve organizational systems, processes and policies. It is her contribution and sound knowledge of finance that made EBM a self-sufficient and debt-free organization.

As President of MAP she contributed significantly to raise the profile of what is already one of the most acclaimed management organizations in the country. She focused on creating greater awareness of good management practices and promoted the recognition of companies who actively engaged in them. Saadia is a great example of a dynamic leader and an inspiration for Pakistani women aspiring to take leadership roles. In 2012, she received Marketing Excellence and Wonder Women of the Year Award for her contributions to business excellence in Pakistan. Soft-spoken and deeply interested in uplifting the lives of those around her, she is a keen supporter of various philanthropic initiatives in addition to her professional role. She is also an active member of several professional organizations including Pakistan Business Council (PBC), Employers' Federation of Pakistan (EFP), Institute of Directors (IOD) London, National Academy of Performing Arts (NAPA), Korangi Association of Trade and Industry, Karachi Chamber of Commerce and Industry, Arts Council of Pakistan and Chairman, AKUH Cancer Society.

Board Committees

Audit Committee

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

- ◉ Review quarterly, half yearly and annual financial statements of the company prior to their approval by the Board of Directors;
- ◉ Review preliminary announcements of results prior to publication;
- ◉ Review and approve annual internal audit plan;
- ◉ Review the internal auditors' proposed audit scope and approach;
- ◉ At least once a year, meeting external auditors without Director Corporate Finance and Internal Auditors;
- ◉ At least once a year, meeting Internal Auditors without Director Corporate Finance and External Auditors;
- ◉ Recommend the appointment of external auditors to the Board of Directors and consider any questions of resignation or removal of external auditors, if any, audit fees and provision by external auditors of any service in addition to audit of financial statements;
- ◉ Review management letter issued by the external auditors and management response thereto;
- ◉ Determination of appropriate measures to safeguard the Company's assets;
- ◉ Consideration of any other issue or matter as may be assigned to the Committee by the Board of Directors
- ◉ Review company's risk management approach including the identification of Corporate Risks and related mitigation/response plans and compliance reports; and
- ◉ Ensure the board is aware of matters that may significantly impact on the financial condition or affairs of the business.

Human Resource and Remuneration Committee

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

- ◉ Recommending Human Resources Management policies to the board;
- ◉ Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer;
- ◉ Sending the selection, evaluation and compensation (including retirement benefits) of Director Corporate Finance, Company Secretary and Head of Internal Audit to the Board for ratification of HRRC's review.

Corporate Governance

Performance Evaluation of the Board

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

CEO Performance Review

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

Role of Chairman

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

Role of Chief Executive Officer

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

Whistleblowing Policy

We have an open culture where employees are given the freedom to express their concerns. Although the Code of Conduct is in place, we understand that the Code may be violated at some point. In such instances, employees are encouraged to report any nonconformity through their respective HRBPs or Line Managers. Sometimes, the transgression is also reported directly to the Director HR or the CEO. Action is then taken by the Company accordingly.



Management **Committee**

Mr. Shakaib Arif
Director Integrated
Supply Chain

Mr. Syed Farhan Ali Rizvi
Director Corporate Finance

Dr. Fayyaz Ashraf
Head of Innovations,
Research & Development

Abrar Hasan
Chief Executive Officer

Mr. Aejaz Abbas Basrai
Director Strategy & Marketing & Chief
Operating Officer NF DMCC

Mr. Syed Zeeshan Ali
Head of Information
Technology

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

Mr. Hasan Sarwat
Director Sales

Sustainability & Communications



Sustainability & Communications

Biennale Art Festival (Oct 22 – Nov 5, 2017)

Karachi Biennale 17 was an occasion to revisit our histories, rethink our present, and reimagine our future with greater optimism. NFL has always believed in connecting with people and adding value to lifestyles on various facets. Considering urban cultural diversity and life complexity, the company chose “art” as a medium to break down barriers, build conversation triggers, evoke sensory receptors and, hence, connect with people in the cultural and creative rich melting pot we all know and love as Karachi.

We opened our Claremont House for one of the art exhibitions and for public viewing to experience art and heritage together. This age-old building is a listed heritage site under the Sindh Cultural Heritage Preservation Act 1994 which was constructed on the 1st of August 1863. That makes it 155 years old! With its stone masonry in Ghizri limestone, the building boasts a gabled roof with terracotta tiles, wooden staircase and floors covered with floral geometric tiles. It hosted 20 artists, some of whom worked on site at the Claremont House. These included both local and international artists.

Aagahi Adult Literacy Program

Aagahi Adult Literacy Program was launched in 2005 in collaboration with The Citizens Foundation as a community development initiative. This program aims to provide illiterate women from rural areas and urban slums around TCF Schools a chance to learn how to read and write. At the end of the four-month Aagahi Adult Literacy course, a learner becomes more aware of her own potentials, more adept at navigating and engaging with the surrounding environment, and more confident of her role within the community and family.

The Aagahi classes are implemented over a 90-day period, however phase planning, material dispatch and closure activities take an additional month which takes the overall course duration to four months.

To date, this program has trained 65,499 women across 68 town & cities of Pakistan.



Women’s Day Celebration

Celebrating women everywhere, NFL hosted an event for the International Women’s Day 2018, with the theme chosen for this year, #PressForProgress.

With the rise of female presence in the corporate world, NFL invited multiple notable figures like Sadaffe Abid, founder of Circle; Samia Naseem Ahmad, Organizational Psychologist and Ms. Amina Mujib Khan, dietitian and nutritionist among others present at the event. The event was to commemorate the female employees and their efforts towards the growth of the organization. In support of women in all industries, NFL also invited guests from different industries to discuss general issues faced by women in the corporate sector.

The event was also graced by Mrs. Noreen Hasan and Mrs. Saadia Naveed, Member Board of Directors National Foods.



Elevate

National Foods Limited has over the years evolved to bring into its fold women at every level of the organization. In line with this vision to increase the role of women at corporate level, National Foods Limited participated in the Elevate program by Circle which is Pakistan's first Women Leadership Program.

This is an ongoing program. For the first batch comprising over 9 months, National Foods Limited nominated 5 women from their Head Office and Plant to participate in the program. Over the course of this program, the individuals interacted with other women of the corporate sector and developed confidence to take challenges head-on and prove their mettle. Emotional intelligence and awareness of personal strengths were emphasized upon where leading CEOs of Pakistan took out time and mentored the participants.



Donation in Kind to Aman Ghar

In line with providing optimal nourishment to children, NFL and Aman Foundation collaborate annually through the platform of Aman Ghar. Through the Aman Ghar program, NFL provides hygienically prepared meals, completely free of cost on an everyday basis to the school-going children present in Khuda ki Basti – an economically challenged suburb of Karachi.

Focusing on nutrition, National Foods provides yummy treats including Biryani, Achar Gosht and Qorma. Spices are also provided to add flavor to the food; turmeric, salt, red chilli and garam masala. It is topped off with our delicious vanilla custard.



Project HOPE

Health and hygiene are one of the three core agendas of Sustainability at National Foods. We, as a company, aim to provide healthy food and education about living a healthy life. We partnered with Reckitt Benckiser (RB) over Project HOPE, where educative literature on preventing diarrhea is taught and a basket of goods is given to Sehat Aapas to be sold. The basket consists of health and hygiene goods from NFL, RB, Syntax and Shield.

It is currently in over 25,000 households in Punjab. Options are being explored to cater to households in other provinces as well. Demand for National products has increased exponentially since they were introduced, and the households are also asking for bigger SKUs.

LEED Certification

Being the leading food brand of Pakistan, National Foods Limited (NFL) is continuously endeavoring to give back to the country through focusing on health, education and women empowerment. But we understand that working to improve the environment is vital to achieving sustainable societies and being good environmental stewards. National Foods Limited is the 1st Corporate Office in Pakistan to have received the Gold Leadership in Energy and Environmental Design (LEED) certification by United States Green Building Council (USGBC). Office space is just one of the many initiatives where the company sticks to its founders' philosophy geared towards building sustainability for both the environment and the business.

In acknowledgment of this, National Foods Limited was bestowed with Green Excellency Award by Pakistan Green Building Council at the 3rd Pakistan Green Building Expo & International Conference 2018 held at Lahore Expo.



Daycare Centre

National Foods is a strong advocate of women empowerment and bringing women into the economic mainstream through facilitating their work life in any way possible. One way of doing it is to accommodate the needs of working women who have children. National Foods has recently inaugurated its Daycare facility which features professionally-trained nannies. It has been designed by keeping in mind the needs of different-aged children and after consultation with experts as well as working mothers. The furniture ranges from baby cots to changing tables, toy sets to a fridge, baby swings and bouncy seats. It is equipped with whatever is needed to take care of infants and toddlers alike.

Mothers are encouraged to bring their young ones to the daycare. This is a very encouraging step for young females who would like to focus on their career but have young kids to take care of as well.



Partnership with Habib University for Deaf Sign Language Concert

National Foods is a big advocate of Diversity & Inclusion. It does not only include women empowerment but also inclusion of people with disabilities. Apart from employing differently-abled people, it is also mindful of their rights in the society. To promote this ideology, National Foods partnered with Habib University for the first-ever Deaf Sign Language Concert in the country. Organized by Habib University and startup ConnectHear, the concert was attended by roughly 300 deaf people. The concert featured Strings, who was celebrating 30 years to Strings with their album 30.

According to ConnectHear, the way a concert is enjoyed by deaf people is by working on the lyrics through sign language. So, there is wording interpretation along with communicating the music. The guitar beats and more are made adaptable by the sound system. The vibrations of the sounds let a person know the music. Also, the mood of the song is communicated via lighting. These three components work together to allow a deaf person to enjoy a concert.

Annual Medical Tests

National Foods places utmost importance in the health and well-being of its employees. Special importance is given to staff who work in the production line for two reasons; health of employees is important, and no compromise should be made in the quality of our products. Hence, we undertake annual health tests for permanent and contractual employees both who work in our production line. This is separate than the medical tests conducted for permanent employees at the time of induction into the company.

These tests are a requirement by OHSAS. It includes examinations for CBC, SGPT, chest X-ray, Hepatitis and ECG. Also, for staff working very close to the machinery, audiometric tests are conducted in addition to the above-mentioned tests to determine if occupational hearing loss is being prevented by the noise control measures.

Business Review



Chairman's Review

On behalf of the board of directors, I would like to share the key financial results and board performance overview of your Company for the year ended June 30, 2018.

Through continued focus on strategic priorities and operational excellence, the Company continued to move robustly and achieved annual revenues of 29 billion and profit after tax of 1 billion for the past year. Our sales and production level remained broadly in line with expectation, but margins were affected owing to inflation, devaluation of rupee and increasing contribution of A1 to the Group's overall results.

Your Company is committed to enhancing shareholder value while continuing to manufacture products of the highest quality with profitability through innovation, efficiency and effective cost containment initiatives.

The performance of the Board remained satisfactory throughout the year and their contributions effectively steered the Company to not only achieve its targets, but also create new benchmarks, while maintaining its reputation for good governance and providing steady returns to shareholders.

The Board comprises of an appropriate mix of Directors in terms of relevant experience. The primary objectives of the Board include providing strategic direction to the Company and supervising the management. The Board met the duties as required under the Companies Act, 2017 and Listed Companies (Code of Corporate Governance), Regulations 2017, which include approval of significant policies, establishing a sound system of internal controls, approval of budgets and financial results, along with approval of significant investments. Accordingly, the Board's evaluation for the year 2016-17 was conducted and overall satisfaction positively rated. Board members showed high attendance during the year.

The committees formulated also played their roles effectively. As per the requirements of the Code of Corporate Governance, the Board has formulated 2 committees, the HRRC Committee and the Audit Committee. The committees performed their duties diligently and guided the Company to achieve aforementioned results as well as helped the Company with new direction. The review of financial results and its insights from a control perspective by the Audit Committee helped keep the Company on track to meet its financial targets and maintain healthy financial position.

We remain persistent to our commitment of investing back in the society and community we operate in; this is evident from the CSR activities that we conducted this year too. As a socially responsible entity, we are constantly exploring ways to minimize our waste and are taking all necessary steps to reduce its impact on the environment.

In the end, I would like to thank all our stakeholders who have stayed alongside us throughout our journey till date, and hope that the bond we share, continues to grow further in years to come.

A. Majeed

Abdul Majeed
Chairman



Director's Report

Fellow Shareholders,

The Directors of National Foods Limited are pleased to present the Annual Report along with the financial results of the Company, which include both stand-alone and consolidated audited financial statements, for the year ended June 30, 2018.

Business Performance Overview

Operating and Financial Performance

The Company performed well in the core business posting a double-digit growth at net sales level. Gross profitability grew on the back of key strategic initiatives i.e. Revenue and cost transformations. In line with the long-term visions, the Company continued its investment behind brand building initiatives, infrastructure deployment and step changing sales and organizational capabilities. These initiatives have impacted the net profitability of the company in the short term, however, will act as catalyst in driving growth in the long run.

New categories i.e. Snacks and Mayonnaise progressed in line with the planned growth progressions. The categories have been well received by the consumers and the Company will continue to invest behind the categories. These will serve as strong pillars for diversification of the Company's portfolio.

International division witnessed slow down due to the geo political and economic conditions, specifically in the GCC region. The strategic investment in the A1 Cash and Carry business has proved to be a strong pillar in the international operations of the group, further strengthening the profitability of the group.

Key financial numbers of the Group for the fiscal year are summarized below:

Amounts in PKR Million

	GROUP			CORE BUSINESS			A-1 BAGS & SUPPLIES INC.	
	FY18	FY17	Change	FY18	FY17	Change	FY18	FY17*
Net sales	21,592	16,782	29%	16,500	15,131	9%	5,092	1,651
Gross profit	6,704	5,399	24%	5,825	5,111	14%	880	288
as % of net sales	31.05%	32.17%	-1.12%	35.30%	33.78%	1.52%	17.27%	17.44%
Operating profit	1,369	1,424	-4%	1,242	1,339	-7%	128	85
as % of net sales	6.34%	8.48%	-2.14%	7.52%	8.85%	-1.32%	2.51%	5.15%
Net profit after tax	1,027	973	6%	979	925	6%	48	48
as % of net sales	4.76%	5.80%	-1.04%	5.93%	6.11%	-0.18%	0.94%	2.91%
Earnings per share (Rupees)	9.7	9.2		9.3	8.7			

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

Marketing and Promotion

In a highly competitive market, the Company managed to sustain volumes via aggressive marketing and promotional campaigns, particularly close to the Eid seasons. Coupled with mix changes to high value products and an effective pricing strategy, this has helped boost the Company's topline in challenging times.

Key promotional activities which were instrumental in keeping the Company on track towards its targets are mentioned below:

- ◉ Promotional activities in the recipe category were executed throughout the four quarters at General Trade (GT) and Local Modern Trade (LMT) channels. "Lazzat Bhari Sahulat" remained our flagship Ad campaign focusing on the convenience and the ever-great taste of National Recipe Mixes
- ◉ The iconic food series of National Ka Pakistan entered its 5th season with Chef Saadat exploring various exotic locations in Northern Areas and introducing local cuisines to the viewers together with renowned composer Shuja Haider who sang traditional festive songs. The show garnered over 8 million video views
- ◉ National Ketchup Zaroori, a thematic campaign highlighting the versatile consumption occasions of National Ketchup, continued to build on its successes from past years, covering the July-August buying cycle
- ◉ A school activation drive covering 105 schools and over 36,000 students was executed across key cities to target kids, who are the key influencers of the Ketchup category. The tagline 'Bhook Ho Puri, National Ketchup Zaroori' was used, building on a key insight that kids eat more with National Ketchup
- ◉ National Desserts also collaborated with Pakistani Chefs at Home, a popular Facebook group of opinion makers where participants co-created creative food items by using National Powdered Desserts. Winners were awarded with passes to a popular game show 'Geo Khelo Pakistan' where National Desserts were showcased for 3 weeks
- ◉ To support the Mayonnaise launch, a 360-degree plan was rolled out (TVC, Digital, Radio, Print) capturing the Oct-Nov buying cycle with a value addition to the portfolio. Further support was garnered via on-ground consumer trial & interception activities
- ◉ Further to cash upon the seasonality effect and boost the performance of our Pickles category in a hard-hitting manner, two media bursts of our Pickle thematic - 'Chatkharon Ki Chakachak' were executed on TV and Radio capturing Pre-Ramadan buying cycle
- ◉ The Karachi Eat Festival 2018 saw some highly engaging activities with the iconic 'National Ka Pakistan' stall. It was the most innovative stall present at the festival where participants yelled 'National Ka Pakistan' loudly to get free gifts
- ◉ National Made Easy platform was revived with 9 beautifully shot videos of mouthwatering fusion created by the very best Chef Ammara Noman using National products. To add finesse to this fusion S.M. Shuja was hired for the photography. This campaign resulted in the most trending campaign in Ramadan with the hashtag #Ramadanmadeeasy
- ◉ National Foods has been associated with Masala TV for years. Masala Family Festival serves as a platform for National Foods and enables them to create a fun filled experience for the target group. National Foods showcased its wide variety of products and its usage through scrumptious food menu

Director's Report

- Scene On brand was launched with an Integrated Marketing Communication strategy covering all major consumer touch points. For creating consumer awareness, a full digital campaign was rolled out followed by heavy bursts at all major Cinemas, Radio and Cable TV channels in Q2 and Q3. Featuring the favorite rapper of teenagers Ali Gul Pir, a special 'SCENE ON Rap Anthem' was created that encapsulated the brand essence of 'Taking Control'.

Our People

At NFL our focus remains on diversity and inclusion, capability development, talent development, provision of a safe and healthy workplace, fair policies and procedures, freedom of opinion and expression and open dialogue with all employees. In 2018, we renewed emphasis on investing in the continuous personal and professional development as drivers for operational efficiencies and growth mindset for long term value creation.

Through restructuring in Sales and Integrated Supply Chain, we want our people to think and act differently, making them more empowered, giving them the opportunity to experiment and encouraging them to think and proactively act like business owners.

In a bid to revolutionize the operations of the industry and to recruit top talent, NFL has revamped, rebranded and relaunched its Management Trainee Program which is now called the NFL 'Trailblazers'. 36 candidates from around 3000 applicants have been inducted after rigorous online analytical tests, psychometric testing, analysis of business case study and contribution to group discussions, time management, analytical, planning and strategic skills, innovative solutions, communication and presentation.

National Foods has recently inaugurated its Daycare facility which features professionally-trained nannies. It has been designed by keeping in mind the needs of different-aged children and after consultation with experts as well as working mothers.

Through Learning Management System (LMS), our collaborative digital learning platform, our people can access bite-sized learning which will be both engaging and featuring industry best practices.

Further, various workshops were organized to enhance the skillset of our people including "Essential Excel Skills" to bring them up to speed for creating dashboards and other updated Microsoft tools. Another one on Managing Employee Performance was conducted to teach giving effective feedback.

The Company continued to work towards enhancing employee satisfaction, offering attractive and fair compensation and benefits, increasing gender diversity and providing opportunities for growth to nurture future corporate leaders.

Corporate Sustainability

NFL hosted the Biennale Art Festival (Oct 22 – Nov 5, 2017). It was an occasion to revisit our histories, rethink our present, and reimagine our future with greater optimism. We opened our Claremont House for one of the art exhibitions and for public viewing to experience art and heritage together. This age-old building is a listed heritage site under the Sindh Cultural Heritage Preservation Act 1994.

National Foods Limited is the 1st Corporate Office in Pakistan to have received the Gold Leadership in Energy and Environmental Design (LEED) certification by United States Green Building Council (USGBC). Office space is just one of the many initiatives where the company sticks to its founders' philosophy geared towards building sustainability for both the environment and the business.

Our flagship Aagahi Adult Literacy Program was launched in 2005 in collaboration with The Citizens Foundation as a community development initiative. This program aims to provide illiterate women from rural areas and urban slums around TCF Schools a chance to learn how to read and write. To date, this program has trained 65,499 learners across 68 cities & towns of Pakistan.

National Foods Limited participated in the Elevate program by Circle which is Pakistan's first Women Leadership Program. For the first batch comprising over 9 months, National Foods Limited nominated 5 women from their Head Office and Plant to participate in the program.

In line with providing optimal nourishment to children, NFL and Aman Foundation collaborate annually through the platform of Aman Ghar. Though the Aman Ghar program, NFL provides hygienically prepared meals, completely free of cost on an every-day basis to the school-going children present in Khuda Ki Basti – an economically challenged suburb of Karachi.

We partnered with Reckitt Benckiser (RB) for Project HOPE, where educative literature on preventing diarrhea is taught and a basket of goods is given to Sehat Aapas to be sold. The basket consists of health and hygiene goods from NFL, RB, Syntax and Shield. During 2018, the program expanded to over 25,000 households in Punjab.

Special importance is given to staff who work in the production line for two reasons; health of employees is important, and no compromise should be made in the quality of our products. Hence, we undertake annual health tests for permanent and contractual employees both who work in our production lines per OHSAS requirement, including examination of CBC, SGPT, chest X-ray, Hepatitis and ECG.

We at NFL have an unwavering commitment towards improving the life of our stakeholders, and above all, our host communities. Through the year, we contributed around Rs. 13.2 million (cash and in kind) under our Corporate Social Responsibility (CSR) programs broadly under the categories of women's empowerment, health & nutrition and education, which are our primary concerns.

Business Ethics

From the inception of the Company, it has been and continues to be a policy that the Company and all its employees maintain the highest ethical standards in the conduct of the Company's business. Our Code of Conduct constitutes a set of standards and rules which form an integral part of our corporate culture and is a statement of who we are and how we work. They highlight business principles, the Company's responsibilities towards its employees, and employee responsibilities towards your Company. Along with good corporate governance, ethical behavior is a fundamental part of everything that NFL does.

Principal Risks and Uncertainties

The local business and political landscape has been generally stable over the course of the year, especially with significant improvement in law and order situation in the country's financial hub, Karachi, which also houses NFL's largest production facilities. It remains to be seen whether the stability continues in the wake of the General Elections and the resulting transition to a new government, although the initial sentiment seems promising. Security and safety risks are mitigated through adequate insurance via reputable institutions and a robust internal security team.

Director's Report

NFL's competitive environment is getting more aggressive as each day passes, with multiple branded and unbranded products targeting the companies share in convenience food segment. However, the Company has made headways in expanding to associated food segments such as Mayonnaise and Savory Snacks, both showing significant promise in the first year. Severe competition coupled with contraction of export markets has led to a slight decline in export revenues, though this is expected to bounce back with deployment of a new team at the turn of the year and expectation of favorable government export policies.

Based in the convenience food segment, NFL gross margins are dependent on key local and imported inputs. There is uncertainty over prices due to adverse climatic changes including floods which have become a regular occurrence in recent years. Low local output results in additional imports hurting raw material pricing amid restricted price pass-on opportunities in a highly competitive environment.

Sharp devaluation of exchange rates during the second half of the fiscal year is expected to dent company gross margins due to impact on prices of key inputs such as tomato paste and Aloo Bukhara. However, with a fine balance of exports and imports, the company gets a natural hedging of the foreign currency fluctuation.

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

The company's financing incorporates an appropriate mix of debt and equity to ensure optimum financial leverage and reduced cost. The Company is however susceptible to adverse changes in interest rates due to increased borrowings exposure. The Company mitigates this through a combination of financing options, such as running finance, money market loans and long-term loans, through a variety of institutions. The Company is also availing discounted LTFF and ERF against export performance.

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

Contribution to the National Exchequer

During the year, the contribution to the National Exchequer has further increased and the Company paid over Rs. 4,090 million (2017: Rs. 3,686 million) to the government and its various agencies on account of different government levies, including custom duty, sales tax and income tax. Moreover, foreign exchange of Rs. 1,126 million (2017: Rs. 949 million) was also generated through export of products which further reflects our participation in the national economy.

Dividend

The Board of Directors has recommended final cash dividend of Rs. 3.75 per share and bonus issue of 1 share for every 5 shares held as on the date of determination of entitlement to receive dividend. Total standalone profit distributed by way of dividend amounts to 52% (2017: 45%).

Compliance with Code of Corporate Governance

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

- The financial statements, present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity
- Proper books of account of the Company have been maintained
- Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment
- International Financial Reporting standards have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored. The Board has constituted an Audit Committee consisting of four members, including Chairman of the Committee. The Chairman of Audit Committee is an independent director and the Committee regularly meets as per requirements of the Code
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- There are no significant doubts upon the Company's ability to continue as a going concern
- The outstanding duties, statutory charges and taxes, if any, have been duly disclosed in the financial statements
- A statement regarding key financial data for the last six years is annexed to this report
- The value of investments of Provident Fund based on unaudited accounts was Rs. 307 million as at June 30, 2018
- Attendance to the Board of Directors, Human Resource & Remuneration Committee and Audit Committee is annexed to the report.

Pattern of Shareholding

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

Internal Auditors Function

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

Director's Report

External Auditors

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

Forward Looking Statement and Future Outlook

The current economic scenario and market conditions of the food sector are expected to persist over the upcoming fiscal year. To secure optimum results, the Company is focusing on efficient sales mix and product differentiation strategy along with consistent monitoring of areas where measures can be taken to reduce cost. The Company will work extensively for the expansion of its existing export business and is constantly in search of strategies that will make its business sustainable in the long run.

Expansion of Production Facilities - Nooriabad

While continuous expansion and improvement through CAPEX is seen as the driving force to meet demand, the Company's key focus this year has been its new Nooriabad location.

Post the year end, production was live at the Company's new facility for Salt at Nooriabad. The state-of-the-art Spanish sources salt plant has a capacity of 10 tons per hour and is expected to meet the burgeoning demand for Table Salt along with reduction in freight costs compared to existing salt plant at Muridke.

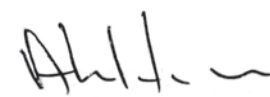
With trend of double digits growth in Pickle, the company has expanded its storage capacity at Nooriabad through construction of 132 new Brine Tanks under a pre-fabricated building. Further, building on last year's successes, we have also updated the automated Mango Cutting lines through which record production was achieved.

A1 Expansion

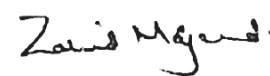
A1 has quickly become the jewel in NFL's crown continuing to move from strength to strength over the year. It started off with fast forwarded expansion of its main facility in Toronto, with addition of 50,000 sq. ft. in warehouse area. Further, the Company has opened a new location in London, Ontario, which is expected to help achieve and exceed its set targets for 2019.

Acknowledgement

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



Chief Executive Officer



Director

Board Meetings

Board Meetings

In 2018, the Board of Directors held 5 meetings to complete their cycle of activities. The attendance record of the Directors was as follows:

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

Audit Committee Meetings

In 2018, the Audit Committee held 4 meetings to complete its cycle of activities. The attendance record of the members was as follows:

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

Human Resource and Remuneration Committee Meetings

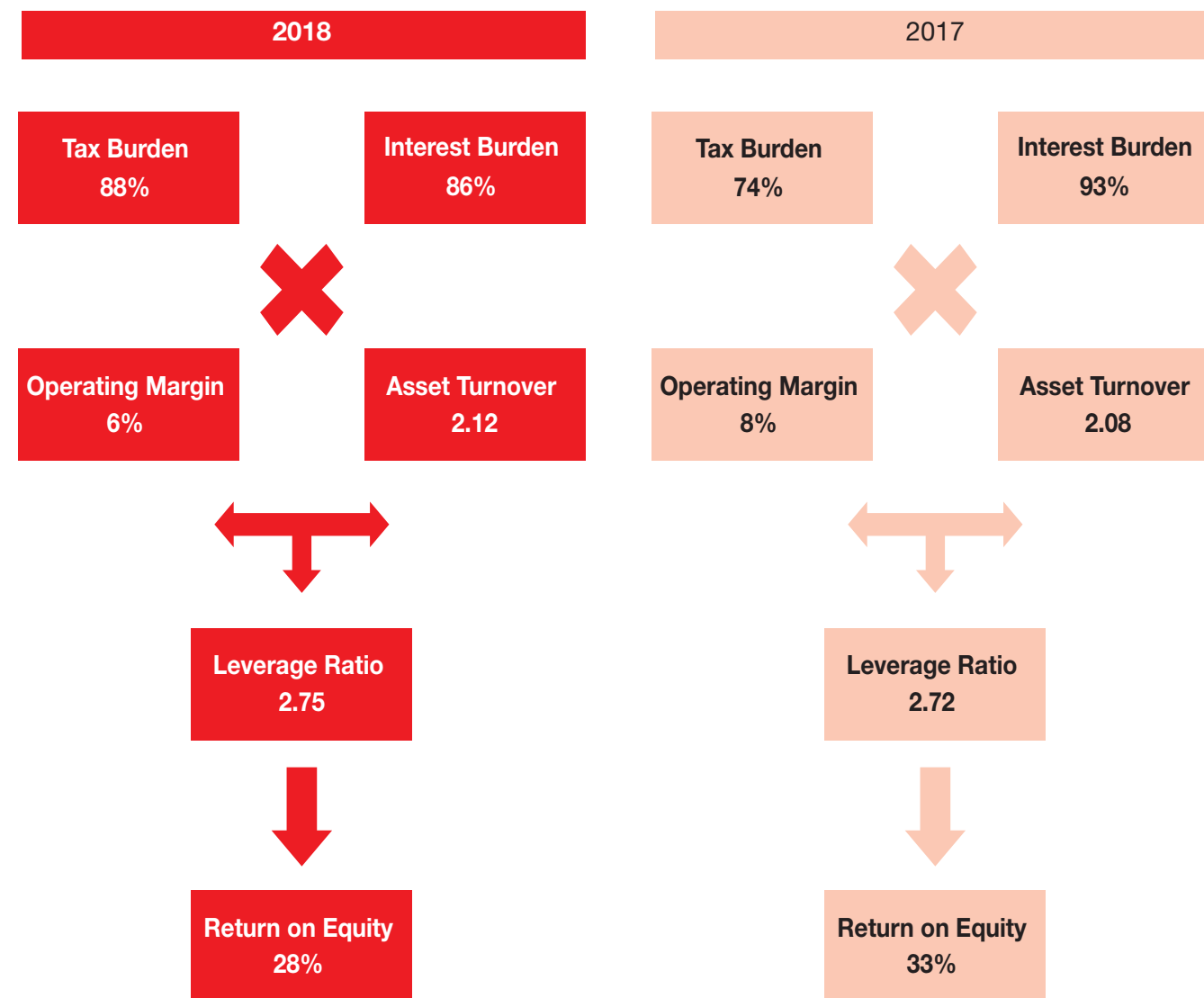
In 2018, the HRRC held 2 meetings to complete its cycle of activities. The attendance record of the members was as follows:

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

Financial Review



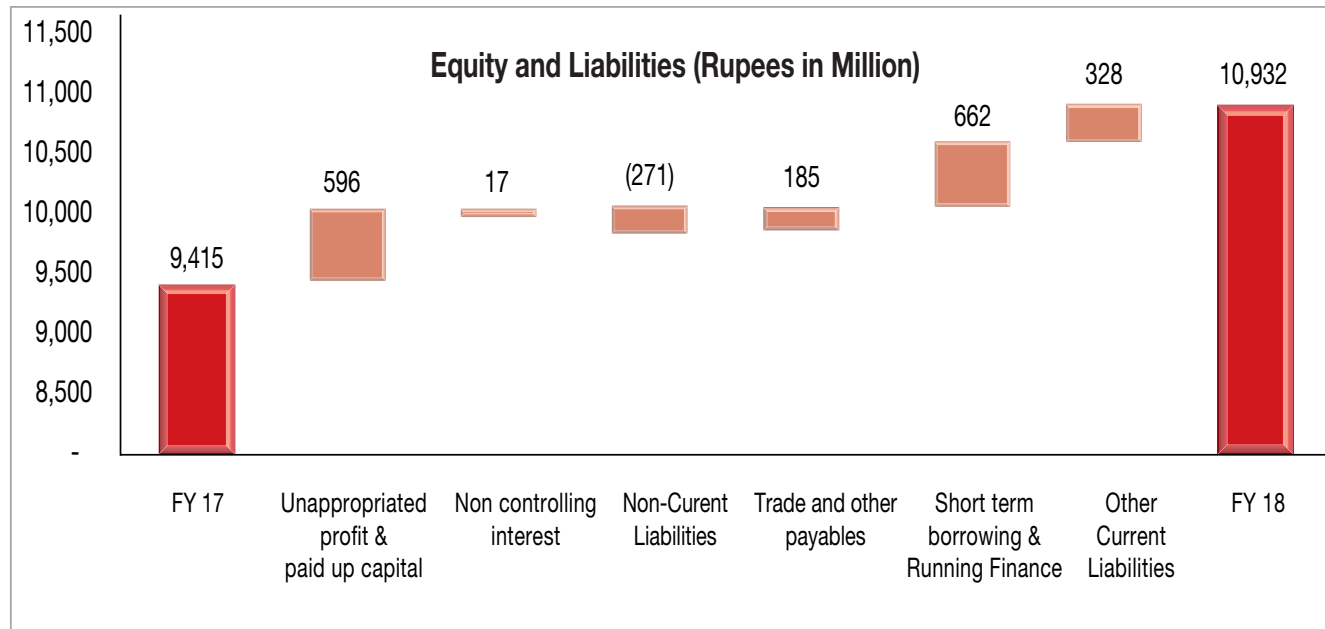
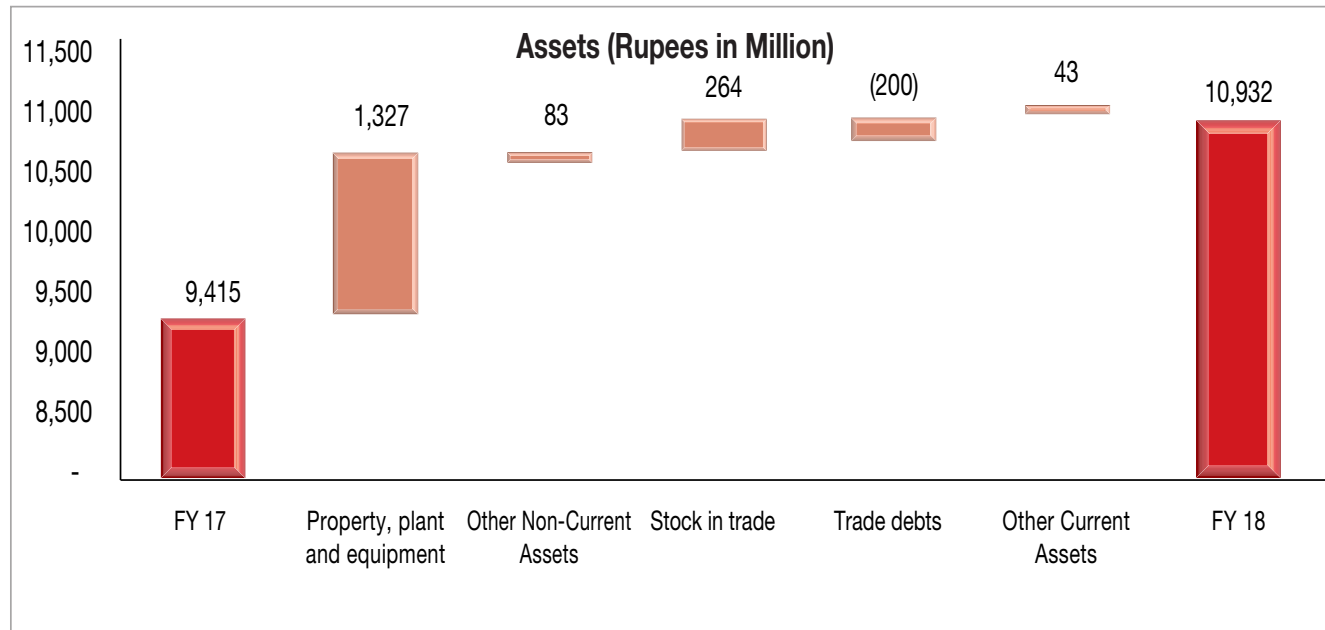
DuPont Analysis



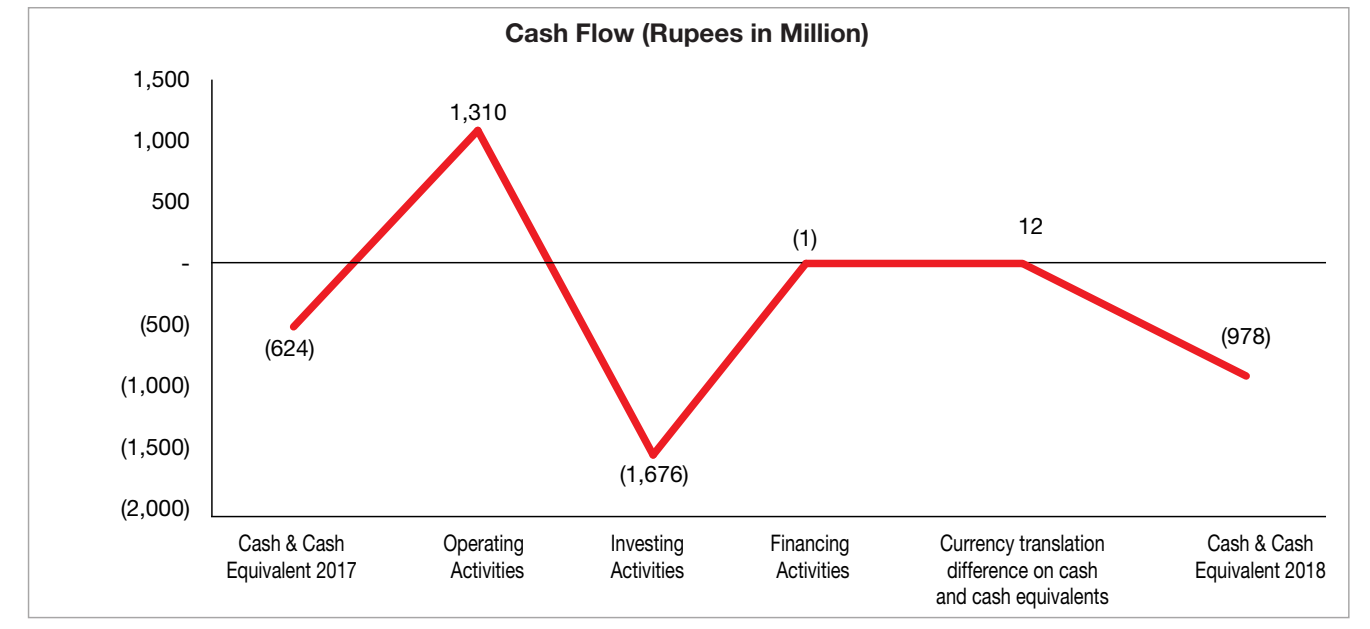
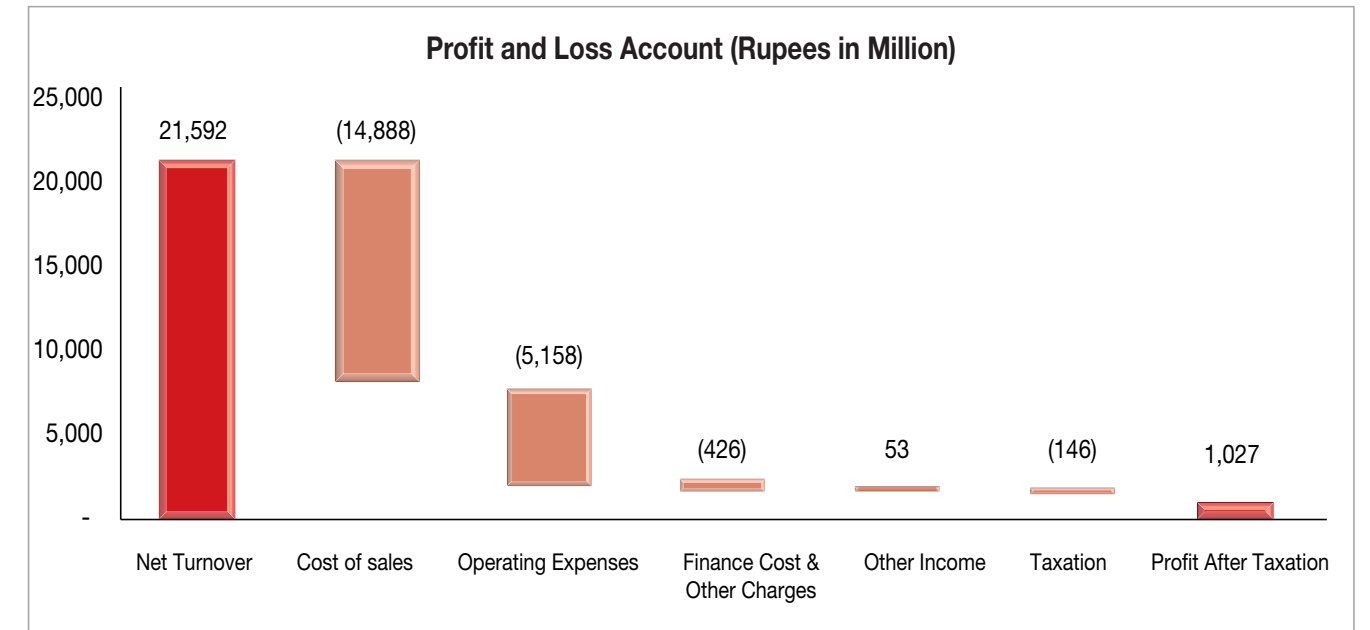
Financial Ratios

	Unit	2018	2017	2016	2015	2014	2013
Profitability Ratios							
Gross Profit Ratio	%	31.05	32.17	33.13	35.36	35.05	34.61
Operating Profit to Sale	%	6.34	8.48	8.97	12.64	11.80	12.40
Net Profit before Tax to Sales	%	5.43	7.86	8.37	12.26	10.88	11.53
Net Profit after Tax to Sales	%	4.76	5.80	5.87	8.51	7.55	7.95
EBITDA Margin to Sales	%	8.26	10.10	10.57	14.31	13.38	13.75
Operating Leverage Ratio	%	(13.51)	71.94	(110.39)	142.69	60.01	87.52
Return on Equity	%	27.77	32.80	29.88	39.57	37.55	44.18
Return on Capital Employed	%	32.19	42.36	43.89	55.92	54.68	63.75
Return on Assets	%	9.39	10.34	11.82	17.78	14.75	16.03
Liquidity Ratios							
Current Ratio	Times	0.88	1.05	1.13	1.49	1.42	1.30
Quick / Acid Test Ratio	Times	0.31	0.41	0.33	0.64	0.56	0.51
Cash to Current Liabilities	Times	(0.15)	(0.12)	(0.16)	(0.04)	(0.33)	(0.32)
Cash Flow from Operations to Sales	%	6.07	8.48	3.63	12.09	5.65	4.03
Working Capital Turnover	Times	(26.68)	64.91	24.66	8.91	8.97	11.69
Efficiency Ratios							
No. of Days in Inventory	Days	87.04	107.40	111.63	108.65	119.66	113.32
No. of Days in Receivables	Days	21.38	24.99	26.97	29.23	27.25	20.10
No. of Days in Payables	Days	20.79	14.00	13.27	17.14	15.40	16.98
Operating Cycle	Days	87.63	118.39	125.34	120.73	131.51	116.43
Asset Turnover	Times	2.12	2.08	2.20	2.21	2.11	2.31
Inventory Turnover	Times	4.19	3.40	3.27	3.36	3.05	3.22
Receivables Turnover	Times	17.07	14.61	13.53	12.49	13.40	18.16
Payables Turnover	Times	17.56	26.08	27.51	21.29	23.71	21.50
Revenue / Employee	Rs.	41,430	34,034	28,668	23,986	21,485	20,208
Net Income / Employee	Rs.	1,480	1,442	1,188	1,459	1,189	1,186
Investment / Market Ratios							
Earnings Per Share	Rs.	9.74	9.20	7.69	9.61	7.09	6.56
Price Earning Ratio	Times	32.75	29.46	36.52	35.37	113.03	54.97
Dividend Yield Ratio	%	1.30	1.57	0.98	2.94	1.00	1.11
Dividend Payout Ratio	%	37.83	45.24	35.74	104.11	56.41	24.39
Dividend Cover Ratio	Times	2.64	2.21	2.80	0.96	1.77	4.10
Cash Dividend Per Share	Rs.	3.75	4.25	2.75	10.00	8.00	4.00
Cash Dividend	%	75.00	85.00	55.00	200.00	80.00	40.00
Stock Dividend Per Share	Rs.	1.00	-	-	-	-	2.50
Stock Dividend	%	20.00	-	-	-	-	25.00
Market Value Per Share at the end of the year	Rs.	318.99	271.00	281.00	339.73	801.43	360.65
Low during the year	Rs.	295.00	260.00	276.50	318.12	302.25	187.80
High during the year	Rs.	352.00	413.71	366.65	433.73	801.43	391.40
"Breakup Value Per Share without Surplus on Revaluation of Fixed Assets"	Rs.	38.65	32.73	24.55	26.94	43.21	40.41
Market Capitalisation (in millions)	Rs.	33,049.55	28,077.46	29,113.53	35,198.34	41,514.07	14,945.34
Capital Structure Ratios							
Financial Leverage Ratio	%	74.22	56.75	51.55	13.76	42.68	56.78
Weighted Average Cost of Debt	%	7.90	6.44	10.44	6.60	9.22	10.02
Debt to Equity Ratio	%	4.98	20.35	-	-	-	-
Interest Coverage Ratio	Times	7.00	13.58	15.00	33.10	12.83	14.16
No. of Ordinary Shares (in millions)	EA	103.61	103.61	103.61	103.61	51.80	41.44

Financial Statements at a Glance



Financial Statements at a Glance

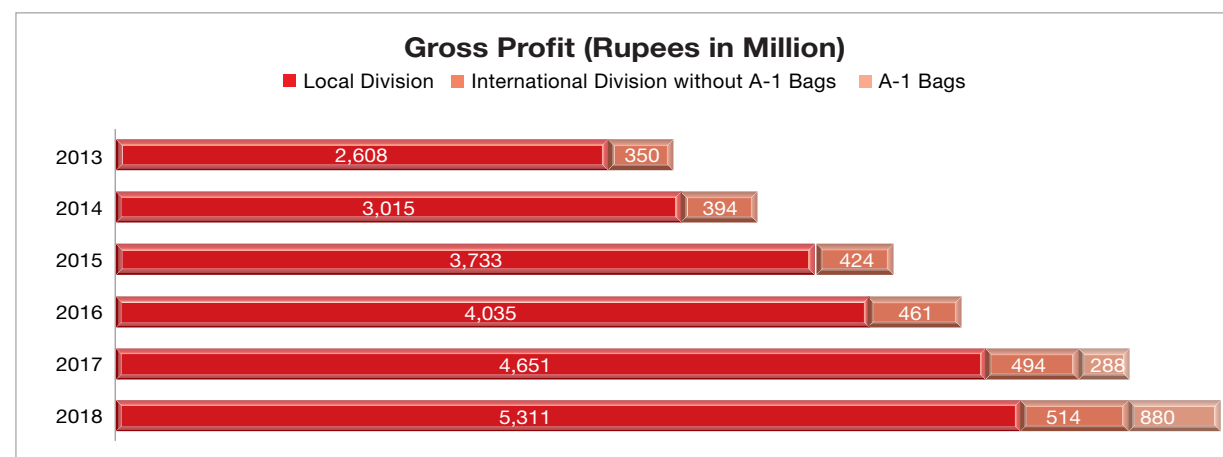
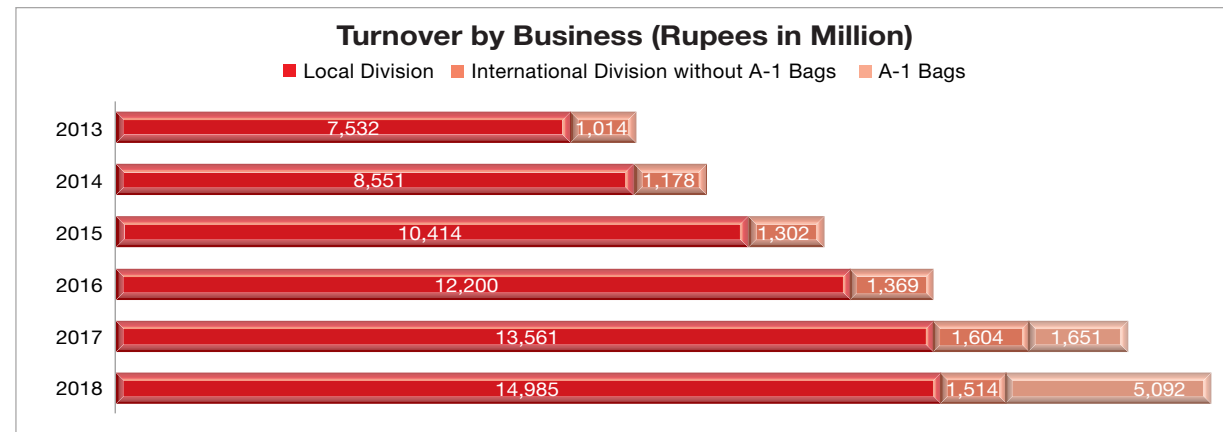
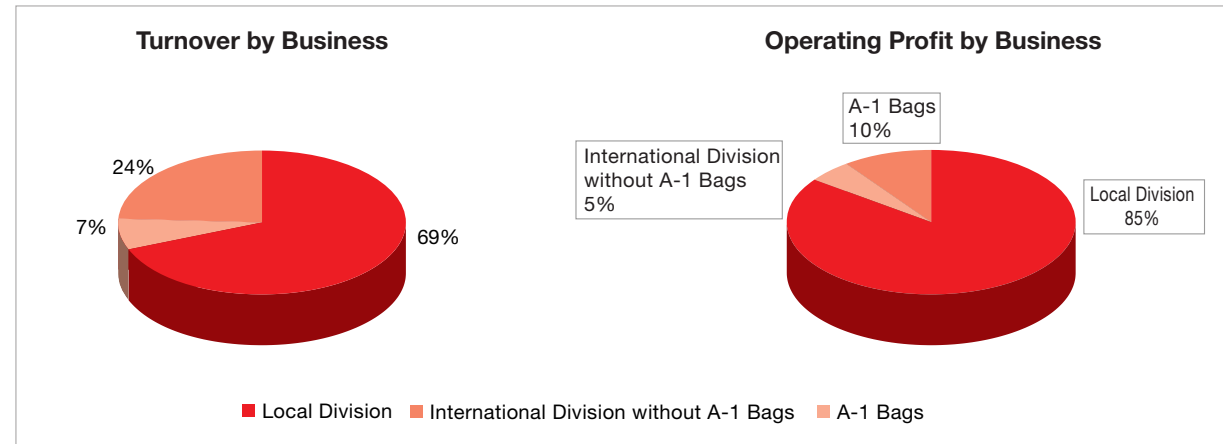


Financial Highlights

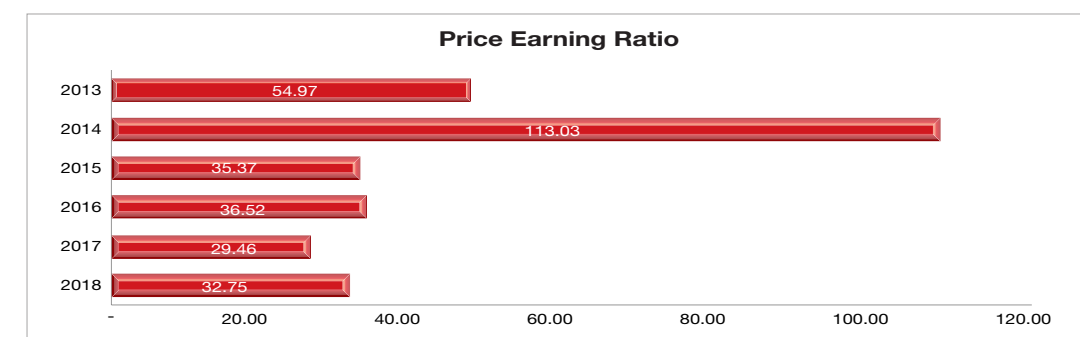
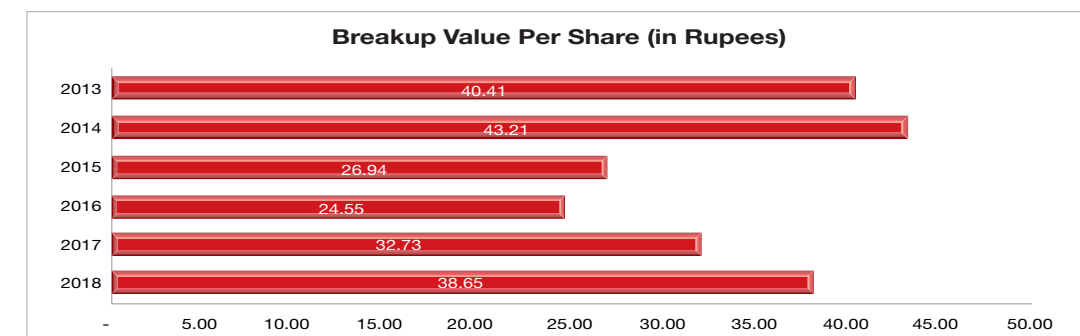
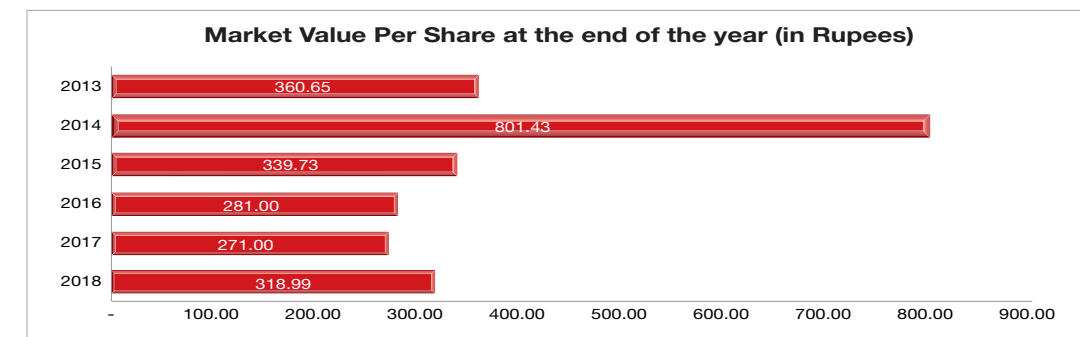
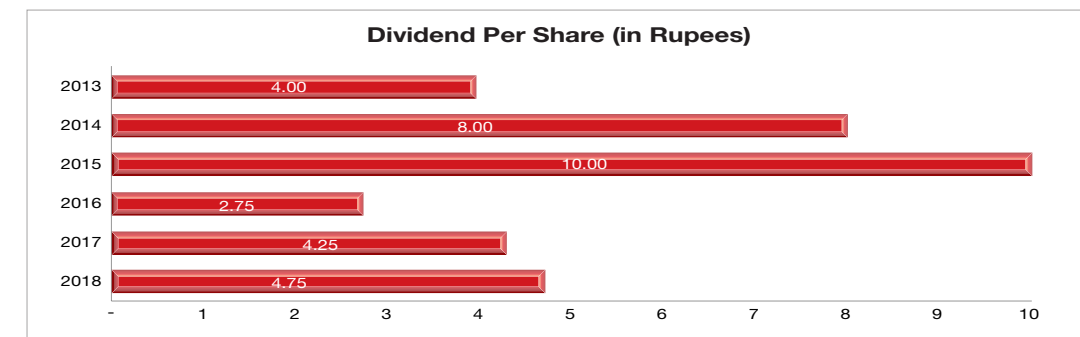
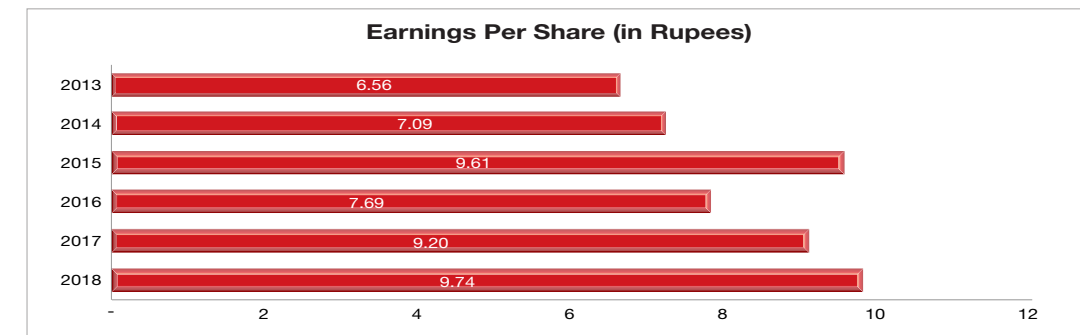
Our results compared to same period last year at a glance

FY-18

- Turnover up by 29 %
- Gross profit up by 24 %
- Profit after Taxation up by 6 %
- Earning per Share PKR 9.74 (FY-17 PKR 9.20)

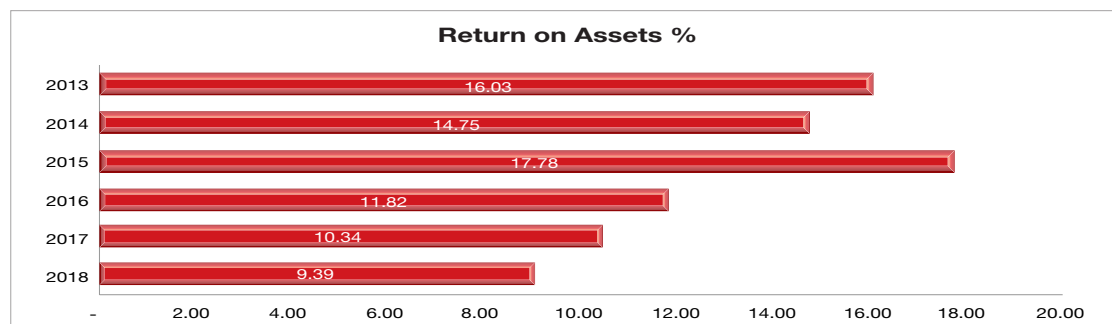
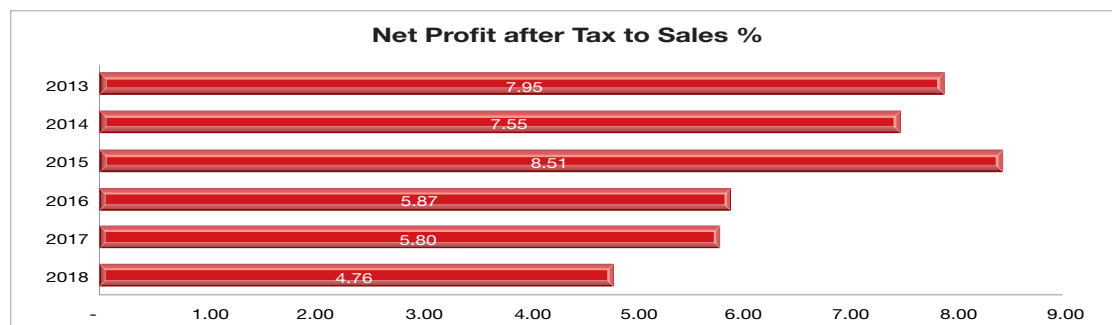
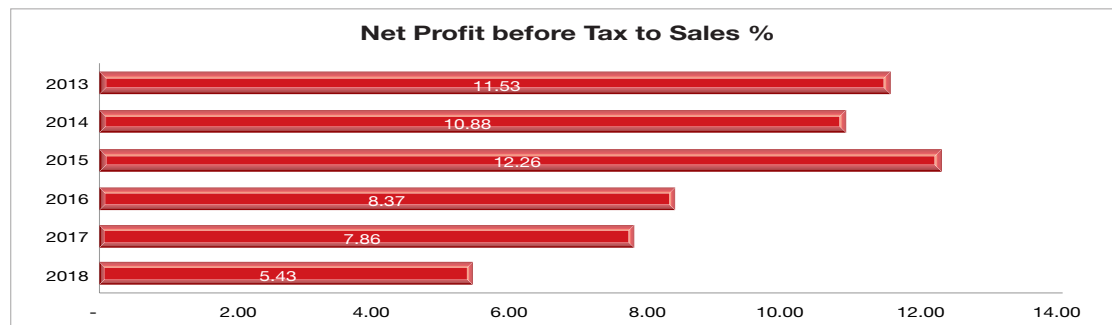
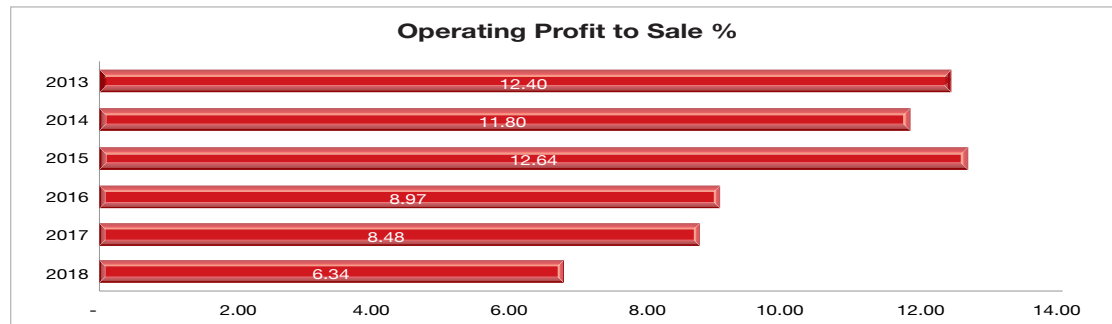
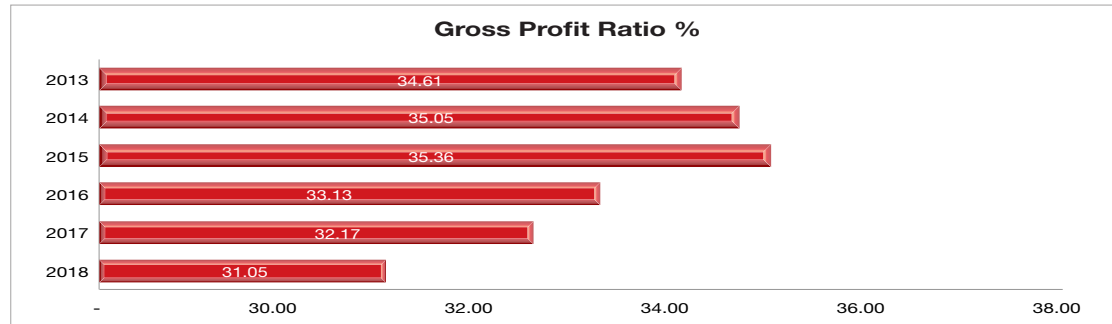


Financial Highlights

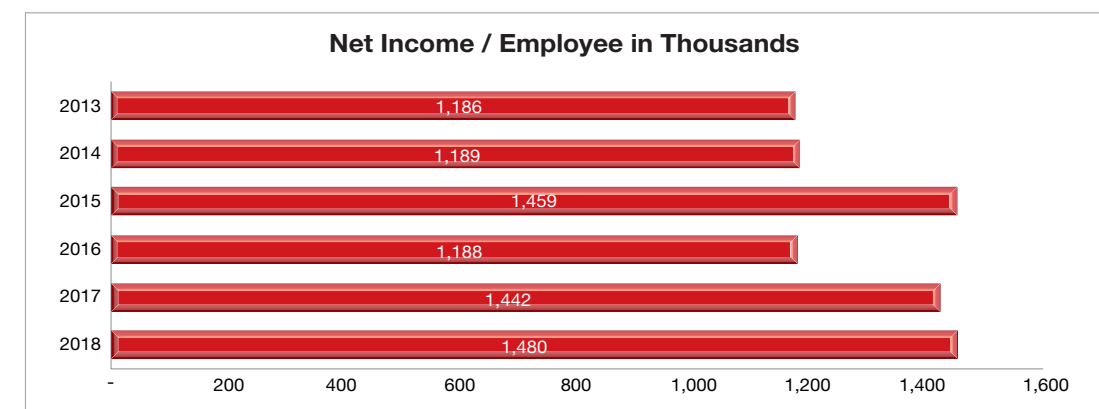
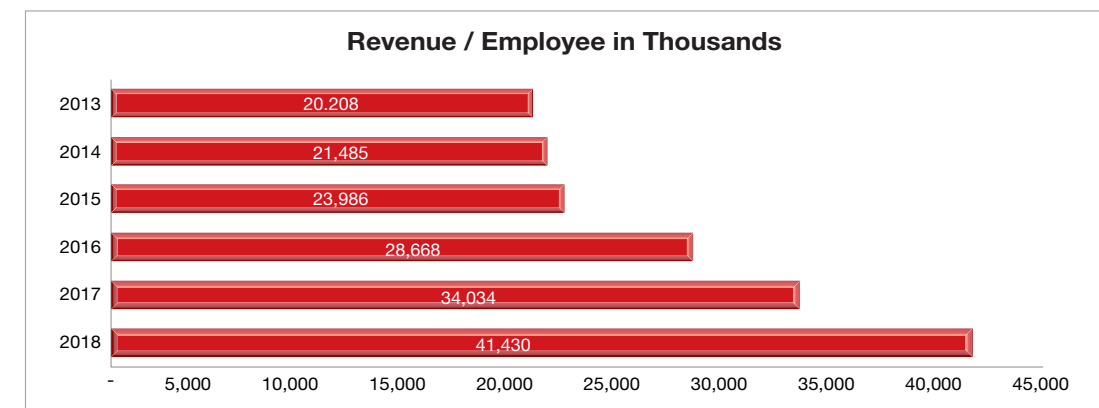
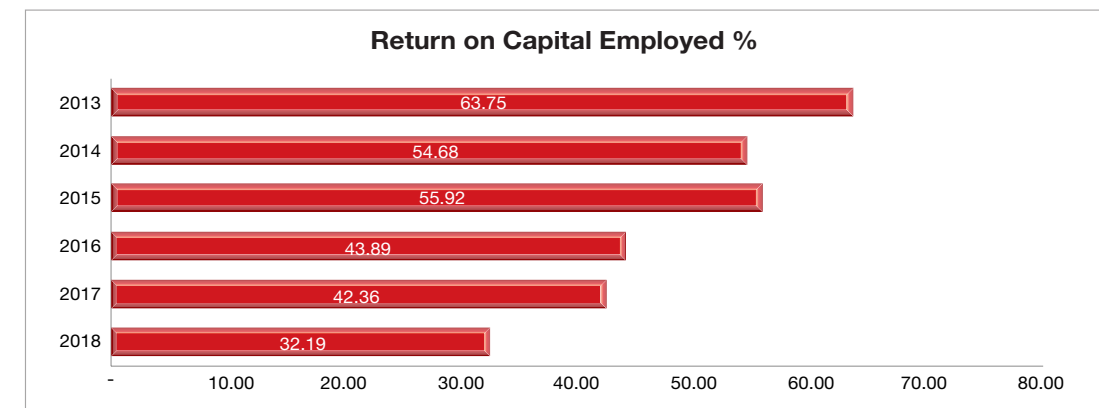
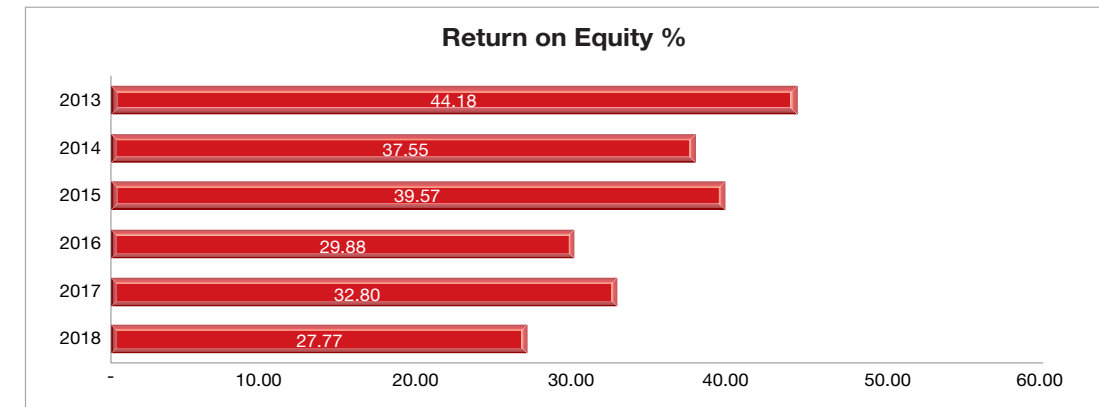


Financial Highlights

A. Profitability Ratios

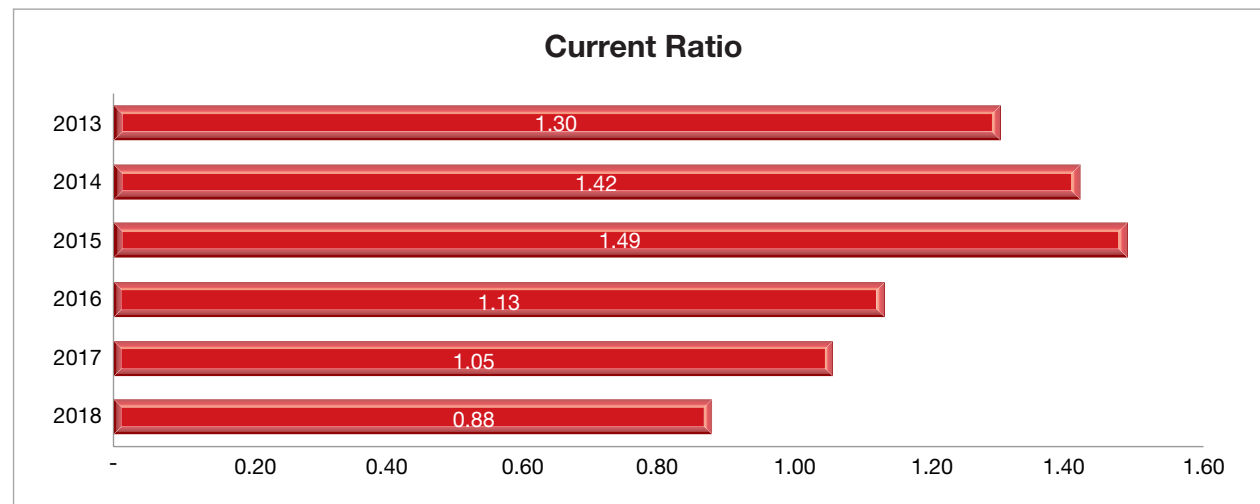


Financial Highlights

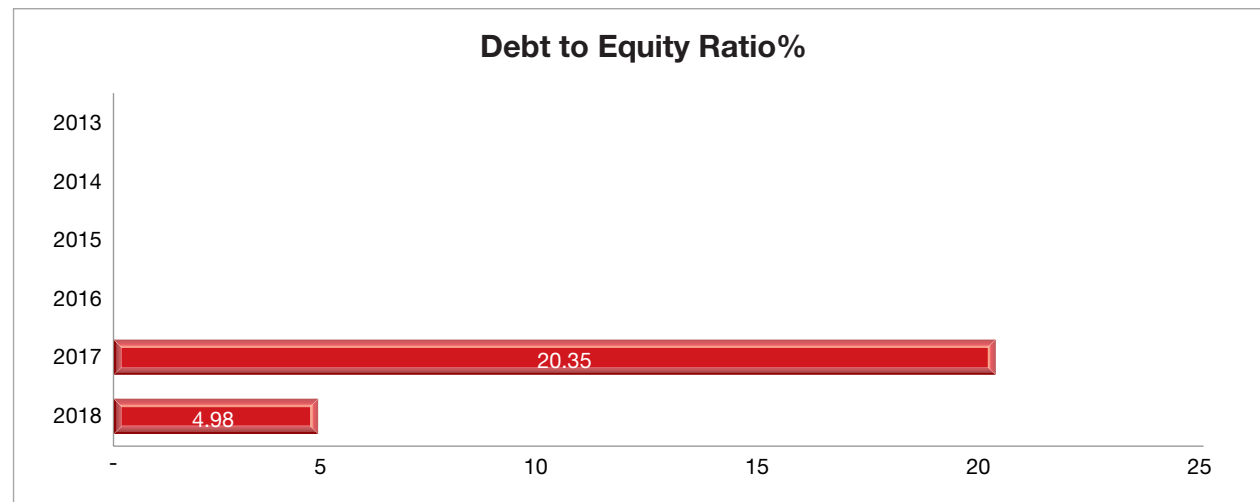


Financial Highlights

B. Liquidity Ratios

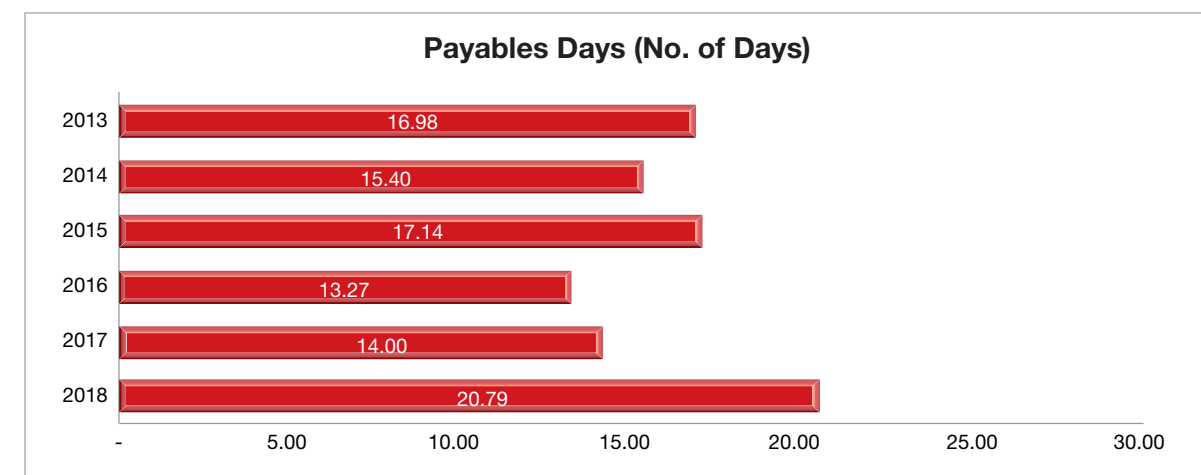
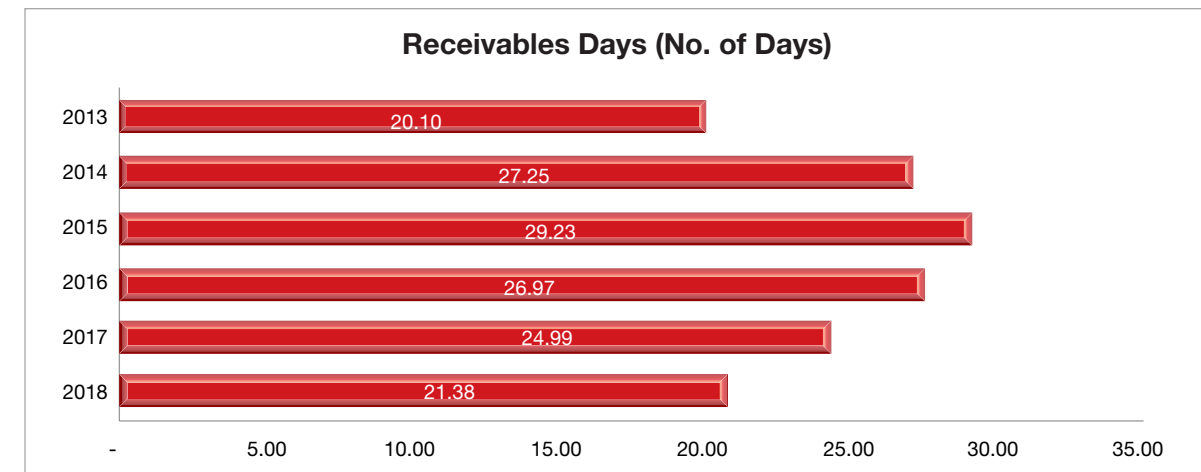
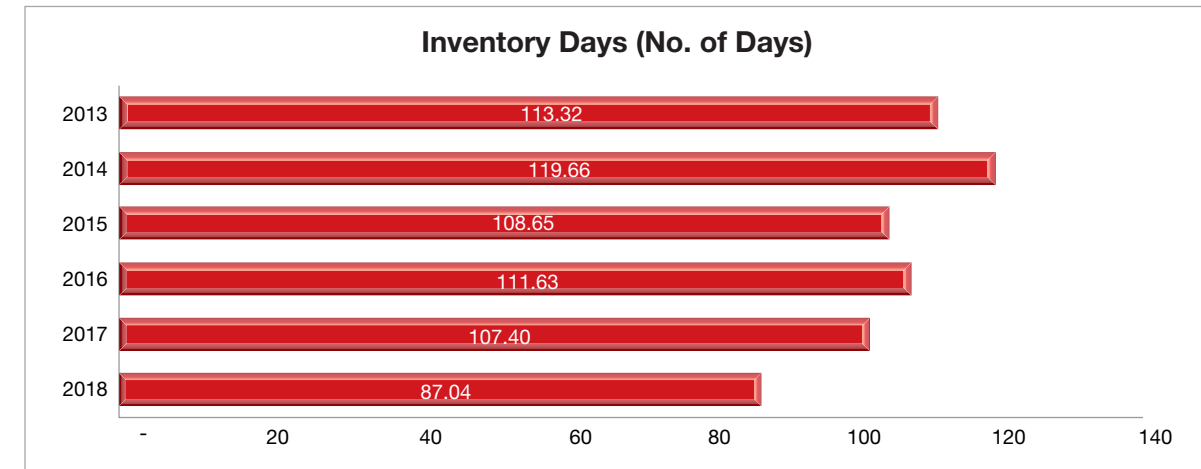


C. Gearing Ratios



Financial Highlights

D. Efficiency Ratios

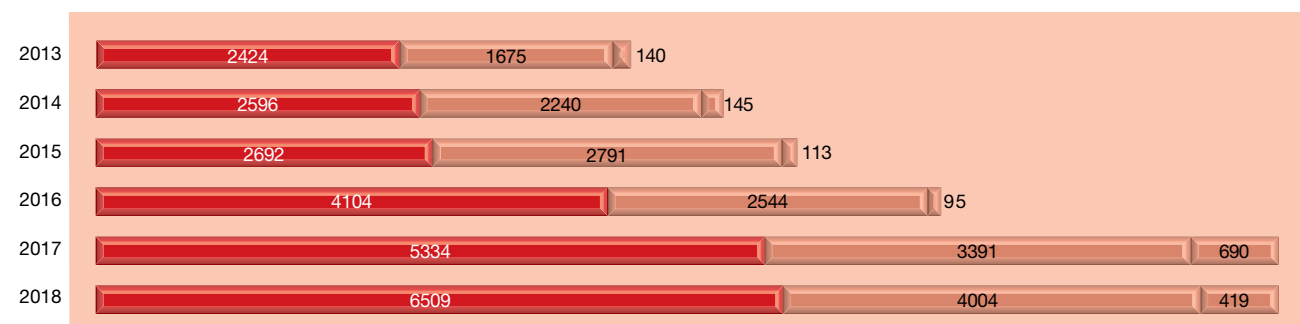


Horizontal Analysis

	2018	2017	2016	2015	2014	2013
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	28.40%	23.93%	16.05%	20.18%	13.85%	19.21%
Cost of Sales	30.79%	25.45%	20.04%	19.63%	13.06%	15.53%
Gross Profit	23.39%	20.09%	8.75%	21.21%	15.32%	26.86%
Administrative Cost	75.54%	(0.31)%	10.55%	24.93%	40.41%	32.16%
Distribution cost	22.03%	29.67%	24.16%	15.48%	16.10%	35.75%
Other Operating Expense	110.64%	10.15%	(18.88%)	45.23%	0.41%	10.31%
Administration, Distribution & Other Operating Exp.	31.16%	24.35%	19.92%	18.09%	18.76%	33.93%
Financial Charges	86.73%	17.58%	99.56%	(50.08%)	19.50%	5.41%
Other Income	(45.99%)	202.80%	(67.14%)	41.35%	5.19%	56.39%
Profit before Tax	(11.04%)	16.18%	(20.81%)	35.47%	7.46%	17.79%
Taxation	(57.65%)	2.18%	(22.89%)	35.47%	6.09%	20.66%
Profit after taxation	5.52%	22.09%	(19.89%)	35.47%	8.07%	16.54%
BALANCE SHEET						
Issued, subscribed and paid up capital	0.00%	0.00%	0.00%	0.00%	25.00%	0.00%
Unappropriated Profit	20.35%	32.83%	(10.98%)	31.97%	36.63%	28.23%
Non controlling interest	-	100%	-	-	-	-
Exchange revaluation reserve	671.33%	155.63%	203.41%	183.17%	-	-
Long Term Obligations	(39.28%)	629.64%	(16.23%)	(21.96%)	3.11%	24.53%
Total Long-term Liabilities and shareholder equities	8.37%	54.70%	(9.16%)	21.85%	31.32%	20.21%
Fixed Assets, CWIP & Intangibles	37.04%	84.03%	32.16%	22.04%	19.05%	12.67%
Other Non current assets	21.02%	10.45%	(10.90%)	57.14%	89.17%	101.24%
Current Assets	1.91%	20.19%	16.22%	8.77%	16.64%	43.28%
Total Assets	16.11%	39.64%	20.49%	12.39%	17.45%	34.17%
Current Liabilities & Provisions	22.04%	29.96%	52.48%	3.70%	7.06%	46.94%
Net Assets	8.37%	54.70%	(9.16%)	21.85%	31.32%	20.21%

BALANCE SHEET ANALYSIS - EQUITY & LIABILITIES

■ Current Liabilities & Provisions ■ Shareholders' Equity ■ Non Current Liabilities

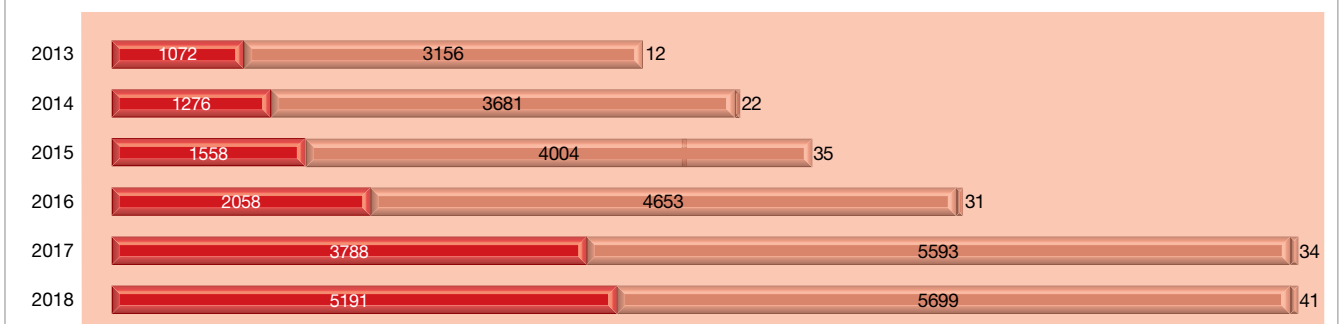


Vertical Analysis

	2018	2017	2016	2015	2014	2013
	%	%	%	%	%	%
INCOME STATEMENT						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	68.95%	67.69%	66.87%	64.64%	64.95%	65.39%
Gross Profit	31.05%	32.60%	33.13%	35.36%	35.05%	34.61%
Administration	4.23%	3.10%	3.85%	4.04%	3.88%	3.15%
Distribution cost	19.66%	20.68%	19.77%	18.48%	19.23%	18.86%
Other operating cost	1.07%	0.65%	0.73%	1.05%	0.87%	0.98%
Financial Charges	0.91%	0.62%	0.66%	0.38%	0.92%	0.88%
Other Income	0.25%	0.59%	0.24%	0.85%	0.72%	0.78%
Profit before Tax	5.43%	7.85%	8.36%	12.26%	10.88%	11.53%
Taxation	0.68%	2.06%	2.49%	3.75%	3.33%	3.57%
Profit after taxation	4.76%	5.60%	5.87%	8.51%	7.55%	7.95%
BALANCE SHEET						
Issued, subscribed and paid up capital	11.71%	12.69%	19.63%	17.84%	21.73%	22.83%
Unappropriated Profit	73.11%	65.83%	76.67%	78.24%	72.24%	69.44%
Non controlling interest	4.49%	4.39%	-	-	-	-
Exchange revaluation reserve	1.27%	0.18%	0.11%	0.03%	(0.05)	-
Long Term Obligations	9.47%	16.91%	3.58%	3.89%	6.07%	7.73%
Total Long-term Liabilities and shareholder equities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Fixed Assets, CWIP & Intangibles	117.36%	92.81%	78.00%	53.63%	53.55%	59.07%
Other Non current assets	0.94%	0.83%	1.17%	1.20%	0.93%	0.64%
Current Assets	128.86%	137.03%	176.38%	137.85%	154.43%	173.86%
Total Assets	247.15%	230.90%	255.57%	192.67%	208.90%	233.57%
Current Liabilities & Provisions	147.15%	130.90%	155.56%	92.67%	108.90%	133.57%
Net Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET ANALYSIS - ASSETS

■ Fixed Assets & CWIP ■ Current Assets ■ Other Non current assets



Summary of Cash Flow Statement

	2018	2017	2016	2015	2014	2013
(Rupees in Millions)						
Cash flows from operating activities	1,311	1,425	490	1,414	550	345
Cash flows (used in) investing activities	(1,676)	(1,556)	(312)	(354)	(460)	(270)
Cash flows from / (used in) financing activities	(1)	167	(732)	(713)	(597)	(390)
Net increase / (decrease) in cash and cash equivalents	(367)	37	(554)	347	(507)	(315)
Cash and cash equivalents at the beginning of the year	(624)	(662)	(110)	(456)	50	(464)
Currency translation differences	12	1	2	-	-	-
Cash and cash equivalents at the end of the year	(978)	(624)	(662)	(109)	(456)	(780)

Operating activities

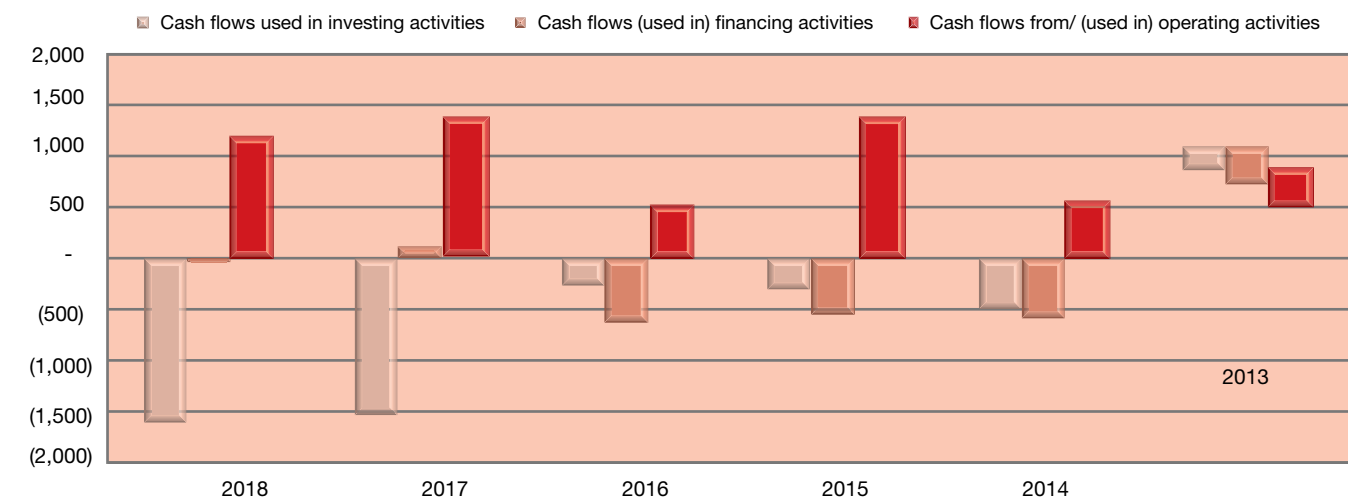
The Company's operating cash flow has increased at a CAGR of 25% over the past 6 years due to improved business performance.

Investing activities

Cash used in investing activities has increased at a CAGR of 36% over the past 6 years and mainly comprises investment in capital expenditure particularly salt plant at Nooriabad and land and building extension at manufacturing sites of the Company.

Financing activities

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

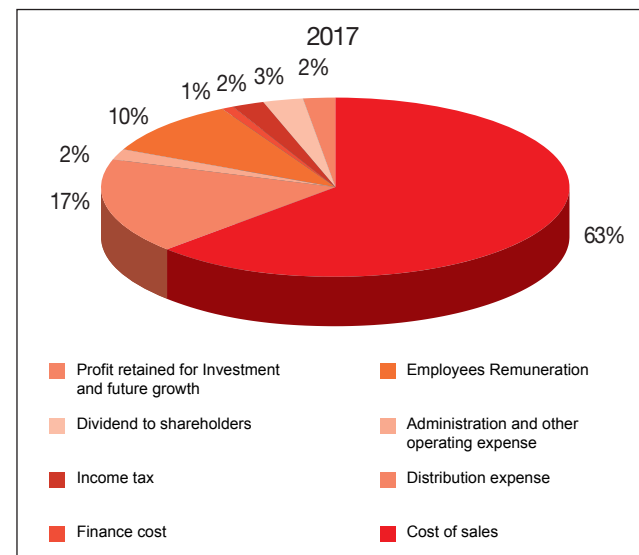
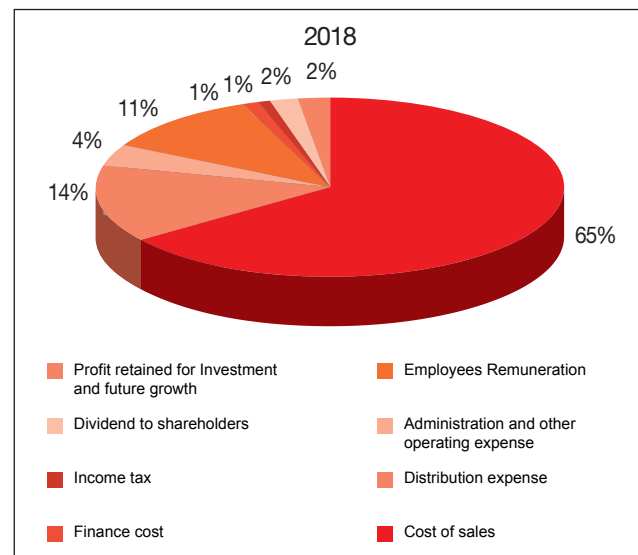


Six Year Cash Flows Using Direct Method

	2018	2017	2016	2015	2014	2013
(Rupees in thousand)						
Cash received from customers	21,685,050	16,382,637	13,709,694	11,416,540	9,580,403	8,185,748
Cash paid for goods & services	(19,808,411)	(14,463,131)	(12,908,168)	(9,742,647)	(8,763,322)	(7,423,215)
Cash generated from operations	1,876,639	1,919,506	801,526	1,673,893	817,081	762,533
Financial cost paid	CF (181,164)	(102,522)	(82,689)	(53,490)	(101,683)	(63,341)
Net increase in long term deposits	CF (6,716)	(3,209)	3,789	(12,643)	(10,429)	(5,884)
Deferred rent	CF 17,596	1,898	-	-	-	-
Retirement benefit obligation	CF (6,023)	(17,881)	(23,876)	(61,382)	(3,811)	(4,113)
Income tax refund / (paid)	CF (389,804)	(372,357)	(208,625)	(132,640)	(151,202)	(344,466)
Net cash flow from operating activities	1,310,528	1,425,435	490,125	1,413,738	549,956	344,729
Purchase of property, plant & equipment	CF (1,657,468)	(1,299,100)	(684,088)	(467,793)	(346,618)	(216,616)
Purchase of intangible assets	CF (42,031)	(96,948)	(46,958)	(22,740)	(21,212)	(21,848)
Sale proceeds from disposal of property, plant and equipment	CF 23,176	22,402	21,767	29,988	7,761	4,590
Sale proceeds of open ended mutual fund units	CF -	-	546,048	884,555	50,000	423,992
Purchased of open ended mutual fund units	CF -	-	(150,000)	(777,988)	(150,000)	(460,000)
Investment in National Foods DMCC, Dubai UAE	-	-	-	-	-	-
Acquisition of subsidiary	CF -	(182,429)	-	-	-	-
Purchase of treasury bills	CF -	-	(147,810)	-	-	-
Proceeds from sale of treasury bills	CF -	-	148,731	-	-	-
Net cash flow from investing activities	(1,676,323)	(1,556,075)	(312,310)	(353,978)	(460,069)	(269,882)
Proceeds from short term borrowings	CF 288,000	1,262,000	1,000,000	508,696	550,000	-
Proceeds from long term finance	CF 325,290	289,613	-	-	-	-
Repayment of short term borrowings	CF -	(1,100,000)	(700,000)	(808,722)	(980,000)	-
Decrease in long term financing - net	(55,416)	-	-	-	-	-
Deferred consideration paid	(126,531)	-	-	-	-	-
Dividend paid	CF (432,477)	(284,158)	(1,031,839)	(412,814)	(166,781)	(390,202)
Net cash flow from financing activities	(1,134)	167,455	(731,839)	(712,840)	(596,781)	(390,202)
Net cash flows	(366,929)	36,815	(554,024)	346,920	(506,894)	(315,355)

Statement of Value Added and its Distribution

	2018		2017	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Value Addition				
Revenue	21,591,559		16,815,974	
Other Income	53,467		98,997	
	<u>21,538,092</u>	<u>100%</u>	<u>16,716,977</u>	<u>100%</u>
Value Distribution				
Cost of Sales	13,864,956	65%	10,586,240	63%
Distribution Expense	3,109,263	15%	2,785,342	17%
Administration and Other Operating Expense	830,318	4%	380,472	2%
Employees Remuneration	2,471,353	12%	1,739,144	10%
Finance Cost	195,728	1%	99,793	1%
Income Tax	146,374	1%	345,666	2%
Dividend to shareholders	492,130	2%	440,329	3%
Profit retained for Investment & Future Growth	427,970	2%	339,991	2%
	<u>21,538,092</u>	<u>100%</u>	<u>16,716,977</u>	<u>100%</u>



Pattern of Shareholding

Combined Pattern of CDC & Physical Shareholdings as at June 30, 2018

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ABDUL MAJEED	1	3,959,974	3.82
ABRAR HASAN	1	10,218,262	9.86
ZAHID MAJEED	1	6,101,662	5.89
EBRAHIM QASSIM	1	1,763,566	1.70
NOREEN HASAN	1	23,000	0.02
SAADIA NAVEED	1	673,350	0.65
EHSAN ALI MALIK	1	500	0.00
Associated Companies, undertakings and related parties			
ATC HOLDINGS (PRIVATE) LIMITED (FORMERLY: ASSOCIATED TEXTILE CONSULTANTS (PVT) LTD)	1	34,357,724	33.16
Executives	-	-	-
Public Sector Companies and Corporations	1	674	0.00
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	5	300,374	0.29
Mutual Funds			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	5,650	0.01
General Public			
a. Local	1546	25,797,949	24.90
b. Foreign	1	500	0.00
Foreign Companies	5	20,354,590	19.65
Others	13	49,081	0.05
Totals	1580	103,606,856	100.00

Shareholders holding 5% or more	Shares Held	Percentage
ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Pvt) Ltd)	34,357,724	33.16
Arisaig India Fund Limited	15,533,190	14.99
Khawar M. Butt	12,729,454	12.29
Abrar Hasan	10,218,262	9.86
Zahid Majeed	6,101,662	5.89

Pattern of Shareholding

Pattern of CDC & Physical Shareholdings as at June 30, 2018

Number of Share Holders	Shareholdings' Slab		Total Shares Held
625	1	to 100	24,205
445	101	to 500	122,326
143	501	to 1000	110,443
193	1001	to 5000	488,344
60	5001	to 10000	432,680
37	10001	to 15000	439,032
10	15001	to 20000	184,350
7	20001	to 25000	159,478
5	25001	to 30000	136,260
5	30001	to 35000	161,290
6	35001	to 40000	225,898
2	40001	to 45000	81,954
5	45001	to 50000	237,632
8	50001	to 55000	412,732
1	60001	to 65000	62,000
1	65001	to 70000	65,700
3	70001	to 75000	217,964
1	150001	to 155000	150,100
1	225001	to 230000	230,000
1	265001	to 270000	268,900
1	395001	to 400000	400,000
1	405001	to 410000	409,180
1	425001	to 430000	428,652
3	670001	to 675000	2,020,050
1	685001	to 690000	689,604
1	745001	to 750000	747,016
1	955001	to 960000	958,500
1	1115001	to 1120000	1,116,728
1	1215001	to 1220000	1,218,750
1	1270001	to 1275000	1,270,314
1	1760001	to 1765000	1,763,566
1	1770001	to 1775000	1,772,642
1	3700001	to 3705000	3,700,300
1	3955001	to 3960000	3,959,974
1	6100001	to 6105000	6,101,662
1	10215001	to 10220000	10,218,262
1	12725001	to 12730000	12,729,454
1	15530001	to 15535000	15,533,190
1	34355001	to 34360000	34,357,724
1580			103,606,856

Statement of Compliance with the Code of Corporate Governance

FOR THE YEAR ENDED JUNE 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

- The total number of directors are seven (07) as per the following:
 - Five (5) Males
 - Two (02) Female
- The composition of board is as follows:

Independent Director

Mr. Ehsan A. Malik

Executive Director

Mr. Abrar Hasan

Non-Executive Directors

Mr. Abdul Majeed
Mr. Ebrahim Qassim
Mrs. Noreen Hasan
Mrs. Saadia Naveed
Mr. Zahid Majeed
- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 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.
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Board of Directors of the Company consist of 7 eminent directors, out of which six (6) directors are already certified under the Directors Training Program, Therefore, the Company is compliant with Regulation 20 of the Code of Corporate Governance, 2017.
- The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- CFO and CEO duly endorsed the financial statements before approval of the board.

Statement of Compliance with the Code of Corporate Governance

12. The board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

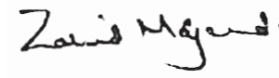
Mr. Zahid Majeed	Chairman
Mr. Ehsan A. Malik	Member
Mr. Ebrahim Qassim	Member
Mrs. Saadia Naveed	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
a) Audit Committee – Four (04)
b) HR and Remuneration Committee – Two (02)
15. The board has outsourced the internal audit function to M/s. EY Ford Rhodes and the Company's Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

We confirm that all other requirements of the Regulations have been complied with.



Chief Executive Officer



Director

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of **National Foods Limited** ("the Company") for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

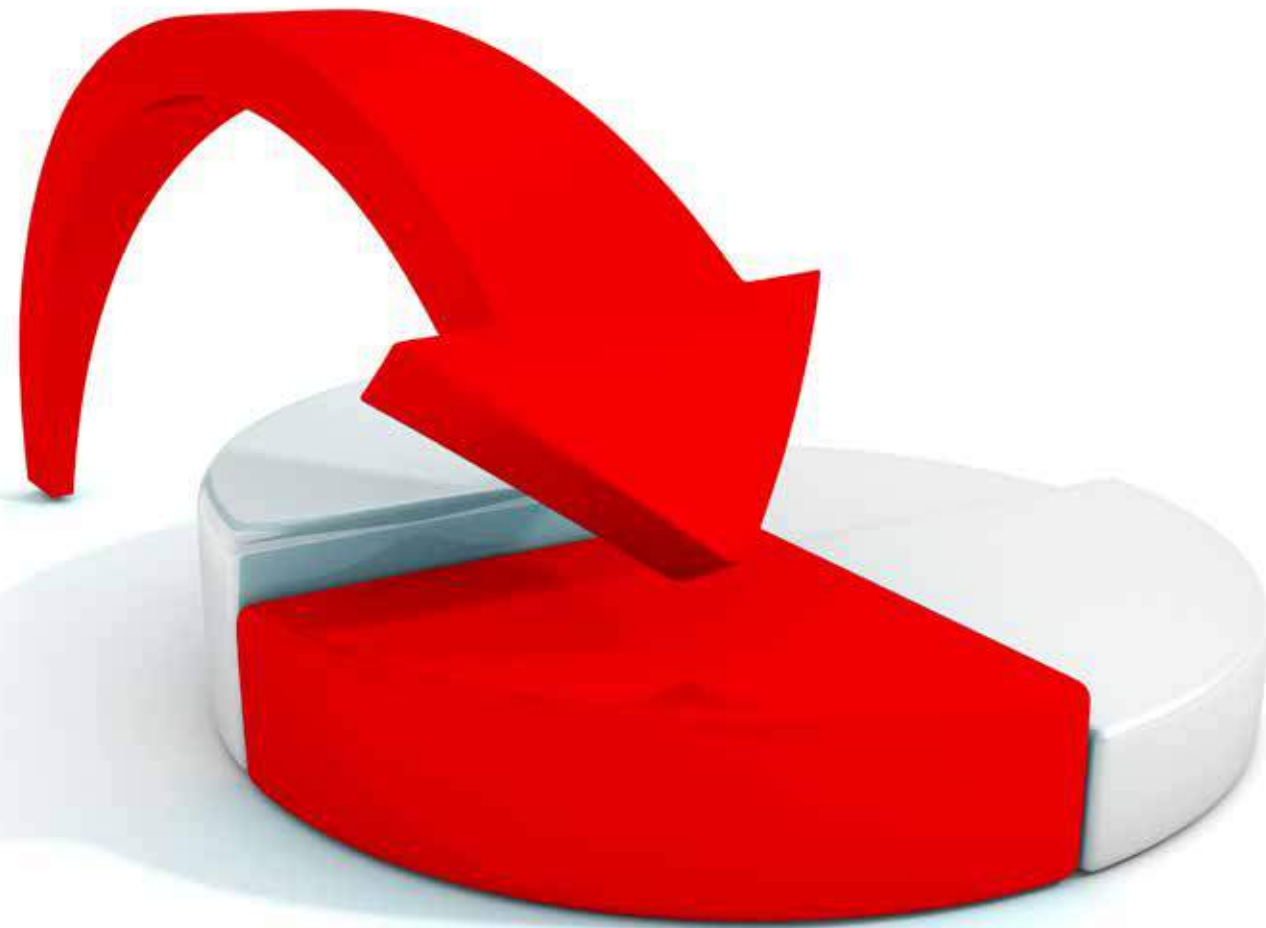
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

Date: 6 September 2018
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Name of the Engagement Partner: Moneeza Usman Butt

Standalone Financial Statements 2018



Independent Auditors' Report to the Members of National Foods Limited

Opinion

We have audited the annexed financial statements of **National Foods Limited** (the Company), which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Members of National Foods Limited

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Revenue recognition</p> <p>Refer notes 5.17, 22 and 34 to the Company's financial statements.</p> <p>Revenue is recognized from sale of goods in accordance with applicable accounting standards and measured net of discounts, rebates and allowances. Further, all export sales are made to related party.</p> <p>We identified revenue recognition as key audit matter because of discounts and rebates offered to customers which are accrued based on sales and there could be a risk of incorrect measurement of revenue due to such adjustments. Further, revenue is one of the key performance indicators and there is a potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of the Company's sale of goods process and related controls, including assessing the design and testing the implementation and operating effectiveness of the relevant key controls over revenue recognition, the calculation of discounts, rebates and allowances including timing of revenue recognition; considering the appropriateness of the Company's accounting policies for revenue recognition including those relating to discounts, rebates and allowances and assessing compliance of those policies with applicable accounting standards; obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts, rebates and allowances; testing, on a sample basis, the accuracy of the amounts of discounts, rebates and allowance recognized by agreeing to individual customer agreements and perform recalculations; testing, on a sample basis, invoices and inspecting credit notes issued subsequent to year end for completeness and accuracy of revenue and accruals for discounts, rebates and allowances to the customers; and comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period.
2.	<p>Valuation of Trade Debtors</p> <p>Refer notes 3.4, 5.8 and 10 to the Company's financial statements. The Company has material amounts of trade debts that are past due but not impaired.</p> <p>We identified the recoverability of trade debtors as a key audit matter because estimating the recoverable amount of trade debts involves inherent uncertainty and significant management judgment.</p>	<p>Our audit procedures to assess the valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design and testing implementation of management's key internal controls relating to credit control process (including credit account application approvals and credit limit review), debt collection process and making allowances for doubtful debts calculations;

Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> testing the accuracy of trade receivable aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to ensure the balances appearing in the aging report were classified within appropriate aging bracket; assessing the appropriateness of assumptions and estimates made by management for provision against doubtful debts by comparing, on a sample basis, historical cash collections, actual write offs and cash receipts from customers subsequent to the financial year end with the underlying documentation; and assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.
3.	<p>Valuation of Stock-in-trade</p> <p>Refer notes 3.4, 5.7 and 9 to the Company's financial statements.</p> <p>Inventory forms a significant part of the Company's total assets. Inventories comprise of raw material, work in process and finished good which are stated at lower of cost and estimated net realizable value.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost and provisions for expired and obsolete inventories involves significant management judgment and estimation.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design and testing implementation of management's controls designed to identify expired and / or obsolete inventories; obtaining an understanding of and testing, on a sample basis, management's determination of NRV and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales, their basis of calculation, justification for the amount of the write-downs and provisions; and checking on a sample basis specific provision for expired and slow-moving inventory with underlying documentation.
4.	<p>Capitalization of Property, Plant and Equipment</p> <p>Refer notes 2(a), 5.1 and 6 to the Company's financial statements.</p> <p>The Company has made significant capital expenditure on building on leasehold land and plant and machinery.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;

Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	<ul style="list-style-type: none"> • testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and • inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditors' Report to the Members of National Foods Limited

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 6 September 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position

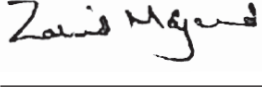
AS AT JUNE 30, 2018

	Note	2018	2017
(Rupees in thousand)			
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,150,606	3,049,019
Intangibles	7	85,652	85,564
Long term investment	8	31,719	31,719
Long term deposits		40,473	33,612
		<u>4,308,450</u>	<u>3,199,914</u>
Current assets			
Stores, spare parts and loose tools		41,880	10,880
Stock-in-trade	9	3,072,291	3,008,831
Trade debts	10	889,385	1,273,826
Advances	11	102,144	209,476
Trade deposits and prepayments	12	36,863	13,779
Other receivables	13	5,764	70,982
Sales tax refundable		121,424	40,633
Cash and bank balances	14	229,728	90,288
		<u>4,499,479</u>	<u>4,718,695</u>
TOTAL ASSETS		<u>8,807,929</u>	<u>7,918,609</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital and reserves			
Authorised capital 200,000,000 (30 June 2017: 150,000,000) ordinary shares of Rs. 5 each		1,000,000	750,000
Share capital			
Issued, subscribed and paid-up capital	15	518,034	518,034
Revenue reserve			
Unappropriated profit		3,140,259	2,661,655
Shareholders' equity		<u>3,658,293</u>	<u>3,179,689</u>
Non-current liabilities			
Long term finance - secured	16	-	141,794
Deferred taxation - net	17	117,010	142,393
Deferred liabilities	18	42,366	6,023
		<u>159,376</u>	<u>290,210</u>
Current liabilities			
Trade and other payables	19	2,330,786	2,364,134
Unclaimed dividend		18,323	10,471
Mark-up accrued		14,766	8,691
Short-term borrowings - secured	20	2,148,720	1,549,528
Long term finance classified as current - secured	16	193,152	-
Taxation - net		284,513	515,886
		<u>4,990,260</u>	<u>4,448,710</u>
Commitments	21	5,149,636	4,738,920
TOTAL EQUITY AND LIABILITIES		<u>8,807,929</u>	<u>7,918,609</u>

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


Chief Executive Officer


Chief Financial Officer

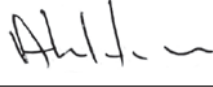

Director

Statement of Profit or Loss and Other Comprehensive Income

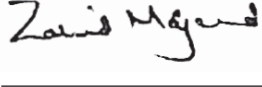
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
(Rupees in thousand)			
Sales	22	16,178,301	14,767,390
Cost of sales	23	(10,614,639)	(9,910,728)
Gross profit		<u>5,563,662</u>	<u>4,856,662</u>
Distribution costs	24	(3,468,766)	(2,940,098)
Administrative expenses	25	(767,127)	(515,662)
Other expenses	26	(210,531)	(101,661)
Other income	27	53,920	82,344
Operating profit		<u>1,171,158</u>	<u>1,381,585</u>
Finance costs	28	(108,388)	(68,567)
Profit before taxation		<u>1,062,770</u>	<u>1,313,018</u>
Taxation - net	29	(116,164)	(328,121)
Profit after tax		<u>946,606</u>	<u>984,897</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss account:</i>			
Remeasurements of retirement benefit liability		(37,491)	(5,530)
Related deferred tax thereon		9,818	1,469
		<u>(27,673)</u>	<u>(4,061)</u>
Total comprehensive income for the year		<u>918,933</u>	<u>980,836</u>
Earnings per share (basic and diluted)			
	30	<u>9.14</u>	<u>9.51</u>

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


Chief Executive Officer


Chief Financial Officer


Director

Statement of Changes in Equity

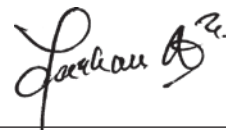
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Revenue reserve - unappropriated profit	Total
	(Rupees in thousand)		
Balance as at 30 June 2016	518,034	1,965,738	2,483,772
Transaction with owners in the capacity as owners directly recorded in equity - distribution			
Final dividend for the year ended 30 June 2016 @ Rs. 2.75 per share	-	(284,919)	(284,919)
Total comprehensive income for the year ended 30 June 2017			
Profit for the year	-	984,897	984,897
Other comprehensive income	-	(4,061)	(4,061)
	-	980,836	980,836
Balance as at 30 June 2017	518,034	2,661,655	3,179,689
Transaction with owners in the capacity as owners directly recorded in equity - distribution			
Final dividend for the year ended 30 June 2017 @ Rs. 4.25 per share	-	(440,329)	(440,329)
Total comprehensive income for the year ended 30 June 2018			
Profit for the year	-	946,606	946,606
Other comprehensive income	-	(27,673)	(27,673)
	-	918,933	918,933
Balance as at 30 June 2018	518,034	3,140,259	3,658,293

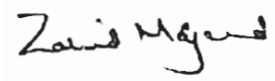
The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



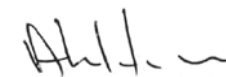
Director

Statement of Cash Flow

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	1,847,460	1,719,593
Finance cost paid		(102,313)	(67,921)
Income tax paid		(363,102)	(372,027)
Retirement benefits obligations paid		(5,785)	(17,881)
Long term deposits - net		(6,861)	(2,633)
Net cash from operating activities		1,369,399	1,259,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,429,178)	(1,286,425)
Sale proceeds from disposal of property, plant and equipment		23,176	22,402
Purchase of intangible assets		(42,031)	(56,708)
Net cash used in investing activities		(1,448,033)	(1,320,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance		51,358	140,865
Proceeds from short term borrowings - net		288,000	162,000
Dividend paid		(432,477)	(284,158)
Net cash from financing activities		(93,119)	18,707
Net decrease in cash and cash equivalents		(171,753)	(42,893)
Cash and cash equivalents at beginning of the year		(897,240)	(854,347)
Cash and cash equivalents at end of the year	32	(1,068,993)	(897,240)

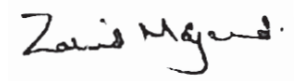
The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 19 February 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) by special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Company is principally engaged in the manufacture and sale of convenience based food products. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

The parent entity of the Company is ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Private) Limited) based on control model as provided under International Financial Reporting Standards 10 - 'Consolidated Financial Statements'.

These financial statements are separate financial statements of the Company in which investment in subsidiary is accounted for on the basis of cost rather than on the basis of reported results. Consolidated financial statements are prepared separately. Detail of Company's investment in subsidiary company is given in note 6 to these financial statements.

The manufacturing facilities and sales offices of the Company are situated at the following locations:

Factories:

- Unit F-160/ C, F- 133, S.I.T.E., Karachi.
- Office A-13, North Western Industrial Zone, Bin Qasim, Karachi.
- 53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala.
- 5-A/1, New Muslim Town, Muridke.
- A-393, Nooriabad industrial estate, Nooriabad.

Sales offices:

- Office No.107, 1st Floor Parsa Tower, Sharah-e-Faisal, Karachi.
- Banglow No. 225, Shahrah-e-Abbasi Akhuwat Nagar Society, Sukkur.
- 2nd Floor, Mall 2 Plaza Main Boulevard Kohinoor City, Jaranwala Road, Faisalabad.
- 18-CCA (Commercial Area), Phase VIII, DHA Lahore, Cantt.
- Plot No. 25, Din Plaza, Canal Road, Main Gate Canal View Housing Society, Gujranwala.
- 1st Floor, Bilal Complex, Main PWD Road, Sector O-9, Islamabad.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- a) The Company is in process of expansion of its salt plant in the factory located at Nooriabad and has incurred capital expenditure amounting to Rs. 388.12 million in aggregate in this respect. The addition of this plant will increase the salt production capacity of the Company by 55,000 metric tons per annum. Further, during the year the Company has incurred an expenditure of Rs. 863.4 million on its registered office and advanced an amount of Rs. 130.1 million for purchase of land at Faisalabad (refer note 6.4 to these financial statements).
- b) Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified (refer note 39 to financial statements).
- c) For detailed discussion about the Company's performance please refer to the Directors' report accompanied in the annual report of the Company for the year ended 30 June 2018.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Use of significant estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about judgments made by the management in the application of accounting policies, that have the most significant effects on the amount recognized in the financial statements and information about assumptions and estimation uncertainties with significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year are described in the following:

Property, plant and equipment / intangible assets

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

Stock in trade / stores, spares and loose tools

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

Trade debts and other receivables

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

Retirement benefits obligations

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

Taxation

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

4. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

- Disclosure initiative - amendments to 'IAS 7, 'Statement of Cash Flows' became effective during the year requiring entities to explain changes in their liabilities for which cash flows have been or will be classified as financing activities in the Statement of Cash Flows. The amendment resulted in an additional disclosure which has been included in these financial statements.
- The Companies Act, 2017 ('the Act') has also brought certain changes with regards to preparation and presentation of annual financial statements of the Company. These changes include change in nomenclature of primary financial statements and disclosure requirements in the fourth Schedule to the Act have been revised resulting in the elimination of duplicative disclosures to align with the IFRSs and incorporation of significant additional disclosures, which have been included in these financial statements.

4.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

- There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

4.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS

15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. Management is in the process of assessing implications of this standard on its revenue recognition.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

5.1 Property, plant and equipment

Operating assets and depreciation

Initial recognition

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

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

Measurement

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

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

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

Subsequent expenditure (including normal repairs and maintenance)

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

Depreciation

Depreciation on all items is charged on straight line method. The useful lives for depreciation are indicated in note 6.1.

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

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

Gains and losses on disposal

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

Capital work in progress

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

5.2 Intangibles

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

5.3 Long term investment - subsidiary

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

5.4 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to, or items recognised directly in equity or in other comprehensive income, in which case the tax amounts are recognized directly in other comprehensive income or equity, as the case may be.

i) Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year; calculated using tax rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes into account tax credit and tax rebates, if any, and is inclusive of any adjustments to income tax payable or recoverable in respect of previous years.

ii) Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit or loss. Deferred tax liability is restricted to 90.3% (2017: 88.57%) of the total deferred tax liability based on the assumptions that export sales will continue under Final Tax Regime and historical trend of export and local sales ratio will continue to be approximately the same in foreseeable future.

5.5 Employee retirement benefits

Defined benefit plans

The Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive director and one former director. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The latest actuarial valuation of the defined benefit plans was conducted at 30 June 2018.

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

Defined contribution plan

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

5.6 Stores, spare parts and loose tools

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

5.7 Stock in trade

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

5.8 Trade and other debts

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

5.9 Cash and cash equivalents

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

5.10 Impairment losses

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

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

5.11 Ijarah

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

5.12 Trade and other payables

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

5.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using effective interest method. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

5.14 Provisions

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

5.15 Financial instruments

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

5.16 Foreign currency transactions and translation

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

5.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is measured net of return, trade discounts, volume rebates and allowances, if any.

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

i) Sale of goods

Sales are recognised when the significant risks and rewards of ownership have been transferred which coincide with dispatch of goods to customers.

ii) Interest / Mark up income / late payment by trade debtors

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

iii) Dividend income

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

iv) Income from debt securities

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

v) Miscellaneous income

Miscellaneous income including export rebate is recognised on receipt basis.

5.18 Research and development

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

5.19 Offsetting

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

5.20 Dividends

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

6. PROPERTY, PLANT AND EQUIPMENT

		2018	2017
(Rupees in thousand)			
Operating fixed assets	6.1	3,355,740	2,103,633
Capital work-in-progress	6.4	794,866	945,386
		<u>4,150,606</u>	<u>3,049,019</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

6.1 Operating fixed assets:

	2018								
	Leasehold land	Building on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)								
At 1 July 2017									
Cost	232,549	909,103	1,780,054	70,064	114,535	159,488	34,617	60,188	3,360,598
Accumulated depreciation	(28,469)	(237,505)	(698,256)	(53,049)	(51,357)	(129,131)	(16,105)	(43,093)	(1,256,965)
Net book value	204,080	671,598	1,081,798	17,015	63,178	30,357	18,512	17,095	2,103,633
Additions / transfer - note 6.4.1	-	1,048,729	283,452	84,237	104,807	25,112	6,720	40,061	1,593,118
Disposals									
Cost	-	-	(8,700)	(2,806)	(121)	(385)	-	(12,406)	(24,418)
Accumulated depreciation	-	-	4,800	2,806	97	313	-	7,596	15,612
	-	-	(3,900)	-	(24)	(72)	-	(4,810)	(8,806)
Depreciation charge for the year	(4,195)	(47,739)	(190,668)	(17,860)	(23,977)	(23,853)	(3,082)	(7,270)	(318,644)
Assets written off	-	-	(4,462)	(163)	(687)	(491)	(369)	(7,389)	(13,561)
Closing net book value	<u>199,885</u>	<u>1,672,588</u>	<u>1,166,220</u>	<u>83,229</u>	<u>143,297</u>	<u>31,053</u>	<u>21,781</u>	<u>37,687</u>	<u>3,355,740</u>
At 30 June 2018									
Cost	232,549	1,957,832	2,050,344	151,332	218,534	183,724	40,968	80,454	4,915,737
Accumulated depreciation	(32,664)	(285,244)	(884,124)	(68,103)	(75,237)	(152,671)	(19,187)	(42,767)	(1,559,997)
Net book value	199,885	1,672,588	1,166,220	83,229	143,297	31,053	21,781	37,687	3,355,740
Useful life (years)	<u>38 - 99</u>	<u>5 - 60</u>	<u>5 - 10</u>	<u>5</u>	<u>5 - 10</u>	<u>3</u>	<u>5 - 10</u>	<u>5</u>	
	2017								
At 1 July 2016									
Cost	230,606	555,694	1,124,754	63,135	70,727	146,978	25,529	61,137	2,278,560
Accumulated depreciation	(24,258)	(207,275)	(565,779)	(45,141)	(40,851)	(107,875)	(13,422)	(46,939)	(1,051,540)
Net book value	206,348	348,419	558,975	17,994	29,876	39,103	12,107	14,198	1,227,020
Additions / transfer - note 6.4.1	1,943	353,409	657,747	6,929	44,376	15,488	9,088	22,078	1,111,058
Disposals									
Cost	-	-	(2,447)	-	(568)	(2,978)	-	(23,027)	(29,020)
Accumulated depreciation	-	-	2,430	-	568	2,962	-	10,935	16,895
	-	-	(17)	-	-	(16)	-	(12,092)	(12,125)
Depreciation charge for the year	(4,211)	(30,230)	(134,907)	(7,908)	(11,074)	(24,218)	(2,683)	(7,089)	(222,320)
Closing net book value	<u>204,080</u>	<u>671,598</u>	<u>1,081,798</u>	<u>17,015</u>	<u>63,178</u>	<u>30,357</u>	<u>18,512</u>	<u>17,095</u>	<u>2,103,633</u>
At 30 June 2017									
Cost	232,549	909,103	1,780,054	70,064	114,535	159,488	34,617	60,188	3,360,598
Accumulated depreciation	(28,469)	(237,505)	(698,256)	(53,049)	(51,357)	(129,131)	(16,105)	(43,093)	(1,256,965)
Net book value	204,080	671,598	1,081,798	17,015	63,178	30,357	18,512	17,095	2,103,633
Useful life (years)	<u>38 - 99</u>	<u>5 - 60</u>	<u>5 - 10</u>	<u>5</u>	<u>5 - 10</u>	<u>3</u>	<u>5 - 10</u>	<u>5</u>	

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

		2018	2017
		(Rupees in thousand)	
Cost of sales	23	238,447	176,870
Distribution costs	24	16,451	18,965
Administrative expenses	25	63,746	26,485
		<u>318,644</u>	<u>222,320</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

6.3 The details of property, plant and equipment having net book value of Rs. 500,000 and above sold / disposed of during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser and relationship
	(Rupees in thousand)						
Vehicles	676	68	608	874	266	Company Policy	Shahid Ali Company's Executive
"	647	11	636	913	277	Company Policy	Saad Ghouri Company's Executive
"	860	57	803	1,059	256	Company Policy	Badar Yousuf Company's Executive
"	1,212	323	889	1,501	612	Company Policy	Waqar Haider Company's Executive
"	1,192	79	1,113	1,310	197	Company Policy	Rakhi Lakhani Company's Executive
Plant and Machinery	7,800	3,900	3,900	5,200	1,300	Trade-in	Sama Engineering Works Vendor
Total	<u>12,387</u>	<u>4,438</u>	<u>7,949</u>	<u>10,857</u>	<u>2,908</u>		

6.4 Capital work-in-progress (CWIP)

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

	2018	2017
	(Rupees in thousand)	
	225,138	582,494
	311,296	187,021
	8,972	73,216
	210,194	80,108
	26,870	-
	11,816	-
	580	22,547
	<u>794,866</u>	<u>945,386</u>

6.4.1 During the year the additions to CWIP and transfer to respective assets amounted to Rs. 951.8 million (2017: Rs. 547.8 million) and Rs. 1,102.4 million (2017: Rs. 482.85 million) respectively.

6.5 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Usage of immovable property	Total Area (In Sq. Ft.)	Covered Area (In Sq. Ft.)
Corporate office	Office Building	45,099	40,589
S.I.T.E	Manufacturing plant	76,491	62,029
Port Qasim	Manufacturing plant	435,600	265,556
Nooriabad	Manufacturing plant	602,951	120,112
Muridke	Manufacturing plant	137,196	22,500
Gujranwala	Manufacturing plant	32,000	32,000
Multan	Warehouse	43,560	43,560

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
		(Rupees in thousand)	
7. INTANGIBLES			
Computer software and ERP System	7.1	70,196	53,087
Systems under development	7.2	15,456	32,477
		<u>85,652</u>	<u>85,564</u>
7.1 Computer software and ERP System			
Net carrying value basis			
Opening net book value		53,087	56,223
Additions (at cost) / transfer		59,062	29,302
Amortisation for the year		(41,953)	(32,438)
Closing net book value		<u>70,196</u>	<u>53,087</u>
Gross carrying value basis			
Cost		259,116	200,054
Accumulated amortisation		(188,920)	(146,967)
Net book value		<u>70,196</u>	<u>53,087</u>
Useful life (years)		<u>3</u>	<u>3</u>

7.1.1 The amortization charge for the year has been allocated as follows:

		2018	2017
		(Rupees in thousand)	
Distribution costs	24	886	791
Administrative expenses	25	41,067	31,647
		<u>41,953</u>	<u>32,438</u>

7.2 This represent amount given to vendor for the development of software which is expected to be capitalised next year.

		2018	2017
		(Rupees in thousand)	
8. LONG TERM INVESTMENT			
National Foods DMCC, Dubai, UAE 1,188 shares of AED 1,000 each		<u>31,719</u>	<u>31,719</u>

8.1 This represents investment in wholly owned (100%) subsidiary which was set up in United Arab Emirates in 2012 and is carried at cost. The subsidiary is formed as a limited liability company. The subsidiary commenced operations from March 2013 and remain operational till the reporting date. At reporting date, Mr. Kamal Baig is the Group Chief Executive Officer of the National Foods DMCC. The financial statements of the subsidiary have been prepared on going concern basis and component auditor has expressed unmodified opinion on the financial statements for the year then ended 30 June 2018. The investment in wholly owned subsidiary has been made in accordance with the requirements of the Companies Act, 2017.

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

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

National Foods Pakistan (UK) Limited

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the UK Companies Act, 2006. The company is a wholly owned subsidiary of National Foods DMCC and is principally engaged in the trading of food products. However, the subsidiary company has not commenced its commercial operations and its registered office company is situated at Second Floor, 27 Gloucester Place, London, United Kingdom.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

National Epicure Inc.

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

A-1 Bags & Supplies Inc.

A 1 Bags & Supplies Inc. (the "Company") was incorporated under the Business Corporations Act of Ontario on March 14, 2001. National Epicure Inc. acquired 60% holding in A-1 Bags and Supplies in the year 2017 and is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products. Its registered office is situated at 6400 Kennedy Road, Mississauga, Ontario, Canada.

		2018	2017
		(Rupees in thousand)	
9. STOCK-IN-TRADE			
Raw materials including goods in transit of Rs. Nil (2017: Rs. 263.08 million) Provision for obsolescence		<u>847,256</u> <u>(72,358)</u> <u>774,898</u>	<u>1,157,825</u> <u>(21,927)</u> <u>1,135,898</u>
Packing materials Provision for obsolescence		<u>361,458</u> <u>(68,306)</u> <u>293,152</u>	<u>256,314</u> <u>(69,463)</u> <u>186,851</u>
Work in process Provision for obsolescence		<u>1,372,107</u> <u>(4,086)</u> <u>1,368,021</u>	<u>1,067,560</u> <u>(11,053)</u> <u>1,056,507</u>
Finished goods Provision for obsolescence	9.2	<u>694,746</u> <u>(58,526)</u> <u>636,220</u>	<u>647,066</u> <u>(17,491)</u> <u>629,575</u>
		<u><u>3,072,291</u></u>	<u><u>3,008,831</u></u>

9.1 Stock in trade includes Rs. 1.69 billion (2017: Rs. 1.80 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.

9.2 The above balances include items costing Rs. 43.69 million (2017: Rs. 45.74 million) valued at net realisable value of Rs. 32.1 million (2017: Rs. 37.54 million).

9.3 During the year, the Company has made a provision of Rs. 107.64 million for obsolescence (2017: Rs. 48.3 million) and has written off stocks against the provision amounting to Rs. 24.3 million (2017: Rs. 31.39 million). Further there are direct writeoffs amounting to Rs. 35.48 million (2017: nil).

		2018	2017
		(Rupees in thousand)	
10. TRADE DEBTS			
Considered good - unsecured			
- Related parties	10.2	625,471	753,984
- Others		263,914	519,842
		<u>889,385</u>	<u>1,273,826</u>
Considered doubtful		113,774	6,093
		<u>1,003,159</u>	<u>1,279,919</u>
Provision for doubtful trade debts	10.3	(113,774)	(6,093)
		<u><u>889,385</u></u>	<u><u>1,273,826</u></u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

	2018	2017
	(Rupees in thousand)	
Opening provision	6,093	6,093
Charge for the year	107,681	-
Closing provision	<u>113,774</u>	<u>6,093</u>
10.2 Receivable from related parties		
Premier Distributor	32,806	44,907
Premier Agency	50,707	51,446
National Foods DMCC	541,958	657,631
	<u>625,471</u>	<u>753,984</u>

10.2.1 The maximum aggregate amount due from the related party at the end of any month during the year are as follows:

	2018	2017
	(Rupees in thousand)	
Premier Distributor	193,237	154,901
Premier Agency	120,496	95,286
National Foods DMCC	654,445	651,401
	<u>968,178</u>	<u>901,589</u>

As at 30 June 2018, the gross amount of trade debts due from related parties is Rs. 625.5 million (2017: Rs. 754 million) out of which Rs. 49.08 million (2017: Rs. 45.57 million) were past due but not impaired. The age analysis of these trade debts is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 3 months	37,763	45,565
3 to 6 months	10,981	-
More than 6 months	333	-
	<u>49,077</u>	<u>45,565</u>

10.3 This includes provision against related parties amounting to Rs. 3.68 million (2017: Nil).

10.4 The Company has made export sales amounting to Rs. 1,194.88 million out of which Rs. 541.96 million is outstanding at reporting date. Entire exports have been made to wholly owned subsidiary National Food - DMCC which operates in the United Arab Emirates ("UAE").

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

11. ADVANCES

Considered good
Employees - against expenses
Suppliers

Considered doubtful
Suppliers

Provision for doubtful advances to suppliers

11.1 These advances do not carry any mark up arrangement.

12. TRADE DEPOSITS AND PREPAYMENTS

Considered good

Deposits
Prepayments

Considered doubtful
Deposits

Provision for doubtful deposits

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

13. OTHER RECEIVABLES

Due from related parties
- National Foods DMCC - Subsidiary
- ATC Holdings (Private) Limited (Formerly: Associated Textile
Consultants (Private) Limited)
- Director

Others

13.1 The balances due from related parties are past due by more than six months but not considered impaired.

14. CASH AND BANK BALANCES

Cash in hand

Cash at bank - current account
- local currency
- foreign currency

14.1 The current accounts are placed with banks under conventional banking arrangements.

	2018	2017
	(Rupees in thousand)	
	-	4,128
	102,144	205,348
	<u>102,144</u>	<u>209,476</u>
	3,413	3,413
	<u>105,557</u>	<u>212,889</u>
	(3,413)	(3,413)
	<u>102,144</u>	<u>209,476</u>
	9,000	13,479
	27,863	300
	<u>36,863</u>	<u>13,779</u>
	1,553	1,553
	<u>38,416</u>	<u>15,332</u>
	(1,553)	(1,553)
	<u>36,863</u>	<u>13,779</u>

	2018	2017
	(Rupees in thousand)	
	-	4,311
	861	861
	197	197
	<u>1,058</u>	<u>5,369</u>
	4,706	65,613
	<u>5,764</u>	<u>70,982</u>
	1,295	28
	94,649	82,679
	<u>133,784</u>	<u>7,581</u>
	<u>228,433</u>	<u>90,260</u>
	<u>229,728</u>	<u>90,288</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
			(Rupees in thousand)	
Number of Shares				
2,511,980	2,511,980	Ordinary shares of Rs. 5 (2017: Rs. 5) each issued for consideration paid in cash	12,560	12,560
101,094,876	101,094,876	Ordinary shares of Rs. 5 (2017: Rs. 5) each as fully paid bonus shares	505,474	505,474
<u>103,606,856</u>	<u>103,606,856</u>		<u>518,034</u>	<u>518,034</u>

15.1 The Company in its annual general meeting held on 24 October 2017 passed special resolution for the increase in authorized capital from 750 million to 1,000 million with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its share in accordance with the provisions of the Companies Act, 2017.

15.2 As at 30 June 2018, ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Private) Limited) (ultimate parent company) held 34,357,724 (2017: 34,357,724) ordinary shares of the Company.

16. LONG TERM FINANCE

Long-term finances utilised under mark-up arrangements

Classified under current liability 16.2

2018	2017
(Rupees in thousand)	
-	141,794
<u>193,152</u>	-
<u>193,152</u>	<u>141,794</u>

16.1 This represents long term finance facility of Rs. 250 million obtained from commercial bank for ten years having mark-up at the rate of State Bank of Pakistan base rate + 0.3% (effective rate: 3.3%). The loan is secured by way of hypothecation of Company's present and future fixed assets. The unavailed portion of the facility at the reporting date is Rs. 56.85 million.

16.2 The loan facility requires the Company to maintain a current ratio of 1.1:1 at all times till the settlement of loan. At year end, breach of such covenant took place primarily due to spike in the short term borrowing availed by the Company. According to the loan agreement in the event of breach of conditions the lender is entitled to demand immediate repayment of the outstanding loan amount. However, the lender has not requested early repayment of the loan as yet. In compliance with requirement of IAS 1 "Presentation of Financial Statements" the related facility has been classified as current liability. Management is in discussion with the lender to seek waiver of the covenant including relaxing the related requirement and is confident of a favourable response.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

17. DEFERRED TAXATION - net

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

2018	2017
(Rupees in thousand)	
254,458	177,485
(53,232)	(31,872)
(29,794)	(1,620)
(54,422)	(1,600)
<u>117,010</u>	<u>142,393</u>
11,715	3,685
30,651	2,338
<u>42,366</u>	<u>6,023</u>

18. DEFERRED LIABILITIES

Pension Plan
Pensioners' Medical Plan

18.1 The Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive and one former director. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 30 June 2018.

18.2 Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, the Companies Act, 2017, the Income Tax Rules, 2002 and Rules under the Trust Deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the Trustees and all Trustees are employees of the Company.

18.3 The latest actuarial valuation of the Fund as at 30 June 2018 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

18.4 Balance sheet reconciliation

	Pension Plan		Pensioners' Medical Plan	
	2018	2017	2018	2017
	(Rupees in thousand)		(Rupees in thousand)	
Present value of defined benefit obligations	126,254	113,813	49,965	20,175
Fair value of plan assets	(114,539)	(110,128)	(19,314)	(17,837)
	<u>11,715</u>	<u>3,685</u>	<u>30,651</u>	<u>2,338</u>
18.5 Movement in the net liability recognised in the balance sheet				
Opening balance	3,685	11,764	2,338	1,870
Remeasurements recognised in other comprehensive income	4,015	(541)	33,476	6,071
Charge / (income) for the year	4,015	4,226	622	514
Contribution made	-	(11,764)	(5,785)	(6,117)
Closing balance	<u>11,715</u>	<u>3,685</u>	<u>30,651</u>	<u>2,338</u>
18.6 Remeasurements recognised in other comprehensive income				
Re-measurements: Actuarial (gain) / loss on obligation				
- Loss due to change in financial assumptions	452	(84)	(141)	11
- Loss due to change in experience adjustments	3,078	(619)	33,580	5,638
Actuarial (gain) / loss on defined benefit obligation	3,530	(703)	33,439	5,648
Re-measurements: Actuarial (gain) / loss on plan assets				
- Actual return on plan assets	9,120	8,335	1,477	905
- Interest income on plan assets	9,605	8,497	1,514	1,328
Net re-measurement recognised in other comprehensive income	485	162	37	423
Total defined benefit cost recognised in profit and loss account and other comprehensive income	<u>4,015</u>	<u>(541)</u>	<u>33,476</u>	<u>6,071</u>
18.7 Expense recognised in profit and loss account				
Component of defined benefit costs recognized in profit and loss account				
Current service cost	3,691	3,212	426	353
Net interest cost				
- Interest cost on defined benefit obligation	9,929	9,510	1,710	1,489
- Return on plan assets	(9,605)	(8,496)	(1,514)	(1,328)
	<u>324</u>	<u>1,014</u>	<u>196</u>	<u>161</u>
	<u>4,015</u>	<u>4,226</u>	<u>622</u>	<u>514</u>
18.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	113,813	106,503	20,175	16,932
Current service cost	3,691	3,212	426	353
Interest cost	9,929	9,510	1,710	1,489
Benefits paid	(4,709)	(4,709)	(5,785)	(4,247)
Actuarial loss / (gain)	3,530	(703)	33,439	5,648
Obligation as at June 30	<u>126,254</u>	<u>113,813</u>	<u>49,965</u>	<u>20,175</u>
18.9 Movement in the fair value of plan assets				
As at July 1	110,128	94,739	17,837	15,062
Expected return on plan assets	9,605	8,496	1,514	1,328
Contribution made	-	11,764	5,785	6,117
Benefits paid	(4,709)	(4,709)	(5,785)	(4,247)
Actuarial (loss) / gain	(485)	(162)	(37)	(423)
As at June 30	<u>114,539</u>	<u>110,128</u>	<u>19,314</u>	<u>17,837</u>
18.10 Plan assets comprise of the following:				
Defence Savings Certificates	83,753	79,052	14,123	12,803
Cash at bank	16,024	14,192	2,702	2,299
Investment in mutual fund	14,762	16,884	2,489	2,735
	<u>114,539</u>	<u>110,128</u>	<u>19,314</u>	<u>17,837</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

18.11 Principal actuarial assumptions

Expected rate of increase in salaries	10.00%	8.75%
Expected rate of increase in pension	5.00%	3.75%
Expected rate of increase in medical benefits	10.00%	8.75%
Discount factor used	10.00%	8.75%
Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
Rates of employee turnover	Moderate	Moderate

18.12 Components of defined benefit cost for the next year

Current service cost	4,185	1,076
Interest cost on defined benefit obligation	12,615	4,909
Interest income on plan assets	(11,438)	(1,986)
Net interest cost	1,177	2,923
Cost for the next year to be recognized in statement of profit and loss	<u>5,362</u>	<u>3,999</u>

18.13 In case of the funded plans, the Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2018 consists of defence savings certificates ("DSC"). The Company believes that DSC offer the best returns over the long term with an acceptable level of risk.

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

18.14 Sensitivity analysis for actuarial assumptions

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

Change in assumption	2018		
	Impact on defined benefit obligation - Increase / decrease in liability		
	(Rupees in thousand)		
Discount rate at June 30	1.00%	154,368	203,098
Future salary increases	1.00%	133,575	119,402
Future pension increases	1.00%	138,098	115,973
Medical cost increases	1.00%	56,931	44,241
	2017		
Discount rate at June 30	1.00%	116,974	155,257
Future salary increases	1.00%	120,941	107,206
Future pension increases	1.00%	124,415	104,609
Medical cost increases	1.00%	23,077	17,805

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

18.16 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 12.74 years and 11.55 years respectively.

18.17 During the year, the Company contributed Rs. 93.68 million (2017: Rs. 92.73 million) to the provident fund.

		2018	2017
		(Rupees in thousand)	
19.	TRADE AND OTHER PAYABLES		
	Creditors	450,814	321,027
	Accrued liabilities	1,476,889	1,711,026
	Workers' Profit Participation Fund	58,111	68,713
	Workers' Welfare Fund	79,903	64,110
	Advances from customers - unsecured	65,254	56,728
	Payable to provident fund	11,799	6,881
	Tax deducted at source	92,192	79,300
	Advances from employees against sale of vehicles	78,387	56,236
	Other liabilities	17,437	22
	Due to related parties		
	- Directors	-	91
		<u>2,330,786</u>	<u>2,364,134</u>

19.1 This includes accrual of Rs. 52 million in aggregate recognized against Gas Infrastructure Development Cess Act, 2015. The Company has filed an appeal in High Court of Sindh challenging the applicability of Gas Infrastructure Development Cess Act, 2015 on the grounds that it is ultra vires the Constitution. On 26 October 2016, the High Court of Sindh declared the Act as ultra vires the Constitution. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh against aforesaid decision which is pending for adjudication. On 31 May 2017, Peshawar High Court held the Act as validly enacted and no procedural defect in the Act could be made as a ground for its annulment. In view of differing judgments, on same matter by two different Courts, management in consultation with its legal advisor, deem it appropriate and prudent to recognize the cess and will discharge its obligation based on the course of action taken by the other parties affected by such levy.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
		(Rupees in thousand)	
19.2	Workers' Profits Participation Fund		
	Payable / (receivable) as at July 1	68,713	(1,432)
	Allocation for the year	57,736	70,145
		<u>126,449</u>	<u>68,713</u>
	Amount paid during the year	(68,338)	-
	Payable as at June 30	<u>58,111</u>	<u>68,713</u>

19.3 All investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the conditions specified thereunder.

		2018	2017
		(Rupees in thousand)	
20.	SHORT-TERM BORROWINGS		
	<i>Conventional</i>		
	Running finance under mark up arrangements	20.1	935,671
	Export re-finance	20.2	400,000
	Money market loan	20.3	450,000
	<i>Islamic</i>		
	Running finance under Musharakah	20.4	363,049
		<u>2,148,720</u>	<u>1,549,528</u>

20.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 6.30% to 7.02% (2017: 6.22% to 6.72%) per annum.

20.2 The Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The effective rates of mark-up on this facility is 3.5% (2017: 3.5%) per annum.

20.3 The loan is availed from various commercial banks for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 6.26% to 7.06% (2017: 6.28%) per annum.

20.4 The Company has obtained facilities for short term finance under Running Musharakah. The effective rate of profit is 6.18% to 6.97% (2017: 6.25% to 6.32%) per annum. This facility matures within twelve months and is renewable.

20.5 The facilities available from various banks amount to Rs. 3.19 billion (2017: Rs. 3.35 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Company's current and future movable assets of the Company having aggregate charge amounting to Rs. 3.99 billion.

20.6 As at 30 June 2018, the unavailed facilities from the above borrowings amounted to Rs. 1.88 billion (2017: Rs. 1.85 billion).

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

21. COMMITMENTS

21.1 The facilities for opening letters of credit amount to Rs. 1.59 billion (2017: Rs. 1.59 billion) and for letters of guarantee amount to Rs. 141 million (2017: Rs. 134.89 million) as at 30 June 2018 of which the amount remaining unutilised at year end were Rs. 1.34 billion (2017: Rs. 1.08 billion) and Rs. 104.26 million (2017: Rs. 68.33 million) respectively.

21.2 Aggregate commitments for capital expenditure as at 30 June 2018 amount to Rs. 527.18 million (2017: Rs. 544.30 million).

21.3 Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2017: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at 30 June 2018 amount to:

	2018	2017
	(Rupees in thousand)	
Not later than one year	73,447	61,817
Later than one year but not later than five years	114,997	95,850
	<u>188,444</u>	<u>157,667</u>

22. SALES

		2018	2017
		(Rupees in thousand)	
- Local sales		21,785,441	19,551,713
- Export sales	22.1	1,194,877	1,206,979
Gross sales		<u>22,980,318</u>	<u>20,758,692</u>
Less: Sales tax		(2,923,000)	(2,636,366)
		<u>20,057,318</u>	<u>18,122,326</u>
Less:			
- Discount, rebates and allowances		(3,632,561)	(3,212,168)
- Sales return		(246,456)	(142,768)
		<u>(3,879,017)</u>	<u>(3,354,936)</u>
		<u>16,178,301</u>	<u>14,767,390</u>

22.1 Export sales represents sales made to NF DMCC - a wholly owned subsidiary of the Company.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

23. COST OF SALES

		2018	2017
		(Rupees in thousand)	
Raw material consumed		6,031,394	6,050,378
Packing material consumed		2,636,651	2,322,418
Stores and spares consumed		174,744	81,995
Brine and cutting charges		85,794	18,528
Salaries, wages and other benefits		1,008,075	783,670
Contribution to provident fund		14,789	13,286
Depreciation	6.2	238,447	176,870
Ujarah payments		19,334	19,253
Fuel and power	19.1	290,241	210,404
Insurance		21,721	26,739
Laboratory, research and development		9,525	7,633
Postage and communications		3,455	6,250
Printing and stationery		807	1,122
Rent, rates and taxes		149,012	157,175
Travelling		110,512	90,881
Repairs and maintenance		73,351	56,645
Security charges		14,908	23,481
Inventory destruction charges		37,578	25,172
Others		12,460	11,755
		<u>10,932,798</u>	<u>10,083,655</u>
Opening work in process		1,056,507	963,780
Closing work in process		(1,368,021)	(1,056,507)
Cost of goods manufactured		<u>10,621,284</u>	<u>9,990,928</u>
Opening stock of finished goods		629,575	549,375
Closing stock of finished goods		(636,220)	(629,575)
		<u>10,614,639</u>	<u>9,910,728</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
(Rupees in thousand)			
24. DISTRIBUTION COSTS			
Salaries, wages and other benefits		749,085	548,366
Advertising and sales promotion		1,356,381	1,305,558
Commission expense		45,283	36,888
Outward freight and handling charges		614,729	598,700
Contribution to provident fund		18,373	15,742
Depreciation	6.2	16,451	18,965
Amortisation	7.1.1	886	791
Ujrah payments		30,070	24,837
Fuel and power		6,440	5,170
Forwarding charges		75,065	46,740
Insurance		20,371	15,490
Laboratory, research and development		663	111
Professional charges		36	4
Postage and communications		8,907	8,927
Printing and stationery		3,223	2,684
Rent, rates and taxes		177,736	172,243
Travelling		144,944	115,569
Repairs and maintenance		11,387	13,702
Bad debts expense		104,783	-
Security charges		-	783
IT support charges		-	6,203
Others		83,953	2,625
		<u>3,468,766</u>	<u>2,940,098</u>

		2018	2017
(Rupees in thousand)			
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	25.1	301,628	240,107
Contribution to provident fund		11,472	8,929
Depreciation	6.2	63,746	26,485
Amortisation	7.1.1	41,067	31,647
Ujrah payments		22,082	17,016
Fuel and power		27,101	4,589
Insurance		5,058	5,632
Legal and professional charges		43,907	29,083
Postage and communications		43,272	28,197
Printing and stationery		5,411	3,947
Rent, rates and taxes		12,776	17,644
Travelling		47,225	33,261
Repairs and maintenance		110,760	51,690
Security charges		18,517	4,472
Others		13,105	12,963
		<u>767,127</u>	<u>515,662</u>

25.1 Salaries, wages and other benefits include Rs. 4.64 million (2017: Rs. 4.74 million) in respect of charge for retirement benefit plans.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
(Rupees in thousand)			
26. OTHER EXPENSES			
Workers' Profits Participation Fund		57,736	70,145
Workers' Welfare Fund		13,217	21,081
Auditors' remuneration	26.1	3,055	2,622
Donations	26.2	11,233	6,525
Exchange loss		-	1,288
Others	26.3	125,290	-
		<u>210,531</u>	<u>101,661</u>
26.1 Auditors' remuneration			
Audit fee		1,998	1,500
Limited review, special reports and other certifications		837	1,062
Out of pocket expenses		220	60
		<u>3,055</u>	<u>2,622</u>
26.2 Donations to following Organizations and Trusts exceed Rs. 0.5 million:			
The Citizens Foundation		6,500	1,000
Saylani Welfare Trust		4,019	-
Professional Education Foundation		-	575
Aga Khan Hospital		-	1,400
		<u>10,519</u>	<u>2,975</u>

Donations did not include any amount paid to any person or organization or institution in which a director or his/her spouse had any interest.

26.3 During the year, Federal Board of Revenue (FBR) issued a notice to the Company for payment of Rs. 111.5 million in respect of salt sold in retailing packing, which is taxable as per Sr.No.29 Table-1 of 6th schedule of Sales Tax Act, 1990. The Company has challenged the notice in the High Court of Sindh and the case is currently pending before the Court. The Company, on prudent basis, has accrued this amount in these financial statements.

		2018	2017
(Rupees in thousand)			
27. OTHER INCOME			
Exchange gain	27.1	24,790	-
Return on savings account and term deposits - conventional		2,190	1,863
Return on late payments by trade debtors		2,386	2,452
Profit on disposal of property, plant and equipment		14,370	10,277
Write back of advances from employees against sale of vehicle		-	33,493
Dividend income from subsidiary		-	3,141
Export rebate		3,443	1,636
Rental income		6,741	-
Others		-	29,482
		<u>53,920</u>	<u>82,344</u>

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

		2018	2017
(Rupees in thousand)			
28. FINANCE COSTS			
Mark-up on:			
- Short-term running finances	28.1	37,183	24,348
- Export refinance facility	28.2	12,721	11,745
- Short-term loans	28.3	35,011	470
- Long-term loans	28.4	4,709	2,087
Bank charges and other costs		18,764	29,917
		<u>108,388</u>	<u>68,567</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

28.2 This includes markup on running finance and penalty amounting to Rs. 10.18 million and Rs. 2.54 million respectively in respect of ERF facility obtained from commercial bank. The penalty was levied against non compliance of conditions attached to such facility.

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

28.4 This represents markup on long term loan obtained from conventional banks.

29. TAXATION - net

Current
- for the year
- prior year
Deferred

	2018	2017
	(Rupees in thousand)	
	296,610	312,049
	(209,784)	(46,857)
	29,338	62,929
	<u>116,164</u>	<u>328,121</u>

29.1 Income tax assessments of the Company are deemed to be finalised upto and including tax year 2017 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

29.2 Relationship between income tax expense and accounting profit

Profit before taxation

Tax at applicable rate of 30% (2017: 31%)
Tax effect of permanent differences
Tax effect of final tax regime
Effect of prior year tax
Effect of change in tax rate
Effect of super tax
Effect of tax credits
Others

	2018	2017
	(Rupees in thousand)	
	1,062,770	1,313,018
	318,831	407,036
	2,164	2,504
	(10,153)	(210)
	(209,784)	(46,857)
	(4,228)	(4,641)
	33,570	33,389
	(58,031)	(65,775)
	43,795	2,675
	<u>116,164</u>	<u>328,121</u>

29.3 The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. The Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
	(Rupees in thousand)		
Income tax provision for the year (as per accounts)	<u>312,049</u>	<u>346,768</u>	<u>455,923</u>
Income tax as per tax assessment	<u>126,425</u>	<u>217,597</u>	<u>275,400</u>

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

29.4 The excess provisions mainly pertains to super tax and expenses allocation ratio difference, booked in the respective years for which the Company has filed petitions in the High Court of Sindh.

29.5 Under section 5A of Income Tax Ordinance, 2001, a tax shall be imposed at the rate specified therein on the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute dividend upto a prescribed amount (requisite dividend) within six months of the end of the tax year.

The Board of Directors in their meeting held on September 6, 2018 have recommended sufficient dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2018.

30. EARNINGS PER SHARE

30.1 Basic

Profit after taxation attributable to ordinary shareholders

Weighted average number of ordinary shares
outstanding during the year

Earnings per share

	2018	2017
	(Rupees in thousand)	
	946,606	984,897
	(Number of shares)	
	103,606,856	103,606,856
	(Rupees)	
	9.14	9.51

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in thousand)	
31. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,062,770	1,313,018
Adjustments for non-cash charges and other items		
Depreciation	318,644	222,320
Amortisation	41,953	32,438
Profit on disposal of property, plant and equipment	(14,370)	(10,277)
Provision for slow moving stock	83,343	17,439
Finance costs	108,388	68,567
Retirement benefits expense	4,637	4,740
	542,595	335,227
Profit before working capital changes	1,605,365	1,648,245
Working capital changes		
<i>(Increase) / decrease in current assets</i>		
Stores, spare parts and loose tools	(31,000)	(4,275)
Stock in trade	(146,803)	224,104
Trade debts	384,441	(273,358)
Advances	107,332	(114,021)
Trade deposits and prepayments	(23,084)	24,289
Other receivables	65,218	(64,710)
Sales tax refundable	(80,791)	(40,633)
	275,313	(248,604)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	(33,218)	413,409
Sales tax payable	-	(93,457)
	(33,218)	319,952
	1,847,460	1,719,593

	2018	2017
	(Rupees in thousand)	
32. CASH AND CASH EQUIVALENTS		
Cash and bank balances	229,728	90,288
Running finance	(1,298,721)	(987,528)
	(1,068,993)	(897,240)

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)					
Managerial remuneration and allowances	20,637	17,389	-	-	221,958	161,680
Technical advisory fee	-	-	-	2,373	-	-
Utilities	2,064	1,739	168	1,069	22,196	16,168
Bonus / variable pay	3,192	2,898	-	-	38,838	25,153
Housing	9,287	7,825	-	-	99,881	72,756
Retirement benefits	2,099	1,739	-	4,740	18,889	14,364
Other expenses	2,476	2,280	9,021	4,590	73,532	71,572
	39,755	33,870	9,189	12,772	475,294	361,693
Number of person	1	1	2	2	74	64

33.2 Comparative figures have been adjusted to reflect changes in the definition of executive as per Companies Act, 2017.

33.3 In addition to the above, fee paid to 6 (2017: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 2 million (2017: Rs. 2.35 million).

33.4 The Chief Executive, two non-executive directors and certain executives of the Company are also provided with Company maintained cars, residence and mobile telephones. The approximate value of this benefit is Rs. 32.55 million (2017: 29.3 million).

34. RELATED PARTY DISCLOSURES

Related parties comprise the Holding Company, subsidiaries (direct and indirect), entities with common directors, key management personnel, staff retirement funds, directors, major shareholders and key management personnel. The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rates agreed under a contract/arrangement/agreement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and Departmental Heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Disclosure of transactions between the Company and related parties:

Relationship with the Company	Nature of transaction	2018	2017
		(Rupees in thousand)	
Parent Company	Rental income	6,741	-
	Rent charges paid / payable	2,262	9,048
Subsidiary Company	Sale of goods	1,192,151	1,240,042
	Dividend income	-	3,141
Associated Companies	Sale of goods	1,558,144	1,510,548
	Commission expense	45,283	36,888
Staff retirement funds	Expense charged for the year	44,634	37,956
	Payments to retirement contribution plan	93,677	92,735
	Contribution to defined benefit plans	5,785	13,834
Directors	Technical advisory services	-	2,373
Key management personnel compensation:			
Salaries and other short-term employee benefits		786,616	181,299
Retirement benefits		37,853	8,187

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

34.1 Outstanding balances related parties as at year end have been included in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

34.2 The following are the related parties with whom the Company had entered into transaction or have arrangement / agreement in place:

Name of the Related Party	Basis of association	Aggregate % of Shareholding
ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Private) Limited)	Holding Company*	33%
National Foods Dubai Multi Commodities Centre	Subsidiary Company	100%
Pakistan Business Council	Associated Company due to common directorship	N/A
Premier Distributors	Associated Company due to common directorship	N/A
Premier Agencies	Associated Company due to common directorship	N/A

*It is the ultimate parent company based on control model as provided under IFRS 10.

35. PLANT CAPACITY AND PRODUCTION

Actual production of plants

	2018	2017
	Metric Tons	
	100,616	96,913

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

36. NUMBER OF EMPLOYEES

The detail of number of employees are as follows:

	2018	2017
Total employees of the Company at the year end	694	673
Average employees of the Company during the year	680	667
Employees working in the Company's factory at the year end	186	195
Average employees working in the Company's factory during the year	194	184

37. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 Financial risk factors

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
	(Rupees in thousand)						
Financial Assets							
Trade debts	-	-	-	889,385	-	889,385	889,385
Trade deposits	-	-	-	9,000	40,473	49,473	49,473
Other receivables	-	-	-	5,764	-	5,764	5,764
Cash and bank balances	-	-	-	229,728	-	229,728	229,728
30 June 2018	-	-	-	1,133,877	40,473	1,174,350	1,174,350
30 June 2017	-	-	-	1,378,575	33,612	1,412,187	1,412,187
Financial liabilities							
Long term finance classified as a current - secured	193,152	-	193,152	-	-	-	193,152
Trade and other payables	-	-	-	1,945,140	-	1,945,140	1,945,140
Accrued interest/mark up	-	-	-	14,766	-	14,766	14,766
Short term borrowings	2,148,720	-	2,148,720	-	-	-	2,148,720
30 June 2018	2,341,872	-	2,341,872	1,959,906	-	1,959,906	4,301,778
30 June 2017	1,549,528	140,865	1,690,393	2,052,257	-	2,052,257	3,742,650
On balance sheet gap							
30 June 2018	(2,341,872)	-	(2,341,872)	(826,029)	40,473	(785,556)	(3,127,428)
30 June 2017	(1,549,528)	(140,865)	(1,690,393)	(603,682)	33,612	(640,070)	(2,330,463)
Off balance sheet items							
Letters of credit							250,000
30 June 2018							250,000
30 June 2017							510,000
Letters of guarantees							36,740
30 June 2018							36,740
30 June 2017							66,560

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

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

37.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.25 billion (2017: Rs. 1.48 billion) the financial assets exposed to the credit risk amounted to Rs. 1.21 billion (2017: Rs. 1.48 billion).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of 30 June 2018 trade debts of Rs. 485.56 million (2017: Rs. 424.26 million) were past due but not impaired. The carrying amount of trade debts relates to number of individual customers for whom there is no recent history of default.

As at 30 June 2018, trade debts of Rs. 485.56 million (2017: Rs. 424.36 million) were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 3 months	108,998	387,343
3 to 6 months	34,033	28,582
More than 6 months	342,525	8,437
	<u>485,556</u>	<u>424,362</u>

Majority of the past due customers have been transacting with the Company for past several years and no impairment has been recognised against these customers. Management believe that the unimpaired amounts that are past due are still collectible in full based on historical payment behaviour of respective customers, subsequent recoveries and review of individual customers credit risk.

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

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

Concentration of credit risk

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

37.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the Company's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows. The maturity of the Company's financial assets and liabilities are provided in these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

37.2.3 Market risks

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2018 net financial assets of Rs. 674.18 million (2017: Rs. 645.92 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2018 if the Pak Rupee had weakened / strengthened by 4% (2017: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 26.97 million (2017: Rs. 25.83 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

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

Interest rate risk

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

At 30 June 2018 the Company had variable interest bearing financial liabilities of Rs. 2,340.24 million (2017: Rs. 1,690.47 million), had the interest rates varied by 100 basis points (2017: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 23.4 million (2017: Rs. 16.90 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2017: 100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2017: 100 basis points) per annum.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

37.2.3.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2018				
	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Long term borrowings classified as current [including related accrued markup] (refer note 16.2)	Retained earnings	Total
	(Rupees in thousand)				
Balance as at 1 July 2017	987,528	570,691	140,865	2,661,655	4,360,739
<i>Changes from financing cash flows</i>					
Repayment of loan	-	-	-	-	-
Proceeds from long term loan	-	-	52,287	-	52,287
Payments and repayments	-	288,000	-	-	288,000
Dividend paid	-	-	-	(432,477)	(432,477)
Total changes from financing activities	-	288,000	52,287	(432,477)	(92,190)
<i>Other changes - interest cost</i>					
Interest expense	-	103,679	4,709	-	108,388
Interest paid	-	(493,881)	(4,671)	-	(498,552)
Changes in running finance	311,192	-	-	-	311,192
Total loan related other changes	311,192	(390,202)	38	-	(78,972)
Total equity related other changes	-	-	-	911,081	911,081
Balance as at 30 June 2018	1,298,720	468,489	193,190	3,140,259	5,100,658

37.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. During 2018, the Company's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2018 was as follows:

	2018	2017
	(Rupees in thousand)	
Total borrowings	2,163,486	1,700,013
Cash and bank balances	(229,728)	(90,288)
Net debt	1,933,758	1,609,725
Total Equity	3,658,293	3,179,689
Total capital	5,592,051	4,789,414
Gearing ratio	35%	34%

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

37.4 Fair values of financial assets and liabilities

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

38. OPERATING SEGMENT

38.1 These financial statements have been prepared on the basis of a single reportable segment.

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

38.2 All non current assets of the Company as detailed in note 6 to these financial statements as of reporting date are located in Pakistan.

38.3 The Company's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 94.8% (2017: 94.03%) and to customer outside Pakistan are 5.2% (2017: 5.97%) of the revenue.

38.4 Management consider that revenue from its ordinary activities are shariah compliant.

39. CORRESPONDING FIGURES

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following reclassification has been made at year end other than disclosed elsewhere in these financial statements.

Description	Reclassified from	Reclassified to	2017 (Rupees in thousand)
Unclaimed Dividend	Trade and other payables	Unclaimed Dividend (presented on face of statement of financial position)	10,471
Freight	Revenue	Distribution Cost	34,161

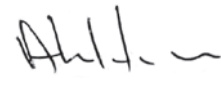
Management consider that above reclassification is not material to these financial statements.

40. EVENTS OCCURRING AFTER BALANCE SHEET DATE

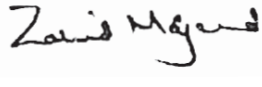
The Board of Directors of the Company in their meeting held on September 6, 2018 have proposed a final cash dividend of Rs. 3.75 per share amounting to Rs. 388.53 million and bonus issue of 1 share for every 5 shares held amounting to book value of Rs. 103.61 million for the year ended 30 June 2018. The approval of the shareholders of the Company for the dividend shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2018. The financial statements for the year ended 30 June 2018, do not include the effect of the proposed dividend which will be accounted for in the year ending 30 June 2019.

41. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Company on September 6, 2018.


Chief Executive Officer


Chief Financial Officer


Director

Consolidated Financial Statements 2018



Independent Auditors' Report to the Members of National Foods Limited

Opinion

We have audited the annexed consolidated financial statements of **National Foods Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the Members of National Foods Limited

Following are the Key audit matters:

S. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Revenue recognition</p> <p>Refer notes 5.18 and 24 to the consolidated financial statements.</p> <p>Revenue is recognized from sale of goods in accordance with applicable accounting standards and measured net of discounts, rebates and allowances.</p> <p>We identified revenue recognition as key audit matter because of discounts and rebates offered to customers which are accrued based on sales and there could be a risk of incorrect measurement of revenue due to such adjustments. Further, revenue is one of the key performance indicators and there is a potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of the Group's sale of goods process and related controls, including assessing the design and testing the implementation and operating effectiveness of the relevant key controls over revenue recognition, the calculation of discounts, rebates and allowances including timing of revenue recognition; considering the appropriateness of the Group's accounting policies for revenue recognition including those relating to discounts, rebates and allowances and assessing compliance of those policies with applicable accounting standards; obtaining and inspecting a sample of contracts with customers to understand the conditions required for discounts, rebates and allowances; testing, on a sample basis, the accuracy of the amounts of discounts, rebates and allowance recognized by agreeing to individual customer agreements and perform recalculations; testing, on a sample basis, invoices and inspecting credit notes issued subsequent to year end for completeness and accuracy of revenue and accruals for discounts, rebates and allowances to the customers; and comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period.
2.	<p>Valuation of Trade Debts</p> <p>Refer notes 3.4, 5.8, 9 and 39.2.1 to the consolidated financial statements. The Group has material amounts of trade debts that are past due but not impaired</p> <p>We identified the recoverability of trade debtors as a key audit matter because estimating the recoverable amount of trade debts involves inherent uncertainty and significant management judgment.</p>	<p>Our audit procedures to assess the valuation of trade debts, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design and testing implementation of management's key internal controls relating to credit control process (including credit account application approvals and credit limit review), debt collection process and making allowances for doubtful debts calculations;

Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> testing the accuracy of trade receivable aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to ensure the balances appearing in the aging report were classified within appropriate aging bracket; assessing the appropriateness of assumptions and estimates made by management for provision against doubtful debts by comparing, on a sample basis, historical cash collections, actual write offs and cash receipts from customers subsequent to the financial year end with the underlying documentation; and assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.
3.	<p>Valuation of Stock-in-trade</p> <p>Refer notes 3.4, 5.7 and 8 to the consolidated financial statements.</p> <p>Inventory forms a significant part of the Group's total assets. Inventories comprise of raw material, work in process and finished good which are stated at lower of cost and estimated net realizable value.</p> <p>We identified the valuation of stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their cost and provisions for expired and obsolete inventories involves significant management judgment and estimation.</p>	<p>Our audit procedures to assess the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and assessing the design and testing implementation of management's controls designed to identify expired and / or obsolete inventories; obtaining an understanding of and testing, on a sample basis, management's determination of NRV and the key estimates adopted, including future selling prices, future costs to complete work-in-progress and costs necessary to make the sales, their basis of calculation, justification for the amount of the write-downs and provisions; and checking on a sample basis specific provision for expired and slow-moving inventory with underlying documentation.
4.	<p>Capitalization of Property, Plant and Equipment</p> <p>Refer notes 2(a), 2(b), 5.2 and 6 to the consolidated financial statements.</p> <p>The Group has made significant capital expenditure on building on leasehold land and plant and machinery.</p>	<p>Our audit procedures to assess the capitalization of property, plant and equipment, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of the design and implementation of management controls over capitalization and performing tests of control over authorization of capital expenditure and accuracy of its recording in the system;

Independent Auditors' Report to the Members of National Foods Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	We identified capitalization of property, plant and equipment as a key audit matter because there is a risk that amounts being capitalized may not meet the capitalization criteria with related implications on depreciation charge for the year.	<ul style="list-style-type: none"> • testing, on sample basis, the costs incurred on projects with supporting documentation and contracts; • assessing the nature of costs incurred for the capital projects through testing, on sample basis, of amounts recorded and considering whether the expenditure meets the criteria for capitalization as per the applicable accounting standards; and • inspecting supporting documents for the date of capitalization when project was ready for its intended use to assess whether depreciation commenced and further capitalization of costs ceased from that date and assessing the useful life assigned by management including testing the calculation of related depreciation.
5.	<p>Valuation of goodwill and other intangible assets</p> <p>Refer notes 3.4, 5.3 and 7.1 to the consolidated financial statements.</p> <p>The Group has recognized goodwill and other indefinite life intangible assets from past acquisition. The Group is required to, at least annually, perform impairment assessments of goodwill and intangible assets that have an indefinite useful life.</p> <p>We identified annual impairment testing of goodwill and intangible assets that have an indefinite useful life as a key audit matter because of the inherent uncertainty and significant judgment involved in determining the assumptions to be used in forecasting and discounting future cash flows.</p>	<p>Our audit procedures to assess the impairment of goodwill and other indefinite life intangible assets, amongst others, included the following</p> <ul style="list-style-type: none"> • obtaining management's future cash flow forecasts and testing the mathematical accuracy of the underlying value-in-use calculations, comparison of historical budgets against actual result to assess the quality of management's forecast and agreeing them to approved budgets and business plans; • using our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the group, in particular relating to the forecast revenue growth, profit margins, discount rate as well as assessing the integrity of the models used, including the accuracy of the underlying calculation of formulas and also assessing the sensitivity of key assumptions and inputs; and • assessing the appropriateness of the disclosures in the consolidated financial statements in accordance with the applicable accounting standards.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report to the Members of National Foods Limited

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 6 September 2018
Karachi

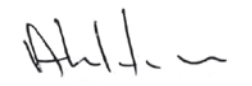
KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Statement of Financial Position

AS AT JUNE 30, 2018

	Note	2018	2017
(Rupees in thousand)			
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,531,638	3,204,389
Intangibles and goodwill	7	659,555	583,725
Long term deposits		41,409	34,217
		<u>5,232,602</u>	<u>3,822,331</u>
Current assets			
Stores, spare parts and loose tools		41,880	10,880
Stock-in-trade	8	3,682,064	3,418,314
Trade debts	9	1,164,931	1,364,571
Advances	10	176,735	229,113
Trade deposits and prepayments	11	112,347	62,017
Other receivables	12	23,315	103,103
Sales tax refundable		121,424	40,633
Cash and bank balances	13	376,794	364,022
		<u>5,699,490</u>	<u>5,592,653</u>
		<u>10,932,092</u>	<u>9,414,984</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital and reserves			
Authorised capital			
200,000,000 (30 June 2017: 150,000,000) ordinary shares of Rs. 5 each		1,000,000	750,000
<i>Share capital</i>			
Issued, subscribed and paid-up capital	14	518,034	518,034
<i>Revenue reserve</i>			
Unappropriated profit		3,233,729	2,686,892
Foreign exchange translation reserve		56,176	7,283
Equity attributable to owners of the Company		<u>3,807,939</u>	<u>3,212,209</u>
Non-controlling interest	15	196,293	179,196
Total equity		<u>4,004,232</u>	<u>3,391,405</u>
Non - current liabilities			
Long term finance - secured	16	199,259	376,181
Long term deposits		3,235	2,759
Deferred consideration	17	-	154,222
Deferred liabilities	18	45,065	7,977
Deferred rent		25,003	7,407
Liabilities against assets subject to finance lease	19	34,470	-
Deferred taxation - net	20	111,913	142,393
		<u>418,945</u>	<u>690,939</u>
Current liabilities			
Trade and other payables	21	3,232,678	3,037,035
Unclaimed dividend		18,323	10,471
Mark-up accrued		17,605	10,340
Short-term borrowings - secured	22	2,204,869	1,549,528
Long term finance classified as current - secured	16	193,152	-
Current maturity of long term finance - secured	16	333,750	28,255
Current maturity of deferred consideration	17	188,128	160,437
Current portion of liabilities against assets subject to finance lease	19	6,604	-
Taxation - net		313,806	536,574
		<u>6,508,915</u>	<u>5,332,640</u>
		<u>6,927,860</u>	<u>6,023,579</u>
Commitments			
	23		
TOTAL EQUITY AND LIABILITIES		<u>10,932,092</u>	<u>9,414,984</u>

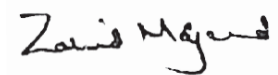
The annexed notes 1 to 43 form an integral part of these consolidated financial statement.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
(Rupees in thousand)			
Sales	24	21,591,559	16,781,813
Cost of sales	25	(14,887,820)	(11,382,955)
Gross profit		<u>6,703,739</u>	<u>5,398,858</u>
Distribution costs	26	(4,244,652)	(3,444,333)
Administrative expenses	27	(913,220)	(520,462)
Other expenses	28	(230,198)	(109,287)
Other income	29	53,467	98,997
Operating profit		<u>1,369,136</u>	<u>1,423,773</u>
Finance costs	30	(195,728)	(104,817)
Profit before taxation		<u>1,173,408</u>	<u>1,318,956</u>
Taxation - net	31	(146,374)	(345,666)
Profit after tax		<u>1,027,034</u>	<u>973,290</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss account:</i>			
Remeasurements of retirement benefit liability		(31,786)	(5,530)
Related deferred tax thereon		9,818	1,469
		<u>(21,968)</u>	<u>(4,061)</u>
<i>Items that are or may be reclassified subsequently to profit and loss account:</i>			
Foreign operations - foreign currency translation differences		48,090	4,535
		<u>26,122</u>	<u>474</u>
Total comprehensive income for the year		<u>1,053,156</u>	<u>973,764</u>
Profit attributable to:			
Owners of the Parent Company		1,009,134	952,999
Non-controlling interests		17,900	20,291
		<u>1,027,034</u>	<u>973,290</u>
Total comprehensive income attributable to:			
Owners of the Parent Company		1,036,059	953,372
Non-controlling interests		17,097	20,392
		<u>1,053,156</u>	<u>973,764</u>
Earnings per share (basic and diluted)			
	32	9.74	9.20

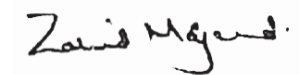
The annexed notes 1 to 43 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

Consolidated Statement of Changes in Equity

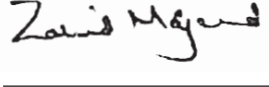
FOR THE YEAR ENDED JUNE 30, 2018

	Attributable to shareholders of the Parent Company					Total Equity
	Share capital	Revenue Reserve		Sub-total	Non controlling interest	
		Unappropriated profit	Foreign currency translation			
	(Rupees in thousand)					
Balance as at 1 July 2016	518,034	2,022,873	2,849	2,543,756	-	2,543,756
Total Comprehensive income for the year ended 30 June 2017						
Profit for the year	-	952,999	-	952,999	20,291	973,290
Other comprehensive income	-	(4,061)	4,434	373	101	474
	-	948,938	4,434	953,372	20,392	973,764
Transaction with owners of the Company - distribution						
Final dividend for the year ended 30 June 2016 @ Rs. 2.75 per share	-	(284,919)	-	(284,919)	-	(284,919)
Changes in ownership interests						
Aquisition of subsidiary with NCI	-	-	-	-	158,804	158,804
Balance as at 30 June 2017	518,034	2,686,892	7,283	3,212,209	179,196	3,391,405
Total comprehensive income for the year ended 30 June 2018						
Profit for the year	-	1,009,134	-	1,009,134	17,900	1,027,034
Other comprehensive income	-	(21,968)	48,893	26,925	(803)	26,122
	-	987,166	48,893	1,036,059	17,097	1,053,156
Transaction with owners of the Company - distribution						
Final dividend for the year ended 30 June 2017 @ Rs. 4.25 per share	-	(440,329)	-	(440,329)	-	(440,329)
Balance as at 30 June 2018	518,034	3,233,729	56,176	3,807,939	196,293	4,004,232

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.


Chief Executive Officer


Chief Financial Officer

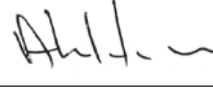

Director

Consolidated Statement of Cash Flows

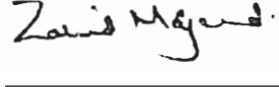
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	1,876,639	1,919,506
Finance cost paid		(181,164)	(102,522)
Income tax paid		(389,804)	(372,357)
Deferred rent		17,596	1,898
Retirement benefits obligations paid		(6,023)	(17,881)
Long term deposits		(6,716)	(3,209)
Net cash generated from operating activities		1,310,528	1,425,435
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(1,657,468)	(1,299,100)
Sale proceeds from disposal of property, plant and equipment		23,176	22,402
Purchase of intangible assets		(42,031)	(96,948)
Acquisition of subsidiary, net of cash acquired		-	(182,429)
Net cash used in investing activities		(1,676,323)	(1,556,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings - net		288,000	162,000
Repayment of long term finance		(55,416)	-
Proceeds from long term finance		325,290	289,613
Deferred consideration paid		(126,531)	-
Dividend paid		(432,477)	(284,158)
Net cash from financing activities		(1,134)	167,455
Net (decrease) / increase in cash and cash equivalents		(366,929)	36,815
Cash and cash equivalents at beginning of the year		(623,506)	(661,659)
Currency translation difference on cash and cash equivalents		12,360	1,338
Cash and cash equivalents at end of the year	34	(978,075)	(623,506)

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.


Chief Executive Officer


Chief Financial Officer


Director

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

1. THE GROUP AND ITS OPERATIONS

1.1 The group consists of:

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

National Foods Limited

National Foods Limited ("Parent Company") was incorporated in Pakistan on February 19, 1970 as a private limited company under the Companies Act, 1913 and subsequently converted into a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) by special resolution passed in the extra ordinary general meeting held on 30 March 1988. The Parent Company is principally engaged in the manufacture and sale of convenience based food products. It is listed on Pakistan Stock Exchange. The registered office of the Parent Company is situated at 12 / CL - 6, Claremont Road, Civil Lines, Karachi.

The ultimate parent entity of the National Foods Limited is ATC Holdings (Private) Limited (formerly: Associated Textile Consultants (Private) Limited) based on control model as provided under International Financial Reporting Standards 10 - 'Consolidated Financial Statements'.

National Foods DMCC

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

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

National Foods Pakistan (UK) Limited

National Foods Pakistan (UK) Limited was incorporated in United Kingdom on 29 May 2013 as a private company under the UK Companies Act, 2006. The company is a wholly owned subsidiary of National Foods DMCC. The company is principally engaged in the trading of food products. However, company has not commenced its commercial operations. The registered office of the company is situated at Second Floor, 27 Gloucester Place, London, United Kingdom.

National Epicure Inc.

National Epicure Inc. ("NEI") is a wholly owned subsidiary of National Foods DMCC. NEI is principally engaged in the trading of food products and remain operational till reporting date. The registered office of the company is situated at 193 Maxome Avenue, Toronto, Ontario, Canada.

A-1 Bags & Supplies Inc.

A 1 Bags & Supplies Inc. (the "Company") was incorporated under the Business Corporations Act of Ontario on March 14, 2001. National Epicure Inc. acquired 60% holding in A-1 Bags and Supplies in the year 2017. It is principally engaged in distribution and wholesale of food products, disposables, janitorial and sanitation products. Its registered office is situated at 6400 Kennedy Road, Mississauga, Ontario, Canada.

1.2 The manufacturing facilities and sales offices of the Group companies are situated at the following locations:

Factories:

- Unit F-160/ C, F- 133, S.I.T.E., Karachi.
- Office A-13, North Western Industrial Zone, Bin Qasim, Karachi.
- 53-KM G.T. Road, Chainwala Mord Amanabad, Gujranwala.
- 5-A/1, New Muslim Town, Muridke.
- A 393 Nooriabad industrial estate, Nooriabad, Karachi.

Sales offices:

- Office No.107, 1st Floor Parsa Tower Sharah-e-Faisal, Karachi.
- Banglow No. 225, Shahrah-e-Abbasi Akhuwat Nagar Society, Sukkur.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

- 2nd Floor Mall 2 Plaza Main Boulevard Kohinoor City Jaranwala Road, Faisalabad.
- 18-CCA (Commercial Area) Phase V111 DHA Lahore, Cantt.
- Plot # 25 Din Plaza Canal Road Main Gate Canal View Housing Society, Gujranwala.
- 1st Floor Bilal Complex Main PWD Road sector O-9, Islamabad.
- Unit No. R30-26, Floor No. 30, R Serviced Offices JLT, Reef Tower, Plot No. 01 Jumeirah Lakes Towers Dubai, United Arab Emirates.
- 193 Maxome Avenue, Toronto, Ontario, Canada.
- 27 Gloucester Place, Second Floor, London, United Kingdom.
- 6400 Kennedy Road, Mississauga, Ontario
- 1110 Dearness Dr, Toronto, Ontario

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

The Group's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- a) The Group is in process of expansion of its manufacturing facilities of salt plant in factory located at Nooriabad and has incurred capital expenditure amounting to Rs. 388.12 million in aggregate as at year end appearing in Capital Work in Progress. The addition of this plant will increase the salt production capacity of the Parent Company by 55,000 metric tons per annum. Further, during the year the Group has incurred Rs. 863.4 million on the registered office and has paid advance of Rs. 130.1 million for the purchase of land at Faisalabad (refer note 6.4 to these consolidated financial statements).
- b) The subsidiary company has opened a new store in Toronto, Ontario, with a covered area of 25,000 square feet to cover the burgeoning demand for its products. The store contributed CAD 0.73 million (1.2%) to the overall revenue of the Group during the year.
- c) Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified (refer note 41 to consolidated financial statements).
- d) For detailed discussion about the Group's performance please refer to the Directors' report accompanied in the annual report of the Group for the year ended 30 June 2018.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 .

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Use of significant estimates and judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Property, plant and equipment / intangible assets

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

Stock in trade / stores, spares and loose tools

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

Trade debts and other receivables

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

Retirement benefits obligations

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

Taxation

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

Goodwill and indefinite life intangible assets

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

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

4. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- Disclosure initiative and amendments to 'IAS 7, 'Statement of Cash Flows' is effective during the year requiring entities to explain changes in their liabilities for which cash flows have been or will be classified as financing activities in the Statement of Cash Flows. The amendment resulted in an additional disclosure which has been included in these consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

- The Companies Act, 2017 ('the Act') has also brought certain changes with regards to preparation and presentation of annual financial statements of the company. These changes include change in nomenclature of primary financial statements and disclosure requirements in the 4th Schedule to the Act have been revised resulting in the elimination of duplicative disclosures with the IFRSs, disclosure requirements and incorporation of significant additional disclosures which have been included in these consolidated financial statements.

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

- There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Group's financial reporting and therefore have not been detailed in these consolidated financial statements.

4.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Group.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Group's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. Management is in the process of assessing implications of this standard on its revenue recognition.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Group's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRS Standards 2015-2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Basis of consolidation

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

Business Combination

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and up to the date when the control ceases. Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Non-controlling interests are presented as a separate item in the consolidated financial statements.

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

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

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

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

5.2 Property, plant and equipment

Initial recognition

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

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

Measurement

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

Subsequent expenditure (including normal repairs and maintenance)

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

Depreciation

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

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

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

Gains and losses on disposal

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

Capital work in progress

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

5.3 Intangible assets and Goodwill

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

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

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

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

5.4 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to, or items recognised directly in equity or in other comprehensive income, in which case the tax amounts are recognized directly in other comprehensive income or equity, as the case may be.

i) Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year; calculated using tax rates enacted or substantively enacted by the end of the reporting period. The calculation of current tax takes

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into account tax credit and tax rebates, if any, and is inclusive of any adjustments to income tax payable or recoverable in respect of previous years.

ii) Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liability is generally recognised for all taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited in the profit and loss account. Deferred tax liability of the parent company is restricted to 90.3% (2017: 88.57%) of the total deferred tax liability based on the assumptions that export sales will continue under Final Tax Regime and historical trend of export and local sales ratio will continue to be approximately the same in foreseeable future.

5.5 Employee retirement benefits

Defined benefit plans

The Company operates a funded pension scheme and post retirement medical benefit for chief executive, one non-executive director and one former director. The liability recognised in the balance sheet in respect of the defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognised immediately in other comprehensive income. The latest actuarial valuation of the defined benefit plans was conducted at 30 June 2018. Past service cost and the amount arising as a result of remeasurements are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

Defined contribution plan

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

Other long-term employee benefits

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

5.6 Stores, spare parts and loose tools

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

5.7 Stock in trade

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

5.8 Trade and other debts

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

5.9 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

5.10 Impairment losses

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indications exist, the assets' recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.11 Ijarah

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

5.12 Leases

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

5.13 Trade and other payables

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

5.14 Borrowings

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

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

5.15 Provisions

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

5.16 Financial instruments

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

5.17 Foreign currency transactions and translation

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

The results and financial position of foreign operation are translated into the presentation currency as follows:

- assets and liabilities including goodwill and fair value adjustment arising on acquisition are translated into Pak Rupees at the exchange rate at the reporting date;

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

- income and expenses for income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in these translation reserve, except to the extent that the translation difference is allocated to NCI.

5.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is measured net of return, trade discounts, volume rebates and allowances, if any.

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

- Sale of goods**
Sales are recognised when the significant risks and rewards of ownership have been transferred which coincide with dispatch of goods to customers.
- Interest / Mark up income / late payment by trade debtors**
Income on late payment by trade debtors is recognised on accrual basis.
- Dividend income**
Dividend income is recognised when the Group's right to receive payment is established.
- Rental income**
Rental income from properties on operating lease is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.
- Income from debt securities**
Income on bank deposit and debt securities is recognised on a time proportion basis using effective interest rate method.
- Miscellaneous income**
Miscellaneous income including export rebate is recognised on receipt basis.

5.19 Research and development

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

5.20 Offsetting

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

5.21 Dividends

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

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6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1
Capital work-in-progress	6.4

	2018	2017
	(Rupees in thousand)	
	3,736,772	2,248,623
	794,866	955,766
	<u>4,531,638</u>	<u>3,204,389</u>

6.1 Operating fixed assets

	2018									
	Leasehold Land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)									
At 1 July 2017										
Cost	232,549	33,933	909,103	1,780,054	172,352	186,736	176,503	34,617	105,640	3,631,487
Accumulated depreciation	(28,469)	(6,521)	(237,505)	(698,256)	(103,329)	(81,894)	(140,707)	(16,105)	(71,795)	(1,384,581)
Net exchange difference	-	322	-	-	693	473	33	-	196	1,717
Net book value	204,080	27,734	671,598	1,081,798	69,716	105,315	35,829	18,512	34,041	2,248,623
Additions / transfer - note - 6.4.1	-	32,631	1,048,729	283,452	208,633	117,525	43,399	6,720	80,374	1,821,463
Disposals										
Cost	-	-	-	(8,700)	(2,806)	(121)	(385)	-	(12,406)	(24,418)
Accumulated depreciation	-	-	-	4,800	2,806	97	313	-	7,596	15,612
	-	-	-	(3,900)	-	(24)	(72)	-	(4,810)	(8,806)
Effect of movement in exchange rate	-	8,725	-	-	23,530	9,946	2,420	-	7,941	52,562
Depreciation charge for the year	(4,195)	(7,062)	(47,739)	(190,668)	(37,353)	(33,512)	(25,859)	(3,082)	(14,039)	(363,509)
Assets written off	-	-	-	(4,462)	(163)	(687)	(491)	(369)	(7,389)	(13,561)
Closing net book value	199,885	62,028	1,672,588	1,166,220	264,363	198,563	55,226	21,781	96,118	3,736,772
At 30 June 2018										
Cost	232,549	66,564	1,957,832	2,050,344	378,016	303,453	219,026	40,968	166,219	5,414,971
Accumulated depreciation	(32,664)	(13,583)	(285,244)	(884,124)	(137,876)	(115,309)	(166,253)	(19,187)	(78,238)	(1,732,478)
Net exchange difference	-	9,047	-	-	24,223	10,419	2,453	-	8,137	54,279
Net book value	199,885	62,028	1,672,588	1,166,220	264,363	198,563	55,226	21,781	96,118	3,736,772
Useful life (years)	38 - 99	Lease term	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

Notes to the Consolidated Financial Statements

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At 1 July 2016

	Leasehold Land	Leasehold improvements	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office and other equipments	Computers	Laboratory equipments	Vehicles	Total
	(Rupees in thousand)									
Cost	230,606	-	555,694	1,124,754	63,135	70,727	147,220	25,529	61,137	2,278,802
Accumulated depreciation	(24,258)	-	(207,275)	(565,779)	(45,141)	(40,851)	(108,046)	(13,422)	(46,939)	(1,051,711)
Net book value	206,348	-	348,419	558,975	17,994	29,876	39,174	12,107	14,198	1,227,091
Additions / transfer - note - 6.4.1	1,943	-	353,409	657,747	7,666	45,193	16,229	9,088	22,078	1,113,353
Acquisition through business combination	-	28,843	-	-	55,975	44,509	5,358	-	18,978	153,663
Disposals										
Cost	-	-	-	(2,447)	-	(568)	(2,978)	-	(23,027)	(29,020)
Accumulated depreciation	-	-	-	2,430	-	568	2,962	-	10,935	16,895
	-	-	-	(17)	-	-	(16)	-	(12,092)	(12,125)
Effect of movement in exchange rate	-	322	-	-	693	473	33	-	196	1,717
Depreciation charge for the year	(4,211)	(1,431)	(30,230)	(134,907)	(12,612)	(14,736)	(24,949)	(2,683)	(9,317)	(235,076)
Closing net book value	204,080	27,734	671,598	1,081,798	69,716	105,315	35,829	18,512	34,041	2,248,623

At 30 June 2017

Cost	232,549	33,933	909,103	1,780,054	172,352	186,736	176,503	34,617	105,640	3,631,487
Accumulated depreciation	(28,469)	(6,521)	(237,505)	(698,256)	(103,329)	(81,894)	(140,707)	(16,105)	(71,795)	(1,384,581)
Net exchange difference	-	322	-	-	693	473	33	-	196	1,717
Net book value	204,080	27,734	671,598	1,081,798	69,716	105,315	35,829	18,512	34,041	2,248,623
Useful life (years)	38 - 99	Lease term	5 - 60	5 - 10	5	5 - 10	3	5 - 10	5	

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

	2018	2017
	(Rupees in thousand)	
Cost of sales	25	25
Distribution costs	26	26
Administrative expenses	27	27
	<u>238,447</u>	<u>177,168</u>
	<u>61,316</u>	<u>31,423</u>
	<u>63,746</u>	<u>26,485</u>
	<u>363,509</u>	<u>235,076</u>

Notes to the Consolidated Financial Statements

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6.3 The details of property, plant and equipment having net book value of Rs. 500,000 and above sold / disposed off during the year by the Parent Company are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser and relationship
(Rupees in thousand)							
Vehicles	676	68	608	874	266	Company Policy	Shahid Ali Company Executive
"	647	11	636	913	277	Company Policy	Saad Ghouri Company Executive
"	860	57	803	1,059	256	Company Policy	Badar Yousof Company Executive
"	1,212	323	889	1,501	612	Company Policy	Waqar Haider Company Executive
"	1,192	79	1,113	1,310	197	Company Policy	Rakhi Lakhani Company Executive
Plant and Machinery	7,800	3,900	3,900	5,200	1,300	Trade-in	Sama Engineering Works Vendor
Total	12,387	4,438	7,949	10,857	2,908		

6.4 Capital work-in-progress (CWIP)

Civil works	225,138	584,204
Plant and machinery	311,296	187,021
Office equipment	8,972	73,216
Advance against acquisition of land	210,194	80,108
Advance against civil works	26,870	-
Advance against plant and machinery	11,816	-
Advance against furniture	580	31,217
	794,866	955,766

	2018	2017
(Rupees in thousand)		
	225,138	584,204
	311,296	187,021
	8,972	73,216
	210,194	80,108
	26,870	-
	11,816	-
	580	31,217
	794,866	955,766

6.4.1 During the year the additions to CWIP and transfer to respective assets amounted to Rs. 951.8 million (2017: Rs. 547.8 million) and Rs. 1,102.4 million (2017: Rs. 482.85 million) respectively.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

6.5 Particulars of immovable property (i.e. land and building) in the name of the Parent Company are as follows:

Location	Usage of immovable property	Total Area (In Sq. Ft.)	Covered Area (In Sq. Ft.)
Corporate office	Office Building	45,099	40,589
S.I.T.E.	Manufacturing plant	76,491	62,029
Port Qasim	Manufacturing plant	435,600	265,556
Nooriabad	Manufacturing plant	602,951	120,112
Muridke	Manufacturing plant	137,196	22,500
Gujranwala	Manufacturing plant	32,000	32,000
Multan	Warehouse	43,560	43,560

7. INTANGIBLES AND GOODWILL

Goodwill and intangibles	7.1
System under development	7.3

	2018	2017
(Rupees in thousand)		
	644,099	551,248
	15,456	32,477
	659,555	583,725

7.1 Goodwill and intangibles

Cost
Balance as at 1 July 2017
Addition
Effect of movement in exchange rates
Balance as at 30 June 2018

Accumulated amortisation
Balance as at 1 July 2017
Amortisation for the year
Effect of movement in exchange rates
Balance as at 30 June 2018

Carrying amounts
As at 30 June 2018

Useful life (years)

2018				
Computer softwares and ERP System	Goodwill	Customer relationships	Trademark and other	Total
(Rupees in thousand)				
200,054	229,765	87,323	184,707	701,849
59,062	-	-	-	59,062
-	39,758	11,383	31,704	82,845
259,116	269,523	98,706	216,411	843,756
146,967	-	3,634	-	150,601
41,953	-	9,451	-	51,404
-	-	(2,348)	-	(2,348)
188,920	-	10,737	-	199,657
70,196	269,523	87,969	216,411	644,099
3	-	10	Indefinite	

Notes to the Consolidated Financial Statements

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

7.2 The amortization charge for the year has been allocated as follows:

	2018	2017
	(Rupees in thousand)	
Distribution costs	10,337	4,349
Administrative expenses	41,067	31,647
	<u>51,404</u>	<u>35,996</u>

7.3 This represent amount given to vendor for the development of software which are expected to be capitalized next year.

7.4 **Impairment testing of goodwill, trademark and other indefinite useful life**

For the purpose of the impairment testing, goodwill acquired through business combination and trademarks with indefinite useful life are allocated to the A-1 Bags and Supplies.

The recoverable amount of business operations of A-1 Bags & Suppliers Inc. (acquired entity) have been determined based on its value in use, determined by discounting the future cash flows to be generated from its continuing use. The cash flow projections prepared covering period from 2019 to 2022 till terminal period. The calculations used for cash flow projections are based on financial budgets prepared by management.

The value in use determined for underlying cash generating unit is higher than its carrying amount

The key assumptions used in the estimation of value in use were as follow:

	Percentage (%)
Sales growth (% annual growth rate)	<u>17.2</u>
Budgeted gross margin (%)	<u>17.8</u>
Other operating cost	<u>12.3</u>
Long term growth rate	<u>5.0</u>
Post-tax discount rate (%)	<u>16.0</u>

Notes to the Consolidated Financial Statements

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Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approached used to determine values
Sales Growth	Average annual growth rate over the forecast period based on recent performance and management's expectations of market development. Management does not anticipate material impact owing to change in the assumptions used for growth in sales volume. Average annual growth rate over the forecast period based on current industry trend and including long term inflation forecast. Management does not anticipate material impact owing to change in the assumptions used for growth in sales price.
Budgeted gross margin	Based on recent performance and management's expectation for the future.
Other operating cost	Fixed cost of the CGU, which do not vary significantly with sales volume or price. Management forecast these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructuring or cost saving measures. The amounts disclosed above are the average operating costs for the forecast period. Management does not anticipate material impact owing to change in the assumptions used for growth in other operating cost.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. Management does not anticipate material impact owing to change in the assumptions used for growth in the long term rate.
Post-tax discount rates	Reflect specific risks relating to the business segment, and the country in which it operates.
Sensitivity to changes in other assumptions	Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

8 STOCK IN TRADE

Raw materials including goods in transit of Rs. Nil (2017: Rs. 263.08 million)
Provision for obsolescence

Packing materials
Provision for obsolescence

Work in process
Provision for obsolescence

Finished goods including in transit of Rs. 17.79 million (2017: Rs. 27.07 million)
Provision for obsolescence

8.1 Stock in trade includes Rs. 2.29 billion (2017: Rs. 1.80 billion) held with third parties for the purpose of further distribution to end customers and packaging purposes.

	2018	2017
	(Rupees in thousand)	
Raw materials including goods in transit of Rs. Nil (2017: Rs. 263.08 million)	847,256	1,157,825
Provision for obsolescence	(72,358)	(21,927)
	<u>774,898</u>	<u>1,135,898</u>
Packing materials	361,458	256,314
Provision for obsolescence	(68,306)	(69,463)
	<u>293,152</u>	<u>186,851</u>
Work in process	1,372,107	1,067,560
Provision for obsolescence	(4,086)	(11,053)
	<u>1,368,021</u>	<u>1,056,507</u>
Finished goods including in transit of Rs. 17.79 million (2017: Rs. 27.07 million)	1,304,519	1,056,549
Provision for obsolescence	(58,526)	(17,491)
	<u>1,245,993</u>	<u>1,039,058</u>
	<u>3,682,064</u>	<u>3,418,314</u>

Notes to the Consolidated Financial Statements

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- 8.2** The above balances include items costing Rs. 43.69 million (2017: Rs. 45.74 million) valued at net realisable value of Rs. 32.1 million (2017: Rs. 37.54 million).
- 8.3** During the year, the Group has made a provision of Rs. 107.64 million for obsolescence (2017: Rs. 48.3 million) and has written off stocks against the provision amounting to Rs. 25.39 million (2017: Rs. 31.39 million). Further there are direct writeoffs amounting to Rs. 35.48 million (2017: Nil).

9. TRADE DEBTS

Considered good - unsecured

		2018	2017
Related parties	9.2	83,513	96,353
Others			
- Local		263,914	519,842
- Foreign	9.4	817,504	748,376
		<u>1,164,931</u>	<u>1,364,571</u>
Considered doubtful		114,282	8,133
		<u>1,279,213</u>	<u>1,372,704</u>
Provision for doubtful trade debts		(114,282)	(8,133)
		<u>1,164,931</u>	<u>1,364,571</u>

- 9.1** The movement in the allowance for impairment for trade debts is as follows:

	2018	2017
Opening provision	8,133	6,093
Charge for the year	106,149	2,040
Closing provision	<u>114,282</u>	<u>8,133</u>

9.2 Receivable from related parties

	2018	2017
Premier Distributor	32,806	44,907
Premier Agency	50,707	51,446
	<u>83,513</u>	<u>96,353</u>

- 9.2.1** The maximum aggregate amount due from the related party at the end of any month during the year are as follows:

	2018	2017
Premier Distributor	193,237	154,901
Premier Agency	120,496	95,286
	<u>313,733</u>	<u>250,187</u>

Notes to the Consolidated Financial Statements

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As at 30 June 2018, the gross amount of trade debts due from related parties is Rs. 83.51 million (2017: Rs. 96.35 million) out of which Rs. 49.08 million (2017: Rs. 45.57 million) were past due but not impaired. The age analysis of these trade debts is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 3 months	37,763	45,565
3 to 6 months	10,981	-
More than 6 months	333	-
	<u>49,077</u>	<u>45,565</u>

- 9.3** This includes provision against related parties amounting to Rs. 3.68 million (2017: nil).

- 9.4** This represent outstanding balance against sales by the foreign subsidiaries. The total sales made during the year amounting to Rs. 6,967 million and provision for doubtful debt amounting to Rs. 1.37 million.

10. ADVANCES

Considered good

	2018	2017
Employees - against expenses	-	4,128
Suppliers	176,735	224,985
	<u>176,735</u>	<u>229,113</u>

Considered doubtful

	2018	2017
Suppliers	3,413	3,413
	<u>180,148</u>	<u>232,526</u>
Provision for doubtful advances to suppliers	(3,413)	(3,413)
	<u>176,735</u>	<u>229,113</u>

- 10.1** These advances do not carry any mark up arrangement.

11. TRADE DEPOSITS AND PREPAYMENTS

Considered good

	2018	2017
Deposits	9,000	13,479
Prepayments	103,347	48,538
	<u>112,347</u>	<u>62,017</u>

Considered doubtful

	2018	2017
Deposits	1,553	1,553
	<u>113,900</u>	<u>63,570</u>
Provision for doubtful deposits	(1,553)	(1,553)
	<u>112,347</u>	<u>62,017</u>

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
		(Rupees in thousand)	
12. OTHER RECEIVABLES			
Due from related parties			
- ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Private) Limited)	12.1	861	861
- Director	12.1	197	197
		<u>1,058</u>	<u>1,058</u>
Others		22,257	102,045
		<u>23,315</u>	<u>103,103</u>

12.1 The balances due from related parties are past due by more than six months but not considered impaired.

		2018	2017
		(Rupees in thousand)	
13. CASH AND BANK BALANCES			
Cash in hand		1,295	28
Cash at bank - current account			
- local currency	13.1	94,649	82,679
- foreign currency	13.1	280,850	281,315
		<u>375,499</u>	<u>363,994</u>
		<u>376,794</u>	<u>364,022</u>

13.1 The current accounts are placed with banks under conventional banking arrangements.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
Number of Shares			(Rupees in thousand)	
2,511,980	2,511,980	Ordinary shares of Rs. 5 (2017: Rs. 5) each issued for consideration paid in cash	12,560	12,560
101,094,876	101,094,876	Ordinary shares of Rs. 5 (2017: Rs. 5) each as fully paid bonus shares	505,474	505,474
<u>103,606,856</u>	<u>103,606,856</u>		<u>518,034</u>	<u>518,034</u>

14.1 The Parent Company in its annual general meeting held on 24 October 2017 passed special resolution for the increase in authorized capital from 750 million to 1,000 million with power to increase or reduce as the Parent Company may think fit. The Parent Company may subdivide or consolidate its share in accordance with the provisions of the Companies Act, 2017.

14.2 As at 30 June 2018, ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Private) Limited) (ultimate parent company) held 34,357,724 (2017: 34,357,724) ordinary shares of the Parent Company.

15. NON-CONTROLLING INTEREST (NCI)

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

Summarised balance sheet

Non-current assets
Current assets
Non-current liabilities
Current liabilities

Accumulated NCI

Summarised statement of profit or loss and other comprehensive income

Sales
Profit for the period
Other comprehensive income
Total comprehensive income

Profit allocated to NCI
Eligible dividend to NCI

Summarised cash flows

Cash flow from operating activities
Cash flow from investing activities
Cash flow from financing activities
Net (decrease) / increase in cash and cash equivalents

16. LONG TERM FINANCE

Long term finance
- MCB Bank Limited - Pakistan
- MCB Bank Dubai
- TD Commercial Bank - Canada

Less: Current maturity of long term finance
Less: Classified under current liability

16.1 This represents long term finance facility of Rs. 250 million obtained from commercial bank for ten years having mark-up at the rate of State Bank of Pakistan base rate + 0.3% (effective rate: 3.3%). The loan is secured by way of hypothecation of Company's present and future fixed assets. The unavailed portion of the facility at the reporting date is Rs. 56.85 million.

The loan facility requires the Parent Company to maintain a current ratio of 1.1:1 at all times till the settlement of loan. At year end, breach of such covenant took place primarily due to spike in the short term borrowing availed by the Parent Company. According to the loan agreement in the event of breach of conditions the lender is entitled to demand immediate repayment of the outstanding loan amount. However, the lender has not requested early repayment of the loan as yet. In compliance with requirement of IAS 1 "Presentation of Financial Statements" the related facility has been classified as current liability. Management is in discussion with the lender to seek waiver of the covenant including relaxing the related requirement and is confident of a favourable response.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

16.2 NF DMCC, subsidiary company, has entered into a long term loan agreement with MCB Bank Dubai. It carries profit at therate of 3 month LIBOR + 3% per annum. The tenure of facility is 5 years with grace period of 1 year from IDA (for eachtranche). The principal is payable in equal quarterly installments. This facility is secured against 60% shares of A1 Bags & Suppliers Inc., undated security cheque, promissory note and assignment of receivables of the Group.

16.3 A-1 Bags & Suppliers Inc., obtained loan from TD commercial bank details are as follows:

	2018	2017
	(Rupees in thousand)	
TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,081 plus interest, maturing in September 2018.	306	1,305
TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,106 plus interest, maturing in January 2019.	731	1,692
TD bank loan, secured by book debts, bears interest at a rate of 4.85% per annum and is repayable in 60 equal monthly payments of \$1,163 plus interest, maturing in March 2019.	893	1,884
Vehicle loan payable to Scotiabank – loan is secured by a charge of the vehicle, it is non-interest bearing with monthly payments of \$751, maturing in March 2019.	-	1,252
BDC loan, secured by book debts, bears interest at rate of 4.7%per annum and is repayable in 60 equal monthly payments of \$16,660, maturing in June 2021.	56,602	64,360
BDC loan, secured by book debts, bears interest at rate of 4.7%per annum and is repayable in 60 equal monthly payments of \$2,080, maturing in June 2020.	4,711	6,027
BDC loan, secured by book debts, bears interest at rate of 4.7%per annum and is repayable in 60 equal monthly payments of \$5,000, maturing in June 2021.	16,987	19,316
Vehicle loan payable to Scotiabank - loan is secured by a charge of the vehicle, bears interest at a rate of 2.5% with monthly payments of \$1,590, maturing in April 2022.	6,901	7,421
Vehicle loan payable to Scotiabank – loan is secured by a charge of the vehicle, it is non-interest bearing with monthly payments of \$721, maturing in September 2021.	2,653	-
TD bank loan, secured by book debts, bears interest at a rate of 4.64% per annum and is repayable in 60 equal monthly payments of \$15,530 including interest, maturing in December 2022.	71,300	-
TD bank loan, secured by book debts, bears interest at a rate of 5.06% per annum and is repayable in 60 equal monthly payments of \$7,603 including interest, maturing in February 2023.	35,723	-
	<u>196,807</u>	<u>103,257</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

17. DEFERRED CONSIDERATION

The Group has agreed to pay the acquisition price of A1 Bags & Suppliers Inc. in tranches. The movement is as follows:

	2018	2017
	(Rupees in thousand)	
Opening balance	154,222	306,289
Unwinding of deferred consideration	7,299	5,024
Impact of exchange rate translation	26,607	3,346
Less: current portion of deferred consideration	<u>(188,128)</u>	<u>(160,437)</u>
	<u>-</u>	<u>154,222</u>

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

18. DEFERRED LIABILITIES

	2018	2017
	(Rupees in thousand)	
Pension Plan	11,715	3,685
Pensioners' Medical Plan	30,651	2,338
Staff terminal benefits	2,699	1,954
	<u>45,065</u>	<u>7,977</u>

18.1 The Parent Company operates a funded pension scheme and post retirement medical benefit for chief executive and two non-executive directors. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 30 June 2018.

18.2 Plan assets held in trust are governed by local regulations which mainly include the Trust Act, 1882, the Companies Act, 2017, the Income Tax Rules, 2002 and Rules under the Trust Deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Parent Company appoints the Trustees and all Trustees are employees of the Parent Company.

18.3 The latest actuarial valuation of the Fund as at 30 June 2018 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

	Pension Plan		Pensioners' Medical Plan	
	2018	2017	2018	2017
(Rupees in thousand)				
18.4 Balance sheet reconciliation				
Present value of defined benefit obligations	126,254	113,813	49,965	20,175
Fair value of plan assets	(114,539)	(110,128)	(19,314)	(17,837)
	<u>11,715</u>	<u>3,685</u>	<u>30,651</u>	<u>2,338</u>
18.5 Movement in the net liability recognised in the balance sheet				
Opening balance	3,685	11,764	2,338	1,870
Remeasurements recognised in other comprehensive income	4,015	(541)	33,476	6,071
Charge / (income) for the year	4,015	4,226	622	514
Contribution made	-	(11,764)	(5,785)	(6,117)
Closing balance	<u>11,715</u>	<u>3,685</u>	<u>30,651</u>	<u>2,338</u>
18.6 Remeasurements recognised in other comprehensive income				
Re-measurements: Actuarial (gain) / loss on obligation				
- Loss due to change in financial assumptions	452	(84)	(141)	11
- Loss due to change in experience adjustments	3,078	(618)	33,580	5,638
Actuarial (gain) / loss on defined benefit obligation	3,530	(702)	33,439	5,648
Re-measurements: Actuarial (gain) / loss on plan assets				
- Actual return on plan assets	9,120	8,335	1,477	905
- Interest income on plan assets	9,605	8,496	1,514	1,328
Net re-measurement recognised in other comprehensive income	485	161	37	423
Total defined benefit cost recognised in profit and loss account and other comprehensive income	<u>4,015</u>	<u>(541)</u>	<u>33,476</u>	<u>6,071</u>
18.7 Expense recognised in profit and loss account				
Component of defined benefit costs recognized in profit and loss account				
Current service cost	3,691	3,212	426	353
Net interest cost				
- Interest cost on defined benefit obligation	9,929	9,510	1,710	1,489
- Return on plan assets	(9,605)	(8,496)	(1,514)	(1,328)
	<u>324</u>	<u>1,014</u>	<u>196</u>	<u>161</u>
	<u>4,015</u>	<u>4,226</u>	<u>622</u>	<u>514</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2017

	Pension Plan		Pensioners' Medical Plan	
	2018	2017	2018	2017
(Rupees in thousand)				
18.8 Movement in the present value of defined benefit obligations				
Obligation as at July 1	113,813	106,503	20,175	16,932
Current service cost	3,691	3,212	426	353
Interest cost	9,929	9,510	1,710	1,489
Benefits paid	(4,709)	(4,709)	(5,785)	(4,247)
Actuarial loss / (gain)	3,530	(703)	33,439	5,648
Obligation as at June 30	<u>126,254</u>	<u>113,813</u>	<u>49,965</u>	<u>20,175</u>
18.9 Movement in the fair value of plan assets				
As at July 1	110,128	94,739	17,837	15,062
Expected return on plan assets	9,605	8,496	1,514	1,328
Contribution made	-	11,764	5,785	6,117
Benefits paid	(4,709)	(4,709)	(5,785)	(4,247)
Actuarial (loss) / gain	(485)	(162)	(37)	(423)
As at June 30	<u>114,539</u>	<u>110,129</u>	<u>19,314</u>	<u>17,837</u>
18.10 Plan assets comprise of the following:				
Defence Savings Certificates	83,753	-	14,123	-
National Savings Schemes	-	79,053	-	12,803
Cash at bank	16,024	14,192	2,702	2,299
Investment in mutual fund	14,762	16,884	2,489	2,735
	<u>114,539</u>	<u>110,128</u>	<u>19,314</u>	<u>17,837</u>
18.11 Principal actuarial assumptions				
Expected rate of increase in salaries	10.00%	8.75%		
Expected rate of increase in pension	5.00%	3.75%		
Expected rate of increase in medical benefits	10.00%	8.75%		
Discount factor used	10.00%	8.75%		
Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005		
Rates of employee turnover	Moderate	Moderate		
18.12 Components of defined benefit cost for the next year				
Current service cost	4,185	1,076		
Interest cost on defined benefit obligation	12,615	4,909		
Interest income on plan assets	(11,438)	(1,986)		
Net interest cost	1,177	2,923		
Cost for the next year to be recognized in statement of profit and loss	<u>5,362</u>	<u>3,999</u>		

2018	2017
------	------

(Percent Per Annum)

Expected rate of increase in salaries	10.00%	8.75%
Expected rate of increase in pension	5.00%	3.75%
Expected rate of increase in medical benefits	10.00%	8.75%
Discount factor used	10.00%	8.75%
Mortality rate	SLIC 2001 - 2005	SLIC 2001 - 2005
Rates of employee turnover	Moderate	Moderate

2019

Pension Plan	Pensioners' Medical Plan
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(Rupees in thousand)

Current service cost	4,185	1,076
Interest cost on defined benefit obligation	12,615	4,909
Interest income on plan assets	(11,438)	(1,986)
Net interest cost	1,177	2,923
Cost for the next year to be recognized in statement of profit and loss	<u>5,362</u>	<u>3,999</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

18.13 In case of the funded plans, the Parent Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Parent Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Parent Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Parent Company has not changed the processes used to manage its risks from previous periods. The Parent Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2018 consists of defence savings certificates ("DSC"). The Parent Company believes that DSC offer the best returns over the long term with an acceptable level of risk.

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

18.14 Sensitivity analysis for actuarial assumptions

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees in thousand)		
	2018		
Discount rate at June 30	1.00%	154,368	203,098
Future salary increases	1.00%	133,575	119,402
Future pension increases	1.00%	138,098	115,973
Medical cost increases	1.00%	56,931	44,241
	2017		
Discount rate at June 30	1.00%	116,974	155,257
Future salary increases	1.00%	120,941	107,206
Future pension increases	1.00%	124,415	104,609
Medical cost increases	1.00%	23,077	17,805

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

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

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

18.16 The weighted average duration of defined benefit obligation of pension plan and pensioners' medical plan is 12.74 years and 11.55 years respectively.

18.17 During the year, the Parent Company contributed Rs. 86.72 million (2017: Rs. 37.96 million) to the provident fund.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

18.18 Staff terminal benefits obligation relating to NF DMCC (Subsidiary Company):

	2018	2017
	(Rupees in thousand)	
Opening liability	1,954	1,232
Provision for the year	745	722
Closing liability	2,699	1,954

This represent staff terminal benefits calculated in accordance with UAE labour laws.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance cost		Present value of minimum lease payments	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)					
Not later than one year	8,606	-	2,002	-	6,604	-
Later than one year and not later than five years	40,314	-	5,844	-	34,470	-
	48,920	-	7,846	-	41,074	-
Less: Current portion shown under current liabilities					6,604	-
					34,470	-
Balance owing on vehicles with a carrying value of \$24,141. Due in blended monthly installments of \$502 including interest of 4.75% per annum, maturing in September 2022.					2,442	-
Balance owing on vehicles with a carrying value of \$24,141. Due in blended monthly installments of \$502 including interest of 4.75% per annum, maturing in September 2022.					2,442	-
Balance owing on vehicle with a carrying value of \$169,849. Due in blended monthly installments of \$2,783 including interest of 5.14% per annum, maturing in March 2023.					14,972	-
Balance owing on vehicle with a carrying value of \$233,533. Due in blended monthly installments of \$3,810 including interest of 5.07% per annum, maturing in May 2023.					21,218	-
					41,074	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

20. DEFERRED TAXATION - net

Credit / (debit) balance arising in respect of:

Accelerated tax depreciation / amortisation	256,437	177,485
Provision for stock obsolescence	(53,232)	(31,872)
Provision for doubtful trade debts	(29,794)	(1,620)
Provision for retirement benefits obligations and other provisions	(54,422)	(1,600)
Deferred rent liability	(6,626)	-
Financing costs	(450)	-
	<u>111,913</u>	<u>142,393</u>

	2018	2017
	(Rupees in thousand)	
	256,437	177,485
	(53,232)	(31,872)
	(29,794)	(1,620)
	(54,422)	(1,600)
	(6,626)	-
	(450)	-
	<u>111,913</u>	<u>142,393</u>

21. TRADE AND OTHER PAYABLES

Creditors		1,027,268	668,784
Accrued liabilities		1,760,018	1,979,918
Workers' Profits Participation Fund	21.1	58,111	68,713
Workers' Welfare Fund		79,903	64,110
Advances from customers - unsecured		75,981	61,794
Payable to provident fund	21.2	11,799	6,881
Tax deducted at source		92,192	79,300
Advances from employees against sale of vehicles		78,387	56,236
Other liabilities		19,319	1,734
Due to related parties - Directors		29,700	49,565
		<u>3,232,678</u>	<u>3,037,035</u>

	2018	2017
	(Rupees in thousand)	
	1,027,268	668,784
	1,760,018	1,979,918
	58,111	68,713
	79,903	64,110
	75,981	61,794
	11,799	6,881
	92,192	79,300
	78,387	56,236
	19,319	1,734
	29,700	49,565
	<u>3,232,678</u>	<u>3,037,035</u>

21.1 Workers' Profits Participation Fund

Payable / (receivables) as at July 1	68,713	(1,432)
Allocation for the year	57,736	70,145
	<u>126,449</u>	<u>68,713</u>
Amount paid during the year	(68,338)	-
Payable as at June 30	<u>58,111</u>	<u>68,713</u>

	2018	2017
	(Rupees in thousand)	
	68,713	(1,432)
	57,736	70,145
	<u>126,449</u>	<u>68,713</u>
	(68,338)	-
	<u>58,111</u>	<u>68,713</u>

21.2 All investments out of provident fund maintained by the Parent Company have been made in accordance with the provisions of Section 218 of the Companies Act 2017 and the conditions specified thereunder.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

22. SHORT-TERM BORROWINGS

Conventional

Running finance under mark up arrangements	22.1	991,820	677,623
Export re-finance	22.2	400,000	500,000
Money market loan	22.3	450,000	62,000

Islamic

Running finance under Musharakah	22.4	363,049	309,905
		<u>2,204,869</u>	<u>1,549,528</u>

	2018	2017
	(Rupees in thousand)	
	991,820	677,623
	400,000	500,000
	450,000	62,000
	363,049	309,905
	<u>2,204,869</u>	<u>1,549,528</u>

22.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 6.30% to 7.02% (2017: 6.22% to 6.72%) per annum.

22.2 The Parent Company has short term running finance facility under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. The effective rate of mark-up on this facility is 3.5% (2017: 3.5%) per annum.

22.3 The loan is availed from various commercial banks for the purpose of meeting working capital requirements. The effective rates of mark-up on these finances range from 6.26% to 7.06% (2017: 6.28%) per annum.

22.4 The Parent Company has obtained facilities for short term finance under Running Musharakah. The effective rate of profit is 6.18% to 6.97% (2017: 6.25% to 6.32%) per annum. This facility matures within twelve months and is renewable.

22.5 The facilities available from various banks amount to Rs. 3.19 billion (2017: Rs. 3.35 billion). The arrangements are secured by way of pari-passu charge against hypothecation of Group's current and future movable assets having aggregate charge amounting to Rs. 3.99 billion.

22.6 As at 30 June 2018, the unavailed facilities from the above borrowings amounted to Rs. 1.88 billion (2017: Rs. 1.85 billion).

23. COMMITMENTS

23.1 The facilities for opening letters of credit amount to Rs. 1.59 billion (2017: Rs. 1.59 billion) and for letters of guarantee amount to Rs. 141 million (2017: Rs. 134.89 million) as at 30 June 2018 of which the amount remaining unutilised at year end were Rs. 1.34 billion (2017: Rs. 1.08 billion) and Rs. 104.26 million (2017: Rs. 68.33 million) respectively.

23.2 Aggregate commitments for capital expenditure as at 30 June 2018 amount to Rs. 527.18 million (2017: Rs. 544.30 million).

23.3 Aggregate commitments in respect of ujarah payments for ijarah financing of motor vehicles bearing a mark up ranging from six months KIBOR + 0.6% to six months KIBOR + 0.9% (2016: six months KIBOR + 0.6% to six months KIBOR + 0.9%) per annum for rentals payable monthly as at 30 June 2018 amount to:

Notes to the Consolidated Financial Statements

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	2018	2017
	(Rupees in thousand)	
Not later than one year	73,447	61,817
Later than one year but not later than five years	114,997	95,850
	<u>188,444</u>	<u>157,667</u>

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

	2018	2017
	(Rupees in thousand)	
Not later than one year	151,914	117,506
Later than one year but not later than five years	725,174	747,985
	<u>877,088</u>	<u>865,491</u>

24. SALES

- Local sales
- Export sales
Gross sales
Less: Sales tax

Less:
- Discount, rebates and allowances
- Sales return

24.1

	2018	2017
	(Rupees in thousand)	
	21,785,441	19,551,713
	6,967,024	3,387,344
	<u>28,752,465</u>	<u>22,939,057</u>
	<u>(3,173,731)</u>	<u>(2,713,690)</u>
	<u>25,578,734</u>	<u>20,225,367</u>
	<u>(3,740,719)</u>	<u>(3,284,692)</u>
	<u>(246,456)</u>	<u>(158,862)</u>
	<u>(3,987,175)</u>	<u>(3,443,554)</u>
	<u>21,591,559</u>	<u>16,781,813</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

USA / Canada
Africa
Middle East Asia
Europe / UK

	2018	2017
	(Rupees in thousand)	
	5,979,633	2,322,531
	5,077	8,647
	819,037	922,238
	163,277	133,928
	<u>6,967,024</u>	<u>3,387,344</u>

24.2 The Group's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customer in Pakistan are 75.65% (2017: 85.11%) and to customer outside Pakistan are 24.35% (2017: 14.89%) of the revenue.

25. COST OF SALES

Raw material consumed
Packing material consumed
Stock written off
Stores and spares consumed
Brine and cutting charges
Salaries, wages and other benefits
Contribution to provident fund
Depreciation
Ujrah payments
Fuel and power
Insurance
Laboratory, research and development
Postage and communications
Printing and stationery
Rent, rates and taxes
Travelling
Repairs and maintenance
Security charges
Inventory destruction charges
Others

6.2

Opening work in process
Closing work in process
Cost of goods manufactured
Opening stock of finished goods
Cost of sales - purchased products
Closing stock of finished goods

	2018	2017
	(Rupees in thousand)	
	10,303,484	6,050,368
	2,636,651	2,325,011
	1,091	3,512
	174,744	81,995
	85,794	18,528
	1,008,075	783,670
	14,789	13,286
	238,447	177,168
	19,334	19,253
	290,241	210,404
	21,721	26,739
	9,525	7,633
	3,455	6,250
	807	1,122
	149,012	157,175
	110,512	90,881
	73,351	56,645
	14,908	23,481
	37,578	25,172
	12,460	11,457
	<u>15,205,979</u>	<u>10,089,750</u>
	1,056,507	963,780
	<u>(1,368,021)</u>	<u>(1,056,507)</u>
	<u>14,894,465</u>	<u>9,997,023</u>
	629,575	549,375
	-	1,466,122
	<u>(636,220)</u>	<u>(629,565)</u>
	<u>14,887,820</u>	<u>11,382,955</u>

Notes to the Consolidated Financial Statements

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		2018	2017
		(Rupees in thousand)	
26. DISTRIBUTION COSTS			
Salaries, wages and other benefits		1,117,016	677,410
Advertising and sales promotion		1,464,816	1,436,567
Commission expense		45,283	36,888
Outward freight and handling charges		615,955	603,566
Contribution to provident fund		18,373	15,742
Depreciation	6.2	61,316	31,423
Amortisation		10,337	4,349
Ujrah payments		30,070	24,837
Fuel and power		34,356	16,115
Forwarding charges		75,065	46,740
Insurance		29,708	18,840
Laboratory, research and development		663	2,715
Legal and professional charges		47,516	107,736
Postage and communications		10,747	11,909
Printing and stationery		24,647	3,276
Rent, rates and taxes		298,411	229,411
Travelling		162,887	126,036
Repairs and maintenance		11,387	27,114
Bad debts expense		106,149	2,040
Security charges		-	783
IT support charges		-	6,203
Others		79,950	14,633
		<u>4,244,652</u>	<u>3,444,333</u>
27. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	27.1	301,628	240,107
Contribution to provident fund		11,472	8,929
Depreciation	6.2	63,746	26,485
Amortisation		41,067	31,647
Ujrah payments		22,082	17,016
Fuel and power		68,483	4,589
Insurance		5,058	5,632
Legal and professional charges		82,574	29,083
Postage and communications		47,980	28,197
Printing and stationery		5,411	3,947
Rent, rates and taxes		47,535	17,644
Travelling		47,225	33,261
Repairs and maintenance		128,337	51,690
Security charges		18,517	4,472
Others		22,105	17,763
		<u>913,220</u>	<u>520,462</u>

27.1 Salaries, wages and other benefits include Rs. 4.64 million (2017: Rs. 5.46 million) in respect of charge for retirement benefit plans.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
		(Rupees in thousand)	
28. OTHER EXPENSES			
Workers' Profits Participation Fund		57,736	70,145
Workers' Welfare Fund		13,217	21,081
Auditors' remuneration	28.1	9,407	6,523
Donations	28.2	11,233	6,525
Others	28.3	125,290	
Compensation package dividend		13,315	5,013
		<u>230,198</u>	<u>109,287</u>
28.1 Auditors' remuneration			
Audit fee		8,350	5,401
Limited review, special reports and other certifications		837	1,062
Out of pocket expenses		220	60
		<u>9,407</u>	<u>6,523</u>
28.2 Donations to following Organizations and Trusts exceed Rs. 0.5 million:			
The Citizens Foundation		6,500	1,000
Saylani Welfare Trust		4,019	-
Professional Education Foundation		-	575
Aga Khan Hospital		-	1,400
		<u>10,519</u>	<u>2,975</u>
Donations did not include any amount paid to any person or organization or institution in which a Director or his/her spouse had any interest.			
28.3			
During the year, Federal Board of Revenue (FBR) issued a notice to the Parent Company for payment of Rs. 111.5 million with respect of salt sold in retailing packing, which is taxable as per Sr.No.29 Table-1 of 6th schedule of Sales Tax Act, 1990. The Parent Company has challenged the notice in the High Court of Sindh and the case is currently pending before the Court. The Parent Company, on prudent basis, has accrued this amount in these consolidated financial statements.			
29. OTHER INCOME			
Exchange gain	29.1	24,337	8,885
Return on savings account and term deposits - conventional		2,190	1,863
Return on late payments by trade debtors		2,386	2,452
Profit on disposal of property, plant and equipment		14,370	10,277
Write back of advances from employees against sale of vehicle		-	33,493
Rental income	29.2	6,741	10,909
Export rebate		3,443	1,636
Others		-	29,482
		<u>53,467</u>	<u>98,997</u>
29.1			
Income earned from exchange gain is actual currency and not from derivative financial instrument.			

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

29.2 This includes rental income earned by the subsidiary company on sub lease of one of the property. The Future minimum lease payments receivable under an agreement at reporting date were as follows.

		2018	2017
		(Rupees in thousand)	
Less than one year		31,395	28,413
More than one year		44,477	70,133
		<u>75,872</u>	<u>98,546</u>
30. FINANCE COSTS			
Mark-up on:			
- Short-term running finances	30.1	78,569	29,895
- Export refinance facility	30.2	12,721	11,745
- Short-term loans	30.3	35,011	470
- Long-term loans	30.4	4,709	2,087
Bank charges and other costs		57,419	55,596
		<u>188,429</u>	<u>99,793</u>
Unwinding of deferred consideration		7,299	5,024
		<u>195,728</u>	<u>104,817</u>

30.1 This represents markup on running finance balance obtained from commercial banks.

30.2 This includes markup on running finance and penalty amounting to Rs. 10.18 million and Rs. 2.54 million respectively in respect of ERF facility obtained from commercial bank. The penalty was levied against non compliance of conditions attached to such facility.

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

30.4 This represents markup on long term loan obtained from conventional banks.

31. TAXATION - net

		2018	2017
		(Rupees in thousand)	
Current			
- for the year	31.1	(331,525)	329,594
- prior year		209,784	(46,857)
Deferred		(24,633)	62,929
		<u>(146,374)</u>	<u>345,666</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

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

31.2 Deferred tax assets have not been recognised for carried forward tax losses amounting to Rs. 38.38 million as at 30 June 2018 (2017: Rs. 22.75 million) in the books of NF DMCC (Subsidiary Company), since it is not probable that future taxable amounts will be available to utilise those losses. NF DMCC is subject to tax in respect of its operations in the UK and Canada. Except for A1 Bags & Suppliers Inc. (Canada based subsidiary), no current tax expense has been incurred during the year ended 30 June 2018 and 30 June 2017 as the company's operations in these jurisdictions have not generated any taxable profits.

31.3 Relationship between income tax expense and accounting profit

	2018	2017
	(Rupees in thousand)	
Profit before taxation	<u>1,173,408</u>	<u>1,138,956</u>
Tax at applicable rate of 30% (2016: 31%)	352,022	408,876
Tax effect of permanent differences	2,164	2,732
Tax effect of final tax regime	(10,153)	(210)
Effect of tax in foreign jurisdictions	(4,705)	15,477
Effect of prior year tax	(209,784)	(46,857)
Effect of change in tax rate	(4,228)	-
Super Tax	33,570	33,389
Effect of tax credits	(58,031)	(65,775)
Others	(247,229)	(1,966)
	<u>(146,374)</u>	<u>345,666</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

31.4 The excess provisions mainly pertains to super tax and expenses allocation ratio difference, booked in the respective years for which the Parent Company has filed petitions in the High Court of Sindh.

31.5 The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. The Parent Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

	2017	2016	2015
Income tax provision for the year (as per accounts)	329,920	353,067	460,967
Income tax as per tax assessment	147,231	223,896	280,470

31.6 Under section 5A of Income Tax Ordinance, 2001, a tax shall be imposed at the rate specified therein on the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute dividend upto a prescribed amount (requisite dividend) within six months of the end of the tax year.

The Board of Directors in their meeting held on September 6, 2018 have recommended sufficient dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2018.

32. EARNINGS PER SHARE - basic and diluted

32.1 Basic

	2018	2017
	(Rupees in thousand)	
Profit after taxation attributable to owners of the Parent Company	1,009,134	952,999
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	103,606,856	103,606,856
	(Rupees)	
Earnings per share	9.74	9.20

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

33. CASH GENERATED FROM OPERATIONS

Profit before taxation

Adjustments for non-cash charges and other items

Depreciation

Amortisation

Profit on disposal of property, plant and equipment

Provision for doubtful debts

Provision for slow moving stock

Unwinding of discount

Finance costs

Retirement benefits expense

Profit before working capital changes

Working capital changes

(Increase) / decrease in current assets

Stores, spare parts and loose tools

Stock in trade

Trade debts

Advances

Trade deposits and prepayments

Sales tax refundable

Other receivables

Increase / (decrease) in current liabilities

Trade and other payables

Sales tax payable

34. CASH AND CASH EQUIVIVENTS

Cash and bank balances

Running finance

	2018	2017
	(Rupees in thousand)	
Profit before taxation	1,173,408	1,318,956
Adjustments for non-cash charges and other items		
Depreciation	363,509	235,076
Amortisation	51,404	36,083
Profit on disposal of property, plant and equipment	(14,370)	(10,277)
Provision for doubtful debts	106,149	2,045
Provision for slow moving stock	83,342	17,440
Unwinding of discount	7,299	5,024
Finance costs	188,429	104,817
Retirement benefits expense	5,382	5,462
	791,144	395,670
Profit before working capital changes	1,964,552	1,714,626
Working capital changes		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(31,000)	(4,275)
Stock in trade	(347,092)	211,727
Trade debts	93,491	(292,564)
Advances	52,378	(90,185)
Trade deposits and prepayments	(50,330)	(2,463)
Sales tax refundable	(80,791)	(40,633)
Other receivables	79,788	(98,033)
	(283,556)	(316,426)
Increase / (decrease) in current liabilities		
Trade and other payables	195,643	614,763
Sales tax payable	-	(93,457)
	195,643	521,306
	1,876,639	1,919,506
Cash and bank balances	376,794	364,022
Running finance	(1,354,869)	(987,528)
	(978,075)	(623,506)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

35. REMUNERATION TO CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	Chief Executive Officer		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in thousand)					
Managerial remuneration and allowances	20,637	17,389	-	-	457,794	252,756
Technical advisory fee	-	-	-	2,373	-	-
Utilities	2,064	1,739	168	1,069	22,196	16,168
Bonus / variable pay	3,192	2,898	-	-	38,838	25,153
Housing	9,287	7,825	-	-	99,881	72,756
Retirement benefits	2,099	1,739	-	4,740	19,328	16,364
Other expenses	2,476	2,280	9,021	4,590	81,602	76,284
	<u>39,755</u>	<u>33,870</u>	<u>9,189</u>	<u>12,772</u>	<u>719,639</u>	<u>459,481</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>184</u>	<u>140</u>

35.2 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

35.3 In addition to the above, fee paid to 6 (2017: 6) non-executive directors for attending Board of Directors meetings during the year amounted to Rs. 2 million (2017: Rs. 2.35 million).

35.4 The Chief Executive, two non-executive directors and certain executives of the Parent Company are also provided with Company maintained cars, residence and mobile telephones. The approximate value of this benefit is Rs. 46.63 million (2017: 43.38 million).

36. RELATED PARTY DISCLOSURES

Related parties comprise the Holding Company, entities with common directors, key management personnel, staff retirement funds, directors, major shareholders and key management personnel. The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rates agreed under a contract/arrangement/agreement.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

Disclosure of transactions between the Group and related parties:

Relationship with the Group	Nature of transaction	2018	2017
		(Rupees in thousand)	
Parent Company	Rental income	6,741	-
	Rent charges paid / payable	2,262	9,048
Associated companies	Sale of goods	1,558,144	1,510,548
	Commission expense	45,283	36,888
Staff retirement funds	Expense charged for the year	45,029	37,956
	Payments to retirement contribution plan	93,677	92,735
	Contribution to defined benefit plans	5,785	13,834
Directors	Technical advisory services	-	2,373
Key management personnel compensation:			
	Salaries and other short-term employee benefits	1,030,521	189,403
	Retirement benefits	38,248	8,187
	Eligible dividend	13,315	5,013
	Repayment of shareholder loan	26,132	-

36.1 Outstanding balances related parties as at year end have been included in trade debts, other receivables and trade and other payables respectively. These are settled in ordinary course of business.

36.2 The following are the related parties with whom the Group had entered into transaction or have arrangement / agreement in place:

Name of the Related Party	Basis of association	Aggregate % of Shareholding
ATC Holdings (Private) Limited (Formerly: Associated Textile Consultants (Private) Limited)	Holding Company*	33%
Pakistan Business Council	Associated Company due to common directorship	N/A
Premier Distributors	Associated Company due to common directorship	N/A
Premier Agencies	Associated Company due to common directorship	N/A

*It is the ultimate parent company based on control model as provided under IFRS 10.

Notes to the Consolidated Financial Statements

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	2018	2017
	(Metric tons)	
37. PLANT CAPACITY AND PRODUCTION		
Actual production of plants	100,616	96,913

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

	2018	2017
38. NUMBER OF EMPLOYEES		
The detail of number of employees are as follows:		
Total employees of Parent Company at the year end	694	673
Average employees of Parent Company during the year	680	667
Employees working in the Parent Company's factory at the year end	186	195
Average employees working in the Parent Company's factory during the year	194	184

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Financial risk factors

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

39.2 Financial assets and liabilities by category and their respective maturities

	Interest / Mark up bearing			Non-interest / Non-mark up bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)							
Financial Assets							
Trade debts	-	-	-	1,164,931	-	1,164,931	1,164,931
Trade deposits	-	-	-	9,000	41,409	50,409	50,409
Other receivables	-	-	-	23,315	-	23,315	23,315
Cash and bank balances	-	-	-	376,794	-	376,794	376,794
30 June 2018	-	-	-	1,574,040	41,409	1,615,449	1,615,449
30 June 2017	-	-	-	1,845,175	34,217	1,879,392	1,879,392
Financial Liabilities							
Long term finance	333,750	199,259	533,009	-	-	-	533,009
Deferred consideration	188,128	-	188,128	-	-	-	188,128
Trade and other payables	-	-	-	2,836,305	-	2,836,305	2,836,305
Accrued interest / mark up	-	-	-	17,605	-	17,605	17,605
Long term finance classified as current - secured	193,152	-	193,152	-	-	-	193,152
Short term borrowings	2,204,869	-	2,204,869	-	-	-	2,204,869
30 June 2018	2,919,899	199,259	3,119,158	2,853,910	-	2,853,910	5,973,068
30 June 2017	1,738,220	529,474	2,267,694	2,721,741	-	2,721,741	4,989,435
On balance sheet gap							
30 June 2018	(2,919,899)	(199,259)	(3,119,158)	(1,279,870)	41,409	(1,238,461)	(4,357,619)
30 June 2017	(1,738,220)	(529,474)	(2,267,694)	(876,566)	34,217	(842,349)	(3,110,043)
Off balance sheet items							
Letters of credit							
30 June 2018							250,000
30 June 2017							510,000
Letters of guarantees							
30 June 2018							36,740
30 June 2017							66,560

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

39.2.1 Credit risk

Credit risk represents the financial loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Out of the total financial assets of Rs. 1.61 billion (2017: Rs. 1.88 billion) the financial assets exposed to the credit risk amounted to Rs. 1.61 billion (2017: Rs. 1.88 billion).

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. As of 30 June 2018 trade debts of Rs. 1,023.63 million (2017: Rs. 1,003.64 million) were past due but not impaired.

As at 30 June 2018, trade debts of Rs. 1,023.63 million (2017: Rs. 1,033.64 million) were past due but not impaired. These relate to a number of individual customers for whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2018	2017
	(Rupees in thousand)	
Up to 3 months	303,799	952,178
3 to 6 months	63,641	28,582
More than 6 months	656,185	22,878
	<u>1,023,625</u>	<u>1,003,638</u>

Majority of the past due customers have been transacting with the Group for past several years and no impairment has been recognised against these customers. Management believe that the unimpaired amounts that are past due are still collectible in full based on historical payment behaviour of respective customers, subsequent recoveries and review of individual customers credit risk.

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

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

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

	2018	2017
	(Rupees in thousand)	
Domestic	515,232	616,195
UAE	37,723	37,365
Canada	43,151	188,363
Other region	568,825	522,648
	<u>1,164,931</u>	<u>1,364,571</u>

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Concentration of credit risk

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

39.2.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk reflects the Group's inability in raising funds to meet commitments. The Group manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. Management monitors rolling forecasts of the Group's liquidity reserve which comprises of undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows. The maturity of the Group's financial liabilities are provided in these financial statements.

39.2.3 Market risks

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

Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. As at 30 June 2018 net financial assets / (liabilities) of Rs. (326.82) million (2017: Rs. 214.17 million) were denominated in foreign currency which were exposed to foreign currency risk.

As at 30 June 2018 if the Pak Rupee had weakened / strengthened by 4% (2017: 4%) against US Dollar with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 13.07 million (2017: Rs. 8.57 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated trade debts.

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

Interest rate risk

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

At 30 June 2018 the Group had variable interest bearing financial liabilities of Rs. 2,903.21 million (2017: Rs. 2,267.69 million), had the interest rates varied by 100 basis points (2017: 100 basis points) with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 29.03 million (2017: Rs. 22.68 million), mainly as a result of higher / lower interest expense on floating rate borrowings.

The sensitivity of 100 basis points (2017:100 basis points) movement in interest rates has been used as historically (five years) floating interest rates have moved by an average of 100 basis points (2017: 100 basis points) per annum.

Notes to the Consolidated Financial Statements

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39.2.4 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2018				
	Short term borrowings used for cash management purpose	Other short term borrowings including related accrued markup	Long term borrowings including loan classified as current [including related accrued markup] (refer note 16.1)	Retained earnings	Total
	(Rupees in thousand)				
Balance as at 1 July 2017	987,528	562,000	403,507	2,686,892	4,639,927
Changes from financing cash flows					
Repayment of loan	-	-	(55,416)	-	(55,416)
Proceeds from long term loan	-	-	325,290	-	325,290
Payments and repayments	-	365,710	-	-	365,710
Dividend paid	-	-	-	(432,477)	(432,477)
Total changes from financing activities	-	365,710	269,874	(432,477)	203,107
Other changes - interest cost					
Interest expense	-	183,720	4,709	-	188,429
Interest paid	-	(182,094)	-	-	(182,094)
Changes in running finance	(365,710)	-	-	-	(365,710)
Total loan related other changes	(365,710)	1,626	4,709	-	(359,375)
Total equity related other changes	-	-	-	979,313	979,313
Balance as at 30 June 2018	621,818	929,336	678,090	3,233,728	5,462,972

39.2.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital. During 2018, the Group's strategy was to maintain leveraged gearing. The gearing ratio as at 30 June 2018 was as follows:

	2018	2017
	(Rupees in thousand)	
Total borrowings	2,931,030	1,953,035
Cash and bank balances	(376,794)	(364,022)
Net debt	2,554,236	1,589,013
Total Equity	4,004,232	3,391,405
Total capital	6,558,468	4,980,418
Gearing ratio	39%	32%

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

39.3 Fair values of financial assets and liabilities

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

40. OPERATING SEGMENT

The Group has the two operating segments namely core business and retail (cash and carry). The core business providing wide range of food products to consumers. The retail (cash and carry) offer different products / supplies to restaurants, retailers and industrial customers based in Canada.

The Group's chief executive officer reviews the internal management reports of each segment separately.

40.1 Segment revenue and results

For the year ended 30 June 2018

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
	(Rupees in thousand)		
Sales	16,499,848	5,091,711	21,591,559
Cost of sales (excluding depreciation and amortization)	(10,437,201)	(4,212,172)	(14,649,373)
Depreciation and amortization	(238,447)	-	(238,447)
Gross profit	5,824,200	879,539	6,703,739
Distribution expenses	(3,602,008)	(642,644)	(4,244,652)
Administrative expenses	(817,206)	(96,014)	(913,220)
Finance cost	(146,399)	(49,329)	(195,728)
Other expenses	(216,883)	(13,315)	(230,198)
Other income	53,467	-	53,467
Profit before taxation	1,095,171	78,237	1,173,408
Taxation	(116,164)	(30,210)	(146,374)
Profit after taxation	979,007	48,027	1,027,034
	For the year ended 30 June 2017		
Sales	15,135,067	1,646,746	16,781,813
Cost of sales (excluding depreciation and amortization)	(9,845,355)	(1,360,432)	(11,205,787)
Depreciation and amortization	(177,168)	-	(177,168)
Gross profit	5,112,544	286,314	5,398,858
Selling and distribution expenses	(3,380,831)	(63,502)	(3,444,333)
Administrative expenses	(379,462)	(141,000)	(520,462)
Finance Cost	(90,863)	(13,954)	(104,817)
Other operating charges	(109,287)	-	(109,287)
Other income	98,997	-	98,997
Profit before taxation	1,251,098	67,858	1,318,956
Taxation	(328,535)	(17,131)	(345,666)
Profit after taxation	922,563	50,727	973,290

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

	Core Segment - Food & Food related products	Retail - (cash and carry)	Total
(Rupees in thousand)			
40.2 Segment assets and liabilities			
As at 30 June 2018			
Segment assets	9,566,151	1,365,941	10,932,092
Segment liabilities	5,900,654	1,027,206	6,927,860
As at 30 June 2017			
Segment assets	757,119	8,657,865	9,414,984
Segment liabilities	528,601	5,494,978	6,023,579

40.3 Segment assets reported above comprise of property, plant and equipment, stock in trade and trade debts.

40.4 Information about major customers

The Group's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 94.8% (2017: 94.03%) and to customer outside Pakistan are 5.2% (2017: 5.97%) of the revenue.

40.5 Geographical Location

The Group's gross revenue from external customers by geographical location is detailed below:

	2018	2017
(Rupees in thousand)		
Domestic sales	21,785,441	19,551,713
Export sales	6,967,024	3,387,344
	28,752,465	22,939,057
40.5.1 Region wise export sales are as under:		
USA / Canada	5,979,633	2,322,531
Africa	5,077	8,647
Middle East Asia	819,037	922,238
Europe / UK	163,277	133,928
	6,967,024	3,387,344

40.6 Management considers that revenue from its ordinary activities are shariah compliant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

40.7 Non-current assets of the Group are located in Pakistan except non-current assets amounting to Rs. 107.08 million (2017: 155.37 million) million are located outside Pakistan.

40.8 The Group's customer base is diverse with no single customer accounting for more than 10% of net sales. Sales to domestic customers in Pakistan are 94.8% (2017: 94.03%) and to customer outside Pakistan are 5.2% (2017: 5.97%) of the revenue.

41. CORRESPONDING FIGURES

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of consolidated financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following reclassification has been made at year end other than those disclosed elsewhere in these consolidated financial statements.

Description	Reclassified from	Reclassified to	2017 (Rupees in thousand)
Unclaimed Dividend	Trade and other payables	Unclaimed Dividend (presented on face of consolidated statement of financial position)	10,471
Freight	Revenue	Distribution Cost	34,161

Management consider that above reclassification is not material to these consolidated financial statements.

42. EVENT OCCURRING AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in their meeting held on September 6, 2018 have proposed a final cash dividend of Rs. 3.75 per share amounting to Rs. 388.53 million and bonus issue of 1 share for every 5 shares held amounting to book value of Rs. 103.61 million for the year ended 30 June 2018. The approval of the shareholders of the Parent Company for the dividend shall be obtained at the upcoming Annual General Meeting for the year ended 30 June 2018. The consolidated financial statements for the year ended 30 June 2018, do not include the effect of the proposed dividend which will be accounted for in the year ending 30 June 2019.

43. DATE OF AUTHORISATION

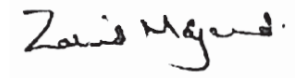
These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on September 6, 2018.



Chief Executive Officer



Chief Financial Officer



Director

Notice of Annual General Meeting

Notice is hereby given that the 47th Annual General Meeting of National Foods Limited will be held on Thursday, October 18, 2018 at 3:00 p.m. at Beach Luxury Hotel, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 46th Annual General Meeting held on October 24, 2017.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' Reports thereon, together with Audited consolidated financial statements of the Company and the Auditors' reports thereon for the year ended June 30, 2018.
3. To approve and declare the dividend on the Ordinary Shares of the Company. The Directors have recommended final dividend of 75% (Rs.3.75 /- per Ordinary Share of Rs. 5/- each), for the year ended June 30, 2018.
4. To appoint External Auditors of the Company for the ensuing year, and to fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors, for the year ending June 30, 2019.
5. To elect 7 (seven) Directors, as fixed by the Board in accordance with the provision of Section 159 of the Companies Act, 2017, for a term of 3 (three) years commencing from the date of holding AGM i.e. October 18, 2018. The names of retiring directors of the Company, also eligible to offer themselves for re-election, are as follows:

1) Mr. Abdul Majeed	5) Mrs. Saadia Naveed
2) Mr. Abrar Hasan	6) Mr. Ebrahim Qassim
3) Mrs. Noreen Hasan	7) Mr. Ehsan Ali Malik
4) Mr. Zahid Majeed	

Special Business:

6. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the capitalization of free reserves to issue bonus shares as recommended by the Directors.

“RESOLVED THAT a sum of Rs.103,606,856/- be capitalized out of the free reserves of the Company and applied towards issue of 20,721,371 Ordinary shares of Rs. 5 each, as 20 % fully paid bonus shares, i.e. in the portion of one (1) Ordinary share for every five (5) Ordinary shares held by the Members of the Company whose names appear in the Member Register at the close of the business on October 11, 2018.

FURTHER RESOLVED THAT the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for any final dividend declared by the Company for the year ended June 30, 2018.

FURTHER RESOLVED THAT members fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings, shall be consolidated into whole shares and sold on the Pakistan Stock Exchange and the proceeds so realized shall be contributed towards the cause of construction of dams and be deposited into the bank account opened by the Finance Division, Government of Pakistan in pursuance of Supreme Court Order dated July 4, 2018 in Constitution Petition No.57 of 2016, Title “DIAMER BASHA AND MOHMAND DAM FUND-2018” bearing account No.03-593-299999-001-4 and IBN No.PK06SBPP0035932999990014.

FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby jointly and/or severally authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and the deposit of sale proceeds of the fractions into aforementioned account.”

Notice of Annual General Meeting

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

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

“The Authorized Capital of the company is Rs. 5,000,000,000 (Rupees Five Billion) divided into 1,000,000,000 (One Billion) Ordinary Shares of Rs.5/- each, with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its shares or any of them in accordance with the provisions of the Companies Act, 2017.”

8. To consider and, if thought fit, to pass with or without modification(s), the following as a Special Resolution, to accord approval of Tenancy Agreement with ATC Holdings (Private) Limited (ATC) (Formerly: Associated Textile Consultants (Private) Limited), an associated Company, to provide office space to ATC.

“RESOLVED THAT the Company is hereby authorized to enter into and execute a Tenancy Agreement with ATC Holdings (Private) Limited (ATC) (Formerly: Associated Textile Consultants (Private) Limited), an associated company, to provide office space to ATC in the premises of registered office of the Company (12/CL-6, Claremont Road, Civil Lines, Karachi) based on terms and conditions prevalent in the market, is hereby approved to be retrospectively effective from October 1, 2017 for a period of five (5) years.

RESOLVED FURTHER THAT the Chief Executive Officer of the Company is hereby authorized to sign the agreement on behalf of the Company and upon expiry execute renewal(s) of the agreement with the approval of directors of the company, and along with Company Secretary complete all necessary legal and other formalities.”

9. To consider, and if thought fit, to pass the following resolutions as ordinary resolutions, (a) to ratify and approve the transactions carried out with related parties during the financial year ended June 30, 2018 and (b) & (c) to authorize the Board of Directors to approve all related party transactions carried out and to be carried out during the year ending June 30, 2019.

a) “RESOLVED THAT the transactions carried out by the company with the following related parties for the financial year ended June 30, 2018 be and are hereby ratified and approved.”

- i) National Foods DMCC;
- ii) ATC Holdings (Private) Limited;

b) RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to approve all transactions carried out and to be carried out with the above named related parties, on case to case basis, for the financial year ending June 30, 2019 and till next Annual General Meeting of the Company.

c) RESOLVED FURTHER THAT the approval of transactions by the Board, as aforesaid, shall be deemed to have been approved by the shareholders and the transactions for the year ending June 30, 2019 shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.

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

Statements under Section 166(3) for Agenda Item No. 5 and under Section 134(3) of the Companies Act, 2017 in respect of special business contained in Agenda Item Number 6, 7, 8 and 9, are annexed to the notice being sent to the members.

By Order of the Board

Karachi
Date: September 25, 2018

Fazal ur Rehman Hajano
Company Secretary

Notice of Annual General Meeting

Notes:

1. Book Closure Notice

The share transfer books of the Company will remain closed from October 12, 2018 to October 18, 2018 (both days inclusive). Transfers received, in order, at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, Block B, SMCHS, Main Shahrah-e-Faisal, Karachi-74400, by the close of business on October 11, 2018, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend, bonus shares and to attend and vote at the meeting.

2. Appointment of Proxy and Participation in the AGM

- A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote for his/her behalf. A proxy must be a member of the Company. A proxy shall also have the right to demand and join in demanding a poll and vote on a poll.
- The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarially certified copy of the power or authority, must be deposited at the Registered Office of the Company situated at 12/CL-6, Claremont Road, Civil Lines, Karachi-75530, at least 48 hours before the time of the meeting. Form of Proxy is enclosed. Attested copies of valid CNIC or the passport of the member and the Proxy shall be furnished with the Proxy Form.
- Owners of the physical shares and of the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original valid Computerized National Identity Card (CNIC) or Passport, for identification purposes, at the time of attending the meeting.

3. Submission of Copies of Valid CNICs

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

4. Changes in Members Addresses

Members are requested to notify any change in their addresses immediately to the Company's Share Registrar.

5. For Election of Directors

Any person who seeks to contest the election of Directors shall file with the Company at its registered office, not later than fourteen (14) days before the above said meeting his/her intention to offer himself/herself for the election of the Directors in terms of Section 159(3) of the Companies Act, 2017 together with:

- Consent to act as director under Section 167(1) of the Act on a duly filled and signed FORM-28
- Declaration for eligibility to act as director of listed company and awareness of duties and powers of directors under the Companies Act, 2017, Memorandum and Articles of Association of the Company, Rule Book of Pakistan Stock Exchange Limited and the Listed Companies (Code of Corporate Governance) Regulations, 2017 and other relevant laws and regulations.
- Declaration of independence in terms of Section 166(2) of the Companies Act, 2017 as required under Listed Companies (Code of Corporate Governance) Regulations, 2017 (applicable only for person filing consent to act as independent director of the Company).
- A detailed profile along with office address for placement on the Company's website
- Detail of other directorship and offices held
- Copy of valid CNIC (in case of Pakistan national) / Passport (in case of foreign national), and NTN & Folio No./CDC Investors Account No./CDC Sub-Account No (applicable for person filing consent for the first time).

Notice of Annual General Meeting

6. E-Dividend

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar, at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.

7. Deduction of Income Tax under Section 150 of the Income Tax Ordinance, 2001

Pursuant to the Finance Act, 2018, effective July 01, 2018, the rate of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001, from payment of dividend to a NON-FILER of income tax return is prescribed as 20% and for FILER of Tax Returns as 15%. List of Filers is available at Federal Board of Revenue's (FBR) website: <http://www.fbr.gov.pk>. Members are therefore advised to update their tax FILER status latest by October 11, 2018.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

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

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

The required information must reach our Share Registrar by the close of business (5:00 p.m.) on October 11, 2018; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

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

The information received within the above specified time would enable the Company to deduct income tax at the applicable rates from the payment of dividend if announced by the Company on October 18, 2018.

Members seeking exemption from deduction of income tax or deduction at a reduced rate under the relevant provisions of the Income Tax Ordinance, 2001, are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be, latest by October 11, 2018.

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

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

8. Unclaimed Dividend/Shares

Shareholders, who by any reason, could not claim their dividend/shares, if any, are advised to contact our Share Registrar CDC House-99B, Block 'B', S.M.C.H.S., main Shahrah-e-Faisal, Karachi-74000 to collect / enquire about their unclaimed dividend/shares, if any.

Notice of Annual General Meeting

In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.

9. Postal Ballot/E-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018, for the purpose of election of directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot i.e. by post or e-voting, in the manner and subject to conditions contained in aforesaid regulations.

10. Video-link Facility

If the members holding ten percent of the total paid up capital or such other percentage of the paid up capital as may be specified by the Commission, are resident in any other city, the company shall provide the facility of video-link to such members for attending annual general meeting of the company, if so required by such members in writing to the company at least seven days (7) before the date of the meeting.

Consent for Video-link Facility

I/We, of being a member of National Foods Limited holder of Ordinary Share(s) as per Register Folio No. _____ hereby opt for participation in the Annual General Meeting to be held on October 18, 2018 or any adjourned meeting through video-link facility at _____ (Please insert name of the City)

Signature of member

11. Availability of Financial Statements and Reports on the Website:

The Annual Report of the Company for the year ended June 30, 2018 has been placed on the Company's website at the given link: <http://nfoods.com/contents/our-company/financials/>

12. Electronic Transmission of Financial Statements and Notice of Meeting

Members who desire to receive annual financial statements and notice of meeting for the financial year ending June 30, 2019 or onward through e-mail, instead of registered post/courier, may submit their consent on the FORM available for the purpose on Company's website.

Share Registrar

Central Depository Company of Pakistan Limited
Share Registrar Department
CDC House, Block B, SMCHS,
Main Shahrah-e-Faisal, Karachi-74400

Registered Office

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

STATEMENT UNDER SECTION 166 (3) OF THE COMPANIES ACT, 2017

This statement set out justification required concerning Agenda Item No. 5 (Election of Directors) to be transacted at the 47th Annual General Meeting.

Notice of Annual General Meeting

AGENDA ITEM NO.5 ELECTION OF DIRECTORS

In terms of Section 153 (1) of the Companies Act, 2017, the directors, at their meeting held September 06, 2018, have fixed the number of elected directors at Seven (7) to be elected at the Annual General Meeting ("AGM") for a period of three years.

Independent directors, required on the Board in terms of Regulation 6(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, shall be elected through the process of election of directors in terms of section 159 of the Companies Act, 2017 and Articles of Association of the Company.

As regards the justification for choosing independent directors in terms of Section 166(3) of the Act, the candidates for independent director should be eligible for election as director of the listed company and meet the criteria of independence laid down under section 166(2) of the Companies Act, 2017.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement set out all the material facts concerning Special Business under Agenda Item No. 6, 7 8 and 9, to be transacted at the 47th Annual General Meeting.

AGENDA ITEM NO. 6 ISSUE OF BONUS SHARES BY CAPITALISATION OF FREE RESERVES

The Board of Directors in their meeting held on September 06, 2018, have recommended capitalization of a sum of Rs. 103,606,856/- out of free reserves of the Company for issue of 20% bonus shares. The directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves.

The Directors of the Company have not, direct or indirect interest in this special business, except to the extent of their entitlements of bonus shares and their relatives who are also shareholders of the Company.

AGENDA ITEM NO. 7 AMENDMENTS IN THE MEMORANDUM OF ASSOCIATION

The Board of Directors of the Company in their meeting held on September 6, 2018 proposed to increase authorized capital of the Company from Rs. 1 billion to Rs. 5 billion by creating 800 million Ordinary shares of Rs. 5/- each. The principle purpose of this increase is to accommodate any increase in paid up capital of the company in the future. Comparison of existing and proposed clause V of the Memorandum of Association, is provided below:

MEMORANDUM OF ASSOCIATION	
Existing Clause V	Proposed Clause V
The Authorised Capital of the Company is Rs. 1,000,000,000/- (Rupees One billion) divided into 200,000,000 Ordinary Shares of Rs. 5/- each, with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its share or any of them in accordance with the provisions of the Companies Act, 2017.	The Authorized Capital of the Company is Rs. 5,000,000,000/- (Rupees Five Billion) divided into 1,000,000,000 (One Billion) Ordinary Shares of Rs. 5/- each, with power to increase or reduce as the Company may think fit. The Company may subdivide or consolidate its shares or any of them in accordance with the provisions of the Companies Act, 2017.

Notice of Annual General Meeting

Statement of Directors pursuant to SRO 423 of 2018 dated April 03, 2018

The Directors have duly given a statement, as required under Para A.3(iii) of the aforesaid SRO, that the proposed alterations are in line with the applicable provisions of the law and regulatory framework

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

AGENDA ITEM NO. 8 SPECIAL RESOLUTION – APPROVAL OF TENANCY AGREEMENT WITH ATC

The company signed a Memorandum of Understanding (MoU) on September 29, 2017, with ATC Holdings (Private) Limited (ATC) (Formerly: Associated Textile Consultants (Private) Limited), an associated company, for provision of office space to ATC in the premises of registered office of the Company at 12/CL-6, Claremont Road, Civil Lines, Karachi.

As the majority of directors were interested in the arrangement due to their common directorship and shareholding, the Board of Directors of the Company in their meeting held on February 23, 2018, authorized the Chief Executive of the Company to enter and execute a tenancy agreement, based on terms and conditions prevalent in the market on an arm's length basis, with ATC retrospectively effective from the date of MoU subject to the approval of shareholders the Company.

Accordingly, the shareholders are requested to approve tenancy agreement by way of special resolution to be passed in terms of Section 208 of the Companies Act, 2017 read with Section 207 of the Act and Regulation 15(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

Inspection: The draft tenancy agreement relating to special business can be inspected by the shareholders from the date of issuance of this notice till the date of meeting at the registered office of the Company during usual business hours from Monday to Friday (9.00 a.m. – 5.00 p.m.).

Disclosure of Interest of Directors: Mr. Abdul Majeed, Mr. Abrar Hasan and Mr. Zahid Majeed are interested in the agenda to the extent of their common directorships and/or their shareholding in ATC and Mrs. Noreen Hasan due to interest of his spouse.

AGENDA ITEM NO. 9 ORDINARY RESOLUTIONS – TRANSACTIONS WITH RELATED PARTIES

(a) Ratification and approval of transactions with related parties carried out during the financial year ended June 30, 2018

The company carries out transactions with its related parties on an arm's length basis, as per the approved policy with respect to 'transactions with related parties', in the normal course of business. All transactions entered into with related parties require the approval of the Board Audit Committee of the Company, which is chaired by an independent director of the Company. Upon the recommendation of the Board Audit Committee, such transactions are placed before the Board of Directors for their approval. However, in terms of Regulation 15(1) of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Code) approval of shareholders is required for such transactions with related parties in which majority of directors of the company are interested. The Companies Act, 2017 (the Act) also requires approval of shareholders on the matters where majority of directors are interested.

Notice of Annual General Meeting

In view of the above, following transactions carried out in normal course of business on an arms' length basis with related parties during the financial year ended June 30, 2018, are being placed before the shareholders for their ratification and approval.

Name	Relationship	Nature of Transaction	Amount in Rupees
National Foods DMCC	Subsidiary	Net sales	1,192,150,548
ATC Holdings (Private) Limited (ATC) (Formerly: Associated Textile Consultants (Private) Limited)	Parent Company	Rent Expense	2,261,952
ATC Holdings (Private) Limited (ATC) (Formerly: Associated Textile Consultants (Private) Limited)	Parent Company	Rental Income	6,741,484

(b) and (c) Authorization for the Board of Directors to approve the related party transactions during the financial year ending June 30, 2019 and till next Annual General Meeting

The Company is and shall be conducting transactions with its related parties during the financial year ending June 30, 2019 and subsequently, on arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business.

The related parties transactions in which majority of Directors are interested due to their common directorship and/or shareholding, therefore necessitate approval of shareholders. Accordingly, approval of shareholders is being sought to authorize the Board of Directors of the Company to approve all transactions carried out and to be carried out with such related parties during the financial year ending June 30, 2019 and till next Annual General Meeting, which transactions shall be deemed to be approved by the Shareholders.

The nature and scope of such related party transactions is explained above in the statement of Agenda Item No. 9(a). The related party transactions conducted during financial year ending June 30, 2019, shall then be placed before the shareholders in the next AGM for their formal approval/ratification.

Disclosure of Interest of Directors

Mr. Abdul Majeed, Mr. Abrar Hasan and Mr. Zahid Majeed are interested in the agenda to the extent of their common directorships and/or their shareholding in respective related parties and Mrs. Noreen Hasan due to interest of his spouse.

Dividend Mandate

CDC/RTA/NATF/Letter/17
Date _____

Folio No. _____
Name of Shareholder
F/H Name
Address

Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

Details of Shareholder	
Name of shareholder	
Folio / CDS Account No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK _____ (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's name	
Branch name and address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
_____ Signature of shareholder	

You are requested to kindly send us photocopy of this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at our address, Share Registrar Services, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Mian Shahrah-e-Faisal, Karachi. 74400, Pakistan.

Regards,

Share Registrar Department
Central Depository Company of Pakistan Limited
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.

Dividend Mandate

Letter format for CDS Shareholders

CDC/RTA/NATF/Letter/17
Date _____

CDS Account No. _____
Name of Shareholder
F/H Name
Address

Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank accounts of entitled shareholder as designated by them. In pursuance of the direction given by Securities and Exchange Commission of Pakistan (SECP), kindly immediately contact your relevant CDC Participant/CDC Investor Account Services Department and provide them your bank mandate information including International Bank Account Number (IBAN) which is now mandatory for all cash dividend payments.

In order to comply with regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide requisite bank mandate information to your respective Participant/CDC Investor Account Services Department immediately.

Regards,

Share Registrar Department
M/s. Central Depository Company of Pakistan Limited,
Share Registrar: National Foods Limited

Note: This letter is being computer generated and does not require any signature.

Glossary

ATL:	Above the Line
APLAC:	Asian Pacific Laboratory Accreditation Cooperation
BTL:	Below the Line
CEO:	Chief Executive Officer
CSR:	Corporate Social Responsibility
DDS:	Door to Door Service
DMCC:	Dubai Multi Commodities Centre
FSSC:	Food Safety System Certification
HACCP:	Hazard Analysis and Critical Control Points
HMA:	Halal Monitoring Authority
HR:	Human Resource
ID:	International Division
ISO:	International Standard Organisation
NFL:	National Foods Limited
PNAC:	Pakistan National Accreditation Council
PR:	Purchase Requisition
RDP:	Rural Development Programs
SAP:	System, Applications and Products in data processing
SIP:	Sales Incentive Plan
SKU:	Stock Keeping Units
SnOP:	Sales and Operations Planning
TVC:	Television Commercial
UNICEF:	United Nations International Children's Emergency Fund

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- سین آن براڈ لائچ کی گئی جس میں تمام صارفین تک صحیح طرح پیغام پہنچانے کے لئے اطلاعات کی ترسیل کی مجموعی مارکیٹنگ حکمت عملی اختیار کی گئی۔ صارفین کو اس بارے میں آگاہ کرنے کے لئے تمام بڑے سینیما گھر، ریڈیو، کیبل ٹی وی چینل Q2 اور Q3 میں بھی مکمل ڈیجیٹل مہم چلائی گئی۔ جس کے لئے نوعمروں کے پسندیدہ ریپ علی گل پیر کی خدمات حاصل کی گئیں اور ایک خصوصی "سین آن ریپ انٹھم" تیار کی گئی جس میں براڈ کی بنیادی خاصیت "کنٹرول سنبھال لینا" کو نمایاں کیا گیا۔

ہمارے لوگ:

- نیشنل فوڈز میں ہماری توجہ تنوع اور شمولیت، صلاحیت بڑھانے، قابلیت بڑھانے، محفوظ اور صحت مند کام کا ماحول فراہم کرنے میں، بہتر پالیسیز اور طریقہ کار، آزادی اظہار اور خیالات، تمام کام کرنے والوں کو آپس میں اچھے ماحول میں گفتگو کے مواقع فراہم کرنے پر رہی۔ 2018 میں ہم نے اس بات پر زور رکھا کہ طویل مدت میں بہترین تخلیقات، ذہنی صلاحیت کو بڑھانے، عملی استعداد کاری کو بڑھانے کے لئے ذاتی اور کاروباری صلاحیتوں کو بڑھانے کے لئے سرمایہ کاری کرتے رہیں گے۔

- سیلز اور ترسیل نے مجموعی نظام میں تنظیم نو کے ذریعے ہم چاہتے ہیں کہ ہمارے لوگ منفرد سوچیں اور عمل کریں، ان کو مزید بااختیار بنائیں، ان کو نئے تجربات کے مواقع فراہم کریں اور حوصلہ افزائی کریں کہ وہ سوچیں اور فعال طریقے سے خود مختار ہونے کا مظاہرہ کریں۔ انڈسٹری کی عملی صلاحیتوں کو بڑھانے اور بہتر قابلیتوں کی خدمات حاصل کرنے کے لئے نیشنل فوڈز نے اپنے مینجمنٹ ٹرینی پروگرام جس کو اب 'Trailblazers' کہا جاتا ہے کو بہتر بنا کر پھر سے شروع کیا۔ 3000 میں سے 36 امیدواروں کو تجزیاتی ٹیسٹ، سائیکومیٹرک ٹیسٹنگ، بزنس کیس اسٹڈی کا تجزیہ اور گروپ ڈسکشن میں حصہ، وقت کی مینجمنٹ، تجزیاتی، منصوبہ بندی، حکمت عملی کی صلاحیت، تخلیقی مشورے، گفتگو میں اعتماد اور پریزیٹیشن کی صلاحیتوں کی جانچ کے بعد منتخب کیا گیا۔

- نیشنل فوڈز نے حال ہی میں ڈے کیئر کی سہولت کا آغاز کیا جہاں پیشہ وارانہ تربیت یافتہ ٹینیز / آیا موجود ہیں۔ اس سہولت کو بناتے ہوئے امن گھر پروگرام میں نیشنل فوڈز خدا کی بستی جو کہ معاشی طور پر کراچی کا ایک پسماندہ علاقہ ہے کے بچوں کو روزانہ کی بنیاد پر صاف اور معیاری کھانا فراہم کرتا ہے۔

- ہم نے Reckit Beckiser (RB) کے ساتھ پروجیکٹ HOPE کے لئے پارٹنرشپ کی۔ جہاں ڈائریا سے بچاؤ کے متعلق آگاہی فراہم کی گئی جبکہ (صحت آپس) کو متعلقہ چیزوں سے مزین کر کے باسکٹ بھی فروخت کرنے کے لئے فراہم کی گئی۔ باسکٹ میں نیشنل، RB، بٹرفلائی اور شیلڈ کی جانب سے صحت اور صفائی سے متعلق چیزیں شامل کی گئیں۔ 2018 کے دوران پنجاب کے 25000 گھروں تک اس پروگرام کے پیغام کو پہنچایا گیا۔

- پروڈکشن میں کام کرنے والوں کو دو جوہات کی بنا پر خصوصی اہمیت دی گئی، کام کرنے والوں کی صحت، بہت ضروری ہے اور مصنوعات کے معیار پر کوئی سمجھوتہ نہیں کیا جائے۔ لہذا OHSAS کی ضرورت کے مطابق پروڈکشن میں کام کرنے والے مستقل اور کانٹریکٹ ملازمین کا باقاعدہ ECG, SGPT, CBC, سینے کا ایکسرے اور ہیپاٹائٹس کا ٹیسٹ کروایا جاتا ہے۔

- نیشنل فوڈز اپنے شراکت داروں کی زندگی کو بہتر بنانے کا ایک عزم رکھتا ہے سب سے بڑھ کر میزبان کمیونٹیز۔

پورے سال کارپوریٹ سوشل رسپانسیبیلٹی (CSR) پروگرام کے تحت خواتین کو بااختیار بنانے، صحت اور غذائیت اور تعلیم جس میں بہتری ہمارا اولین مقصد ہے کہ لئے 13.2 ملین پاکستانی روپے (نقد رقم اور دوسری ذرائع سے) کے ذریعے اپنا حصہ ڈالا۔

کاروباری اخلاقیات:

کمپنی کے کاروبار کے لیے ابتداء سے ہی کمپنی کی ایک پالیسی ہے کہ کمپنی اور اس کے تمام ملازمین اعلیٰ ترین اخلاقی معیار برقرار رکھیں گے۔ ہمارے ضابطہ اخلاق کی تشکیل اور تمام قواعد ہمارے کمپنی کے کلچر کا اٹوٹ حصہ ہیں جو یہ بتاتے کہ ہم کون ہیں اور کس طرح کام کرتے ہیں۔ ہماری کمپنی کے قواعد کاروبار کے اصولوں اور کمپنی کی ذمہ داریاں نمایاں کرتے ہیں کہ ہمارے ملازمین کی ذمہ داریاں ان کی کمپنی کی طرح اخلاقی رویہ اور بہترین کارپوریٹ کے ذریعہ اثر انتظامی امور نیشنل فوڈز کا حصہ ہیں۔

اصولی خطرات اور غیر یقینی صورتحال:

ملک کے مالیاتی مرکز کراچی میں قانون سازی کی صورتحال میں نمایاں بہتری کی وجہ سے سارا سال مقامی کاروبار اور سیاسی صورتحال مستحکم رہی جس میں نیشنل فوڈز کی سب سے بڑی پیداواری سہولیات بھی شامل ہیں۔ اب یہ دیکھنا باقی ہے کہ عام انتخابات کے نتیجے میں اور کسی نئی حکومت کی منتقلی کے نتیجے میں بھی استحکام اسی طرح جاری رہے، البتہ ابتدائی صورتحال امید افزا نظر آ رہی ہے۔ سلامتی اور حفاظتی خطرات کو معتبر اداروں کے ذریعے مناسب انٹورنس اور ایک مضبوط اندرونی سیکورٹی ٹیم کے ذریعے کم کیا جاسکتا ہے۔

نیشنل فوڈز کے مسابقتی ماحول میں ہر گزرتے دن کے ساتھ اضافہ ہو رہا ہے۔ جس میں مختلف برانڈڈ اور غیر برانڈڈ مصنوعات سہولت بھرے کھانوں کے سلسلے میں کمپنی کے شیر پر اثر انداز ہو رہی ہیں، البتہ کمپنی نے مایویز اور نمکین اسٹیکس میں اپنی رینج کو وسعت دیتے ہوئے کامیابی کے راستے پر اپنا سفر جاری رکھا ہوا ہے اور ان دونوں شعبوں میں پہلے سال میں ہی کافی بہتری نظر آئی ہے۔ برآمدی مارکیٹوں میں سخت مقابلے کی وجہ سے برآمدات کی آمدنی میں تھوڑی کمی واقع ہوئی ہے، اگرچہ امید ہے کہ اس سال نئی ٹیم کی تعیناتی کی بدولت اور سازگار حکومتی پالیسیوں کے باعث حالات میں نمایاں تبدیلی لائی جاسکتی ہے۔

فوڈ سیکیورٹی کی سہولت کی بنیاد پر نیشنل فوڈز کا مجموعی نفع قلیدی اور درآمدی اشیاء پر منحصر ہے۔ سیلاب اور موسمی تبدیلی کی وجہ سے قیمتوں میں غیر یقینی صورتحال ہو جاتی ہے، جو کہ پچھلے کئی سالوں میں بہت بڑھ گیا ہے۔ مقامی ذرائع میں کمی کی وجہ سے برآمدات میں اضافہ ہو رہا ہے جس سے خام مال کی قیمتوں میں کافی فرق آیا ہے امید ہے کہ قیمتوں کے اتار چڑھاؤ کی پابندی سے مسابقتی ماحول میں بہترین مواقع حاصل ہو سکیں گے۔

مالی سال کے دوسرے نصف کے دوران زر مبادلہ کی شرح میں کافی کمی متوقع ہے جس سے کمپنی کے مجموعی نفع میں کمی لائی جاسکتی ہے اور اس کی وجہ سے ٹماٹو پیسٹ اور آلو بخارے کی قیمتیں بہت بہتر ہوئی ہیں، تاہم برآمدات اور درآمدات کے بہتر توازن سے کمپنی غیر ملکی کرنسی کے اتار چڑھاؤ کو قابو میں رکھتی ہے۔

کاروباری تسلسل اور کسی بھی آفت کی بحالی کی منصوبہ بندی کے لیے (DRP) کے طریقہ کار موجود ہیں جو کمپنی کی پیداوار اور فروخت کے عمل میں کسی قسم کی رکاوٹ نہیں آنے دیتے۔ DRP کی تمام توجہ کاروباری پہلوؤں پر ہوتی ہے خاص طور پر IT اور EPR کے ماحول پر جس سے کسی کام یا آسانی ہو جاتے ہیں۔ DRP لیڈ شرینگ کمپنی اور قلیدی ٹیم کے ارکان کی ذمہ داری ہے کہ کاروباری رکاوٹیں آنے کی صورت میں فوری ردعمل دیتے ہوئے کام کو ہموار بنانے کی یقین دہانی کروائیں۔

کمپنی کے مالیاتی معاملات میں زیادہ سے زیادہ مالی استحکام اور کم لاگت کو یقینی بنانے کے لیے قرضوں اور مساواتی حکمت عملی موجود ہے تاہم کمپنی اضافی قرضوں کی وجہ سے منافع کی شرح میں منفی تبدیلی کی وجہ سے حساسیت کا شکار ہے۔ کمپنی ان مسائل پر مختلف مالی اختیارات کے طریقوں پر عمل کرتے ہوئے قابو پاتی ہے، ان اختیارات میں رنگ فنانس، money market loans اور طویل مدتی قرضے شامل ہیں۔ اس کے علاوہ کمپنی برآمدات کے خلاف رعایتی LTFF اور ERF سے بھی فائدہ حاصل کر رہی ہے۔

کمپنی کی اپنی ایک قانونی اور رپورٹنگ ٹیم بھی ہے جو ہمہ وقت کمپنی کے کارپوریٹ قانونی فریم ورک اور کمپنی کے لیے لاگو مالی رپورٹنگ کے فریم ورک کے مطابق بیک وقت اس کی تعمیل کو یقینی بنانے کے لیے اپنا کردار ادا کرتی ہے۔ ایکسٹرنل قانونی اور ٹیکس کے مشوروں کے لیے ماہر لوگوں کی ٹیم بھی ہمہ وقت موجود ہے جو بوقت ضرورت اپنے قیمتی مشوروں سے کمپنی کی رہنمائی کرتی ہے۔

نیشنل ایکس چیکر میں شراکت

سال کے دوران نیشنل ایکس چیکر میں مزید اضافہ ہوا اور کمپنی نے تقریباً 4,090 ملین روپے (2017: 3,686 ملین روپے) گورنمنٹ اور اس کی کئی ایجنسیز کو مختلف گورنمنٹ لیویز کی مد میں ادا کیے، جس میں کسٹم ڈیوٹی، سیلز ٹیکس اور انکم ٹیکس شامل ہیں۔ اس کے علاوہ پروڈکٹس کی برآمدات سے فارن ایکسچینج 1,126 (2017: 949 ملین روپے) کی پیداوار بھی ہوئی جو قومی معیشت میں بھی ہماری شراکت کی عکاسی کرتی ہے۔

ڈائریکٹرز رپورٹ

معزز حصص داران

نیشنل فوڈز لمیٹڈ کے ڈائریکٹرز باسمرٹ 30 جون 2018 کو ختم ہونے والے سال کی سالانہ رپورٹ کمپنی کے مالیاتی نتائج کے ساتھ، جس میں دونوں علیحدہ اور مجموعی جانچ پڑتال شدہ مالیاتی تخمینہ شامل ہے، پیش کر رہے ہیں۔

کاروباری کارکردگی کا جائزہ

عملی اور مالیاتی کارکردگی:

کمپنی نے اپنے بنیادی کاروبار میں بہترین کارکردگی پیش کی اور خالص فروخت کی شرح کو ڈبل ڈیبلت پیداوار تک پہنچا دیا۔ کلیدی مقاصد حکمت عملی کے ذریعے مجموعی منافع میں نمایاں ترقی ہوئی، مثال کے طور پر آمدنی اور لاگت میں بہتری (Revenue and Cost Transformation)۔ طویل مدتی مقاصد کے پیش نظر کمپنی نے برانڈ کی تعمیر، بنیادی ڈھانچے، سیلز میں تبدیلی کے اقدامات اور تنظیمی صلاحیت میں اضافے کے لئے سرمایہ کاری کی۔ ان اقدامات کے ذریعے جہاں قلیل مدت میں منافع متاثر ہوا وہیں طویل مدت میں پورٹ فولیو کے تنوع میں عمل آگیز ثابت ہوگا۔

نئی اشیاء مثلاً اسٹیکس اور مایونیز (Snacks and Mayonnaise) نے منصوبے کے مطابق پیداواری ترقی دکھائی۔ ان مصنوعات کو صارفین کی جانب سے سراہا گیا اور کمپنی اپنے پورٹ فولیو کے تنوع کو طویل مدت تک فعال رکھنے کے لئے ان اشیاء پر سرمایہ کاری کرتی رہے گی۔

بین الاقوامی ڈویژن کو جغرافیائی سیاست اور معاشی حالات کے پیش نظر بالخصوص جی سی سی (GCC) ریجن میں سست روی کا سامنا رہا۔ A1 کیش اینڈ کیوری برنس میں اسٹریٹجک سرمایہ کاری گروپ کے بین الاقوامی آپریشنز اور منافع کو بڑھانے میں مضبوط ستون بنا۔

اس مالی سال میں گروپ کے اہم مالیاتی نمبرز کا خلاصہ درج ذیل ہے۔

رقم پاکستانی روپے ملین میں

	گروپ		بنیادی کاروبار		اے ون بیگز اینڈ سپلائرز انکارپوریشن*	
	FY17	FY18	تبدیلی	FY17	FY18	تبدیلی
خالص فروخت	16,782	21,592	29%	15,131	16,500	9%
مجموعی منافع	5,399	6,704	24%	5,111	5,825	14%
بطور خالص فروخت کی شرح	32.17%	31.05%	-1.12%	33.78%	35.30%	1.52%
عملی منافع	1,424	1,369	-4%	1,339	1,242	-7%
بطور خالص فروخت کی شرح	8.48%	6.34%	-2.14%	8.85%	7.52%	-1.32%
خالص منافع بعد از ٹیکس	973	1,027	6%	925	979	6%
بطور خالص فروخت کی شرح	5.80%	4.76%	-1.04%	6.11%	5.93%	-0.18%
آمدنی پر حصص (روپے)	9.2	9.7		8.7	9.3	

* 5 ماہ کی مدت کے نتائج 01 فروری سے لے کر 30 جون 2017 تک۔

مارکیٹنگ اور تشہیر:

انتہائی مسابقتی مارکیٹ میں جارحانہ مارکیٹنگ اور تشہیری مہم کی بدولت کمپنی اپنا حجم برقرار رکھنے میں کامیاب رہی، بالخصوص عید کے سیزن میں۔ ساتھ ہی مختلف زائد قیمت مصنوعات میں تبدیلی اور ایک مونو نرغ کی حکمت عملی اختیار کی گئی جس نے کمپنی کے مشکل حالات میں بھی ٹاپ لائن کو فروغ دیا۔

اہم تشہیری سرگرمیاں جو کہ کمپنی کو اس کے مطلوبہ ہدف تک پہنچانے میں معاون رہیں وہ درج ذیل ہیں:

- مقامی جدید تجارت (Local Modern trade LMT) اور عمومی تجارت (General Trade GT) کے ذریعوں میں ریسیپی کیلنگری کے لئے چاروں سہ ماہیوں میں تشہیری سرگرمیوں پر عمل درآمد کیا گیا۔ جبکہ "لذت بھری سہولت" ہماری اشتہاری مہم کی پہچان بنا رہا جس میں سہولت اور نیشنل ریسیپی مکز کا ہمیشہ کا بہترین ڈائنڈ توجہ کا مرکز رہا۔
- مشہور زمانہ نیشنل کا پاکستان اپنے پانچویں سیزن میں داخل ہو گیا جہاں شیف سعادت مشہور موسیقار شجاع حیدر کے ساتھ نئی جگہوں اور منفرد مقامی کھانوں کی کھوج لگاتے ہیں۔ جس کے دیکھنے والوں کی تعداد 80 لاکھ سے تجاوز کر گئی ہے جو کہ ایک اہم سنگ میل ہے۔
- نیشنل کچپ ضروری۔ ایک موضوعاتی مہم ہے جس میں کچپ کھانے کے مختلف مواقع کو اجاگر کیا گیا، جس نے جولائی۔ اگست کی خریداری سائیکل میں کامیابی کے ساتھ اس سال بھی گذشتہ سالوں کی طرح کامیابی کا سفر جاری رکھا۔
- بچوں کے لئے تمام اہم شہروں کے اسکولوں میں سرگرمیاں کی گئیں جس میں 1105 اسکولوں میں 36,000 سے زائد طالب علموں نے ان سرگرمیوں میں حصہ لیا، جو کہ کچپ کیلنگری پر سب سے زیادہ اثر انداز ہوتے ہیں۔ ٹیگ لائن "بھوک ہو پوری" نیشنل کچپ ضروری" کو استعمال کیا گیا جس کو اس نظر سے کے تحت بنایا گیا تھا کہ نئے نیشنل کچپ کے ساتھ زیادہ شوق سے اور زیادہ مقدار میں کھاتے ہیں۔
- نیشنل ڈیزرٹ نے "پاکستانی شیفز ایٹ ہوم" کے ساتھ اشتراک کیا جو کہ ایک مختلف آراء رکھنے والوں کا مشہور فیس بک گروپ ہے۔ جہاں شرکاء نے نیشنل پاؤڈر ڈیزرٹ کی ذریعے پھر سے نئے نئے ڈیزرٹ تیار کئے۔ جیتنے والوں نے مقبول گیم شو "جیو کھیلو پاکستان" کے پاسسز حاصل کئے۔ جہاں نیشنل ڈیزرٹ کی 3 ہفتے تک تشہیر کی گئی۔
- مایونیز لائو کو بہتر بنانے کے لئے، ایک 360۔ ڈگری منصوبہ نافذ کیا گیا (ٹی وی سی، ڈیجیٹل، ریڈیو، پرنٹ) جو کہ اکتوبر۔ نومبر کی خریداری سائیکل پر اثر انداز ہونے کے ساتھ ہی پورٹ فولیو میں بھی بہترین اضافہ ثابت ہوا۔
- موسمی ضروریات کا فائدہ اٹھاتے ہوئے اور اچار کیلنگری کی کارکردگی کو مزید بہتر بنانے کے لئے بھرپور طریقے سے دو میڈیا مہم ٹی وی اور ریڈیو پر اچار کا موضوع "چٹاروں کی چھکا چھک" کے نام سے چلائی گئیں۔ جس نے رمضان سے پہلے کی خریداری کے سائیکل پر اچھا اثر ڈالا۔
- 2018 میں کراچی میں کھانوں کا میلہ (Karachi Eat Festival 2018) منعقد کیا گیا جس میں مشہور زمانہ "نیشنل پاکستان" کے اسٹال پر مختلف اہم اور بہترین سرگرمیاں کی گئیں۔ یہ فیسٹول کا سب سے جدید طرز کا اسٹال تھا جہاں عوام نے پر جوش طریقے سے "نیشنل پاکستان" نعرہ لگایا اور فری گفٹس حاصل کیے۔
- نیشنل میڈیاز کی پلٹ فارم کو پھر سے شروع کیا گیا۔ جس میں 9 ویڈیوز پیش کی گئیں جن میں بہترین شیف عمارہ نعمان نے نیشنل کی مصنوعات کو استعمال کرتے ہوئے مزید رکھانے تیار کئے۔ اس کو مزید بہتر بناتے ہوئے فوٹو گرافی کے لئے ایس۔ ایم شجاع کی خدمات حاصل کی گئی۔ جس کے نتیجے میں یہ مہم پیش ٹیگ #Ramadanmadeeasy رمضان میں سب سے زیادہ ٹریڈ کرنے والی مہم بن گئی۔
- نیشنل فوڈز سالوں سے مصالحوں کی وی کے ساتھ منسلک ہے۔ مصالحوں کو ڈیجیٹل فوڈز کے لئے پلٹ فارم کا کام کرتا ہے اور ایسے مواقع فراہم کرتا ہے کہ نیشنل فوڈز اپنی مصنوعات استعمال کرنے والوں کے لئے مزے اور مستی سے بھرپور سرگرمیاں کر سکے۔ نیشنل فوڈز اپنی مصنوعات کو نمایاں کرنے کے ساتھ ہی اپنے مزید رکھانے کے مینو کے ذریعے ان کے استعمال کا طریقہ بھی بتاتا ہے۔

چیئر مین کی جائزاتی رپورٹ

بورڈ آف ڈائریکٹرز کے توسط سے میں، 30 جون 2018 میں ختم ہونے والے سال کے حوالے سے آپ کی کمپنی کے اہم مالی نتائج اور بورڈ کی کارکردگی کا جائزہ آپ سے شیئر کرنا چاہوں گا۔ آپریشنل اور اسٹریٹجک ترجیحات پر جاری توجہ کے ذریعے کمپنی نے پچھلے سال 29bn کی کل آمدنی کے بعد 1bn کا سالانہ منافع حاصل کیا۔

ہمیشہ کی طرح ہماری ہیلتھ اور پروڈکشن کے لیول اُمیدوں سے کہیں بڑھ کر بہتر رہے، مگر افراط زر، روپے کی قدر میں کمی کی وجہ سے اور A1 کا حصہ بڑھانا، گروپ پر مجموعی طور پر اثر انداز ہوئے ہیں۔ آپ کی کمپنی مینوفیکچرنگ کے عمل کو مستقل رکھتے ہوئے، نئی ترجیحات اور جدت کے ساتھ کارکردگی اور موثر قیمت کے اقدامات کرتے ہوئے شیئر ہولڈرز کی ویلیو بڑھانے کی ذمہ دار ہے۔

بورڈ کی کارکردگی پورے سال میں بہت عمدہ رہی اس شراکت کے ذریعے نہ صرف کمپنی نے اپنے اہداف کو حاصل کیا بلکہ معیار کی نئی بلند یوں کو عبور کرتے ہوئے ایک نئی تاریخ رقم کی۔ اپنی ساکھ کو برقرار رکھتے ہوئے بہترین حکمت عملی کو اپناتے ہوئے شیئر ہولڈرز کو بھرپور منافع بھی دیا گیا۔

مختلف تجربوں کے حامل ڈائریکٹرز پر مشتمل ایک بورڈ بھی تشکیل یا گیا ہے۔ بورڈ کی بنیادی ذمہ داری کمپنی کو ایک نئی سمت فراہم کرنا اور مینجمنٹ کو سپر وائیز کرنا ہے بورڈ اپنی ذمہ داریاں کمپنی کے ایکٹ 2017 اور کوڈ آف کوآپریٹ 2012 کے تحت ادا کر رہا ہے، جس میں مخصوص قسم کی پالیسیز، اندرونی مسائل کے حوالے سے سسٹم مختلف قسم کے مالیاتی بجٹ اور ان کے نتائج کے ساتھ ساتھ ان کی منظوری بھی شامل ہیں۔ 2017-18 میں بورڈ کی کارکردگی کا جائزہ لیا گیا جو کہ مجموعی طور پر تسلی بخش رہا، بورڈ کے ممبر نے بھی پورا سال اپنی حاضری کو یقینی بنانے میں اہم کردار ادا کیا۔

تشکیل دی گئی کمیٹیز نے بھی اپنا احسن طریقے سے اپنے فرائض کو انجام دیا۔ کوڈ آف کارپوریٹ گورننس 2012 کی ضرورت کے عین مطابق 2 کمیٹیاں HRRC کمیٹی اور آڈٹ کمیٹی تشکیل دی گئی۔ جس کی بدولت آڈٹ کمپنی نے بہت باریک بینی سے کمپنی کے مالیاتی اہداف کو پورا کرنے میں مدد فراہم کی اور ایک صحت مند مالیاتی حیثیت کو برقرار رکھا۔ HRRC کے اجلاس میں بہت اہم فیصلے کیے گئے جس میں سینئر مینجمنٹ پوزیشن کو برقرار رکھتے ہوئے نئے لوگوں کو آگے آنے کا موقع فراہم کیا گیا۔

ہم سوسائٹی اور کمیونٹی میں ہماری سرمایہ کاری کے لیے پُر عزم ہیں، جس کا ثبوت ہماری سی ایس آر سرگرمیاں ہیں جن پر ہم نے اس سال بھی کام کیا ہے۔ سماجی ذمہ دار ادارے کے طور پر ہم اپنے صنعتی فضلے کو کم سے کم کرنے کے طریقوں پر سوچ بچار کر رہے ہیں اور ماحول پر اس کے اثر کو کم کرنے کے لیے تمام اقدامات کر رہے ہیں۔

آخر میں، میں اپنے تمام شراکت داروں کا ممنون ہوں جو ہمارے اس سفر میں آج کی تاریخ تک ہمارے شانہ بشانہ ہیں اور باہمی ربط کے پیش نظر اُمید کرتا ہوں کہ آنے والے سالوں میں بھی ہمارا ساتھ مزید مضبوط ہوگا۔

A. Majeed
چیئر مین

Form of Proxy

I/We _____ of _____ being a member of National Foods Limited holding _____ ordinary shares as per Registered Folio No./CDC A/C No. (for members who have shares in CDS) _____ hereby appoint Mr./Mrs./Miss _____ of (full address) _____ or failing him/her Mr./Mrs./Miss _____ of (full address) _____

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and behalf at the 47th Annual General Meeting of the Company to be held on October 18, 2018 and/or any adjournment thereof.

As witness my/our hands seal this _____ day of _____ 2018.

Signed by _____ in the

1. Witness

Signature _____

Name: _____

Address: _____

CNIC No. _____

2. Witness

Signature _____

Name: _____

Address: _____

CNIC No. _____

Important:

- 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.
- This form should be signed by the Member or by his/her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
- 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.

Signature on
Rs. 5/-
Revenue Stamp

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

For CDC Account Holders/Corporate Entities:

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

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



National Foods Limited

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Civil Lines, Karachi.
Contact: +92 21 38402022
Website: www.nfoods.com